

# E Environment Committee

Meeting date: July 10, 2012

For the Metropolitan Council Meeting of July 25, 2012

## ADVISORY INFORMATION

<b>Date:</b>	July 2, 2012
<b>Subject:</b>	Adoption of MCES 2013 Wastewater Rates and Charges
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	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)
<b>Staff Prepared/Presented:</b>	Jason Willett, 651/602-1196; John Atkins 651/602-1020
<b>Division/Department:</b>	MCES c/o William G. Moore, 651/602-1162

### Proposed Action

That the Metropolitan Council adopts the following wastewater rates and charges to be effective January 1, 2013:

- Metropolitan Wastewater Charge (total of Municipal wastewater charges) of **\$178,824,000**,
- Sewer Availability Charge (SAC): **\$2,435** per Residence or Residential Equivalent Capacity,
- Temporary Capacity Charge : **\$1.22** per thousand gallons,
- Industrial Strength Charge: **\$0.172** per excess pound of TSS (total suspended solids),
- Industrial Strength Charge: **\$0.086** per excess pound of COD (chemical oxygen demand),
- Standard Load Charge: **\$53.20** per thousand gallons,
- Holding Tank Load Charge: **\$8.81** per thousand gallons,
- Portable Toilet Waste Load Charge: **\$67.79**, per thousand gallons,
- Collar County Load Charge: **\$68.20** per thousand gallons,
- Strength component of Industrial Load Charge **\$0.3510** per excess pound of TSS,
- Strength component of Industrial Load Charge **\$0.1755** per excess pound of COD,
- Out-of-Region Load Charge Component for hauled waste: **\$15.00** per thousand gallons, and
- Industrial Permit Fees as shown on Attachment A.
- I/I Surcharge Exceedance Rate: **\$398,000** per million gallons /day (rate of measured flow).

Further, that the Metropolitan Council authorizes the SAC reserve fund exception for an economic downturn as stated in Council policy 3-2-5 *[use of the minimum reserve shall be allowed only in an economic downturn or natural disaster and as approved by the Council]*.

### Background

On April 10 and May 22, staff presented information to the Environment Committee on the 2013 preliminary budget and rates. In May and 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 61 customer representatives attended the three meetings. A recap of customer questions and comments was presented to the Environment Committee on June 12. A summary of the questions and comments are on Attachment D.

The revenue to be raised through the Metropolitan Wastewater Charge in 2013 is \$178.8 million, a 3.0% increase from this charge in 2012 (although individual city Municipal charges vary depending on their flows). This increase and the other rate changes, together comply with the Council policy that wastewater charges should enable MCES to meet wastewater regulatory requirements, implement MCES infrastructure rehabilitation and repair needs, and provide wastewater capacity for growth.

Charges and 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 the holding tank load charge is being phased up to full-cost (a 30% increase in 2013) and the Industrial Waste Permit Fees are being slowly phased up to cover the direct program costs.

Rates proposed to have no increase in 2013 are the Encroachment Application Fee (\$600 per easement) and Direct Connection Application Fee (\$1,000 per application).

Rates are based on the preliminary budget which has total revenues increasing 4.0% and total expenses increasing 4.9%. This budget has \$225.5 million of revenue and \$227.5 million of expenses, with the \$2 million difference to be funded from the Operating Contingency Reserve Fund that had a \$30.5 million balance at year-end 2011. Capital project expenses paid directly from operating revenues instead of debt ("pay-as-you-go") are budgeted at \$1.5 million for 2013, a \$.5 million increase over 2012.

The SAC fund continues to be under pressure due to the recession, however it has stabilized after a recent moderate recovery. No SAC shift is planned for 2013, compared to the \$4.3 million shift in 2012 and \$4.5 million shift in 2011.

Once these charges are approved and the flow measurements finalized, staff will notify customer communities and businesses. It is important to note that while the Council's 2013 budget is not adopted by this action, the MCES portion of that budget will be substantially constrained by the revenue anticipated from these rates and charges.

The proposed 2013 "rate sheet" which includes a short description of these rates can be found on Attachment B. A summary of the preliminary budget for which these rates are based and a comparison to the 2012 budget is Attachment C.

### **Rationale**

Wastewater service rates for 2013 need to be set well in advance to allow communities time to revise their ordinances and businesses time to revise their pricing structures.

### **Funding**

100% of wastewater operations, maintenance, and debt service are funded by these rates. Revenue from these rates and charges are not used for non-wastewater purposes.

### **Known Support / Opposition**

The public forums did not elicit statements of significant concern or opposition about the proposed rates.

