



# King County

1200 King County  
Courthouse  
516 Third Avenue  
Seattle, WA 98104

## Meeting Agenda Budget and Fiscal Management Committee

### *Councilmembers:*

*Rod Dembowski, Chair;*

*Jorge L. Barón, Vice Chair;*

*Claudia Balducci, Teresa Mosqueda, Sarah Perry, De'Sean Quinn, Girmay Zahilay*

*Lead Staff: April Sanders (206-263-3412)*

*Committee Clerk: Gabbi Williams (206-477-7470)*

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9:30 AM

Wednesday, August 27, 2025

Hybrid Meeting

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**Hybrid Meetings:** Attend King County Council committee meetings in person in Council Chambers (Room 1001), 516 3rd Avenue in Seattle, or through remote access. Details on how to attend and/or provide comment remotely are listed below.



Pursuant to K.C.C. 1.24.035 A. and F., this meeting is also noticed as a meeting of the Metropolitan King County Council, whose agenda is limited to the committee business. In this meeting only the rules and procedures applicable to committees apply and not those applicable to full council meetings.

**HOW TO PROVIDE PUBLIC COMMENT:** The Budget and Fiscal Management Committee values community input and looks forward to hearing from you on agenda items.

There are three ways to provide public comment:

1. In person: You may attend the meeting and provide comment in the Council Chambers.
2. By email: You may comment in writing on current agenda items by submitting your email comments to [kcccomitt@kingcounty.gov](mailto:kcccomitt@kingcounty.gov). If your email is received by 8:00 a.m. on the day of the meeting, your email comments will be distributed to the committee members and appropriate staff prior to the meeting.
3. Remote attendance at the meeting by phone or computer (see "Connecting to the Webinar" below).

You may provide oral comment on current agenda items during the meeting's public comment period.

	<p>Sign language and interpreter services can be arranged given sufficient notice (206-848-0355). TTY Number - TTY 711.</p> <p>Council Chambers is equipped with a hearing loop, which provides a wireless signal that is picked up by a hearing aid when it is set to 'T' (Telecoil) setting.</p>	
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You are not required to sign up in advance. Comments are limited to current agenda items.

You have the right to language access services at no cost to you. To request these services, please contact Language Access Coordinator, Tera Chea at 206 477 9259 or email [tera.chea2@kingcounty.gov](mailto:tera.chea2@kingcounty.gov) by 8:00 a.m. three business days prior to the meeting.

**CONNECTING TO THE WEBINAR:**

Webinar ID: 867 1228 9077

By computer using the Zoom application at <https://zoom.us/join> and the webinar ID above.

Via phone by calling 1 253 215 8782 and using the webinar ID above.

**HOW TO WATCH/LISTEN TO THE MEETING REMOTELY:** There are several ways to watch or listen in to the meeting:

- 1) Stream online via this link: <http://www.kingcounty.gov/kctv>, or input the link web address into your web browser.
- 2) Watch King County TV on Comcast Channel 22 and 322(HD) and Astound Broadband Channels 22 and 711(HD)
- 3) Listen to the meeting by telephone – See “Connecting to the Webinar” above.

To help us manage the meeting, if you do not wish to be called upon for public comment please use the Livestream or King County TV options listed above, if possible, to watch or listen to the meeting.

1. **Call to Order**

2. **Roll Call**

To show a PDF of the written materials for an agenda item, click on the agenda item below.

3. **Approval of Minutes** p. 5

*July 23, 2025 meeting minutes*

4. **Public Comment**



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## Discussion and Possible Action

5. [Proposed Ordinance No. 2025-0212](#) p. 8

AN ORDINANCE relating to the levy collection of the sales and use tax of one-tenth of one percent for the delivery of behavioral health services and therapeutic courts authorized by RCW 82.14.460; continuing the sales and use tax; adding a new section to K.C.C. chapter 4A.500, establishing an effective date, and establishing an expiration date.

**Sponsors:** Dembowski

*Sam Porter, Council staff*

6. [Proposed Ordinance No. 2025-0182](#) p. 32

AN ORDINANCE relating to solid waste fees charged at recycling and transfer facilities, at the Cedar Hills regional landfill, and for construction and demolition waste disposed at landfills by construction and demolition receiving facilities; and amending Ordinance 19805, Section 2, as amended, and K.C.C. 10.12.021 and establishing an effective date.

**Sponsors:** Zahilay

*April Sanders, Council staff*

7. [Proposed Ordinance No. 2025-0236](#) p. 92

AN ORDINANCE relating to the sale of biomethane and related environmental attributes held by the county; authorizing the solid waste division to enter into an agreement for the sale of biomethane and environmental attributes produced at the Cedar Hills regional landfill to Puget Sound Energy.

**Sponsors:** Dembowski

*Wendy Soo Hoo, Council staff*



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## Briefing

8. [Briefing No. 2025-B0115](#) p. 149

King County Metro Reserve Levels

*Geoff Kaiser, Director, Budget & Financial Planning, Finance & Administration Division, Metro Transit  
Department*

*T.J. Stutman, Budget Analyst, Office of Performance, Strategy, and Budget*

## Other Business

## Adjournment



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# King County

1200 King County  
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## Meeting Minutes Budget and Fiscal Management Committee

### *Councilmembers:*

*Rod Dembowski, Chair;  
Jorge L. Barón, Vice Chair;  
Claudia Balducci, Teresa Mosqueda, Sarah Perry, De'Sean  
Quinn, Girmay Zahilay*

*Lead Staff: April Sanders (206-263-3412)  
Committee Clerk: Gabbi Williams (206-477-7470)*

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9:30 AM

Wednesday, July 23, 2025

Hybrid Meeting

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### DRAFT MINUTES

1. **Call to Order**

*Chair Dembowski called the meeting to order at 9:31 a.m.*

2. **Roll Call**

**Present:** 7 - Balducci, Barón, Dembowski, Mosqueda, Perry, Quinn and Zahilay

3. **Approval of Minutes**

*Councilmember Barón moved approval of the July 9, 2025 meeting minutes. There being no objections, the minutes were approved.*

4. **Public Comment**

*There were no individuals present to provide public comment:*

## Consent

5. [Proposed Ordinance No. 2025-0163](#)

AN ORDINANCE that adopts the Harborview Medical Center 2026 Capital Improvement Program Annual Budget for the year ending June 30, 2026, and makes appropriations for the capital improvements for the Harborview Medical Center.

*This matter was expedited to the August 19, 2025 Council agenda.*

**A motion was made by Councilmember Barón that this Ordinance be Recommended Do Pass Consent. The motion carried by the following vote:**

**Yes:** 7 - Balducci, Barón, Dembowski, Mosqueda, Perry, Quinn and Zahilay

## Discussion and Possible Action

6. [Proposed Ordinance No. 2025-0165](#)

AN ORDINANCE relating to a capital improvement project; making a supplemental appropriation of \$51,819,000 to the county hospital capital fund; and amending the 2025 Annual Budget Ordinance, Ordinance 19861, Section 130, as amended, and Attachment A, as amended.

*Sam Porter, Council staff, briefed the committee. Tony Wright, Director of Harborview Construction and Infrastructure, Office of the Executive, also addressed the committee and answered questions from the members.*

*Councilmember Barón moved Amendment 1. The Amendment was adopted.*

*This matter was expedited to the August 19, 2025 Council agenda.*

**A motion was made by Councilmember Barón that this Ordinance be Recommended Do Pass Substitute Consent. The motion carried by the following vote:**

**Yes:** 7 - Balducci, Barón, Dembowski, Mosqueda, Perry, Quinn and Zahilay

7. [Proposed Ordinance No. 2025-0124](#)

AN ORDINANCE authorizing the execution of a new lease to support the operation of the department of public health.

*Olivia Brey, Council staff, briefed the committee and answered questions from the members. Andrea Coulson, Chief Paramedic Service Administrator, King County Medic One, also addressed the committee and answered questions from the members.*

*Councilmember Barón moved Amendment 1. The Amendment was adopted.*

**A motion was made by Councilmember Barón that this Ordinance be Recommended Do Pass Substitute Consent. The motion carried by the following vote:**

**Yes:** 7 - Balducci, Barón, Dembowski, Mosqueda, Perry, Quinn and Zahilay

## Other Business

*There was no other business to come before the committee.*

## Adjournment

*The meeting was adjourned at 10:02 a.m.*

Approved this \_\_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_  
Clerk's Signature



## King County

# Metropolitan King County Council Budget and Fiscal Management Committee

### STAFF REPORT

<b>Agenda Item:</b>	5	<b>Name:</b>	Sam Porter
<b>Proposed No.:</b>	2025-0212	<b>Date:</b>	August 27, 2025

### SUBJECT

Proposed Ordinance 2025-0212, which, if enacted, would continue the collection of the Mental Illness and Drug Dependency (MIDD) sales and use tax for a term of nine years.

### SUMMARY

The MIDD sales and use tax has been imposed in King County since 2008, and the current MIDD II tax is set to expire January 1, 2026. If adopted by Council, Proposed Ordinance 2025-0212 would continue the one-tenth of one percent MIDD tax for an additional term of nine years to expire January 1, 2035. The tax is authorized by RCW 82.14.460 for the purpose of paying for the operation or delivery of behavioral health<sup>1</sup> programs and services, and therapeutic court programs and services. If renewed, the tax is projected as of July 2025 to generate approximately \$203 million in the 2026-2027 biennium, and more than \$1 billion over the nine-year term.<sup>2</sup>

For collections to continue without interruption, the state Department of Revenue would need to be notified of the effective legislation by October 18.<sup>3</sup>

Proposed Ordinance 2025-0212 is a nonmandatory dual referral to the Regional Policy Committee under K.C.C. 1.24.065.I as an issue that would benefit from interjurisdictional discussion. The Legislative Schedule for the Proposed Ordinance appears at the end of this staff report.

### BACKGROUND

**MIDD Established in State Law.** In 2005, the Washington State Legislature provided a funding option enabling county legislative authorities to raise the local sales tax by one

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<sup>1</sup> The term “behavioral health” encompasses both mental health and substance use disorders. Substance use is referred to as “chemical dependency” in RCW 82.14.460.

<sup>2</sup> Office of Economic and Financial Analysis (OEFA) July 2025 Forecast, [https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/forecasting/documents/july2025\\_pdf.pdf?rev=6abcfdb918314a40a3c82d9f0de6ea14&hash=7B796FB39494EB5CEA00BBB043DB3F8D](https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/forecasting/documents/july2025_pdf.pdf?rev=6abcfdb918314a40a3c82d9f0de6ea14&hash=7B796FB39494EB5CEA00BBB043DB3F8D)

<sup>3</sup> The Department of Revenue requires notification 75 days before January 1, 2026, if the MIDD is renewed to ensure uninterrupted collections.



tenth of one percent to fund behavioral health and therapeutic court programs. By law, funds raised by this tax are to be dedicated to new or expanded behavioral health services and new or expanded therapeutic court programs.<sup>4</sup> Furthermore, RCW 82.14.460(3) requires that every county that authorizes this tax must operate a therapeutic court for dependency proceedings.

**MIDD I (2008-2016).** In 2007, the King County Council adopted Ordinance 15949 authorizing the original MIDD levy (MIDD I) and collection of an additional sales and use tax of one-tenth of one percent for the delivery of behavioral health services and therapeutic courts over a period of nine years which expired January 1, 2017. Ordinance 15949 also established a policy framework for measuring the effectiveness of the public's investment in MIDD I programs, requiring the King County Executive to submit oversight, implementation and evaluation plans for the programs funded with the tax revenue. Subsequent ordinances established the MIDD Oversight Committee (established 2008<sup>5</sup>, amended in 2017 to be the "Advisory Committee"<sup>6</sup>) and the MIDD Implementation Plan and MIDD Evaluation Plan (October 2008).<sup>7</sup>

**MIDD II (2017-2025).** In 2015, the King County Council passed Ordinance 17998 requiring a comprehensive review of MIDD I strategies, an analysis of investments, and set forth a process and criteria for recommending new strategies to be considered for MIDD II. In June 2016, the Executive transmitted the comprehensive historical review, assessment of MIDD I<sup>8</sup>, and a proposal to continue collections for another nine-year term starting in 2017.<sup>9</sup> In August 2016, Council adopted Ordinance 18333 which continued the collection of the sales tax uninterrupted for another nine years and is set to expire January 1, 2026. In August 2016, the Executive transmitted the MIDD II service improvement plan (SIP) to guide MIDD II investments.<sup>10</sup> The SIP was approved through Ordinance 18406 in November 2016 and will expire with MIDD II on January 1, 2026.

Ordinance 18407 (passed in conjunction with the SIP) revised the MIDD policy goals in King County Code. Chapter 4A.500.309 sets forth the MIDD II policy goals in King County Code that will expire January 1, 2026. These goals are to:

1. Divert individuals with behavioral health needs from costly interventions such as jail, emergency rooms and hospitals;
2. Reduce the number, length and frequency of behavioral health crisis events;
3. Increase culturally-appropriate, trauma-informed behavioral health services;

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<sup>4</sup> RCW 82.14.460

<sup>5</sup> Ordinance 16077 established the MIDD Oversight Committee as an advisory body to the King County Executive and the Council.

<sup>6</sup> Ordinance 18452

<sup>7</sup> In October 2008, the Council adopted the MIDD Implementation Plan and the MIDD Evaluation Plan via Ordinance 16261 and Ordinance 16262.

<sup>8</sup> Motion 14712 was adopted September 2016

<sup>9</sup> Ordinance 18333

<sup>10</sup> Ordinance 17998 also required a progress report in the interim on the status of the SIP and historical review and assessment.

4. Improve the health and wellness of individuals living with behavioral health conditions; and
5. Explicit linkage with, and furthering the work of, King County and community initiatives.

**King County MIDD Revenue History.** From 2008 through 2025, MIDD is currently projected to generate more than \$1.15 billion as summarized in Table 1.

