

Legislation Text

File #: 24-0061, **Version:** 1

Item Description:

Approval of agreements for operations and maintenance of HERC (A165757), ash disposal services (PR00005989), metal recovery and recycling services (A2412182), and steam service from HERC (A2412184)

Resolution:

WHEREAS the county has a Plan to Reinvent the County's Solid Waste System to accelerate closure and repurposing of the Hennepin Energy Recovery Center (HERC), which establishes a zero-waste dashboard with criteria to be met to responsibly close HERC and identifies 22 policies that need to be adopted by the State Legislature to realize this zero-waste future and this plan builds on the county's Climate Action Plan and Zero Waste Plan; and

WHEREAS state leadership is needed to make the transition to zero waste, including financing to match desired outcomes, changing state statutes to support the shift away from disposal and toward a circular economy, expanding accountability for zero waste outcomes to include producer responsibility, redeveloping infrastructure to meet state waste reduction and recycling goals, and supporting markets to adapt to changing demands; and

WHEREAS state law requires the county to comply with landfill abatement policies, which currently prioritize waste-to-energy as a means of processing trash, over landfilling; and

WHEREAS these Agreements allow for continuity of service and operations with existing contractors while also containing provisions that allow the county to terminate the contracts early, in the event the State Legislature or county board closes the facility prior to December 31, 2033; therefore

BE IT RESOLVED, the Amended and Restated Agreement (A165757) with Great River Energy HERC Services for the continued operation and maintenance of the HERC, for the period upon execution through December 31, 2033, be approved; that following review and approval by the County Attorney's Office, the Chair of the Board be authorized to sign the Amended and Restated Agreement on behalf of the county; and that the Controller be authorized to disburse funds as directed; and

BE IT FURTHER RESOLVED that Agreements with SKB Environmental for ash disposal (PR00005989) and metal recovery (A2412182), for the period upon execution through December 31, 2033, be approved; that following review and approval by the County Attorney's Office, the Chair of the Board be authorized to sign the Agreements on behalf of the county; and that the Controller be authorized to disburse and receive funds as directed; and

BE IT FURTHER RESOLVED that Agreement A2412184 with Energy Center Minneapolis, LLC (Cordia Energy) to sell steam from HERC, for the period upon execution through December 31, 2033, be approved; that following review and approval by the County Attorney's Office, the Chair of the Board be authorized to sign the Agreement on behalf of the county; and that the Controller be authorized to disburse and receive funds as directed.

Background:

The county finalized the Zero Waste Plan and defined zero waste as preventing 90% or more of all discarded

materials from being landfilled or incinerated. The county's Zero Waste Plan and Climate Action Plan will serve as the foundation of the county's Solid Waste Management Plan that will be developed in late 2024, after the Minnesota Pollution Control Agency releases its Metropolitan Policy Plan. The county also developed a plan to reinvent the county's solid waste system to accelerate closure and repurposing of the Hennepin Energy Recovery Center (HERC). This plan establishes a zero-waste dashboard to define the criteria to be met to responsibly close HERC and identifies 22 policies that need to be adopted by the State Legislature to realize this zero-waste future.

Counties are responsible for managing their solid waste systems in accordance with the state's Waste Management Act, which establishes a waste management hierarchy (Minn. Stat. § 115A.02). The hierarchy prioritizes, in descending order of preference: reduce, reuse, recycle, organics recycling, waste-to-energy, landfill with gas recovery, and landfill without gas recovery.

In 2022, approximately 1.27 million tons of waste was generated in Hennepin County, with 42% of this waste recycled or composted. The material that remained after waste prevention, recycling and composting was more than 750,000 tons that was managed as trash.

The county owns and operates the HERC, which combusts approximately 365,000 tons of trash produced by households and businesses each year. From the trash, HERC recovers metals and energy in the form of steam and electricity. Since HERC opened in 1989, it has processed 12 million tons of trash - enough to fill Target Field 100 times. HERC has produced enough electricity to power 25,000 homes for 34 years and has recovered 350,000 tons of metal.

The county contracts for various services related to HERC, including an operation and maintenance agreement, ash disposal agreement, metal recycling agreement, and steam service agreement. To ensure continuity of operations, these contracts need to be renewed. In negotiating these contracts, the county has minimized potential liability if the county needs to terminate these contracts early due to a HERC decommissioning required by federal or state law, or by county action.

The county board previously approved and amended Agreement (A165757) with Great River Energy HERC Services (GREHS) to manage, operate and maintain HERC (Resolutions 16-0312 and 17-0216). This Agreement covers all the costs to manage, operate, and maintain HERC and complete capital improvement projects authorized by the county. This Agreement is scheduled to terminate on December 31, 2025.

Under the terms of the Agreement, the county reimburses GREHS for all operating, maintenance and capital project expenditures. Additionally, the county pays GREHS a monthly management fee.

The Agreement established an operations committee composed of representatives from the county and GREHS who meet monthly to discuss matters related to the implementation and performance of this Agreement and compliance with federal and state environmental laws.

GREHS continues to demonstrate its ability to comply with the terms and performance goals of the Agreement. Performance goals include accepting and processing trash delivered by waste haulers, maintaining the facility in accordance with good industry standards and practices, producing electricity for sale to Xcel Energy, producing steam for distribution to Energy Center Minneapolis and to Target Field, complying with the Title V Clean Air Permit and other federal and state environmental standards, controlling odors and litter, and completing capital improvement projects. In addition to meeting performance goals, GREHS employs 53 people in mostly union positions to operate HERC and has been fully transparent in all aspects of its operations and maintenance activities, including financial reporting and maintenance records.

The HERC facility generates approximately 80,000 tons of non-hazardous ash each year from the combustion of trash. The county contracts with SKB for transport the ash to its industrial landfill located in Rosemount,

Minnesota for disposal. SKB Environmental also recovers metal from the ash and sells that metal on behalf of the county. In 2022, approximately 17,000 tons of metal were recovered from the trash processed at HERC.

The county sells steam generated from HERC to Energy Center Minneapolis, LLC (Cordia Energy), which operates a district energy system in downtown Minneapolis. The steam from HERC supplements the steam generated by Cordia. Typically, HERC sends Cordia between 5,000 and 17,000 pounds of steam per hour.

Current Request: This request is seeking approval of the four agreements previously described: (1) an amended and restated agreement with Great River Energy HERC Services for operations and maintenance of HERC; agreements with SKB Environmental Services for (2) ash disposal and (3) metal recovery; and (4) an agreement with Energy Center Minneapolis, LLC for the sale of HERC steam. All of the agreements have a term of upon execution through December 31, 2033. The GREHS and steam sales agreements contain provisions allowing for the county's early termination of the contracts in the event that the State Legislature or county board determine that the facility will close prior to December 31, 2033. The SKB agreements are dependent on ash and metal produced and therefore do not require early termination clauses.

Impact/Outcomes: This request ensures continuity of operations at the HERC. Until the county achieves its zero-waste goals and state-mandated recycling rates, this action keeps the county in compliance with state statutes, makes progress toward climate action goals, generates revenue for natural resources programming, keeps trash bills stable for residents and businesses, and provides more than 350 high-wage jobs.

Recommendation from County Administrator: Recommend Approval