

For the Metropolitan Council meeting of August 13, 2008

ADVISORY INFORMATION

Date Prepared: July 31, 2008

Subject: Adopt 2009 Municipal Wastewater Charges and Rates

Proposed Action:

That the Metropolitan Council adopts the following rates and charges to be effective January 1, 2009:

- Municipal Wastewater Charge (annual) total of **\$161,322,000**,
- Service Availability Charge (SAC): **\$2,000** per household or Residential Equivalent Connection,
- Add-on Service Charge: **\$1.00** per thousand gallons,
- Industrial Strength Charge: **\$.152** per excess pound of TSS (total suspended solids),
- Industrial Strength Charge: **\$.076** per excess pound of COD (chemical oxygen demand),
- Standard (septage) Load Charge: **\$42.71** per thousand gallons,
- Holding Tank Load Charge: **\$2.41** per thousand gallons,
- Portable Toilet Waste Load Charge: **\$55.68**, per thousand gallons,
- Collar County Load Charge: **\$52.71** per thousand gallons,
- Strength component of Industrial Load Charge **\$.3110** per excess pound of TSS,
- Strength component of Industrial Load Charge **\$.1555** per excess pound of COD,
- Industrial Permit Fees as shown on Attachment A,
- Inflow & Infiltration (I/I) Surcharge Exceedance Rate: **\$365,000** per mgd,
- Encroachment Application Fee (per easement impacted): **\$500**, and
- Direct Connection Application Fee: **\$900**.

Summary of Committee Discussion / Questions:

Staff described the customer forum meetings and explained the rationale behind the proposed rates and charges.

CM Scherer asked that in the future, rates be shown to this committee in a consistent format of either dollars per thousand gallons or dollars per million gallons. The I/I surcharge rate is listed as \$365,000 per mgd – this is \$365 per thousand gallons per day (of excess peak flow).

CM Peterson asked how it was arrived at that \$1 million of operating reserves would be used in the 2009 budget and how much that \$1 million impacts the 4.9% increase in Municipal Wastewater Charges (MWC). Staff responded that consideration was given to 1) the availability of excess reserve for this budget and 2) the adverse impact to ratepayers if a bigger use of reserves was budgeted for 2009 but then subsequently had to be discontinued. The impact on the MWC increase is a little more than 1/2%. That is, if another \$1 million from the reserve was applied, only \$160.3 million would need to be raised from the MWC, and that increase would be reduced to 4.2%.

CM Peterson asked how much total revenue increases from 2008 to 2009 and how this compares to inflation. Staff responded that the total increase is about \$6 million, or 2.8%, which is close to the rate of inflation.

CM Scherer commented that some of the increase in the Municipal Wastewater charge is attributable to pay-as-you-go (PAYG) but that in long run, this will result in lower rates.

Motion to accept proposed action was made, seconded, and passed unanimously.

E Environment Committee

Meeting date: July 22, 2008

For the Metropolitan Council Meeting of August 13, 2008

ADVISORY INFORMATION

Date:	July 15, 2008
Subject:	Adopt 2009 Municipal Wastewater Charges and Rates
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:	Jason Willett, 651/602-1196
Division/Department:	MCES c/o William G. Moore, 651/602-1162

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Background

On May 13 and June 10, staff presented information to the Environment Committee on the 2009 preliminary budget and rates. In June, this information was shared with community customers at two municipal Customer Forums and with industrial customers at an Industrial Customer Forum. A combined total of 52 customers attended the three customer meetings. Others asked for the written materials or discussed it with Jason Willett on the phone. A summary of the questions and comments are attached.

As noted in the Proposed Action above, the revenue to be raised through Municipal Wastewater charges in 2009 is \$161,322,000, a 4.9% increase from 2008 aggregate charges. Total revenues and expenses increased only 2.8%. This increase complies with the Council's policy on rates and charges that charges should enable MCES to: meet wastewater regulatory requirements, implement MCES infrastructure rehabilitation and repair needs, and provide wastewater capacity for growth consistent with the Council's 2030 Regional Development Framework.

Industrial rates are based on a regional cost-of-service philosophy, the preliminary budget and formulas we have used for many years, with the exception that we have capped the increase on the holding tank load charge at 25%. The Infiltration/Inflow (I/I) Surcharge has been increased only by inflation. The Encroachment Application Fee has been changed to a fee per easement to better reflect our costs when multiple easements are impacted.