**Table 1.**  
**MIDD Annual Revenue 2008-2025 with Percentage Change**  
**Data from the Office of Economic and Financial Analysis (OEFA)**

	Year	MIDD Revenue	Percentage Change
MIDD I	2008	\$35,564,904	-
	2009	\$41,773,812	17.46%
	2010	\$40,717,980	-2.53%
	2011	\$43,099,478	5.85%
	2012	\$45,000,360	4.41%
	2013	\$48,298,263	7.33%
	2014	\$52,286,424	8.26%
	2015	\$57,487,559	9.95%
	2016	\$61,399,254	6.80%
MIDD II <sup>11</sup>	2017	\$64,979,114	5.83%
	2018	\$71,198,452	9.57%
	2019	\$74,773,247	5.02%
	2020	\$70,393,210	-5.86%
	2021	\$82,602,624	17.34%
	2022	\$90,416,789	9.46%
	2023	\$91,971,205	1.72%
	2024	\$91,887,621	-0.09%
	2025	\$92,579,683	0.75%
		\$1,156,429,979	Total Projected Collections

Since its inception, MIDD has supported new and expanded behavioral health programs as allowed under state law including King County Adult and Juvenile Drug Courts, Family Treatment Court, Regional Mental Health Court, Community Court, and Seattle Municipal Treatment Courts, as well as Law Enforcement Assisted Diversion (LEAD), Geriatric Regional Assessment Team, Mental Health First Aid, Next-Day Crisis Appointments, Children's Crisis Outreach Response System, the Recovery Café, Behavioral Health Services in Rural King County, and Community-Driven Behavioral

<sup>11</sup> Includes data from the July 2025 OEFA Forecast.

Health Grants for Cultural and Ethnic Communities. A complete list of MIDD II Strategies and Initiatives can be found at this webpage: <https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/initiatives>

**MIDD II Impacts.** According to a memo attached to the transmittal letter for Proposed Ordinance 2025-0212, more than 100,000 King County residents have received MIDD-funded services during MIDD II, with more than 20 new initiatives implemented during this timeframe, including, “next-day appointments for substance use disorder assessment, creating additional mobile crisis teams in south King County, and expanding School-Based Screening, Brief Intervention, and Referral to Treatment/Services.” According to the memo, MIDD data “suggests that through MIDD programs, participants are receiving the support they need to achieve or maintain their recovery in their communities.” Furthermore, MIDD participants three years after their enrollment had 67 percent fewer engagements with publicly funded crisis services, 36 percent episodes of hospitalization and involuntary treatment, 62 percent bookings into King County and municipal jails, and 33 percent emergency department visits.

## **ANALYSIS**

Proposed Ordinance 2025-0212 would extend the MIDD sales tax for another nine-year period (2026-2034). If passed, MIDD III revenue collections are currently expected to generate more than \$1 billion according to the July 2025 OEFA Forecast.<sup>12</sup> The increase in projected revenue is due to factors including inflation and the 2025 state legislative sales tax expansion.

**2025 State Legislative Sales Tax Expansion.** In 2025, the Washington State Legislature adopted ESSB 5814, which broadens the sales tax base to include some services not previously included such as information technology support, temporary staffing, and digital advertising services.<sup>13</sup> Many of these services are concentrated within King County and are therefore expected to result in increased sales tax collections as is demonstrated in the July 2025 OEFA forecast.

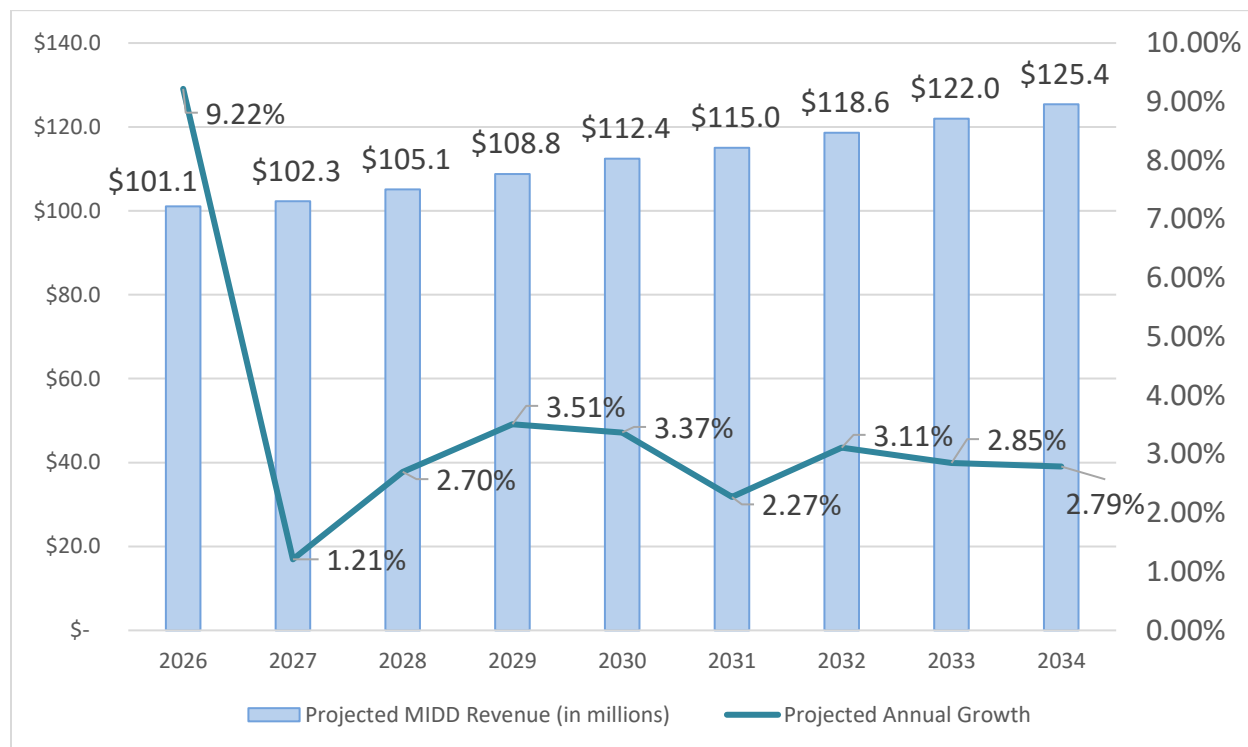
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<sup>12</sup> July 2025 OEFA Forecast [https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/forecasting/documents/july2025\\_pdf.pdf?rev=6abcfdb918314a40a3c82d9f0de6ea14&hash=7B796FB39494EB5CEA00BBB043DB3F8D](https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/forecasting/documents/july2025_pdf.pdf?rev=6abcfdb918314a40a3c82d9f0de6ea14&hash=7B796FB39494EB5CEA00BBB043DB3F8D)

<sup>13</sup> SB 5814 - 2025-26, *Modifying the application and administration of certain excise taxes.* <https://app.leg.wa.gov/billsummary/?BillNumber=5814&Year=2025&Initiative=false>

Currently projected revenue and annual growth for MIDD III are summarized in Table 2.

**Table 2.**  
**Projected MIDD III Annual Revenue 2026-2035 with Annual Growth Rate**  
**Data from the Office of Economic and Financial Analysis (OEFA)**



**Growth Rate.** Tables 3 and 4 provide a comparison of the average annual growth rate between MIDDs I and II, and projections for MIDD III. This comparison demonstrates that while the sum of more than \$1 billion projected to be generated in 2026-2034 is almost the same amount of revenue generated from the last 18 years, the growth rate itself is slowing from almost 8.9 percent per year between MIDD I and II, to only a 2.7 percent per year future growth rate for MIDD III. OEFA's Chief Economist, Lizbeth Martin-Mahar, has stated that without the expanded sales tax base provided by the State Legislature in 2025, the July 2025 forecast would have been lower for MIDD by approximately \$6.9 million in 2026 alone, resulting in only a 1.8 percent annual growth from 2025 to 2026 instead of the 9 percent currently projected for 2026. Furthermore, she indicates that the future projections of MIDD on an annualized basis are sizably less than the long-term historical growth of \$3.2 million or 8.9 percent per year.

**Table 3. OEFA Comparison of MIDD Entire History with Projections for MIDD III**

Time Period	MIDD Revenue (in millions)
MIDD I & II (2008-2025)	
2008	\$35.56 million
2025	\$92.89 million
Historical Growth (\$) for 18 years	\$57.33 million / \$3.2 million per year
Historical Growth (%) for 18 years	161.2% / 8.9% per year
MIDD III Projections (2026-2034)	
2026	\$101.11 million
2034	\$125.36 million
Future Growth (\$) for 9 years	\$24.25 million / \$2.7 million per year
Future Growth (%) for 9 years	24.0% / 2.7% per year

**Table 4. OEFA Comparison of MIDD II with Projections for MIDD III**

Time Period	MIDD Revenue (in millions)
MIDD II (2017-2025)	
2017	\$64.98 million
2025	\$92.89 million
Historical Growth Rate (%) for 9 Years	42.9% / 4.8% per year
MIDD III Projections (2026-2034)	
2026	\$101.11 million
2034	\$125.36 million
Future Growth Rate (%) for 9 years	24.0% / 2.7% per year

**Notable Expiring Components of MIDD II.** The following components of MIDD II described in KCC 4A.500 are set to expire with the current tax on January 1, 2026:

1. Policy Goals;
2. Service Improvement Plan governing expenditures;
3. Evaluation Plan, including annual reporting requirements; and
4. Binding partnership agreement and requirements<sup>14</sup>.

These components were not included in the transmitted legislation for MIDD III and are not required to extend the tax. The Statement of Facts of Proposed Ordinance 2025-

<sup>14</sup> KCC 4A.500.330 requires that no contractor providing \$3 million or more of services annually to the County can receive MIDD revenue unless it has a partnership agreement with a labor organization.

0212 indicates that the Executive is preparing to transmit an updated implementation plan in 2026 to guide future investments for the MIDD III period. Previously, Executive staff indicated that the estimated transmittal date would be June 30, 2026. Executive staff now state that the incoming County Executive may wish to issue a new timeline for the transmittal and that, “it is the intention that the existing implementation plan would govern spending until a new implementation plan is adopted by the Council.” Councilmembers may wish to consider adopting separate legislation to extend and/or update any of the four components listed above rather than wait for transmittal of a new implementation plan. On August 20, 2025, Executive staff notified Council staff of the Executive’s intent to transmit legislation with the budget to continue the MIDD II SIP until a new implementation plan is adopted in 2026.

**Timeline.** If the Council chooses to extend the MIDD expiration date, the Department of Revenue requires notification by October 18, 2025, to allow for uninterrupted collections. This would require action on the proposed ordinance by the Full Council no later than its October 7 regular meeting, or as an emergency at the October 14 meeting. Table 5 outlines the current legislative schedule for the Proposed Ordinance. Note that the Executive has requested that Proposed Ordinance 2025-0212 be taken up in September so the tax revenue can be assumed in the Executive’s proposed 2026-2027 biennial budget.

**Table 5. Legislative Schedule for Proposed Ordinance 2025-0212**

<b>Action</b>	<b>Committee/ Council</b>	<b>Date</b>	<b>Amendment Deadline</b>
<b>Submitted to Clerk</b>	-	July 10	-
<b>Introduction and Referral</b>	Full Council	July 22	-
<b>Briefing</b> <i>(BFM in control)</i>	Special RPC	August 20	-
<b>Discussion Only</b>	Special BFM	<del>August 21</del> <b>Cancelled</b>	-
<b>Action</b>	BFM	August 27	Striker direction: August 20  Striker distribution: August 22  Line AMD direction: August 25
<b>Action</b>	RPC	September 10	Striker direction: September 3  Striker distribution: September 5  Line AMD direction: September 8
<b>Final Action – If expedited</b>	Full Council	September 16	Striker direction: September 9  Striker distribution: September 11  Line AMD direction: September 14
<b>Final Action Regular Course</b>	Full Council	September 23	Striker direction: September 16  Striker distribution: September 18  Line AMD direction: September 21
<b>DOR Notification Deadline</b>	-	October 18	-

Council's legal counsel has reviewed the legislation and raised no legal issues.

## **AMENDMENT**

Council's legal counsel is recommending a technical line amendment to add the word "additional" on line 29 so that the ordinance correctly refers to the MIDD tax as an "additional" sales and use tax.

## **INVITED**

- Susan McLaughlin, Director, Behavioral Health and Recovery Division, Department of Community and Human Services (DCHS)

## **ATTACHMENTS**

1. Proposed Ordinance 2025-0212
2. **Amendment**
3. Transmittal Letter (and its attachment, Memo: King County MIDD Impacts)
4. Fiscal Note





**KING COUNTY**  
**Signature Report**

ATTACHMENT 1  
1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Ordinance**

**Proposed No. 2025-0212.1**

**Sponsors Dembowski**

1 AN ORDINANCE relating to the levy collection of the  
2 sales and use tax of one-tenth of one percent for the  
3 delivery of behavioral health services and therapeutic  
4 courts authorized by RCW 82.14.460; continuing the sales  
5 and use tax; adding a new section to K.C.C. chapter  
6 4A.500, establishing an effective date, and establishing an  
7 expiration date.

8 STATEMENT OF FACTS: The executive is preparing for transmittal in  
9 2026 of an updated implementation plan to guide future investments for  
10 the continuing behavioral health sales and use tax authorized by RCW  
11 82.14.460, which is expected to be a countywide plan.

12 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

13 SECTION 1. Findings: This ordinance provides for the continued collection,  
14 without interruption and at the same rate, of the sales and use tax that is authorized by  
15 RCW 82.14.460, which has been imposed in King County since 2008.

16 NEW SECTION. SECTION 2. There is hereby added to K.C.C. chapter 4A.500  
17 a new section to read as follows:

18 A. For the purpose of providing funding for the operation or delivery of  
19 behavioral health programs and services, and therapeutic courts programs and services as  
20 authorized by RCW 82.14.460, as now existing or as hereafter amended, a sales and use

21 tax of one-tenth of one percent is hereby levied, fixed and imposed on all taxable events  
22 within King County as defined in chapters 82.08, 82.12, and 82.14 RCW, except as  
23 provided in subsection B. of this section. The tax shall be imposed upon and collected  
24 from those persons from whom sales tax or use tax is collected in accordance with  
25 chapter 82.08 or 82.12 RCW, and shall be so collected at the rate of one-tenth of one  
26 percent of the selling price, in the case of a sales tax, or value of the article used, in the  
27 case of a use tax. The sales and use tax shall be in addition to all other existing sales and  
28 use taxes currently imposed by the county.

29 B. If, as a result of the imposition of the sales and use tax authorized in  
30 subsection A. of this section, the county imposes an additional sales and use tax upon  
31 sales of lodging in excess of the limits in RCW 82.14.410, the sales shall be exempt from  
32 the imposition of that additional sales and use tax.