## **2013 Industrial Discharge Permit Fees**

Quarterly Reporters (SIU>50 MGY)	\$6,850
Quarterly Reporters (SIU<50 MGY)	\$5,725
Semi-annual Reporters (SIU>10 MGY)	\$4,525
Semi-annual Reporters (SIU 5-10 MGY)	\$3,400
Semi-annual Reporters (SIU 2-5 MGY)	\$2,275
Semi-annual Reporters (SIU <2 MGY)	\$1,150
Semi-annual Reporters (Non-SIU)	\$1,150
Annual Reporters (Non-SIU > 1 MGY)	\$1,150
Annual Reporters (Non-SIU < 1 MGY)	\$725
Non Significant Categorical user (NSCIU)	\$725
Liquid Waste Hauler (> 1 MGY)	\$1,150
Liquid Waste Hauler (< 1 MGY)	\$725
Special Discharge Permit (quarterly reporter)	\$1,150
Special Discharge Permit (contingency/low impact)	\$725
General	\$100-\$500

SIU = Significant Industrial User - a federal designation.

# Metropolitan Council Environmental Services' (MCES) 2013 Charges

1. **Municipal Wastewater Charge:** MCES charges communities for sewer service and treatment. All customer communities pay an allocated portion of the Metropolitan Wastewater Charge which is their Municipal Wastewater Charge based on their annual volume of wastewater treated. 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).

<b>2013 Municipal Wastewater Charges</b>	
Total Metropolitan Wastewater Charge in 2013:	\$178,824,000
Allocated based on system flow: in million gallons (mg)	
(based on estimated flow for July 1, 2011 - June 30, 2012):	88,000 mg
Approximate rate per million gallons:	\$2,032.09

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. 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 a “mark-up” on this fee to cover their own costs.

<b>2013 Sewer Availability Charges</b>	
	<b>SAC Rate</b>
Base Unit Fee (Single-Family Dwelling)*:	<b>\$2,435.00</b>
Apartment (without individual laundry facilities)	20% discount
Multi-Dwelling Public Housing (without garbage disposals nor dishwashers)	25% discount
Multi-Dwelling Public Housing (w/o laundry, garbage disposals nor dishwashers)	40% discount
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.	
Outdoor Space Discount:	75% discount
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	
* Note: Elko New Market, East Bethel and New Germany have higher base SAC rates set by contract.	

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 residential 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.

<b>2013 Industrial Strength Charges:</b>	
Cost per excess pound of Total Suspended Solids (TSS)	\$0.1720
Cost per excess pound of Chemical Oxygen Demand (COD)	\$0.0860

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 metropolitan wastewater rate and iii) a special facilities component for the discharge sites. Also, iv) out-of region waste is assessed an administrative service component.

<b>2013 Liquid Waste Load Charges</b> (per 1,000 gallons)	
Standard Load Charge	<b>\$53.20</b>
Portable Toilet Waste Load Charge	<b>\$67.79</b>
Holding Tank Load Charge	<b>\$8.81</b>
Collar County Load Charge	<b>\$68.20</b> (for 10 counties surrounding the Region)
Industrial Load Charge (\$ per excess lb.)	<b>\$.3510 TSS and .1755 COD plus \$8.81/1,000 gal. volume charge</b> (plus \$15.00/1000 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.

<b>2013 Industrial Discharge Permit Fees:</b>								
Volume (MGY)	>50 m.	<50 m.	>10 m.	5–10 m.	2–5 m.	<2 m.	>1 m.	<1 m.
Quarterly Reporters	\$6,850	\$5,725						
Semi-annual Reporters			\$4,525	\$3,400	\$2,275	\$1,150		
Annual Reporters and Liquid Waste Haulers							\$1,150	\$725
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.

**2013 Temporary Capacity Charge: \$1.22 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.

**2013 Late Report Fees: \$150–\$800 per report** (see Web site; link below for more 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 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***

	2012 Adopted <u>Budget</u>	2013 Preliminary <u>Budget</u>	<u>Change</u>
REVENUE & Other Sources: (\$s in thousands)			
Metropolitan Wastewater Charge	\$ 173,649	\$ 178,824	3.0%
SAC Transfer	27,400	29,495	7.6%
Industrial & Hauler Charges	12,745	13,977	9.7%
Other Sources	<u>3,018</u>	<u>3,179</u>	<u>5.3%</u>
Total Revenue/Sources	\$ 216,812	\$ 225,475	4.0%
EXPENSES & Other Uses: (\$s in thousands)			
Wastewater Debt Service	96,889	100,245	3.5%
MCES Labor	61,918	63,309	2.2%
Interdivisional Charges	10,026	10,868	8.4%
Non-Labor	46,979	51,553	9.7%
Pay-as-You-Go for Capital Projects	<u>1,000</u>	<u>1,500</u>	<u>50.0%</u>
Total Expenses/Uses	216,812	227,475	4.9%
SURPLUS/(DEFICIT) to (from) Op. Reserve	\$0	(\$2,000)	

**Staff Notes from MCES Industrial Waste Forum  
St. Paul (Metro 94 Building)  
May 24, 2012  
(26 industrial users attended)**

Q. An attendee asked a clarification question about SAC, and also asked how campgrounds handle RV waste disposal.

A. SAC pays for debt service on MCES debt that was incurred to build capacity into the system for future users.

We don't regulate RV waste directly but we'll accept it.