Staff will notify customer communities and businesses once these charges have been approved and the flow finalized. While the 2009 budget work is not complete or adopted, the MCES budget will be substantially constrained by the revenue anticipated from these rates and charges.

Rationale

- Wastewater service rates for 2009 need to be set well in advance to allow communities time to revise their ordinances and businesses time to revise their pricing structures.

Funding

The proposed 2009 “rate sheet” which includes a short description of these rates can be found on Attachment B. Attachment C provides a summary of the 2009 preliminary budget on which these rates are based and a comparison to the 2008 budget..

Known Support / Opposition

The public forums did not elicit statements of significant concern or opposition.

2009 Industrial Discharge Permit Fees

Quarterly Reporters (SIU>50 MGY)	\$5,250
Quarterly Reporters (SIU<50 MGY)	\$4,375
Semi-annual Reporters (SIU>10 MGY)	\$3,475
Semi-annual Reporters (SIU 5-10 MGY)	\$2,600
Semi-annual Reporters (SIU 2-5 MGY)	\$1,750
Semi-annual Reporters (SIU <2 MGY)	\$900
Semi-annual Reporters (Non-SIU)	\$900
Annual Reporters (Non-SIU > 1 MGY)	\$900
Annual Reporters (Non-SIU < 1 MGY)	\$575
Non Significant Categorical user (NSCIU)	\$575
Liquid Waste Hauler (> 1 MGY)	\$900
Liquid Waste Hauler (< 1 MGY)	\$575
Special Discharge Permit (quarterly reporter)	\$900
Special Discharge Permit (contingency/low impact)	\$575
General	\$50-500

SIU = Significant Industrial User - a federal designation.

Attachment B

Metropolitan Council Environmental Services' (MCES) 2009 Charges

1. **Municipal Wastewater Charge:** The charge by MCES to communities for sewer service treatment. All customer communities pay MCES an allocated portion of MCES Municipal Wastewater Charges based on the volume of wastewater treated. Most communities cover their own sewer costs by charging a higher “retail” rate to residents and businesses. Those rates are specific to each city.

2009 Municipal Wastewater Charges	
Total MCES Municipal Wastewater Charges in 2009 (Allocation to communities is based on total system flow)	\$161,322,000
Total preliminary system flow for 2009 charges: in million gallons (mg) (based on estimated flow for July 1, 2007 - June 30, 2008)	92,100 mg
Approximate rate per million gallons (preliminary)	\$1,751.60

2. **Municipal Service Availability Charge (SAC):** The service availability charge to communities is imposed by MCES for new connections or increased capacity demanded in the metropolitan wastewater system. A freestanding single-family residence is charged one SAC unit. Other types of buildings pay a prorated SAC fee, based on the estimated volume of wastewater they could generate.

2009 Service Availability Charges		
	<i>Discount</i>	<i>SAC Rate</i>
Base Unit Fee (Single-Family Dwelling):		\$2,000
Apartment (without individual laundry facilities)	20%	\$1,600
Multi-Dwelling Public Housing (without garbage disposals or dishwashers)	25%	\$1,500
Commercial: Base Unit Fee times number of residential equivalent connections (RECs) where the number of RECs is based on an estimated <i>maximum</i> potential flow.		
Industrial: Base unit fee times number of RECs where the number of RECs is based on <i>maximum</i> normal process flow volume.		

3. **Industrial Strength Charge:** Strength charges are fees to connected industries for the additional treatment costs caused by industrial wastewater that has more pollutants than typical residential wastewater. Industrial strength charges are based on the concentration of pollutants (as measured by Total Suspended Solids (TSS) and Chemical Oxygen Demand (COD)) as well as the volume of the discharge. Industrial Users are also subject to normal sewer charges and SAC from their city.

2009 Industrial Strength Charges:	
Cost per excess pound of Total Suspended Solids (TSS)	\$0.152
Cost per excess pound of Chemical Oxygen Demand (COD)	\$0.076

Continued

4. **Liquid Waste Load Charge:** Liquid waste haulers pay MCES for septage, leachate and other hauled wastes that are discharged (at approved MCES disposal sites). The load charge combines a strength charge component, a volume component that is based on the MCES municipal wastewater rate and a special facilities component for liquid waste discharge sites.