33 SECTION 3. Section 2 of this ordinance takes effect January 1, 2026.

34 SECTION 4. Section 2 of this ordinance expires January 1, 2035.

35 SECTION 5. Severability. If any provision of this ordinance or its application to

- 36 any person or circumstance is held invalid, the remainder of the ordinance or the
- 37 application of the provision to other persons or circumstances is not affected.

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

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Girmay Zahilay, Chair

ATTEST:

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Melani Pedroza, Clerk of the Council

APPROVED this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

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Shannon Braddock, County Executive

**Attachments:** None

August 14, 2025  
Technical - Legal



[S. Porter]

Sponsor: Dembowski

Proposed No.: 2025-0212

1 **AMENDMENT TO PROPOSED ORDINANCE 2025-0212, VERSION 1**

2 On page 2, on line 29, after "imposition of the" insert "additional"

3 **EFFECT prepared by *S. Porter: Technical amendment recommended by legal***

4 ***counsel to add a missing word.***



## King County

**Shannon Braddock**

King County Executive

401 Fifth Avenue, Suite 800

Seattle, WA 98104

**206-296-9600** Fax 206-296-0194

TTY Relay: 711

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July 10, 2025

The Honorable Girmay Zahilay  
Chair, King County Council  
Room 1200  
C O U R T H O U S E

Dear Councilmember Zahilay:

This letter transmits a proposed Ordinance that, if adopted, will enable King County to continue to collect the 0.1 percent behavioral health sales and use tax authorized by RCW 82.14.460, known in King County as the MIDD (Mental Illness and Drug Dependency tax), through January 1, 2035.

Adoption of this proposed legislation would continue a vital, consistent source of ongoing local funding for essential behavioral health treatment and services for King County residents, especially those with the greatest needs and the least access, amidst significant uncertainty at the federal level regarding restricting access to Medicaid. An accompanying memo prepared by the Department of Community and Human Services provides information about the impacts of MIDD investments since 2017.

In 2025, the Office of Economic and Financial Analysis estimates that the MIDD behavioral health sales tax will infuse \$97 million into the King County community behavioral health system. From 2017 through 2024, MIDD served more than 100,000 King County residents. MIDD funds supported programs that improved health and wellness, recovery, and connection to community, especially for people most affected by inequities related to race, income, housing status, and access to health care.

As the enclosed memo notes, MIDD investments helped people achieve recovery and stability. Three years after enrollment in relevant MIDD initiatives, participants experienced:

- 67 percent fewer engagements with adult crisis programs;
- 36 percent fewer involuntary psychiatric hospitalizations;
- 62 percent fewer King County jail bookings, and
- 33 percent fewer emergency department visits.

The Honorable Girmay Zahilay

July 10, 2025

Page 2

Continuing the MIDD behavioral health sales tax enables King County to build on our successes as well as to continue to collaborate with community members and community behavioral health providers to further strengthen our behavioral health system.

I anticipate that the next King County Executive will transmit to the Council an updated MIDD implementation plan in 2026. My 2026-2027 proposed budget that I will transmit in the fall will continue MIDD investments using the same strategy areas and implementation plan that have been in effect since 2017. The Department of Community and Human Services will continue annual reporting on MIDD behavioral health sales tax programs and expenditures as it has in past years.

If your staff have any questions, please contact Kelly Rider, director of the Department of Community and Human Services, at 206-263-5780.

Sincerely,



for

Shannon Braddock  
King County Executive

Enclosure

cc: King County Councilmembers  
    ATTN: Stephanie Cirkovich, Chief of Staff, King County Council  
            Melani Hay, Clerk of the Council  
Karan Gill, Deputy Executive, Chief of Staff, Office of the Executive  
Stephanie Pure, Council Relations Director, Office of the Executive  
Kelly Rider, Director, Department of Community and Human Services



Department of Community and Human Services  
 Kelly Rider, Director  
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July 10, 2025

TO: King County Councilmembers

FROM: Kelly Rider, Director, Department of Community and Human Services

RE: King County MIDD Impacts

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This memo outlines the impact of King County's MIDD (Mental Illness and Drug Dependency) funded programs and services.

**Overview:** The MIDD is a councilmanic, countywide 0.1 percent sales tax authorized under Revised Code of Washington (RCW) 82.14.460 and King County Code (KCC) 400.5A.300.<sup>1</sup> Funds help the County address substance use disorder and mental health conditions, including crisis diversion, rapid rehousing, screening and referral services, and treatment. The King County Department of Community and Human Services' (DCHS) Behavioral Health and Recovery Division (BHRD) manages and operates MIDD. The MIDD Advisory Committee advises the Executive and Council on MIDD, helping to ensure that the implementation and evaluation of the strategies and programs funded by the MIDD sales tax revenue are transparent, accountable, collaborative and effective. The MIDD's investments are guided by the adopted Implementation plan.<sup>2</sup>

In 2025, the MIDD is projected to infuse approximately \$97 million into the King County community behavioral health system.<sup>3</sup> It augments chronically insufficient federal and state investments to make behavioral health treatment more available, accessible, and effective for King County residents. MIDD funds reinforce and amplify King County's other principal behavioral health funding sources: the King

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<sup>1</sup> RCW 82.14.460. [\[LINK https://app.leg.wa.gov/rcw/default.aspx?cite=82.14.460\]](https://app.leg.wa.gov/rcw/default.aspx?cite=82.14.460) and KCC 4A.500.300. [\[LINK https://aqua.kingcounty.gov/council/clerk/code/07\\_Title\\_4A.htm#\\_Toc54697846\]](https://aqua.kingcounty.gov/council/clerk/code/07_Title_4A.htm#_Toc54697846)

<sup>2</sup> [LINK](#)

<sup>3</sup> March 2025 King County Economic and Revenue Forecast. Office of Economic and Financial Analysis (OEFA). [\[LINK https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/forecasting/documents/march2025\\_pdf.pdf?rev=c2456dedf4674d678472b2fafbfd30cd&hash=0B50AB7757108890A56AC1708ECD57DB\]](https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/forecasting/documents/march2025_pdf.pdf?rev=c2456dedf4674d678472b2fafbfd30cd&hash=0B50AB7757108890A56AC1708ECD57DB)

County Integrated Care Network (KCICN), the King County Behavioral Health Administrative Services Organization (BH-ASO), and the Crisis Care Centers Levy.<sup>4,5</sup>

MIDD funds behavioral health services that cannot be billed to Medicaid and services for people who are ineligible for Medicaid. Unlike Medicaid and many other funding sources, MIDD is not limited by restrictions on the specific populations it can serve or the types of behavioral health services it can provide.<sup>6</sup> State law grants counties broad discretion to direct funding to many different kinds of behavioral health services, enabling MIDD to fund services that are needed most to support people's behavioral health.<sup>7</sup>

**MIDD Summary Data:** Data from DCHS on MIDD shows that from 2017 through 2024, MIDD investments:

- Served over 100,000 King County residents, many of whom have experienced measurable improvements in indicators of health and wellbeing,
- Infused over \$380 million into King County's community-based behavioral health providers,<sup>8</sup> and
- Implemented more than 20 new initiatives, including introducing next-day appointments for substance use disorder assessment, creating additional mobile crisis teams in south King County, and expanding School-Based Screening, Brief Intervention, and Referral to Treatment/Services, in addition to continuing support of programs funded under MIDD's initial 2008-2016 plan.<sup>9,10</sup>

Behavioral health sales tax investments help people achieve recovery and stability. Three years after enrollment in relevant MIDD initiatives, participants experienced:

- 67 percent fewer engagements with adult crisis programs;
- 33 percent fewer emergency department visits;
- 62 percent fewer bookings into King County jails; and

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<sup>4</sup> "King County Behavioral Health Funding Structure," King County. [\[LINK https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/behavioral-health-recovery/provider-manual/Provider%20Manual%20Attachments/01\\_A\\_King\\_County\\_Behavioral\\_Health\\_Structure.ashx?la=en\]](https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/behavioral-health-recovery/provider-manual/Provider%20Manual%20Attachments/01_A_King_County_Behavioral_Health_Structure.ashx?la=en).

<sup>5</sup> King County Ordinance No. 19572 [LINK https://mkcclegisearch.kingcounty.gov/LegislationDetail.aspx?ID=5859151&GUID=853F9D4E-37DC-4642-80B5-AE3C3D23ECEC&Options=Advanced&Search=](https://mkcclegisearch.kingcounty.gov/LegislationDetail.aspx?ID=5859151&GUID=853F9D4E-37DC-4642-80B5-AE3C3D23ECEC&Options=Advanced&Search=)

<sup>6</sup> Washington State Medicaid (Apple Health) is regulated by the federal Centers for Medicare and Medicaid Services (CMS) and by the Washington State Health Care Authority (HCA). For an example of the complex interplay of restrictions on Medicaid funds, see the Washington Apple Health (Medicaid) Mental Health Services Billing Guide from the Health Care Authority (April 1, 2025). [\[LINK https://www.hca.wa.gov/assets/billers-and-providers/mental-health-svcs-bg-20250401.pdf\]](https://www.hca.wa.gov/assets/billers-and-providers/mental-health-svcs-bg-20250401.pdf)

<sup>7</sup> RCW 82.14.460. [\[LINK https://app.leg.wa.gov/rcw/default.aspx?cite=82.14.460\]](https://app.leg.wa.gov/rcw/default.aspx?cite=82.14.460)

<sup>8</sup> MIDD Behavioral Health Sales Tax dashboard, King County BHRD. [\[LINK https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/midd-behavioral-health-sales-tax-dashboard\]](https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/midd-behavioral-health-sales-tax-dashboard)

<sup>9</sup> MIDD 1 Implementation Plan, June 2008. [\[LINK https://mkcclegisearch.kingcounty.gov/View.ashx?M=F&ID=774665&GUID=5274B8C0-7483-4BB1-B7E6-99A8FA0F9337\]](https://mkcclegisearch.kingcounty.gov/View.ashx?M=F&ID=774665&GUID=5274B8C0-7483-4BB1-B7E6-99A8FA0F9337)

<sup>10</sup> MIDD 2 Implementation Plan, June 2017. [\[LINK https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/behavioral-health-recovery/midd/midd/documents/170804\\_midd\\_implementation\\_plan.pdf?la=en&rev=620583891f9244ddb76dfb7e5c4b1f6f&hash=BFE0B56EA0AFE73E42032C2876738B72\]](https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/behavioral-health-recovery/midd/midd/documents/170804_midd_implementation_plan.pdf?la=en&rev=620583891f9244ddb76dfb7e5c4b1f6f&hash=BFE0B56EA0AFE73E42032C2876738B72)



- 36 percent fewer involuntary psychiatric hospitalizations.<sup>11</sup>

MIDD investments improve health and wellness, recovery, and connection to community, especially for people most affected by inequities related to race, income, and access to health care: 27 percent of people who connected with relevant MIDD initiatives between 2017 and 2024 increased their engagement with publicly funded behavioral health treatment over the next 12 months.<sup>12</sup>

Programs funded by the second MIDD during 2017-2024 reached people each year through more than 50 initiatives.<sup>13</sup> MIDD's programs and initiatives are organized under the following strategy areas:

- Recovery and Reentry (16 initiatives)
- Crisis Diversion (17 initiatives)
- Prevention and Early Intervention (11 initiatives)
- Therapeutic Courts (six initiatives)
- System Improvement (four initiatives)

In 2024, MIDD's 54 initiatives involved 317 contracts with 120 behavioral health providers.

## **MIDD Outcomes**

### **1. Engagement with behavioral health treatment**

For many individuals, contact with MIDD programming during a crisis can be the first step to accessing needed treatment and supports to move toward wellbeing and recovery. Among people served by relevant initiatives between 2017 and 2024, 27 percent newly engaged in behavioral health treatment after enrolling in a MIDD strategy, and 33 percent sustained their existing engagement in treatment (Figure 1).<sup>14</sup> Thirty percent had no engagement before or after MIDD program participation, and 10 percent were engaged in treatment before MIDD but not afterward.

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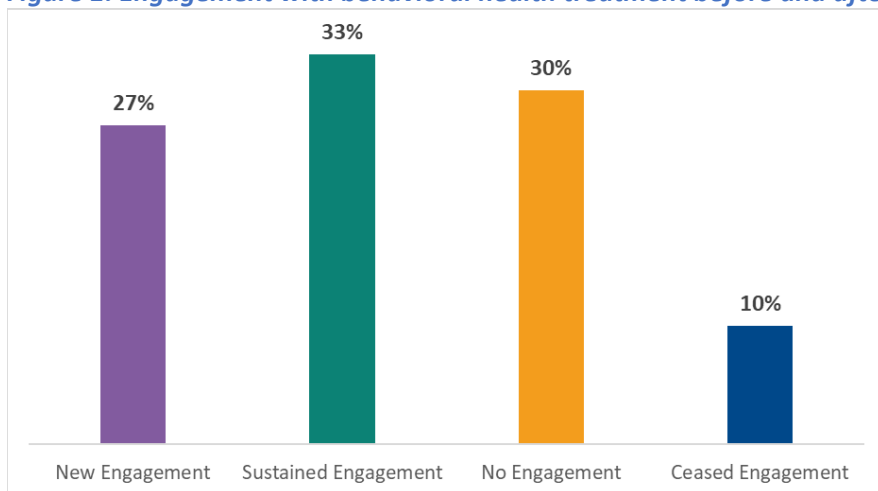
<sup>11</sup> These outcomes describe people who enrolled in relevant MIDD initiatives between 2017 and 2020, the most recent enrollment years for which three-year outcomes can be measured.

<sup>12</sup> MIDD 2 Implementation Plan. June 2017. [[LINK](https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/behavioral-health-recovery/midd/midd/documents/170804_midd_implementation_plan.pdf?la=en&rev=620583891f9244ddb76dfb7e5c4b1f6f&hash=BFE0B56EA0AFE73E42032C2876738B72) https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/behavioral-health-recovery/midd/midd/documents/170804\_midd\_implementation\_plan.pdf?la=en&rev=620583891f9244ddb76dfb7e5c4b1f6f&hash=BFE0B56EA0AFE73E42032C2876738B72]

<sup>13</sup> MIDD Initiative Descriptions. [[LINK](https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/initiatives) https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/initiatives]

<sup>14</sup> Engagement refers to participation in other DCHS-administered outpatient or residential treatment programming in the 12 months after enrollment in a MIDD program.

