



Readiness Review
of the
Metro Plant Fourth Incinerator Project
Project No. 806320
for



FINAL REPORT: JUNE 11, 2026

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EXECUTIVE SUMMARY

Talson Solutions, LLC (Talson), an independent capital programs advisory firm, was engaged by the Metropolitan Council's (Met Council) Evaluation and Audit Department to perform a readiness review of the Metropolitan Council Environmental Services' (MCES) Metro Plant Fourth Incinerator Project (Project). Total estimated project cost is \$289 million for design-build construction. In September 2025, McGough Construction Co. LLC (McGough) was awarded the design-build agreement in the amount of \$258.7 million with substantial completion scheduled for September 2028. Veolia Water Technologies & Solutions Systems USA, Inc. (Veolia) is the incinerator system supplier and primary subcontractor under McGough. Black & Veatch Corporation (Black & Veatch) is serving as MCES' Owner Representative.

Talson found that the Project has foundational governance components in place to support administration, including defined roles and responsibilities for contract management, reporting, and document retention; design management practices, interdisciplinary coordination, and constructability reviews; quality controls for inspection, testing, and nonconformance tracking; and project administration practices such as centralized records, procurement planning, meeting cadences, agendas, and meeting minutes.

As of April 2026, the Project's approved baseline schedule based on a Notice-to-Proceed (NTP) contract date of September 15, 2025 had not yet been developed or submitted to MCES. However, MCES has instructed McGough to develop a baseline schedule using the initial planned NTP dates of March 2025. The March 2025 NTP baseline schedule has not been accepted but will be used to evaluate McGough's original planned sequencing, including winter conditions, review and shutdown periods and the potential cost and schedule impacts. MCES and McGough have agreed to Potential Change Item No. 0001 to address the impacts.

MCES and McGough are actively coordinating to address remaining schedule comments, align on key Project milestones, and advance the baseline schedule toward final acceptance. Early construction activities, including sitework, storm sewer rerouting, and foundation activities, are scheduled to commence in Summer 2026.

The review identified six (6) opportunities to strengthen project team readiness, contractual compliance and enhance project controls as the Project advances towards design completion and early construction. These opportunities are:

1. Finalizing the Project baseline schedule and related cost impacts.
2. Integrating risk management efforts across key stakeholders.
3. Clarifying and strengthening Black & Veatch's project oversight role.
4. Formalize Met Council Members' Project status reporting.
5. Enhancing select McGough project controls practices.
6. Increasing visibility to McGough's subcontractor and equipment buy-out status.

Representatives from MCES, McGough, and Black & Veatch were accessible, cooperative, and responsive throughout the review. Results of the review were discussed with representatives from Met Council and MCES, and the recommendations are intended to support continued strengthening of Project governance, transparency, risk management and efficient project delivery.

PROJECT BACKGROUND

The Project scope includes construction of a fourth fluid bed wastewater incinerator at the Metropolitan Water Resource Recovery Facility (Metro WRRF) in St. Paul, along with supporting solids processing, energy recovery, ash conveyance, cake receiving, and enhanced air pollution control infrastructure. The Metro WRRF needs additional solids treatment capacity to preserve the Council's existing wastewater treatment infrastructure and serve regional population growth. The existing incinerators are over 20 years old and in need of significant renewal requiring extended downtime for each incinerator train of roughly six months to one year. 500,000 new residents are expected in the Metro WRRF service area by 2050.

The estimated Project cost for design-build construction is shown in the table below¹:

Cost Item	Budget (\$ Millions)
Design-Build Contract	258.7
Contingency	23.6
Owner's Agent	4.0
MCES Staff	2.0
RFP Support/Stipend	0.7
Total Estimated Project Cost	289.0

The NTP for the design-build agreement was issued on September 15, 2025. The agreement requires substantial completion of the work by September 14, 2028, substantial completion of the permanent urea system (if needed) by January 12, 2029, or within 120 calendar days after substantial completion. Renewal of the existing incinerators is expected to begin after completion of the fourth incinerator².

REVIEW APPROACH

Talson conducted the review in alignment with the Institute of Internal Auditors' Global Internal Audit Standards ("Standards"). These Standards provide guidance that engagements be planned and performed using a systematic, disciplined, and risk-based approach designed to obtain sufficient and appropriate information to support the engagement's results. Consistent with the Standards, Talson developed and executed a detailed workplan aligned with the review objectives.