2009 Liquid Waste Load Charges (per 1,000 gallons)	
Standard Load Charge	\$42.71
Portable Toilet Waste Load Charge	\$55.68
Holding Tank Load Charge	\$2.41
Collar County Load Charge	\$52.71 (for counties adjacent to the metro Region)
Industrial Load Charge (\$ per excess lb.)	\$.311 TSS and .1555 COD plus \$2.41/1,000 gal volume charge (plus \$10/1000g service fee for loads generated out of metropolitan region)

5. **Industrial Discharge Permit Fee:** 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.

2009 Industrial Discharge Permit Fees:								
Volume (MGY)	>50 m.	<50 m.	>10 m.	5–10 m.	2–5 m.	<2 m.	>1 m.	<1 m.
Quarterly Reporters	\$5,250	\$4,375						
Semi-annual Reporters			\$3,475	\$2,600	\$1,750	\$900		
Annual Reporters and Liquid Waste Haulers							\$900	\$575

6. **Add-on-service Charge:** A charge assessed to special discharge permittees for disposal of treated, contaminated groundwater. This charge is assessed in lieu of SAC, due to the temporary nature of the service.

2009 Add-on-service Charge: \$1.00 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.

2009 Late Report Fees: \$100–\$1,000 per report (see Web site for detail)

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. For industrial waste these include costs associated with spill or enforcement responses, non-routine data requests, special discharge requests, orders to appear, or notices of violations. For the interceptor system these include the Encroachment Application Fee (\$500/impacted easement) and the Direct Connection Application Fee (\$900).

For more information, visit our Web site at: <http://www.metrocouncil.org/environment/RatesBilling/index.htm>

Rate Setting Budget

	2008 Adopted Budget	2009 Preliminary Budget	Change %
STATISTICS:			
Flow (billions of gallons)	92.6	92.1*	-.5
Municipal Charges (per million gallons)	\$1,661.34	\$1,751.60*	5.4*
Employees (Full Time Equivalents)	695	695	0
REVENUE & Other Sources: (\$s in thousands)			
Municipal Wastewater Charges	\$ 153,840	\$ 161,322	4.9
SAC Transfer	38,733	36,960	-4.4
Industrial Charges	9,225	9,997	8.7
Other Sources	4,206	3,565	-15.2
Total Revenue/Sources	206,004	211,844	2.8
EXPENSES & Other Uses: (\$s in thousands)			
Debt Service	87,140	90,680	4.1
MCES Labor	58,706	57,857	-1.4
Non-Labor	58,158	59,307	2.0
Pay-as-You-Go for Capital Projects	3,000	5,000	66.7
Total Expenses	207,004	212,844	2.8
SURPLUS/(DEFICIT) to (from) Reserves	(\$1,000)	(\$1,000)	

* Flow is estimated, the final flow and rate will not be available until August or September.

Staff Notes from MCES Customer Forums
Golden Valley: Brookview Community Center
June 18, 2008
(9 customers present)

Questions/Answers:

- Q. Does a change in the federal administration (with a new President) affect PCA rules and regulations?**
A. It depends on the philosophy of the new administration and EPA rule-making. NACWA, our national association, tracks and analyzes agendas, proposed rule changes, etc. and communicates anticipated impacts to wastewater agencies.
- Q. Are we (MCES) at the end of implementing our energy efficiency programs?**
A. No, we are at the beginning stages of implementing energy efficiency programs. We still have plenty of work to do in order to achieve substantial savings. We have accomplished about 13% of the current savings goal of 15%.
- Q. What are we doing to discourage the introduction of chemicals and pharmaceuticals into the wastewater system?**
A. We do have some information on our web site and have tried to communicate proper method(s) for disposal. There is still a lot of misinformation instructing citizens to flush chemicals (e.g. unneeded prescription drugs) down the drain. We agree that there is a need for better communications on this matter. Also, there is a fair amount of research underway regarding the effects of these chemicals on the environment. Often times, the findings of the research lead to increased regulations.
- Q. Will city SAC credits already earned be grandfathered or honored by MCES?**
A. Yes all actual booked credits will be fully honored even after the changes in 2010. Note however that potential credits (even when a demolition form has been filed with MCES) are not actual credits until a new use is established. In these situations - if the new use develops after 1/1/10 - the new credit rules will apply.
- Q. What can MCES do to stabilize the annual charges/rates to the cities? Can you rate average?**
A. We are smoothing out our *cost increases* to communities, but we cannot control individual community flows, which affect our charges to individual communities from year to year.
- Q. Tell us more about excess I/I. Shouldn't the flows be greatly reduced?**
A. 275 million gallons was defined as excess, and communities have already reduced that number by about 50 million gallons of peak flow. However, only peak flows will be reduced with an effective I/I program. These peak flows occur only for a few hours or days at most so don't make much of a difference on the annual volumes that are used for the Municipal Wastewater Charges.