**Figure 1: Engagement with behavioral health treatment before and after enrollment in MIDD**



## 2. Long-term use of costly systems

Evaluation of long-term outcomes among MIDD participants focuses on use of costly systems such as emergency departments (EDs), jails, psychiatric hospitalizations, and crisis services. Across all four of these systems, MIDD participants showed significant long-term improvements. These reductions suggest that through MIDD programs, participants are receiving the support they need to achieve or maintain their recovery in their communities.

Figure 2 displays the decline in the number of engagements with these systems for MIDD participants three years after their enrollment.<sup>15</sup>

**Figure 2: Reduction in use of costly systems in the three years following MIDD enrollment**



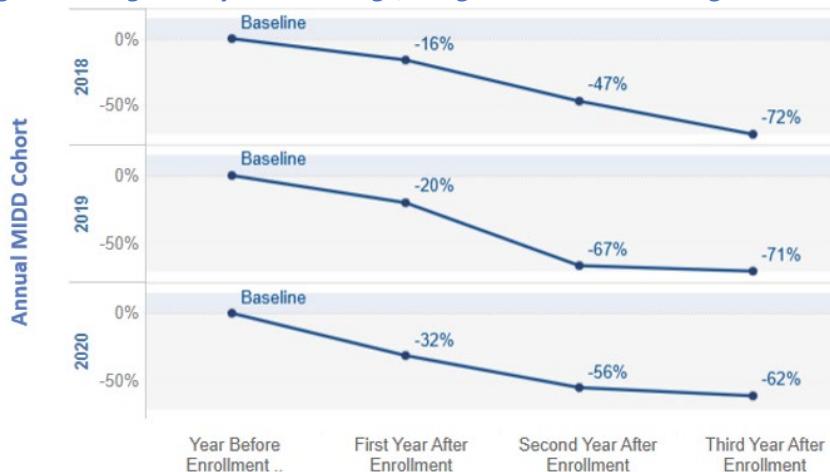
**Crisis services:** Participants' frequency of engagement with publicly funded crisis services declined by 67 percent three years after MIDD program enrollment. Publicly funded crisis services include mobile crisis outreach, next-day appointments, crisis beds and facilities, and involuntary treatment and triage.

<sup>15</sup> Year-specific measurements are available in the most recent MIDD Annual Report, which shows that the trends highlighted in the following sections are consistent for each annual cohort of MIDD participants: 2023 MIDD Behavioral Health Sales Tax dashboard, King County BHRD. [\[LINK https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/midd-behavioral-health-sales-tax-dashboard\]](https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/midd-behavioral-health-sales-tax-dashboard)

**Psychiatric hospitalizations:** Participants' episodes of hospitalization at Western State Hospital and involuntary detentions at King County hospitals or other local psychiatric facilities increased in the first year following enrollment as individuals engaged with services in periods of acute need, but reductions were evident as soon as the second year, and hospitalizations declined by 36 percent by the third year after enrollment.

**Jail bookings:** Participants' bookings into County-run and municipal jails declined by 62 percent by the third year after MIDD program enrollment as shown in Figure 3.

*Figure 3: King County Jail Bookings, Long-Term Trends among Cohorts of MIDD Participants*



**Emergency department visits:** Participants' emergency department visits declined by 33 percent by the third year after MIDD program enrollment, after a modest increase in the first year associated with their increased service engagement.

### 3. People served

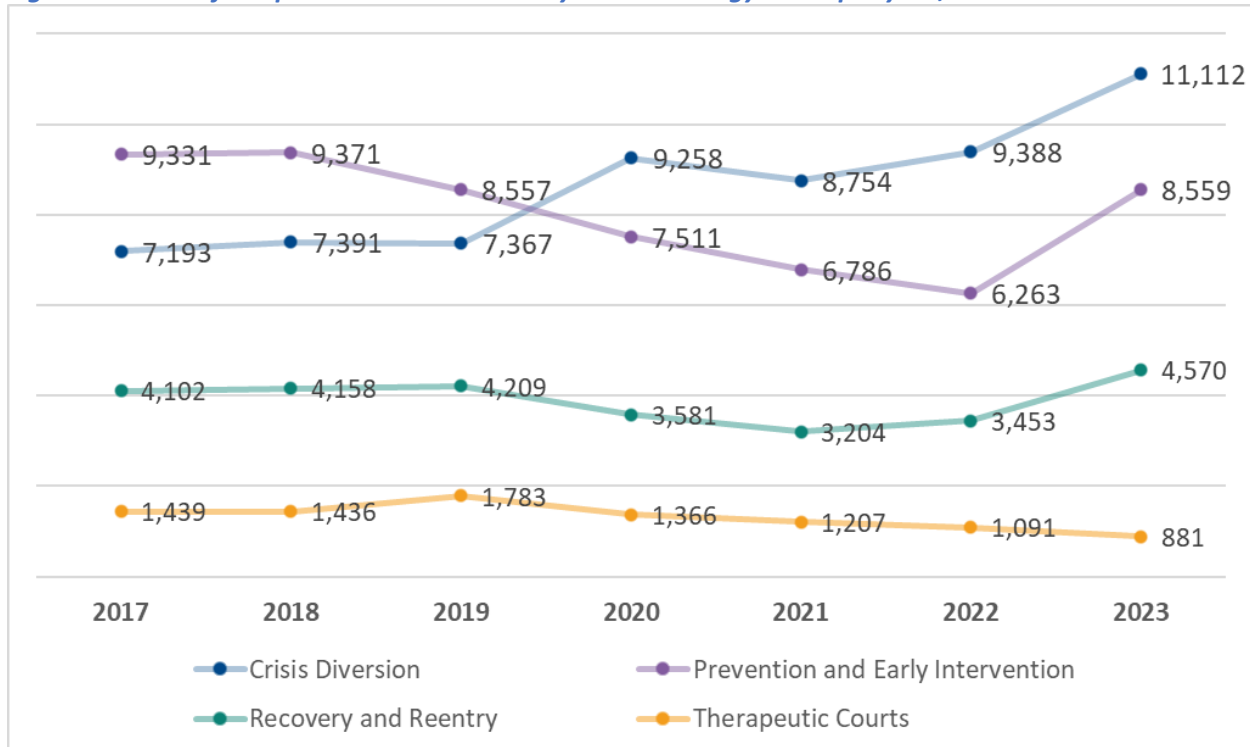
Since 2017, MIDD programs have served more than 100,000 people by funding direct behavioral health services. MIDD has also reached thousands more through community events, trainings, and other system-focused programming. Generally, MIDD programs serve more than 20,000 unique individuals each year, some of whom participate in services for multiple years. The number of active MIDD initiatives has fluctuated from year to year, but the number of participants remained relatively consistent until a decrease concurrent with the COVID-19 pandemic, when overall behavioral health service participation also dipped temporarily. Since then, annual participant numbers have rebounded and exceeded previous totals.

Each MIDD initiative serves varying numbers of people each year, from fewer than 100 to more than 4,000. Some initiatives offer intensive, ongoing services to individuals with complex social and behavioral health needs, while others offer less intensive services such as time-limited outreach or assessment and referrals to other services in the community. Figure 3 shows the number of unique people served between 2017 and 2024 in four of MIDD's five strategy areas.<sup>16</sup>

<sup>16</sup> The System Improvements strategy area is excluded because most initiatives in that area support system-focused programming rather than direct services.

All strategy areas except for Therapeutic Courts have seen increases in numbers served since 2020.<sup>17</sup> Crisis Diversion initiatives served more individuals than other strategy areas, proportional to greater investment. Although the growth of that strategy area was a response to greater need, the recent implementation of the Crisis Care Centers Levy has added more resources dedicated to crisis services in King County.

**Figure 3: Count of unique individuals served by MIDD strategy areas per year, 2017-2023**



The larger initiatives demonstrate MIDD’s key role in providing needed treatment and services for thousands of people who could not otherwise access it. For example, in 2024 , MIDD’s Community Behavioral Health Treatment initiative provided outpatient mental health and substance use treatment services to 3,500 people who had low incomes but were not eligible for Medicaid. This initiative has served 11,875 people since 2017.

#### 4. Participant demographics

Systemic racism greatly influences access to behavioral health care.<sup>18</sup> MIDD aims to increase equitable access to services and to enhance availability of culturally and linguistically relevant services.

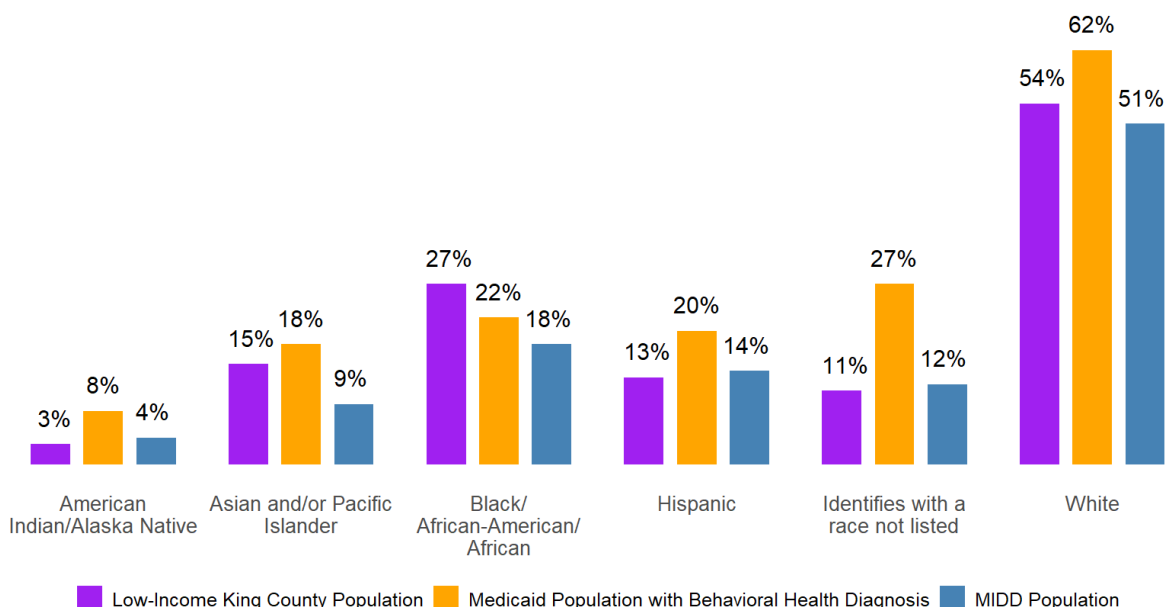
Participant data suggest opportunities for MIDD to do more to serve Asian and/or Pacific Islander and Black/African-American/African people who are underrepresented in MIDD’s service population compared to low-income King County residents and Medicaid beneficiaries with a behavioral health

<sup>17</sup> The decrease in Therapeutic Court utilization since 2020 may have resulted from the society-wide disruptions of the COVID-19 pandemic, changes to Washington State Drug Laws, and changes to Court booking policies.

<sup>18</sup> “Racial and Ethnic Disparities in Mental Health Care: Findings from the KFF Survey of Racism, Discrimination and Health,” KFF. May 23, 2024. [LINK https://www.kff.org/racial-equity-and-health-policy/issue-brief/racial-and-ethnic-disparities-in-mental-health-care-findings-from-the-kff-survey-of-racism-discrimination-and-health/](https://www.kff.org/racial-equity-and-health-policy/issue-brief/racial-and-ethnic-disparities-in-mental-health-care-findings-from-the-kff-survey-of-racism-discrimination-and-health/)

diagnosis (Figure 4). Although these are not perfectly comparable groups, they provide benchmarks for understanding the reach of MIDD compared to similar populations.

**Figure 4: Race and ethnicity of MIDD participants (2017-2023) compared to low-income King County residents (2023) and Medicaid enrollees with behavioral health diagnoses (2023)**<sup>19, 20</sup>



MIDD has made targeted investments to increase service access and availability. MIDD’s Community Driven Behavioral Health Grants initiative supports culturally specific and responsive models that provide behavioral health programming to individuals and communities that are not typically well-served by the mainstream system.

## 5. Geographic distribution of participants

MIDD invests in programs and strategies serving people across the entire County. Figure 5 shows the number of MIDD participants residing in various King County ZIP codes alongside the percentage of families in each ZIP code living in poverty.<sup>21</sup> MIDD service participation aligns broadly with concentrations of lower-income residents throughout King County. Because MIDD programs primarily serve lower-income people, alignment between the two maps shows that MIDD is reaching its main target population. The maps portray some of the densest areas of their applicable populations in downtown Seattle, southeast Seattle, and parts of south King County. These areas also have a relatively high density of residents who are Black, Indigenous, or people of color (BIPOC) or speak languages other than English, reinforcing the impact of funding culturally and linguistically responsive care within

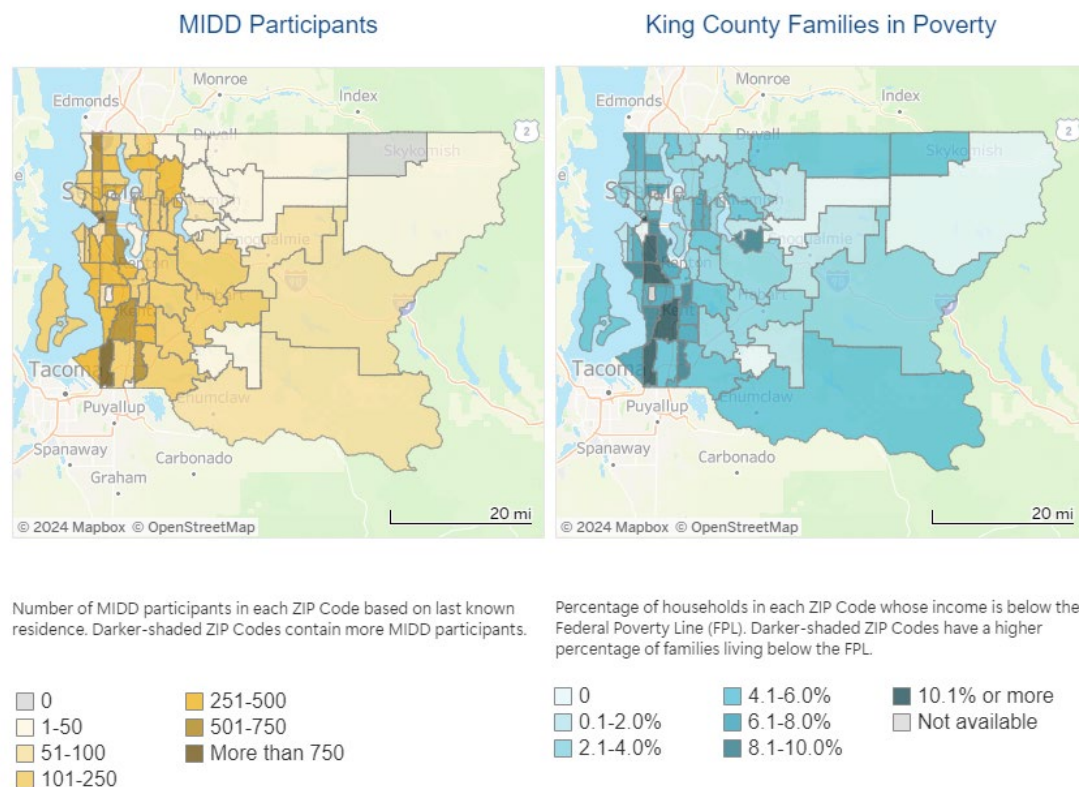
<sup>19</sup> In alignment with federal reporting standards as well as best practice, individuals identifying with multiple races are represented multiple times. Numbers across categories may sum to more than 100 percent.