The review included selected procedures to assess compliance with applicable provisions of the McGough, Veolia, and Black & Veatch agreements; evaluate risks to successful project delivery, including schedule and cost risks; and review MCES project management, governance, and oversight practices against relevant industry standards and practices for design-build agreements.

¹ Project Delivery Analysis No. 3 (PDA.3) dated January 1, 2025

²<https://metrocouncil.org/Wastewater-Water/Projects/Metro-Plant-Solids-Management.aspx>

Talson maintained independence and objectivity throughout the engagement. In accordance with the Standards, independence means the review team was free from conflicts of interest or undue influence that could impair its ability to perform the engagement objectively and without bias.

Based on the procedures performed, Talson believes the evidence obtained provides a reasonable basis for the observations and recommendations presented in this report.

WORK PERFORMED

Talson commenced its review of Project documentation in January 2026. Fieldwork was performed at Met Council's offices in February 2026 and included document review and interviews with representatives from MCES, Black & Veatch, and McGough. Supplemental discussions and document reviews continued through April 2026.

The review assessed selected aspects of MCES's Project governance, administration, and control framework, including roles, responsibilities, and obligations of McGough, Veolia, and Black & Veatch. Procedures included reviewing selected contract requirements, contractual deliverables, financial controls, policies and procedures, project controls, and risks related to schedule, budget, and project delivery. Specific procedures performed included, but were not limited to:

1. Reviewed McGough's Design-Build Agreement, including selected key terms and provisions, to understand the negotiated commercial and contractual requirements.
2. Reviewed Project cost, schedule and financial controls and project administration processes to assess the adequacy of overall project oversight and control mechanisms.
3. Assessed processes for identifying, evaluating, and mitigating design, construction, cost, and third-party risks, including risks related to McGough, Veolia, subcontractors, subconsultants, and vendors.
4. Assessed the use of Trimble Unity Construct, including its role in supporting centralized project records, documentation, coordination, and control activities.
5. Reviewed Project meeting minutes, and correspondence to evaluate how key schedule, budget, risk, and coordination matters were documented and communicated.
6. Reviewed documentation related to design development, procurement status, and early construction planning for transition from design into construction.
7. Evaluated available governance and oversight practices, including roles, reporting lines, meeting cadence, and escalation processes, to assess whether Project information was being communicated to appropriate decision-makers.
8. Conducted interviews with MCES, Met Council's Legal department, Black & Veatch, and McGough representatives to obtain an understanding of current Project status, roles and responsibilities, reporting practices, key risks, and ongoing coordination activities.

A complete list of documents reviewed and interviews conducted is listed in [Appendix A](#).

OBSERVATIONS AND RECOMMENDATIONS

The review identified six (6) Observations representing opportunities to strengthen contractual compliance, enhance financial and project controls and improve project delivery. These Observations were discussed with representatives from MCES and Met Council.

Observation No. 1: Baseline Schedule Management and Related Cost Impacts

Although the Notice-to-Proceed (NTP) was issued to McGough in September 2025, as of April 2026, the Project's approved baseline schedule for a September 2028 substantial completion had not been finalized or agreed upon by MCES and McGough. Moreover:

- a) The Contract Documents – Section 2.07 requires submission, finalization and acceptance of the schedule and limits disbursement to McGough until the schedule complies with the contractual requirements. Black & Veatch issued notification of schedule non-compliance for Contract Specification 01310 in February 2026, including reference to insufficient Minnesota Pollution Control Agency and MCES review times and invalid relationships regarding milestone finishes.
- b) Through March 2026, schedule revisions remained in progress, including unresolved discussions regarding permitting timelines, float compression, and critical path activities. McGough's "current state" schedule was primarily supported by three-week look-ahead schedules included in progress meeting minutes, which did not provide sufficient detail on overall Project progress or reflect Black & Veatch review.
- c) In addition to preparing a current state schedule that is based on the September 2025 NTP, McGough has been asked to prepare an "original" schedule that rolls back the NTP to March 2025 with no change to the substantial completion date of September 2028. This schedule is intended to assist in identification of potential float usage and winter weather conditions that may result in future change orders as well as ongoing discussions relating to the ownership and use of that schedule float between the MCES and McGough. Under the design-build agreement, schedule float is not exclusively owned by either party and is to be used for the overall benefit of the Project.
- d) Prior to the NTP, McGough and MCES have agreed on Potential Change Item No. 0001, dated August 5, 2025, entitled "Delays in Contract Negotiations – Anticipated Impact." MCES acknowledges McGough's entitlement to an "equitable adjustment of the Contract Price and Contract Time due to the time to finalize the negotiation of the Design-Build Contract." Although, the equitable adjustment amount is to be determined, the intent is to absorb additional costs due to revised the winter condition activities.
- e) Veolia's subcontract agreement with McGough contains an addendum to Veolia's initial proposal, dated October 27, 2022, submitted to MCES. The addendum attempts to address pricing changes specific to a contract award date of March 17, 2025. It is unclear if the existing Veolia subcontract value with McGough is subject to additional adjustments due to the NTP start date of September 15, 2025.