Staff Notes from MCES Customer Forum
St. Paul: League of Minnesota Cities Building
June 23, 2008
17 customers present

Questions/Answers:

Q. How is the foundation grant program handled?

A. The community applies to MCES for participation in the program, and then administers it to individuals within their community. To date, only 5 communities have applied (forms were available at the forums) and very little of the \$700,000 available has been spent. We are looking at extending the scope and the duration of this grant program.

Q. How were cities notified of the foundation grant program?

A. Information was mailed out to each community in late 2007, and we have the information on our web site.

Q. When we budget, how do we budget labor and benefit increases?

A. We use 3% annual increase, unless the actual amount is known (from multi-year labor agreements). The recent agreement history has been about an 8% increase over 3 years for benefits and salaries combined.

Q. Will the TMDL limits in Lake Pepin affect MCES?

A. Probably, although we do not yet know the extent of the decreased phosphorus that will be allowed as the TMDL and allocations are not done. The state is currently looking at the data. If MCES' limits of phosphorus are decreased, it will add significant cost which will impact our rates in future years.

Q. How is SAC revenue used?

A. It pays for the reserve capacity portion of our capital projects (usually debt service) and a small amount for the administration of the SAC fund.

Q. Explain our capital costs/capita comparison to other cities.

A. NACWA – the National Association of Clean Water Agencies – does the analysis in order to present the comparison data. Many of the systems are funded differently, with different sources of revenue. For example we know that Milwaukee pays its capital costs out of property taxes not rates, so their rates are misleadingly lower than ours. This is adjusted where known.

Q. Why change to a “no net credits” SAC system?

A. This was the topic of a task force and 2 years of negotiation with AMM and those communities that showed an interest. The Council doesn't want to encourage de-intensification of water use at a site where the infrastructure is already in place. Moreover the extra SAC units charged goes to the SAC fund for the entire region and helps keep SAC rate increases lower.

Q. If the new SAC credit transfer rule is adopted, what will be the major changes in 2010?

A. Many rules changes have already been adopted by the Council (and are discussed on our web site) – these are effective beginning January 1, 2010. However the credit transfer proposal is new. There will be a public meeting on 6/24 to discuss implications of that proposed rule change.

Q. What happens to extra SAC in the case of a phased development?

A. Phased developments were discussed and accommodation made for them in the adopted rules changes for 2010. Full SAC credits can occur over time, based on a phased development plan, providing the SAC credits were available on the property when the development plan and initial new use(s) occur.

**Staff Notes from MCES Industrial Waste Forum
St. Paul (Metro 94 Building)
June 19, 2008
(26 Industrial users present)**

Questions/Answers:

Q. Will South St. Paul lose their SAC credits when credit rules change in 2010?

A: No, all existing booked credits will remain available to all communities.

Q. Does MCES have grant money for industries to look at lowering their water use?

A: Not at this time.

Q. Are there other resources available (to reduce wastewater)?

A: MnTAP provides interns, at no cost, to study wastewater reductions. Of course, a financial benefit of reducing water use is SAC and sewer (volume charges) savings, including the local charges and fees that communities add to MCES' rates.

Q. Are there any grant money available to industries for fixing I&I problems?

A: Only the Foundation Drain Tile Grant Program which is available through eligible communities.

Q. Will there be a problem with the closure of 3 northern (liquid waste disposal) sites, the Fridley site opening but not the new site at the Metro plant?

A: That is a concern we have looked into. Third and Commercial will remain open until the Metro site is available to haulers.

Q. Will the Fridley site have a scale?

A: Currently there is a "mag" meter on each disposal line with plans to eventually add a scale.

Q. Will the Fridley site operate 24/7?

A: Current plans are to operate the site Monday through Friday from 7 a.m. to 7 p.m. and on Saturdays from 7 a.m. to 2 p.m. with emergency service available. The questioner expressed gratitude that Saturday hours will be available.

Q. Rainwater from roofs should not go into the sanitary sewer?

A: No it shouldn't. It is better for the region to keep "clean water" out of the system because we want to avoid the significant costs of building facilities that aren't normally needed. The I & I program is working; so far, about 25% of the peak rainwater surge is out of the system.

Q. Doesn't city code call for (stormwater) discharge to the sanitary sewer?

A: No, that has not been the case for many years.