<sup>20</sup> American Community Survey, 2023. Retrieved from IPUMS USA: Version 15.0 [dataset]. Minneapolis, MN: IPUMS, 2024. [\[LINK https://doi.org/10.18128/D010.V15.0\]](https://doi.org/10.18128/D010.V15.0)

<sup>21</sup> Map includes households with an income under 100% of the federal poverty level (FPL).

MIDD.<sup>22</sup> Multiple years of data cannot be represented on a single map, but the patterns of service participation are consistent across years.<sup>23</sup>

**Figure 5: 2023 MIDD participants and King County families in poverty by residence zip code**



Additional detail on outcomes from each MIDD Annual Report is available on the DCHS website, including interactive data dashboards for each report since 2020.<sup>24</sup>

<sup>22</sup> “Census Data and King County Demographic Trends: Presentation for the King County Redistricting Committee,” King County Office of Performance, Strategy, and Budget. May 13, 2021. [\[LINK https://kingcounty.gov/~media/independent/districting/2021/meeting-materials/Redistricting\\_Cmte\\_CensusData\\_and\\_KCtrends.ashx?la=en\]](https://kingcounty.gov/~media/independent/districting/2021/meeting-materials/Redistricting_Cmte_CensusData_and_KCtrends.ashx?la=en)

<sup>23</sup> Maps for additional years are available in MIDD’s Annual Report archive: MIDD Plans, Reports, and Briefing Papers. [\[LINK https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/midd-behavioral-health-sales-tax-dashboard/past-reports\]](https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/midd-behavioral-health-sales-tax-dashboard/past-reports)

<sup>24</sup> MIDD Behavioral Health Sales Tax dashboard, King County BHRD. Click on “Plans, Reports, and Briefing Papers” on the right sidebar to see reports prior to 2023. [\[LINK https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/midd-behavioral-health-sales-tax-dashboard\]](https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax/midd-behavioral-health-sales-tax-dashboard)

**2025 FISCAL NOTE**

Ordinance/Motion: 15949  
 Title: MIDD Renewal  
 Affected Agency and/or Agencies: DCHS, DPH, DAJD, PAO, DPD, DJA, KCSC, KCDC, KCSO  
 Note Prepared By: Scott Miller and Ryan Black, DCHS  
 Date Prepared: 6/12/2025  
 Note Reviewed By: Nicholas Makhani and Elly Slakie  
 Date Reviewed: 6/16/2025 and 7/2/2025

**Description of request:**

This proposed Ordinance would continue collections of the behavioral health sales tax authorized by RCW 82.14.460, known as MIDD, by extending its expiration until January 1, 2035.

**Revenue to:**

Agency	Fund Code	Revenue Source	2025	2026-2027	2028-2029
DCHS	1135	Sales Tax		192,600,000	202,940,000
DCHS	1135	Interest Earnings		1,760,000	860,000
DCHS	1135	Sales Tax Expansion		29,790,000	32,240,000
TOTAL			0	224,150,000	236,040,000

**Expenditures from:**

Agency	Fund Code	Department	2025	2026-2027	2028-2029
TOTAL			0	0	0

**Expenditures by Categories**

	2025	2026-2027	2028-2029
TOTAL	0	0	0

**Does this legislation require a budget supplemental?** No. The funding reflected here will be included in future biennial budgets.

**Notes and Assumptions:**

Revenues are based on March 2025 OEFA forecast for .1% of countywide taxable sales and March 2025 MIDD 1135 financial plan Expansion to MIDD revenue per SB 5814 is estimated at \$29.7 million and included for contemplative purposes.  
 Revenue and expense in 2025 is assumed under current law, therefore not included in this fiscal note.



## King County

# Metropolitan King County Council Budget and Fiscal Management Committee

### STAFF REPORT

<b>Agenda Item:</b>	6	<b>Name:</b>	Terra Rose
<b>Proposed No.:</b>	2025-0182	<b>Date:</b>	August 27, 2025

### SUBJECT

Proposed Ordinance 2025-0182 would increase County disposal fees for solid waste, clean wood and yard waste, and special waste; the fixed-annual charge; and the low-income discount, effective January 1, 2026.

### SUMMARY

The County's regional solid waste system is supported by a variety of fees that are approved by the Council and that vary based on the type of material being collected (e.g., garbage/solid waste, yard waste), the type of customer vehicle (e.g., certain vehicles pay a flat fee versus a per-ton fee), and the facility receiving the material (e.g., facilities with/without scales). The current fees were approved in 2024 and went into effect on January 1, 2025.<sup>1</sup>

In 2022, the Council approved Ordinance 19413, which restructured how the Solid Waste Division (SWD) collected revenue from solid waste collection entities,<sup>2</sup> which largely refers to commercial haulers serving cities and the unincorporated areas under contract or certificate. Under the restructure, solid waste collection entities pay a reduced per-ton fee relative to self-haul per-ton customers for solid waste disposed at County facilities. Their billing entities – either the commercial haulers themselves or cities, whichever bills customers directly – also pay a proportionate share of the Fixed-Annual Charge (FAC). The FAC is a set dollar amount that SWD collects from the billing entities and is independent of tonnage received.

Proposed Ordinance 2025-0182 would, effective January 1, 2026, increase:

- Fees to dispose of solid waste. For *solid waste collection entities*, the fee would increase from \$165.91 to \$179.18 per ton and for *self-haul customers with per-ton-rate vehicles*, such as a pickup truck, the fee would increase from \$203.81 to \$229.29 per ton. The minimum fee is proposed to increase from \$32.60 to \$36.69 per vehicle.

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<sup>1</sup> Ordinance 19805

<sup>2</sup> "Solid waste collection entities" include certificated haulers operating under UTC certificates, any city using its own employees for solid waste collection within its jurisdiction, and commercial haulers operating under a contract with or franchise from a city or town.



- The amount of the Fixed-Annual Charge from \$23,337,835 to \$26,838,510, an increase of 15 percent.
- Fees for yard waste, clean wood waste, or a combination thereof from \$115.00 to \$129.38 per ton.
- The low-income discount for qualified customers from the current \$18.00 to \$20.00 per entry.
- Fees for special waste, which require special handling and/or record keeping, from \$244.57 to \$275.14 per ton.

The narrative accompanying the proposed ordinance (Attachment A to PO 2025-0182) indicates that the increases are necessary due to rising costs to provide essential solid waste services and to fund the Division's capital improvement program. The fee narrative indicates that the Division is planning no increases in existing operating expenses beyond inflation and plans to cover any emergent needs out of salary savings and operating expenditure reductions.

Both the Metropolitan Solid Waste Management Advisory Committee and the Solid Waste Advisory Committee issued advisory notes (Attachments 6 and 7) that state their recognition of the continuing need for an adequate revenue stream to support essential solid waste services and to fund key priorities. However, both notes also raise concerns related to the impacts of increasing fees on residents and support a one-year rate setting approach to provide an opportunity for SWD to complete a comprehensive review of operating and capital expenditures and evaluate options for rate mitigation.

Executive staff are seeking Council action in early September to allow haulers and cities sufficient time to incorporate the County's fee changes into their billing and other systems, as well as notify the Washington Utilities and Transportation Commission, which requires 90 days' notice for changing fees.

## **BACKGROUND**

**Regional Solid Waste System Overview.** The King County Solid Waste Division (SWD) is responsible for providing solid waste planning, management, transfer, and disposal services through 2040 for 37 partner cities<sup>3</sup> that have signed interlocal agreements (ILAs), a service area that encompasses approximately 1.5 million people.<sup>4</sup> SWD operates eight transfer stations and two drop boxes distributed throughout the region, the Cedar Hills Regional Landfill, which is the only operating landfill in the county, as well as waste prevention and recycling programs for the unincorporated area and partner cities.

By ILA and state law,<sup>5</sup> the partner cities manage solid waste handling within their jurisdictions. Most cities contract with a commercial hauler for curbside collection within city limits. Cities may also do their own waste collection using city employees. In the unincorporated area and in cities that have opted not to use their contracting authority

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<sup>3</sup> All cities in King County except Seattle and Milton participate in the County's regional system through executed ILAs.

<sup>4</sup> 2019 Comprehensive Solid Waste Management Plan

<sup>5</sup> R.C.W. 81.77.020 and 36.58.040

for collection services, curbside services are provided by commercial haulers operating under certificates issued by the Washington Utilities and Transportation Commission (WUTC).

The County receives solid waste or garbage at its transfer stations and drop boxes from contract, certificated, and municipal haulers, as well as self-haul customers. These waste loads are consolidated, transferred onto trailers, and transported by truck by the County to the Cedar Hills Regional Landfill (CHRLF) in unincorporated Maple Valley.

*Long-Term System Planning.* The regional solid waste system is currently in a period of transformation from one focused on disposal of materials to a system with greater emphasis on waste reduction, recovery, recycling, and regeneration. Following several years of relatively flat recycling rates,<sup>6</sup> in 2022 the Solid Waste Division released the Re+ Strategic Plan, which describes the County's approach to meeting its adopted goal to achieve zero waste of resources by 2030.<sup>7</sup>

Concurrent with its efforts towards Re+ and zero waste, SWD in partnership with cities and a consultant are in the process of evaluating options for and determining the next disposal method to be used when the Cedar Hills Regional Landfill reaches capacity, which has been projected between 2037 and 2046.<sup>8</sup> Last year, the Division had tentatively estimated that an update to the Comprehensive Solid Waste Management Plan with a recommendation for the next disposal method would be transmitted to the Council in 2026. However, it is now currently estimated that the transmittal will occur in 2028.

These two elements of solid waste planning both have an influence on future solid waste fees. Successful implementation of Re+ and zero waste efforts could reduce annual tons of waste disposed, as well as the revenue associated with those tons. This could put an upward pressure on fees. Additionally, depending on what long-term disposal option is selected, the County and regional system may need to incur additional capital and/or operating costs related to the chosen method.

**Solid Waste System Revenues.** SWD is primarily supported by a variety of fees that are approved by the Council and that vary based on the type of material collected (e.g., solid waste, yard waste), the type of customer vehicle (e.g., certain vehicles pay a flat fee versus a per-ton fee), and the facility receiving the material (e.g., facilities with/without scales). The current fees were approved in 2024 and went into effect on January 1, 2025.<sup>9</sup>

SWD offers a discount of \$18.00 per entry to low-income, self-haul customers at the County's transfer stations for the disposal of solid waste, yard/wood waste, appliances, and mattresses. Qualified customers must live in households at or below 200 percent of

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<sup>6</sup> The transmitted 2025 Strategic Climate Action Plan notes that preliminary estimates for 2021 indicate that King County recycling rates remain flat at 56 percent. Data from the state Department of Ecology on recycling lags by several years.

<sup>7</sup> K.C.C. 10.14.020.

<sup>8</sup> Cedar Hills Regional Landfill 2020 Site Development Plan and Facility Relocation Final Environmental Impact Statement

<sup>9</sup> Ordinance 19805

the federal poverty level and qualify by presenting their ORCA LIFT card, Electronic Benefits Card (EBT card), or Medicaid (ProviderOne) card at the transfer station.

**Revenue Restructure.** In 2022, the Council approved Ordinance 19413, which changed how SWD collects revenues from “solid waste collection entities,” which includes certificated haulers operating under UTC certificates, any city using its own employees for solid waste collection within its jurisdiction, and commercial haulers operating under a contract with or franchise from a city or town. Self-haul customers were not impacted by this fee restructure and continue to pay either a per-ton fee or minimum fee to dispose of solid waste at County transfer stations.

Ordinance 19413 introduced the Fixed-Annual Charge (FAC), which represents a total dollar amount independent from tonnage received that SWD will collect annually from billing entities – either haulers or cities, whichever entity bills customers directly. Figure 1 provides further illustration on how the restructured way of collecting revenues has been implemented, along with an example. Cities and haulers have the ultimate authority to determine how to pass along the FAC costs to its customers.

**Figure 1.**  
**Example of the Fixed Annual Charge Implementation**

<b>Under the Adopted Restructure, Billing Entities Pay:</b>	
<p style="color: red; text-align: center;"><b>Variable Fee</b> (weight-based)</p> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: 80%;"> <p><b>Per-ton-rate fee:</b> \$165.91 per ton (2025 fee)</p> </div> <p style="text-align: center; font-size: 24px;">+</p> <p style="color: blue; text-align: center;"><b>Fixed Fee</b> (non-weight-based)</p> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: 80%;"> <p><b>Proportional share of Fixed-Annual Charge</b> (FAC for 2025 = \$23.3 million)</p> </div>	<p><b>Example:</b> Republic Services currently has a contract with the City of Bellevue to provide curbside collection services to residents and businesses/institutions and bills those customers directly. Under the new adopted fee structure, Republic Services receives a monthly invoice from SWD with two components:</p> <ol style="list-style-type: none"> <li>1) The <b>variable component</b>, which covers the tons of waste Republic Services brings from the Bellevue service area to the transfer stations using the current per-ton-rate fee of \$165.91 per ton; and</li> <li>2) The <b>fixed component</b>, which is Republic Services' proportional share of the Fixed-Annual Charge for its Bellevue service area. For example, if Bellevue residents, businesses, and institutions generated 10 percent of all commercially hauled tons countywide in the most recent calendar year for which data is available, its billing entity -- in this case, Republic Services -- would be billed 10 percent of the FAC of approximately \$23.3 million over the course of the year, or approximately \$2.33 million.</li> </ol>

According to Executive staff, the per-ton fee charged to solid waste collection entities and the FAC together are designed to collect the same amount of revenue as the per-ton fee did alone under the previous fee structure, as updated for current costs. Executive staff indicate that because the FAC is a fixed value independent of tonnage received, a portion of SWD's revenues is more stable and predictable in times of volatility, such as in the case of tonnage declines during a recession or with successful waste reduction and recycling efforts.

