



# ROCHESTER

*Minnesota*



July 31, 2017

The Honorable Governor Mark Dayton  
Governor of the State of Minnesota  
130 State Capitol  
St. Paul, MN 55155

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Dear Governor Dayton,

The City of Rochester and the Rochester Water Reclamation Plant management staff thank you for sponsoring town hall meetings around the state to hear from Minnesota residents on water quality issues. Through its Water Reclamation Plant (WRP), Stormwater Program and many other efforts, Rochester has been a leader on water quality issues for many years. The Rochester WRP had the first phosphorous limit in the state and has been removing phosphorous down to 1 mg/L for over 30 years. As we look to the future, however, we believe the state needs to adapt its water quality program so that our state and city resources are focused on maximizing water quality protection and improvement.

Rochester's primary concern with Minnesota's current approach on water quality standards and regulations is that it targets point sources with existing permits leading to extremely prohibitive costs for limited environmental benefit. Rochester has been closely following the watershed restoration and protection (WRAP's) development which included modeling of local area watersheds. The model revealed that Rochester currently contributes on average about 5.5% of the phosphorous load to Lake Zumbro and 3% of the phosphorous load to the discharge where the Zumbro River discharges into the Mississippi River. According to the recent MMB study on future costs to meet current water quality standards including the new phosphorous standard, Rochester will need to spend 96.5 million dollars in capital and 6.5 million in annual O&M costs. Rochester's own plant consultants who are more familiar with the project believe that estimate is low and that Rochester may need to spend up to \$209.8 million in capital and 23.6 million in annual O&M costs to meet the water quality standards. These improvements would decrease Rochester phosphorous load to Lake Zumbro to 3.5% (or a 2% reduction) and reduce the phosphorous load to the Mississippi River to 2% (or a 1% reduction).

Rochester wants to protect area water quality but the city also has an obligation to its residents and businesses to be fiscally responsible and maintain wastewater rates at an affordable level. The state needs to examine whether this large of an investment represents the best use of limited financial resources to improve water quality when it does not reduce a significant amount of pollution.

Minnesota cities need to be part of the solution but if the state is serious about addressing water quality they cannot be the only focus. The state needs to consider whether significant and expensive wastewater upgrades are always the most cost-effective method for addressing water quality. Modeling has shown that if all cities in the Zumbro Watershed upgraded their facilities and together contributed zero phosphorous to the Zumbro

River that there would be minimal improvement in water quality over present condition because more than 90% of the phosphorous is coming from other sources. This is a complex problem that is going to require complex solutions that involve other parties along with Minnesota cities if we want water quality to improve.

Rochester and many other cities have concerns about new standards adopted in recent years due, in part, to insufficient peer review and a failure to consider cost effectiveness of the standards. Such regulations will likely increase the cost for the average rate payer without leading to significantly greater environmental benefits. Keep in mind that many initial wastewater treatment plants were funded by state or federal grants after the Clean Water Act was enacted. The 1980's Rochester WRP expansion was funded by 90% state and federal funds. Through the years, this funding source has dwindled. In 2004, our WRP plant undertook a \$75 million project to improve water quality and to increase plant capacity that was funded entirely by the City. Although there are grants and low interest loans available now, they will have minimal effect to curb the cost for the scale of projects that Rochester would require to meet the new standards. The State needs to do more to provide funding to assist cities to address the high costs that would be imposed on our ratepayers if the water quality targets currently being discussed are to be accomplished by Minnesota cities. Major increases in wastewater costs will have a significant impact on Rochester families and the businesses that sustain the Minnesota economy, as in the end, the costs to the City will be paid by them. It is the responsibility of all of us to have standards that are based on science and whose implementation has been analyzed from a cost benefit perspective to truly find the best and most effective way to improve water quality, which is an objective that we all share.

We appreciate the recent letter from the MPCA Commissioner John Linc Stine in response to our concerns about the cost our citizens face. We believe it is a good first step in recognizing the concerns many cities have been raising for several years on the issue of cost effectiveness and the process for adoption of new standards. That was greatly appreciated and welcomed. These town hall meetings are also a welcomed and beneficial step to listen to concerns from various parties that we also appreciate. Thank you for listening to us. We look forward to working with you on cost-effective science based solutions to our water quality issues.

Sincerely,



Gary Neumann  
Interim City Administrator  
City of Rochester

Projected Costs For Upgrading Wastewater Treatment Facilities

City	Capital costs to meet current standards	Annual O&M costs to meet current standards	Total annual costs to meet current standards over 20 years*	Capital costs for improvements to meet future standards +	Annual O&M costs for improvements to meet future standards	Total annual costs to meet future standards over 20 years*
Ada	\$3,758,000	\$227,100	\$481,100	-	-	\$481,100
Albert Lea	\$61,728,000	\$4,378,900	\$8,545,900	\$72,524,000	\$4,130,000	\$9,026,000
Austin	\$61,252,000	\$4,106,000	\$8,241,000	\$77,439,000	\$5,155,000	\$10,383,000
Butterfield	\$6,548,000	\$383,000	\$825,000	\$6,622,000	\$473,000	\$920,000
Cook	-	-	-	-	-	-
Fairmont	\$32,668,000	\$555,000	\$2,761,000	\$38,421,000	\$919,000	\$3,513,000
Gilbert	-	-	-	\$22,216,000	\$991,000	\$2,491,000
Grand Rapids	-	-	-	-	-	-
Hanska	\$430,000	\$24,800	\$53,800	-	-	\$53,800
Hibbing	-	-	-	\$67,936,000	\$5,793,300	\$10,380,000
Lake Crystal	-	-	-	\$3,701,000	\$205,300	\$455,300
Nashwauk	\$3,880,000	\$234,400	\$496,400	-	-	\$496,000
Rochester	\$96,554,000	\$6,528,000	\$13,046,000	\$107,214,000	\$8,366,000	\$15,603,000
Serpent Lake Sanitary Sewer District	\$5,560,000	\$407,000	\$783,000	-	-	\$783,000
Watertown	\$29,126,000	\$933,000	\$2,900,000	\$33,046,000	\$1,059,000	\$3,290,000
Total	\$301,504,000	\$17,777,200	\$38,133,200	\$429,119,000	\$27,091,600	\$57,875,200

\*Total annual cost combines annual O&M costs with projected annual loan payments required for capital costs as estimated assuming 20-year loans with an interest rate of three percent.

Source: Barr, "Engineering Cost Analysis of Current and Recently Adopted, Proposed, and Anticipated Changes to Water Quality Standards and Rules for Municipal Stormwater and Wastewater Systems in Minnesota," prepared for Minnesota Management & Budget, January, 2017, Revised February 10, 2017.