Q. Will there be electronic submittal of self-monitoring reports?

A. MCES must submit an application to the EPA before we can begin accepting electronic report submittals, but we are moving towards issuing electronic documents (e.g. monitoring reports), possibly soon.

A. Discussed the issues that have arisen as a result of MCES electronically submitting data to MPCA.

Q. Why is there a 7.5% increase in the 2013 strength charge rates when the proposed overall rate increase is only 3.5%?

A. The design of rates is tailored to the regional cost of service, and the strength charge is based on a subset of the overall budget (treatment works operations and maintenance costs). Each rate includes different cost components, and we can provide you with these details if you are interested. We have used these formulas for many years, and sometimes they cause rates to increase more than the MWC, and sometimes less.

Follow up comment: Our business, along with most others, has decreased per unit costs and we also expect this from government.

Staff spent time after the meeting explaining the formulas to this individual and the decrease in this rate per the formula two years prior, and he seemed satisfied.

Q. What if municipalities don't pay full MCES charges?

A. Only one municipality didn't pay their full charges within the last several years. MCES is aware that municipality finances are constrained and that is part of the reason we work hard to keep our rates down. However, we do need to and do collect all our fees. As a last resort, the Council has the authority to levy taxes on the properties in a delinquent city, if needed.

Q. Why must my client sample for PFCs?

A. Gave a brief summary of 3M lawsuit. Staff mentioned that even if \$1B were spent, MCES might not be able to meet the limits set by the PCA. We need the data sampling in order to present our case.

Q. Do we need to sample for heavy metals?

A. That is permit-specific; please contact the MCES engineer who oversees your permit.

**Staff Notes from Golden Valley Community Forum**  
**June 6, 2012**  
**(19 public attendees)**

Q. Has billing period changed?

A. About 6-7 years ago. The flow used to estimate next year's billing is now based on a 12 month period – six last months from previous year, and first six months of current year.

Q. Are there any state funds left from the previous funding cycle for the I/I grant program?

A. We expect that some grant funds awarded will not be used, and money will be returned. In addition, there was some leftover. All returned and leftover funds will be rolled into the new funds for new I/I city grants.

Q. Do we test our pipes for I/I? Are they being slip lined?

A. Yes, we have quite an extensive monitoring and repair program. We suspect that high ground water may be affecting the line of pipe in your area. There could be some I/I, but not necessarily excess I/I. Contact Bill Moeller in our Interceptor Services section for more information.

Q. Does the TMDL for Suspended Solids bother anyone? This could be a significant issue/cost for metropolitan system.

A. One city responded that they are trying to get control of sand/solids issues in their pipes

Q. What will cost us (the ratepayers) \$1 Billion?

A. The additional regulations are tied into our discharge permits from the PCA. Nutrients (nitrogen and phosphorus), and PFOS may be more highly regulated. We might need to invest about \$1 billion in our system for each of these issues to address the new requirements, with no guarantee of success in meeting the new standards. Each \$billion cost could translate to a 30% increase in rates (depending on timing).

Q. Have we tested for PFOS in our effluent?

A. Yes, and it is currently approximately 30 parts/trillion whereas the limit for drinking water is 300 parts/trillion. The MPCA is proposing a 10 parts/trillion for effluent, which is much more stringent than drinking water. We are concerned that even if we did spend significant money on upgrading our plants, there is no evidence or practical applications elsewhere, proving that the upgrades would work.

Q. When do our permits expire?

A. Metro Plant expired Dec 2011, but the conditions remain until a new permit is issued. We have applied to the PCA, but the renewal appears to be on hold until a lawsuit is completed.

Q. What is the source of PFOS?

A. Leachate, industrial plating companies, natural sources, etc. It is the chemical from Teflon coating, etc.

Q. How can cities become involved in PFOS regulations and changes to law?

A. Cities can work through Metro Cities and/or talk to their legislators. Also, agriculture is the main contributor to suspended solids in our waterways, and that problem does not appear to be effectively addressed.

Q. Will the new regulations be rolled out statewide?

A. Yes and no. They often start with MCES, because we are the largest system, and then eventually, smaller plants are required to comply. This will produce a huge burden for areas that do not have the population to support expensive upgrades in infrastructure.



**Staff Notes from Municipal Forum at League of MN Cities  
June 8, 2012  
(16 public attendees)**

Q. Now that negotiations with AFSCME has concluded, can you share the percentage raise? Do you anticipate other bargaining units to settle similarly?

A. After many years of no increases, salaries increased about 2%. In addition, Steps and Lanes were added to Pay Grades and we do anticipate other bargaining units settling along the same lines.

Q. From Metro Cities: Several cities may see 20% increases in their cost. Can you speak to any type of loan program?

A. We have no authority to make loans to cities for their municipal wastewater charges and would need a legislative change to provide the authority to do so. We had this in a proposed house-keeping bill this year, but it was never heard or taken up by the legislature