**Auditor’s Letter to the Council.** In March 2025, the Auditor’s Office issued a letter to the Council, *Capital Projects Drive Rate Increases: Solid Waste Rates Could Double by*

2034.<sup>10</sup> This letter indicates that rates for solid waste disposal are increasing significantly, in part due to several large capital projects. Between 2025 and 2040, according to the letter, the Division estimates that capital projects in planning and underway will cost over \$1.36 billion. Further, the letter states that SWD's current rate projections only include capital projects through 2033 and that SWD also expects future capital costs associated with the next disposal method when the landfill reaches capacity and potentially a project related to treating landfill leachate to remove PFAS.<sup>11</sup> Additionally, the letter notes that the costs for a mixed waste processing facility could be higher than the current \$400 million estimate.<sup>12</sup> This project, which is assumed in the rate model but not yet proposed in a budget ordinance to the Council, assumes that SWD would build and operate a facility that takes municipal solid waste and further separate materials following curbside garbage collection.

The Auditor's Office estimates that SWD's planned capital spending will increase annual debt service from around \$20 million, or 11 percent of the Division's revenue requirement in 2024, to over \$115 million, or 32 percent of the revenue requirement by 2034, which will constrain SWD's ability to control rates due to the fixed nature of payments. As a result, the Auditor's Office estimates that fees could more than double to over \$413 per ton by 2034.

The letter indicates that since most of the Division's large capital projects are in early phases such as planning and design, decision-makers could still decrease rate impacts on customers by scoping back, eliminating, or delaying projects. The letter makes no new recommendations but emphasizes the renewed importance for the Division to implement the recommendations from a 2015 audit to improve its communication of rate forecasts to increase transparency and better inform decision-making. Specifically, the 2015 recommendation suggests that the Division:

- Identify key assumptions affecting long-term rate forecasts;
- Conduct sensitivity analysis around the key assumptions; and
- Present long-term rate forecasts to decision-makers portraying a range of potential rate outcomes reflecting different values for key assumptions.

**One-Year Fee Proposal.** At the May meeting of the Metropolitan Solid Waste Advisory Committee, SWD announced that they were putting forward a single-year rate proposal, instead of the biennial proposal with two annual increases that had previously been discussed. The Division noted that this was to reevaluate the capital program and explore opportunities for rate mitigation, as well as in response to concerns the two advisory committees shared about rising rates across utilities in King County.

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<sup>10</sup> <https://kingcounty.gov/en/independents/governance-and-leadership/government-oversight/auditors-office/reports-papers/reports/2025/swd-rates-cpo>

<sup>11</sup> SWD discharges leachate from the landfill to the South Treatment Plant, which is regulated by King County Industrial Waste under an Industrial Discharge Permit. According to the letter, SWD staff report they anticipate these permits will include PFAS limits in the future.

<sup>12</sup> The letter indicates that SWD's rate model estimate includes capital costs only and not necessarily additional operating expenditures. It goes on to state that SWD acknowledge that there are inherent uncertainties with the cost of mixed waste processing, given lack of widespread use of the technology and that the final costs is dependent on both the technology and capacity of the system. According to the letter, SWD could use the system to manage only a portion of the County's waste stream.

While Council-adopted rates do not expire and are in place until a new rate is adopted and effective, Executive staff expect to transmit an ordinance next year to request another fee increase that would go into effect in 2027.

## **ANALYSIS**

Proposed Ordinance 2025-0182 would, effective January 1, 2026, increase:

- Fees to accept solid waste, clean yard/wood waste, and special waste that have additional handling requirements, as summarized in Figures 2 and 4;
- The amount of the Fixed-Annual Charge to be collected by SWD annually from billing entities; and
- Increase the low-income discount amount.

According to the fee narrative (Attachment A to the proposed ordinance), the increases are necessary due to rising costs to provide essential solid waste services and to fund the Division's capital improvement program. The fee narrative indicates that the Division is planning no increases in existing operating expenses beyond inflation and plans to cover any emergent needs out of salary savings and operating expenditure reductions.

**Proposed Fee Increases – Solid Waste.** Figure 2 summarizes the current and proposed fees to dispose of solid waste and other materials.<sup>13</sup> Most fees to dispose of solid waste are proposed to increase by 12.5% in 2026.

According to the fee narrative, the average monthly curbside impact for all residents in the County's service area, after haulers pass along the increased disposal fee, is forecasted to be approximately \$0.71 per month for customer with a 32-gallon can size. However, because all cities have different starting rates and distribute the disposal costs across their customer bases differently, the forecasted impact will not match an actual customer impact in a given city but is expected to be accurate in the aggregate across the entire County service area. The Division did some additional estimated modeling for this rate proposal broken out by city, which estimated a low-impact of \$0.30 per month and a high-impact of \$1.15 per month.

Figure 3 provides the history of Council-adopted self-haul per-ton fees from 1997 through the proposed ordinance, along with the percentage increases. Note that this staff report does not include a similar visual for the fees charged to solid waste collection entities as the revenues are now split between the FAC and the per-ton fee and therefore, a similar historical illustration has less comparative value.

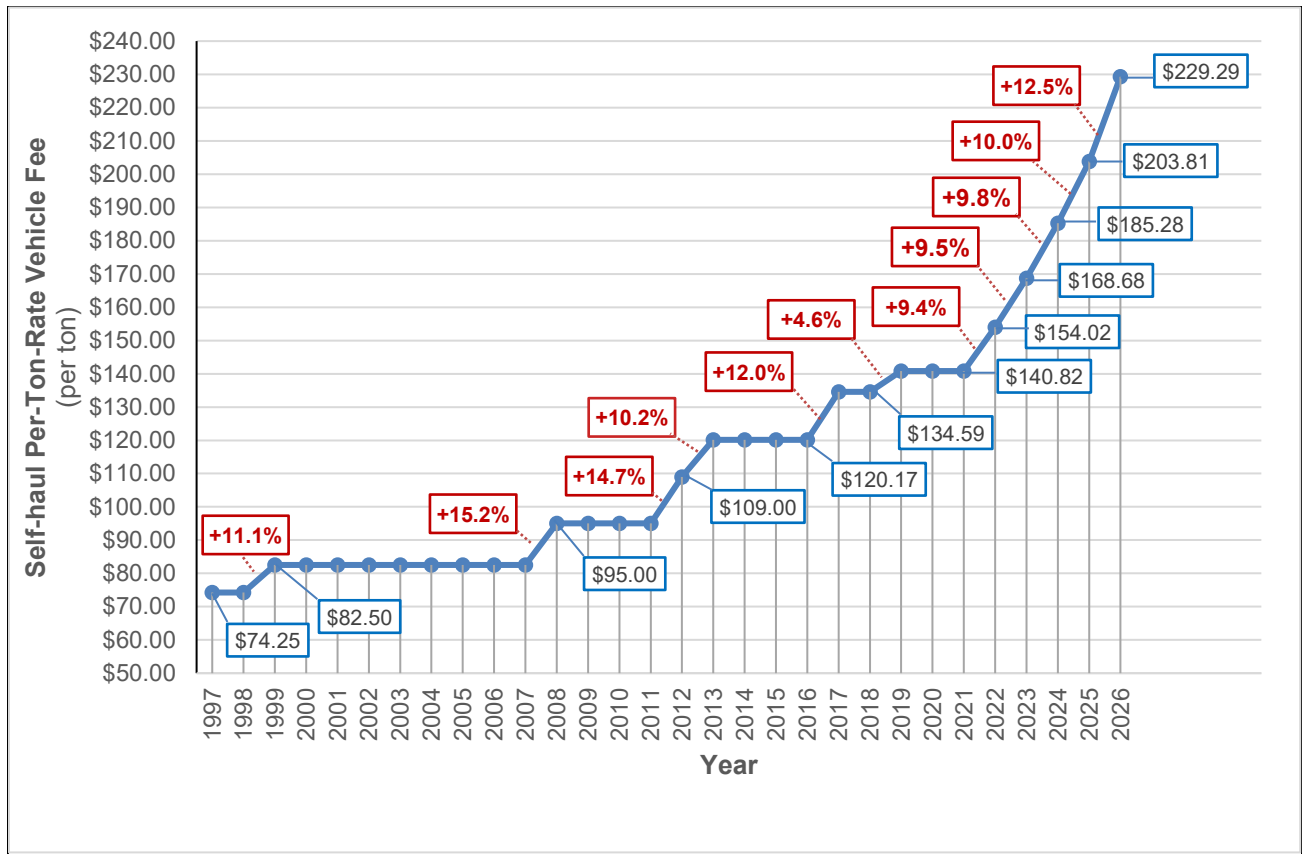
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<sup>13</sup> Pre-tax and without the moderate-risk waste surcharge that funds hazardous waste programs throughout the county.

**Figure 2.**  
**Current 2025 Disposal Fees vs. Proposed Fees for 2026**

Facility Type	Material Type	Customer Type	Current 2025 Fee	Proposed 2026 Fee	% Change
<b>Fees for use of facilities <u>WITH SCALES</u> (not including Cedar Hills landfill)</b>	<b>Solid Waste</b>	Fixed-rate vehicles (e.g., hatchback or sedan)	\$32.60 per entry	\$36.69 per entry	12.5%
		Solid waste collection entity per-ton-rate vehicles (e.g., contract haulers, certificated haulers)	\$165.91 per ton	\$179.18 per ton	8.0%
		Self-hauler per-ton-rate vehicles (e.g., SUVs, trucks)	\$203.81 per ton	\$229.29 per ton	12.5%
		Charitable organizations	\$156.93 per ton	\$176.55 per ton	12.5%
		Minimum (<320 lbs.)	\$32.60 per vehicle	\$36.69 per vehicle	12.5%
		Charitable organizations - minimum charge	\$25.12 per entry	\$28.25 per entry	12.5%
	<b>Source-separated yard waste, clean wood waste, or combination</b>	Fixed-rate vehicles	\$18.00 per entry	\$20.70 per entry	15.0%
		Per-ton-rate vehicles	\$115.00 per ton	\$129.38 per ton	12.5%
		Minimum	\$18.00 per vehicle	\$20.70 per vehicle	15.0%
<b>Disposal of solid waste at facilities <u>WITHOUT SCALES</u></b>	<b>Solid Waste</b>	Fixed-rate vehicles	\$32.60 per entry	\$36.69 per entry	12.5%
		Per-ton-rate vehicles (Compacted waste)	\$59.10 per cubic yard	\$66.49 per cubic yard	12.5%
		Per-ton-rate vehicles (Uncompacted)	\$34.65 per cubic yard	\$38.98 per cubic yard	12.5%
		Minimum	\$32.60 per vehicle	\$36.69 per vehicle	12.5%
	<b>Source-separated yard waste, clean wood waste, or combination</b>	Fixed-rate vehicles	\$18.00 per entry	\$20.70 per entry	15.0%
		Per-ton-rate vehicles (Compacted waste)	\$33.35 per cubic yard	\$37.52 per cubic yard	12.5%
		Per-ton-rate vehicles (Uncompacted)	\$19.55 per cubic yard	\$21.99 per cubic yard	12.5%
		Minimum charge	\$18.00 per vehicle	\$20.70 per vehicle	15.0%
<b>Cedar Hills Landfill</b>	<b>Solid Waste</b>	Regional direct	\$163.05 per ton	\$194.89 per ton	19.5%
		Solid waste collection entity per-ton-rate vehicles	\$165.91 per ton	\$179.18 per ton	8.0%

**Figure 3.**  
**Self-Haul Per-ton-rate Vehicle Fee Increases (1997-2026 Proposed)**  
 (Percentage increases in red boxes)



**Proposed Fees – Yard and Clean Wood Waste.** The proposed fees for yard and clean wood waste are summarized in Figure 2. Depending on the customer vehicle type, these fees are proposed to increase either 12.5% or 15.0%.<sup>14</sup>

Between 2011 and 2021, the fee for yard and clean wood waste remained unchanged at \$75 per ton, at which point the Division proposed and the Council approved an increase to \$100 per ton in 2022 and to \$115 per ton in 2023 to begin to bring the fee more in line with the cost of service. Executive staff indicate that the proposal to increase the fee to \$129.38 for 2026 furthers that effort, but that revenues for yard waste collection are still only equal to about half the cost of providing the service.

**Proposed Fees – Special Waste Fees.** The proposed ordinance would increase the special waste fees for materials that require special handling, record keeping, or both, such as asbestos-containing materials and contaminated soil. These changes are summarized in Figure 4. The special wastes are proposed to increase between 12 and 13% in 2026.

<sup>14</sup> Pre-tax and without the moderate-risk waste surcharge that funds hazardous waste programs throughout the county.

**Figure 4.**  
**Current vs. Proposed Special Waste Fees**

<b>Fee Type</b>	<b>Current 2025 Fee</b>	<b>Proposed 2026 Fee</b>	<b>% Change</b>
Special waste fee	\$244.57 per ton	\$275.14 per ton	12.5%
Special waste – min. charge	\$39.09 per entry	\$44.02 per entry	12.6%
Special waste fee, extra handling	\$285.33 per ton	\$321.01 per ton	12.5%
Special waste fee, extra handling min. charge	\$45.61 per entry	\$51.36 per entry	12.6%

**Proposed Fixed-Annual Charge (FAC).** The FAC is the amount SWD collects annually and cumulatively, independent of tonnage received into the system, from billing entities – either commercial haulers or cities, depending on which entity bills curbside customers directly.

The proposed ordinance would increase the FAC from \$23,337,835 to \$26,838,510, an increase of 15.0%. For comparison, this proposed increase is larger than the increase between 2024 and 2025, which was 3.2%. According to the fee narrative, the amount of the FAC is equal to the commercial haulers' portion of the non-disposal service costs (e.g., administration expenses, regional planning, Re+ actions, and regulatory compliance). For example, if the sum of all non-disposal costs totaled \$100 million, and the commercial customer class share of these costs was 30%, the FAC would be set at \$30 million.

Executive staff indicate that how a billing entity's share of the FAC is passed onto their curbside customers is determined by the collection entity and city through their collection contracts.