Recommendations

- 1) McGough should finalize MCES's request for the baseline schedule based on the NTP of March 2025 and immediately develop and submit for approval a baseline schedule using the contractual NTP date of September 2025. The accepted schedule should clearly identify current critical path activities, float position, major milestones, review durations, commissioning activities, and assumptions related to winter conditions and shutdown/no-work periods.
- 2) Subsequent to the approved baseline schedule, McGough should present to MCES any potential cost impacts as identified Potential Change Item No. 0001.
- 3) Black & Veatch should review and comment on the NTP September 2025 baseline schedule including the review of Veolia's schedule as presented in the subcontract agreement to McGough. This review should focus on the consistency of design, procurement, construction, testing and commissioning activities to the approved baseline schedule.
- 4) MCES should verify if Veolia's subcontract value remains unchanged or if MCES is subject to potential claims from Veolia due to the NTP of September 2025.

Observation No. 1 Management Response:

Agree.

The project team is working closely with McGough to finalize the baseline schedule and evaluate potential impacts of Change Item 0001. The existing design-build contract requires a schedule that identifies critical path activities, float position, major milestones, review durations, and commissioning activities, plus a narrative that should include assumptions related to winter conditions and shutdown/no-work periods. The Owner's Agent will review Veolia's schedule and subcontract value if McGough provides Veolia's subcontract agreement. The design-build contract includes a base price adjustment allowance for material and labor escalation.

Timetable: Anticipate completion of all tasks by Q4 2026.

Staff Responsible: Project Manager and Council Authorized Representative, with cooperation and support from Owner's Agent and Design Builder.

Observation No. 2: Project Risk Management

MCES and Black & Veatch prepared a Project Risk Register to support Owner-level risk oversight. The Risk Register identified risks, causes, potential consequences, existing mitigation measures, likelihood and consequence ratings, residual risk scoring, additional mitigation actions, risk owners, and remaining Met Council risk.

However, the Risk Register does not appear to have been maintained as an active project management tool as the Project advanced. The register appears to reflect the Project's risk posture as of Fall 2025 and does not clearly document subsequent updates, status changes, retired or closed risks, closure rationale, target dates, or mitigation progress. Several risks appear to have been resolved or reduced but remain in the register without clear status tracking or reference to retirement. In addition, the register does not consistently quantify cost or schedule impacts, link risks to contingency considerations, or provide sufficient documentation to demonstrate how risks are being actively monitored, escalated, or mitigated over time.

Recommendations

To enhance its Project risk management efforts, MCES should consider the following:

- (1) Establish a structured Project risk management process to support ongoing identification, assessment, mitigation, monitoring, and closure of risks. The process should be led by MCES, with support from Black and Veatch, and other stakeholders as appropriate.
- (2) Conduct quarterly risk workshops during active design and construction, with the cadence adjusted as the Project progresses toward commissioning, closeout, and completion to reassess active and emerging risks, evaluate mitigation progress, and determine whether risks should remain open, be escalated, or be retired.
- (3) Update the existing Risk Register on a recurring basis so it functions as an active oversight tool. At minimum, the register should document risk owners, risk ratings, estimated cost and schedule impacts where applicable, mitigation actions, target dates, current status, escalation needs, and retirement or closure rationale.

Observation No. 2 Management Response:

Agree.

