

MEMORANDUM:

THE PARTIES' JOINT INTERPRETIVE GUIDANCE ON INTERRELATED DRINKING-WATER SYSTEMS

This memorandum provides guidance on how the Settlement Agreement between Public Water Systems and The Chemours Company, The Chemours Company FC, LLC, DuPont de Nemours, Inc., Corteva, Inc., and E.I. DuPont de Nemours and Company n/k/a EIDP, Inc. applies in interrelated drinking-water systems where there is not a single entity that draws water from a source, treats the water for any contaminants, and distributes the water to residential customers and other end users. This memorandum uses as its chief example of an interrelated drinking-water system the scenario where one water system (a “retail customer”) purchases water from another entity (a “wholesaler”). The principles set forth here may also apply to other interrelated-system scenarios where more than one entity is involved in providing drinking water.

The Parties will ask the Court to supplement the Settlement Agreement’s Exhibit C (Allocation Procedures) with this memorandum, with the understanding that the Parties and/or the Claims Administrator also may amend Exhibit D (Claims Form) to reflect the memorandum’s guidance.

BASIC PRINCIPLES

- The Settlement Agreement applies to Public Water Systems that operate as wholesalers. Most wholesalers are registered with the EPA as Public Water Systems¹ and/or fall within the Settlement Agreement’s definition of “Public Water System.”
- Public Water Systems, including wholesalers and their retail customers, are Settlement Class Members if they fall within the definition of the “Settlement Class.” A Public Water System is in the Settlement Class if it has previously detected PFAS at any level, is subject to the monitoring rules of UCMR-5, or otherwise falls within the Settlement Class definition.
- Purchased water is covered by the Settlement and will be taken into account by the Claims Administrator under the Allocation Procedures.

¹ In determining the number of people that a wholesaler serves, data from SDWIS’s “Population Served Count” field should be considered for both the wholesaler and related entities such as its customers, as indicated by SDWIS’s “Seller PWS ID” and “Seller PWS Name” fields.

- Consistent with a fundamental precept of the Settlement, the Settlement Agreement provides for one payment for each respective water supply, not a double recovery by both the wholesaler and its retail customer. The payment may be divided between the wholesaler and the retail customer as described below.
- The Settlement Agreement provides the Claims Administrator with sufficient discretionary authority, subject to the Special Master's oversight and authority to decide appeals, to apply the terms of the Settlement Agreement (including its Exhibits) to the unique facts presented by each interrelated drinking-water system, in order to expeditiously allocate and distribute the Settlement Funds among all Qualifying Settlement Class Members in a manner that is fair and equitable and accords with the procedures and timing described in the Allocation Procedures. Appeals of the Claims Administrator's decisions regarding apportionment of an award between two or more claimants will be governed by the appeals process described in the Settlement Agreement at § 8.8.
- The Parties recognize that time is of the essence and expect the Claims Administrator and Special Master to act accordingly in applying the Allocation Procedures.

OPERATION OF ALLOCATION PROCEDURES

- In almost all circumstances where a Public Water System purchases water from a wholesaler, both will be in the Settlement Class as to that water. Because the Settlement provides that there will be one amount allocated to that water to avoid double recovery or duplicative allocation, the following principles will apply to dividing the Allocated Amount between the wholesaler and the retail customer:
 - If the wholesaler and the retail customer come to an agreement as to how to divide the Allocated Amount, they should inform the Claims Administrator (either by submitting a Joint Claims Form, as described below, or otherwise).
 - Absent such an agreement, the Claims Administrator will divide the Allocated Amount based on relative capital and O&M costs of PFAS treatment borne by the wholesaler and the retail customer, respectively. The Claims Administrator shall determine how such costs

are “borne” by assessing and taking into account which entity does or has responsibility for the PFAS treatment² and, to the extent it is the wholesaler, whether the retail customer paid all or part of the costs indirectly through the purchase price, under the applicable contract, or otherwise.³

- Where the wholesaler opts out (or, hypothetically, is not in the Settlement Class), but the retail customer is in the Settlement Class, the retail customer receives the recovery for the water if it shows that it bears the PFAS treatment costs for that water.
- Where the retail customer opts out (or, hypothetically, is not in the Settlement Class), but the wholesaler is in the Settlement Class, the wholesaler receives the recovery for the water if it shows that it bears the PFAS treatment costs for that water.

In applying these principles, the Claims Administrator will use information supplied in Claims Forms as described below.

MECHANICS FOR SUBMISSION OF CLAIMS FORMS

Settlement Class Members in a wholesaler-retailer relationship will have three options for submitting Claims Forms relating to the purchased water: (1) submit a Joint Claims Form to the Claims Administrator; (2) unilaterally submit other documentation to the Claims Administrator; or (3) do not make any special submission to the Claims Administrator (beyond the individual Claims Form that all Settlement Class Members must submit to qualify for payments). The effect of each option will be described next.

Option One:

Submit a Joint Claims Form with Another Settlement Class Member

To assist the Claims Administrator in making decisions where two or more Settlement Class Members handle the same water, Class Counsel will ask the Claims

² In this memorandum, PFAS “treatment” refers to PFAS treatment, filtration, and remediation, removal of PFAS from water or a system, and any effort to prevent PFAS from entering water or a system.