**Proposed Low-Income Discount.** The proposed ordinance would increase the Cleanup LIFT discount amount from the current \$18.00 per entry to \$20.00 in 2026, which would be equivalent to roughly half of the minimum fee including taxes and fees for garbage transactions. The fee proposal narrative indicates that the County has provided over 75,000 discounts to self-haul customers since the program began in 2019. In 2024, approximately 3.3% of all self-haul transactions were discounted, up from 3.14% in 2023 and 2.7% in 2022.

**Key Drivers of Increased Costs to Provide Services.** The fee proposal narrative indicates that the primary drivers of the increased costs of services are the financial needs of capital projects and higher interest rates on bonds, inflation and economic uncertainty, and the ongoing costs to meet environmental and safety controls at the Cedar Hills landfill and closed landfills managed by the County. Additional information about these drivers is provided below:

- *Financial needs of capital projects and higher bond rates:* SWD continues to be in a period of heightened capital investment to implement actions called for in the 2019 Comprehensive Solid Waste Management Plan, including the construction



of the South County and Northeast Recycling and Transfer Stations, expanding landfill capacity, and making upgrades to landfill infrastructure.<sup>15</sup> According to the fee narrative, the pandemic recovery was accompanied by significant supply chain disruptions and permitting delays, which delayed projects. The fee narrative also indicates that “the cost of these capital expenditures has grown significantly over the last few years due to inflation and now higher interest rates on bonds issued to fund this work.”<sup>16</sup> The fee narrative notes that while the investments approved in the 2019 CSWMP carry significant costs, they remain popular with the advisory committees and partner cities.

Further, the bond length used by the Division is currently limited to the duration of the ILAs with partner cities, which are in effect through 2040 and guarantee the revenue backing needed to issue General Obligation bonds. According to the fee narrative, until the ILAs are extended, debt issued for capital projects in the near term will have ever shorter repayment periods, which puts an upward pressure on rates. The fee narrative states that in 2022 partner cities indicated they did not want to begin ILA extension discussions until after a decision has been made for long-term disposal after the closure of Cedar Hills.

- *Inflation and economic uncertainty:* According to the fee narrative, the County is facing economic conditions that could reduce revenues and increase costs. The narrative notes that while inflation has cooled over the last year compared to previous years, it may be exacerbated by increases in tariffs imposed on imported goods. The narrative also notes that tariff impacts coupled with consumer concerns about the economy could result in fewer annual tons than projected and therefore lower revenues, as historically economic downturns have correlated with lower waste volumes received by the County. As a result, the Division has downgraded its expected revenue forecast for the year, according to the fee narrative, and is anticipating diminished economic activity as tariff impacts become more widely felt.
- *Environmental compliance at the Cedar Hills landfill and closed landfills:* The fee narrative states that the frequency and intensity for testing, monitoring, and reporting requirements for environmental and other regulations has increased. In response to recent Department of Ecology regulations to improve the control of methane emissions from landfills, SWD indicates they have hired two new landfill gas utility operators and expect to fill a new Engineer III position to support the increased sampling and reporting requirements.

**Key Rate Model Assumptions.** Key assumptions included in the rate model are described below:

- *No long-term disposal costs assumed:* According to Executive staff, they did not

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<sup>15</sup> Ordinance 18893

<sup>16</sup> Attachment A, p. 7

include costs for the next disposal method to be used when the landfill reaches capacity in the rate model because there is a significant difference in estimated capital costs for the options being considered and because the majority of these costs would likely occur outside of the rate model planning window.

- *Plans for a spend down of Rainy Day and Rate Stabilization Reserves:* Executive staff indicate that the rate model projects drawing down the Rainy Day Reserve to support the \$5 million settlement payment related to the dispute with Bio Energy Washington, the owner and operator of the landfill gas processing facility onsite at Cedar Hills.<sup>17</sup> Under the County's adopted Comprehensive Financial Management Policies:

*Rainy Day Reserves may be drawn down when the County is in a period of economic contraction, as defined in the recession preparation and response policies and adopted by the Forecast Council, and the fund's total revenue for the current year is or is projected to be less than 97 percent of adopted revenue estimates, with the decrease reasonably related to the economic contraction. Requests for drawing down Rainy Day Reserves require the approval of the [Office of Performance, Strategy, and Budget] Director prior to an appropriation request being transmitted to Council. A fund's Rainy Day Reserves should begin to be replenished once the Forecast Council has adopted that the County is exiting the period of economic contraction.*<sup>18</sup>

Executive staff note that they may not end up tapping the Rainy Day Reserve depending on actual revenues and expenditures for 2025, indicating that if it is necessary, the Division will coordinate with the Office of Performance Strategy and Budget Director to ensure compliance with County financial policies.

Additionally, the Division has been slowly drawing down the Rate Stabilization Reserve over the past five years to mitigate rate increases and expects to continue to do so in 2025 and 2026, when it is expected to be fully exhausted. However, Executive staff anticipate that all reserves will be fully replenished by the end of the 2026-2027 biennium.

- *Assumes tonnage reductions associated with Re+ efforts:* Executive staff indicate that the rate model is based on a tonnage forecast that assumes a range of Re+/zero waste actions will be undertaken. According to the fee narrative, this tonnage forecast assumes: organics diversion, including food waste diversion from the statewide organics legislation passed in 2022; reduction due to extended producer responsibility and deposit return system legislation (anticipated in 2031); expanded recycling efforts at transfer stations; and new sorting technologies such as mixed-waste processing.

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<sup>17</sup> Ordinance 19959

<sup>18</sup> Motion 16041

- *Landfill gas revenue assumed beginning in 2026:* The rate model assumes revenues for the sale of renewable natural gas and the associated environmental attributes will begin in 2026 and that year generate approximately \$28.8 million in new annual revenue.

**Future Outlook.** Executive staff indicate that according to their near-term rate model, which spans 2026-2031, they are forecasting that fees for disposal will need to increase approximately 12% each year, with the projected self-haul per-ton-vehicle rate rising to \$405.88 per ton in 2031. However, according to Executive staff, they expect that this fee trajectory will change as they reevaluate their capital program and expenditures prior to transmitting a 2027 fee proposal.

**Advisory Committee Involvement.** The fee proposal was discussed at monthly meetings between January and May of both the Metropolitan Solid Waste Management Committee (MSWAC), composed of city representatives, and the Solid Waste Advisory Committee (SWAC), which represents a range of interests, including haulers and environmental organizations. Both committees provided advisory notes (Attachments 6 and 7) that state their recognition of the continuing need for an adequate revenue stream to support essential solid waste services and to fund key priorities. However, both notes also raise concerns related to the impacts of increasing fees on residents and support the one-year rate setting approach in order to allow SWD an opportunity for a comprehensive review of operating and capital expenditures and options for rate mitigation. MSWAC and SWAC also express support for a Regional Utilities Affordability Summit proposed by Executive Braddock's 200 Day Plan.

**Timing.** In order for the proposed fees to go into effect on January 1, 2026, the Council would have to act prior to October 1<sup>st</sup> to allow for the state notice period of 90 days for changing fees, as required by WUTC. However, Executive staff are seeking Council action on the proposed ordinance in early September to allow the Division to communicate the final fee amounts to haulers and cities and also to allow for sufficient time to incorporate the County's fee changes into their billing and other systems and notify the WUTC.

## **AMENDMENT**

**Amendment 1** would make a technical change correcting the original ordinance number being amended.

**Amendment T1** would also make technical corrections to remove the reference to construction and demolition fees, which are not proposed to be changed by the ordinance, and also correct the original ordinance number being amended.

## **INVITED**

- Rebecca Singer, Director, Solid Waste Division

## **ATTACHMENTS**

1. Proposed Ordinance 2025-0182 (and its attachments)
2. Amendment 1
3. Amendment T1
4. Transmittal Letter
5. Fiscal Note
6. Metropolitan Solid Waste Advisory Committee Advisory Note
7. Solid Waste Advisory Committee Advisory Note



**KING COUNTY**  
**Signature Report**

ATTACHMENT 1  
1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Ordinance**

**Proposed No. 2025-0182.1**

**Sponsors Zahilay**

1           AN ORDINANCE relating to solid waste fees charged at  
2           recycling and transfer facilities, at the Cedar Hills regional  
3           landfill, and for construction and demolition waste disposed  
4           at landfills by construction and demolition receiving  
5           facilities; and amending Ordinance 19805, Section 2, as  
6           amended, and K.C.C. 10.12.021 and establishing an  
7           effective date.

8           **STATEMENT OF FACTS**

- 9           1. The solid waste division of the department of natural resources and  
10          parks provides essential public services that protect human health, the  
11          environment, and the quality of life in our region.
- 12          2. The solid waste division operates the Cedar Hills regional landfill,  
13          eight transfer stations, and two drop boxes. It also provides innovative  
14          programs to help customers prevent and recycle waste.
- 15          3. The department of natural resources and parks is proposing to change  
16          the rate solid waste collection entity per-ton-rate vehicles are charged for  
17          disposal of municipal solid waste from \$165.91 to \$179.18 per ton,  
18          effective January 1, 2026.

19           4. The department of natural resources and parks is proposing to increase  
20           the fixed-annual charge for disposal of municipal solid waste from  
21           \$23,337,835 to \$26,838,510, effective January 1, 2026.

22           5. The impact on the average single-family household with a 32-gallon  
23           weekly garbage collection service would be approximately seventy-one  
24           cents per month in 2026.

25           6. The department of natural resources and parks will not increase the  
26           \$13.00 per ton tip fee Surcharge for construction and demolition waste  
27           generated within the county's jurisdiction and disposed of at landfills by  
28           designated facilities.

29           7. Fee increases for 2026 enable the solid waste division of the  
30           department of natural resources and parks to maintain essential solid waste  
31           disposal and recycling services and generate the revenue needed to carry  
32           out programmatic responsibilities required under adopted policies.

33           BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

34           SECTION 1. Ordinance 19805, Section 2, as amended, and K.C.C. 10.12.021 are  
35           hereby amended as follows:

36           Except as otherwise provided in K.C.C. 10.04.020 and 10.12.058, all persons  
37           using county-operated solid waste transfer stations, drop boxes and Cedar Hills regional  
38           landfill shall pay the service fees in the following schedules:

39           A. Fees for the use of solid waste facilities with scales, excluding Cedar Hills,  
40           shall be:

41           1. Solid waste disposal:

42	Fixed-rate vehicles	(( <del>\$32.60</del> )) <u>\$36.69</u> per entry
43	Solid waste collection entity per-ton-rate vehicles	(( <del>\$165.91</del> )) <u>\$179.18</u> per ton
44	Self-hauler per-ton-rate vehicles	(( <del>\$203.81</del> )) <u>\$229.29</u> per ton
45	Charitable organizations	(( <del>\$156.93</del> )) <u>\$176.55</u> per ton
46	Minimum	( <del>\$32.60</del> ) <u>\$36.69</u> per vehicle
47	Charitable organizations, minimum charge	(( <del>\$25.12</del> )) <u>\$28.25</u> per entry

48       2. Deposit of source-separated yard waste, clean wood waste, or any  
49 combination thereof:

50	Fixed-rate vehicles	(( <del>\$18.00</del> )) <u>\$20.70</u> per entry
51	Per-ton-rate vehicles	(( <del>\$115.00</del> )) <u>\$129.38</u> per ton
52	Minimum charge	(( <del>\$18.00</del> )) <u>\$20.70</u> per vehicle

53       3. Deposit of major appliances:

54	Major appliances with refrigerants	\$30.00 per unit
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55       4. Deposit of mattresses:

56	Mattresses	\$30.00 per unit
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57       5. Qualified low-income customers shall receive fee discounts of ((~~\$18.00~~))

58 \$20.00 per entry for deposit of solid waste, yard waste, clean wood waste appliances and

59 mattresses. Customers with mixed loads must separate and deposit materials with

60 sequential visits to the scale house to receive a discount on the individual waste types.

61       B. Each billing entity in the solid waste system will pay a share of the fixed-

62 annual charge. The share each billing entity pays, for each service area it serves, is

63 directly proportional to the total tons of municipal solid waste, deposited by solid waste

64 collection entities at county-operated solid waste facilities in the most recent calendar  
65 year for which data is available, as shown in the following formula:

66 1.  $W = X * (Y / Z)$ , where:

67 a. W is the billing entity's share in dollars of the fixed-annual charge for a  
68 specific service area;

69 b. X is the total amount of the fixed-annual charge for the calendar year;

70 c. Y is the number of tons of municipal solid waste from a specific service area  
71 of the billing entity that is deposited at county-operated solid waste facilities in the most  
72 recent calendar year for which data is available; and

73 d. Z is the total number of tons of municipal solid waste from all service areas  
74 deposited at county-operated solid waste facilities by all solid waste collection entities in  
75 the most recent calendar year for which data is available, excluding regional direct tons.

76 2. Beginning January 1, (~~2025~~) 2026, the fixed-annual charge is  
77 (~~(\$23,337,835)~~) \$26,838,510.

78 C. Fees for the use of solid waste facilities without scales shall be based upon the  
79 cubic yard or fraction thereof as follows:

80 1. Solid waste disposal:

81 Fixed-rate vehicle (~~(\$32.60)~~) \$36.69 per entry

82 Per-ton-rate vehicles:

83 Compacted wastes (~~(\$59.10)~~) \$66.49 per cubic yard

84 Uncompacted wastes (~~(\$34.65)~~) \$38.98 per cubic yard

85 Minimum charge (~~(\$32.60)~~) \$36.69 per vehicle



107	Per-ton-rate vehicles	\$5.84 per ton
108	Minimum charge	\$2.23 per entry

109 Fixed-rate vehicle \$2.23 per entry

110 2. For facilities without scales:

111 Compacted \$1.28 per cubic yard

112 Uncompacted \$0.73 per cubic yard

113 Minimum charge \$2.23 per entry

114 Fixed-rate vehicles \$2.23 per entry

115 F. As determined by the division director, a special waste fee shall be charged for  
 116 special waste including asbestos-containing waste material and other wastes requiring  
 117 clearances in accordance with King County Board of Health Code Title 10 or rules  
 118 adopted by the department. The fee schedule is as follows:

119 Special waste fee ((~~\$244.57~~)) \$275.14 per ton

120 Special waste fee minimum charge ((~~\$39.09~~)) \$44.02 per entry

121 Special waste fee, extra handling ((~~\$285.33~~)) \$321.01 per ton

122 Special waste fee, extra handling

123 Minimum charge ((~~\$45.61~~)) \$51.36 per entry

124 G. In the absence of exact weights or measurements, the estimate by the division  
 125 director is binding upon the user.