Project stakeholders led by MCES, with support from the Owner's Agent, will collaboratively develop a risk management process to support ongoing identification, assessment, mitigation, monitoring, and closure of risks, which will include periodic risk workshops as described above. The existing risk register developed by Council staff during proposal development and contract award will be revised to include the element listed in Item (3) above and periodically updated.

Timetable: Development of risk process approach by Q4 2026. Periodically conduct risk workshops and update the risk register as prescribed.

Staff Responsible: Project Delivery Team with support from Owner's Agent.

Observation No. 3: Black & Veatch Services

Black & Veatch's services could be strengthened in selected areas related to Project cost review, contractor payment visibility, schedule interface awareness, and total contract value reporting.

a) **Application for Payment Review:** Black & Veatch does not review McGough's monthly Applications for Payment. Although this review is performed by MCES and not contractually required of Black & Veatch, the absence of Black & Veatch's review limits its visibility into Project cost progression and its ability to integrate invoiced Schedule of Values (i.e., work activity) amounts against observed progress, schedule updates and milestones, and related deliverables during its ongoing review of the CPM schedule.

b) **Schedule and Contract Interface Visibility:** Black & Veatch had not yet reviewed Veolia's subcontract agreement or other critical contributor obligations affecting McGough's Project schedule and was not fully familiar with McGough's finalized contract. This limits Black & Veatch's visibility into key contractual obligations, coordination interfaces, milestone requirements, long-lead equipment dependencies, and schedule related risks.

Recommendations

MCES should evaluate whether Black & Veatch's scope should be expanded or clarified to strengthen cost, schedule, and other advisory services. Specifically:

(1) MCES should allow upon request, Black & Veatch to review McGough's Applications for Payment for reasonableness against observed progress, schedule updates and milestones, approved Schedule of Values, and supporting documentation. MCES should advise Black & Veatch of this optionality within the 30 days.

(2) MCES should confirm that Black & Veatch has access to and the ability to review key contract documents, including McGough's finalized contract, Veolia-related obligations, critical supplier interfaces, milestone requirements, long-lead equipment dependencies, and schedule-related risks.

Observation No. 3 Management Response:

Agree.

Owner's Agent should review McGough's Applications for Payment and other supporting documentation as needed to perform its CPM schedule reviews. MCES has provided access to key contract documents, and in addition will inform Owner's Agent of availability of updated key documents within 30 days of receipt as requested.

Timetable: Approximately monthly and as requested by Council's Authorized Representative.

Staff Responsible: Project Manager and Council's Authorized Representative.

Observation No. 4: Report to Met Council

MCES' Project administration practices could be enhanced to support executive visibility, and stakeholder awareness. Formal periodic Project status presentations to Met Council Members or an applicable Committees are not currently required. This limits structured reporting on Project status, schedule and budget performance, key risks, emerging issues, significant contract matters, and items requiring executive attention or decision-making.

Recommendation

MCES should establish a formal periodic Project reporting cadence for Met Council Members or applicable Committees. At a minimum, reporting should include Project status, schedule and budget performance, key risks, emerging issues, significant contract matters, and items requiring executive attention or decision-making.

Observation No. 4 Management Response:

Agree.

A periodic project report, including project status, schedule and budget performance, key risks, emerging issues, significant contract matters and items requiring executive attention or decision-making will be provided for the Council.

Timetable: Periodically (TBD), starting Q3 2026.

Staff Responsible: Project Manager and Manager, Plant Engineering

Observation No. 5: McGough Project Controls

Select aspects of McGough's project controls could be strengthened. Specifically:

- a) McGough had not provided a compliant progress schedule with its monthly Applications for Payment, contrary to the contractual requirements under Section 2.07 *Review of Schedule* which states:
"(a)... No progress payment shall be made to Design-Builder until Design-Builder submits schedules that comply with the following requirements:
 - (1) Design-Builder's progress schedule shall provide an orderly progression of the Work to be completion within any specific Milestones and the Contract Times.*
 - (2) Design-Builder shall submit updated progress schedules on a monthly basis..."*
- b) Applications for Payment did not identify the names of major trades or related scopes within the Schedule of Values. This limited visibility into the specific subcontractor or trade work supporting billed amounts and reduced MCES's ability to validate the completed work associated with each invoice.