³ In this memorandum, references to “borne” and “bear” will be interpreted consistent with these principles. In determining whether a retail customer bears the cost of PFAS treatment, the Claims Administrator also may take into account whether the retail customer shows that water was re-contaminated with PFAS after sale by the wholesaler.

Administrator to design a Joint Claims Form that any two (or more) Settlement Class Members may submit to provide information to help the Claims Administrator assess relevant claims. The Joint Claims Form will enable the Settlement Class Members to explain their relationship and express their joint view about the proper division of an Allocated Amount between them. For example, the Settlement Class Members submitting this Joint Claims Form may report on any contractual relationship that dictates (or at least suggests) how payments should be shared. The Claims Administrator ordinarily will adhere to any division of funds that the Settlement Class Members jointly suggest in their timely Joint Claims Form, provided the agreement is consistent with the principles and terms of the Settlement Agreement.

The Joint Claims Form is in addition to the other Claims Forms required by the Settlement Agreement, which each Settlement Class Member must still submit to obtain payment. In addition, if a wholesaler owns Impacted Water Sources that are independent of and unrelated to the water that it sells to a retail customer, the wholesaler can make independent claims for those Impacted Water Sources. Likewise, if a retail customer draws or collects water from Impacted Water Sources that are independent of and unrelated to the water that it purchases from a wholesaler, the retail customer can make independent claims for those Impacted Water Sources.

Option Two:
Submit Other Documentation Unilaterally

If, for any reason, two or more Settlement Class Members that could have submitted a Joint Claims Form do not do so, then the Claims Administrator may consider any relevant documents that either Settlement Class Member timely submits to the Claims Administrator. To facilitate the submission and review of such documents, Class Counsel will ask the Claims Administrator to design an Addendum Form to be used by any Settlement Class Member submitting such documents. These documents could include, for example, a contract dictating or suggesting how such funding should be shared or at least explaining what responsibility is borne by each Settlement Class Member for any capital and/or O&M costs of treating PFAS.

Option Three:
Make No Special Submission

If none of the two or more Settlement Class Members that could submit a Joint Claims Form for a specific water supply submits such a Form (Option One), and

if none of those Settlement Class Members submits relevant documentation (Option Two), the Claims Administrator has full discretionary authority to request additional information that he deems necessary to determine which entity or entities bear the PFAS treatment costs for that water. Absent adequate information about how PFAS treatment costs will be borne, the Claims Administrator may divide an Allocated Amount equally between or among Settlement Class Members.

The expectation is that Settlement Class Members eligible to file a Joint Claims Form will timely do so, likely rendering unnecessary any request for additional information. Of course, to access funds from the Settlement Agreement, a Settlement Class Member also must submit an individual Claims Form and thus become a Qualifying Settlement Class Member.

CLARIFICATIONS

Scope of Release

The Settlement Agreement contains detailed release provisions that specify whose claims are released. A core purpose of the release provisions is to prevent double recovery for the same water. In general, by participating in the Settlement, a Settlement Class Member releases claims on behalf of itself and its Releasing Parties (as defined in the Settlement Agreement) with respect to the water provided to (or supplied by) the Settlement Class Member. In general, if a wholesaler opts out of the Settlement Class and its retail customer is a Settlement Class Member, the release would extend to the wholesaler as to the water it provided to the Settlement Class Member except to the extent the wholesaler shows it had the obligation for and bore unreimbursed PFAS-treatment costs for that water independent of the retail customer. Ultimately, whether claims are released will turn on the application of the release provisions of the Settlement Agreement to the specific facts relevant to the wholesaler, the retail customer, and their relationship.⁴

Definition of “Water Source”

The Settlement Agreement defines “Water Source” as, among other things, “a groundwater well, surface water intake, or any other intake point from which a Public Water System draws or collects Drinking Water.” This definition is intended to be broad and includes any point from which a Public Water System may draw or

⁴ Nothing in this guidance supersedes the provisions of the Settlement Agreement about the States, the federal government, or certain Public Water Systems owned by States or the federal government.

collect water, regardless of whether the Water Source is owned by a retail customer or by a wholesaler.

The Allocation Procedures contain a clause stating that, “[f]or purposes [of] the Allocation Procedures, a purchased water connection from a seller that is a Water Source is not a Water Source.” That clause was intended to bar duplicative recovery for the same water. It was not intended, and should not be interpreted by the Claims Administrator, to preclude a retail customer from recovering for water that it purchases from a wholesaler, to the extent that the retail customer bears PFAS treatment costs for that water. Nor should the clause be interpreted to bar two or more Settlement Class Members from sharing the Allocated Amount for the water if they both bear PFAS treatment costs for that water.

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Because each interrelated drinking-water system presents unique facts, ultimately the Claims Administrator, under the Special Master’s oversight, will need to exercise sound discretion to ensure fair and equitable outcomes that comport with the principles and terms of the Settlement Agreement.