Recommendation

Although a baseline schedule has not yet been approved between McGough and MCES, McGough should submit an updated progress schedule on a monthly basis within the monthly Application for Payment as contractually required. At a minimum, the updated schedule and supporting documentation should identify completed work, upcoming activities, milestone status, critical path changes, delays, float usage, recovery actions, awarded and unawarded trade packages, anticipated award dates, and related cost or schedule risks.

Additionally, although not specifically required by the design-build agreement with McGough, MCES should consider requesting from McGough a list of trade subcontractors to each Schedule of Value / activity for visibility of awarded subcontractors within each monthly Application for Payment or as a component of periodic Progress Meeting Minutes.

Observation No. 5 Management Response:

Agree.

The design-build contract requires Design Builder to submit updated progress schedules monthly with Application for Payment.

Timetable: Periodic, monthly updated progress schedules and weekly list of trade subcontractors.

Staff Responsible: Council's Authorized Representative.

Observation No. 6: Report to Subcontractor and Equipment Buyout Status

The subcontractor and equipment buyout logs identified 56 packages in total, of which 13 were executed. Overall, the buyout was approximately 23% complete with the remaining buy-outs still pending, in progress, vetting proposals or dependent on additional design information.

- For subcontractors, 8 of 29 packages were executed, representing approximately 28% of the subcontractor buyout. The remaining 21 packages were not yet executed, including 13 pending at 70% drawings, 5 pending signature, and other packages pending prequalification, updated pricing, or final action.
- For equipment, 5 of 27 packages were executed, representing approximately 19% of the equipment buyout. The remaining 22 packages were not yet executed, including 8 in proposal vetting, 2 with RFPs sent, and 12 still in design development. Most unexecuted equipment packages listed vendors as "TBD."

Recommendation

MCES should request McGough to provide a recurring subcontractor and equipment buyout report as part of the monthly project controls package, within Progress Meeting Minutes or within the monthly Application for Payment. The report could identify package status, planned award date, responsible party, vendor or subcontractor, design dependencies, long-lead risks, and related schedule impacts.

Observation No. 6 Management Response:

Agree.

MCES will request Design Builder to provide subcontractor and equipment buyout reports as a component of Construction Progress Meetings.

Timetable: Weekly

Staff Responsible: Council's Authorized Representative.

End of Report

Appendix A
Documents Reviewed & Interviews Conducted

Documents Reviewed:

Metropolitan Council's Contracts/Agreements and Amendments:

1. Contract Number 21P055 with McGough Construction Co., LLC, August 12, 2025
2. Contract Number 21P055A with Veolia WTS Systems USA, July 28, 2023
3. Contract Number 19P011 with Black & Veatch Corporation, December 30, 2019

Metro Plant Documents:

4. Fourth Incinerator Design-Build Construction Plan, October 2025
5. Fourth Incinerator Risk Register, undated
6. Fourth Incinerator Operational Risk Reduction Strategies, undated

Other Project Documents:

7. MCES Metro Plant Fourth Incinerator Master Schedule, February 23, 2026
8. Various McGough Construction Co., LLC's Application For Payments
9. Various Metropolitan Council Environmental Services' Construction Progress Meetings
10. Various Metropolitan Council Environmental Services' Design Meeting Minutes
11. Various Black & Veatch's Consultant's Monthly Project Reports
12. Various Standard MCES Operational Impact Notifications
13. Various Project Organization Charts
14. Potential Change Item Log, February 20, 2026
15. Weekly Submittal Log, February 19, 2026
16. Permit Log, undated
17. Subcontractor Buyout Log, undated
18. Equipment Buyout Log, undated
19. Redacted McGough Standard Subcontract Agreement, Design-Build Lump Sum with Veolia
20. Redacted McGough Standard Subcontract Agreement Labor & Materials Guaranteed Maximum Price with Hunt Electric Corporation

Interviews Conducted:

Metropolitan Council Environmental Services:

1. Stephen Norton, PE, Assistant General Manager, Operational Services
2. Adam Gordon, Interceptor Engineering Manager
3. Rene Heflin, Plant Engineering Manager
4. Jim Sailer, Construction Services Manager

Black & Veatch:

5. Scott Fronek, PE, Project Manager
6. Nate Fleischhacken, Project Engineer

McGough Construction:

7. Todd Flicek, Project Executive

Metropolitan Council:

8. Patrick Lee-O'Halloran, Associate General Counsel