126 H. The division director may establish fees for handling and processing of  
 127 recyclable materials for which no other fee has been established by ordinance. The fees

128 need not recover the full cost of handling and processing.

129 SECTION 2. This ordinance takes effect January 1, 2026.

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

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Girmay Zahilay, Chair

ATTEST:

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Melani Pedroza, Clerk of the Council

APPROVED this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

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Shannon Braddock, County Executive

**Attachments:** A. Proposed Solid Waste Disposal Fees for 2026

## **Proposed Solid Waste Disposal Fees for 2026**

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June 2025



**King County**

## I. Contents

II.	Table of Figures.....	3
III.	Executive Summary .....	4
IV.	Background .....	5
	Landfill Gas Processing.....	7
	Capital Spending and Cost of Borrowing.....	7
	Interlocal Agreement Extensions .....	8
	Re+, Tonnage, and Rates .....	8
V.	Report Requirements.....	10
A.	Rate Model Methodology.....	10
B.	Proposed Fees for 2026 .....	11
C.	Financial Projections: Expenditures, Reserves, and Revenue .....	12
	New and Continuing Investments .....	14
D.	Rate Determination .....	18
VI.	Conclusion/Next Steps.....	19
VII.	Appendices.....	19

II. Table of Figures

Figure 1: Overview of Basic Fee/Self-Haul Rate Increases ..... **Error! Bookmark not defined.**

Figure 2: Proposed and Projected Rates, 2026-2031 ..... 7

Figure 3: SWD Projected Capital Project Spending, 2025-2030. .... 8

Figure 4: Tonnage History and Forecast, 2018-2035..... 9

Figure 5: 2025 Adopted Rates and 2026 Proposed Rates ..... 11

Figure 6: Proposed Minimum Fees for Self-Haul Garbage and Yard/Wood Waste ..... 12

Figure 7: Solid Waste Operating Fund Balance, 2025-2031 ..... 16

Figure 8: Projected Capital Spending and Debt Service, 2025-2031. .... 18

### III. Executive Summary

The Department of Natural Resources and Parks (DNRP) is proposing an 8 percent increase on the commercial tipping fee, a 12.5 percent increase on the self-haul tipping fee, a 12.5 percent increase on the yard waste fee, and a 15 percent increase on the fixed annual charge. These increases are necessary due to rising costs to provide essential solid waste services, including recycling and waste disposal services at transfer stations, continued operations at the Cedar Hills Regional Landfill (CHRLF), recycling and waste-prevention programs, and to fund the department's capital improvement program. The impact of King County rate increases for a typical residential customer with a 32-gallon can, after commercial haulers pass along these costs, is forecasted to be \$0.71 per month in 2026.

Thirty-seven partner cities and 1.5 million people depend on these disposal services. The proposed increase also provides for investments necessary to achieve the goals contained in the 2019 Comprehensive Solid Waste Management Plan (Comp Plan) and the 2020 King County Strategic Climate Action Plan (SCAP).<sup>1</sup> This increase will allow DNRP to continue the services and programs customers have come to expect and rely on, and that have helped this region become one of the best for recycling in the nation.

DNRP is in a period of significant capital investment that will last several biennia and will modernize aging solid waste infrastructure, which will result in increased efficiency and opportunities for diverting recyclable materials from the landfill. These capital improvements will help facilitate shifting the solid waste division's (division) paradigm from solid waste management to one that prioritizes the recycling and reuse of materials. This proposed rate increase would support DNRP making an estimated investment of \$865 million for critical infrastructure projects between now and 2031. These investments will yield long-term financial benefits for rate payers, boost the local economy, and reduce the impact of waste on the environment. The department is also investing in its Re+ Plan, which is aimed at diverting or recycling the 70 percent of useful materials that are currently being thrown away.<sup>2</sup> King County's goal is to achieve zero waste by 2030, which will provide significant environmental and financial benefit to the region. This proposed rate increase funds these key initiatives while also positioning the department to maintain a smooth and steady rate path in future years, as requested by partner cities.

As rate pressure from the growth in capital spending has increased, the division has been exploring ways to mitigate the impact to rate payers. One approach is to defer appropriate projects into the future to more evenly distribute spending over several years rather than have a spike in spending, with the associated high debt service. One such project is the Permanent Facilities Relocation, which would build a new permanent maintenance facility to replace facilities that will be demolished during the development of Area 9 at the CHRLF. The project was originally estimated to spend more than \$100 million through 2029, but is being deferred to the early 2030s.

DNRP reached a settlement in March 2025 with the owner of the renewable natural gas processing facility at the landfill that will allow the County to acquire the plant later this year. The acquisition would enable the County to put the landfill gas it collects to beneficial use, displacing virgin fossil fuel extraction, and will generate additional revenue that can offset rate increases.

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<sup>1</sup> [2019 Comprehensive Solid Waste Management Plan](#); [2020 King County Strategic Climate Action Plan](#).

<sup>2</sup> Additional information about Re+ can be found on the County's [Re+ website](#).

The division is planning no increases in existing operating expenses beyond inflation. Any emergent needs will be funded out of existing outlays. Minimal growth in operating expenses will help mitigate the upward pressure from capital growth.

The overarching goal of the fiscal planning work for this 2026 rate proposal has been to maximize value for customers while mitigating financial impacts on rate payers. This rate proposal follows months of partner engagement that began in January 2025. The department’s advisory committees – the Metropolitan Solid Waste Management Advisory Committee (MSWMAC) and Solid Waste Advisory Committee (SWAC) – expressed support of a rate increase that would allow the department to maintain current service levels, fund key investments in climate and environmental programs, and fulfill the commitments made in the Comp Plan.<sup>3</sup>

The proposed increase for 2026 is consistent with the projection from the 2025 Rate Proposal, which had forecasted that a similar level of increase would be necessary to fund the capital and operating expenditures, meet the department’s commitments to regional partners, successfully implement actions in the Comp Plan and SCAP, and fulfill the mandate to maintain essential services.

## IV. Background

**Department Overview:** The King County Department of Natural Resources and Parks (DNRP) works in support of sustainable and livable communities and a clean and healthy natural environment. Its mission is to foster environmental stewardship and strengthen communities by providing regional parks, protecting the region’s water, air, land, and natural habitats, and reducing, safely disposing of, and creating resources from wastewater and solid waste.

DNRP’s Solid Waste Division (SWD, or the division) is guided by its vision to achieve zero waste of resources and enhance the environment through collaboration and innovation.<sup>4</sup> The department operates eight transfer stations, two rural drop boxes, and the Cedar Hills Regional Landfill (CHRLF), which is the only operational landfill in the county. DNRP serves residents and business owners in unincorporated King County and 37 cities throughout the county, except the cities of Seattle and Milton, which are part of separate solid waste systems. The department’s solid waste mission is to “deliver value to its customers and stakeholders, and to continuously improve waste prevention, resource recovery, and waste disposal.”<sup>5</sup> The DNRP solid waste rate supports ongoing services and operations as well as new investments in solid waste infrastructure and capital projects to serve its customers.

**Key Historical Context:** Historically, the department proposed rate increases on a biennial basis, but DNRP has been proposing annual increases over the past several years, typically ranging between 5 percent and 15 percent. During development of the 2019-2020 solid waste rate, interested parties and partner cities requested that DNRP take a more incremental approach to rate setting, to create a more predictable path for rate increases. Because of the disruption of the COVID-19 pandemic, the division deferred the 2021 rate increase, in consultation with the advisory committees, but returned to annual increases in 2022. The preference for more incremental adjustment has been reiterated in each

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<sup>3</sup> More information about the advisory committees can be found [here](#) and the Comp Plan can be found [here](#).

<sup>4</sup> DNRP has rebranded these [zero waste of resources efforts as Re+](#).

<sup>5</sup> More about the Solid Waste Division is found [here](#).



subsequent round of rate proposal discussions. The previous rate increase was a one-year adjustment for 2025. The current proposal covers 2026. The division expects to ask for additional rate increase in 2027, after a comprehensive examination of its revenue requirement and consideration of additional options for rate mitigation.

The primary drivers of the increased costs of services provided at transfer stations are the funds needed for capital projects, inflation, higher bond rates, and the ongoing cost to meet environmental and safety controls at the CHRLF and the closed landfill properties managed by the County.

Figure 1 shows the history of basic fee rate increases since 2021, along with the proposed increase for 2026 and projections through 2031. By staggering rate increases over one-year increments, they are more gradual over time. This avoids a single large rate increase over several biennia. Figure 1 shows that the projected rate increases following 2022 are expected to be greater than typical annual increases due to continued implementation of major capital projects approved of in the Comprehensive Solid Waste Management Plan (Comp Plan), such as building the South County Recycling and Transfer Station (SCRTS), which is now under construction, building the Northeast Recycling and Transfer Station (NERTS), and developing Area 9 at the CHRLF.<sup>6</sup> SCRTS, NERTS, and extending the life of the landfill—the County’s least costly garbage disposal option – were approved by the cities through the Comp Plan adoption process. While these investments carry significant costs, they remain popular with MSWAC and SWAC. MSWAC and SWAC have provided letters, which accompany this proposal.

Starting in 2024, a change was made to the way disposal fees are charged to commercial haulers. Instead of the basic fee, commercial haulers now pay a commercial per-ton tip fee and a fixed annual charge (FAC). The commercial fee and FAC together are designed to collect the same amount of revenue previously collected solely through the basic fee. However, because the FAC is a fixed value that does not vary based on tonnage, it is a more stable revenue stream.

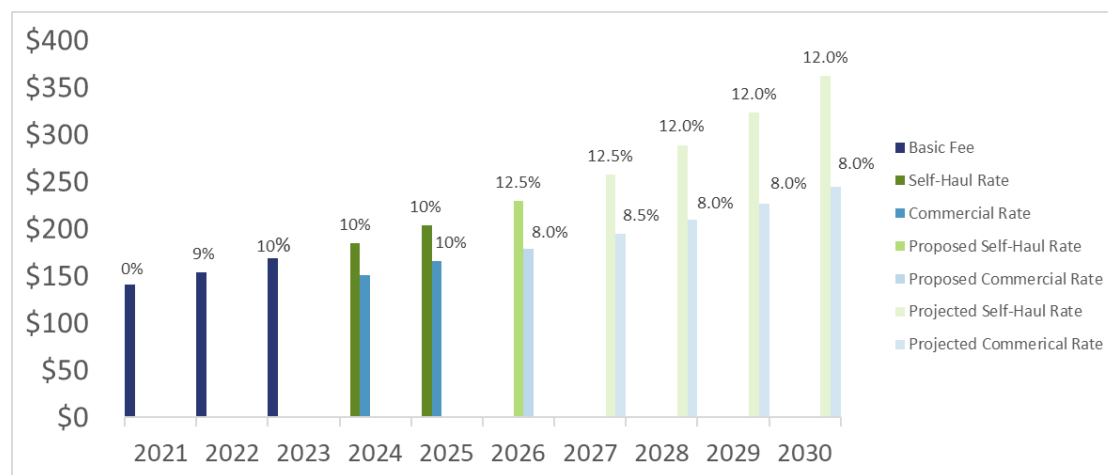


Figure 1: Overview of Basic Fee/Self-Haul Rate Increases<sup>7</sup>

<sup>6</sup> Area 9 is the capital project which will develop a new and final waste cell at the landfill. This project is expected to add eight years of useful life to the landfill.

<sup>7</sup> The rate increase percentage shown for 2021-2023 represents a change in the basic fee. In 2024 and beyond, due to the revised rate structure, the percentage increase shown represents an increase in the self-haul fee.

**Key Current Context:** The proposed rate and the projected rate path for the commercial tip fee, the self-haul rate, and the FAC are listed below:

Fee/Rate	2025	2026	2027	2028	2029	2030	2031
<b>Self-Haul Rate</b>	\$203.81	\$229.29	\$257.95	\$288.90	\$323.57	\$362.40	\$405.88
<b>Commercial Rate</b>	\$165.91	\$179.18	\$194.41	\$209.97	\$226.76	\$244.90	\$264.50
<b>Fixed Annual Charge</b>	\$23.3M	\$26.8M	\$30.9M	\$35.5M	\$40.7M	\$43.1M	\$45.1M

Figure 2: Proposed and Projected Rates, 2026-2031

### Landfill Gas Processing

Historically, DNRP has earned several million dollars a year in revenues from the sale of landfill gas (LFG) and the accompanying environmental attributes associated with converting LFG to pipeline-quality natural gas.<sup>8</sup> In 2023, those revenues essentially ceased as the processing plant, owned by Bio Energy Washington (BEW), suspended operations. In March 2025, the County reached a settlement agreement with BEW that would include acquisition of the plant by the County. The County plans to resume operations after purchase, and the landfill gas revenues would be used to cover the cost of operations and debt service for the acquisition. The net income from the processing plant will provide additional revenue that would benefit rate payers.

### Capital Spending and Cost of Borrowing

DNRP has entered a period of heightened capital investment. Between 2025 and 2031, SWD forecasts spending approximately \$865 million on capital projects, including SCRTS, NERTS, expanding landfill capacity, and making significant upgrades to its landfill infrastructure. The pandemic recovery was accompanied by significant supply chain disruptions and permitting delays, which pushed capital spending on many projects into the present. Unfortunately, the cost of these capital expenditures has grown significantly over the last few years due to inflation and now higher interest rates on bonds issued to fund this work. Additional details on interest and inflation impacts are included below in the Financial Projections section of this report.

One way to approach this increase in capital spending is to defer appropriate projects into the future to more evenly distribute spending over several years rather than have a spike in spending, with the associated high debt service. One such project is the Permanent Facilities Relocation. This project would build a new permanent facility to replace the existing maintenance facilities that will be demolished to make room for development of Area 9 at the CHRLF. The project was originally estimated to spend over \$100 million through 2029. The division revisited this decision and has chosen to pause the project and search for other potential alternatives that meet future business needs. The pause would defer spending on this project out into the 2030s.

<sup>8</sup> The division has primarily monetized the environmental attributes as Renewable Identification Numbers (RINs), which are credits used in the Renewable Fuel Standard (RFS) program managed by the U.S. Environmental Protection Agency (EPA). Parties needing to comply with RFS regulations purchase RINs, which are registered and regulated by the EPA.

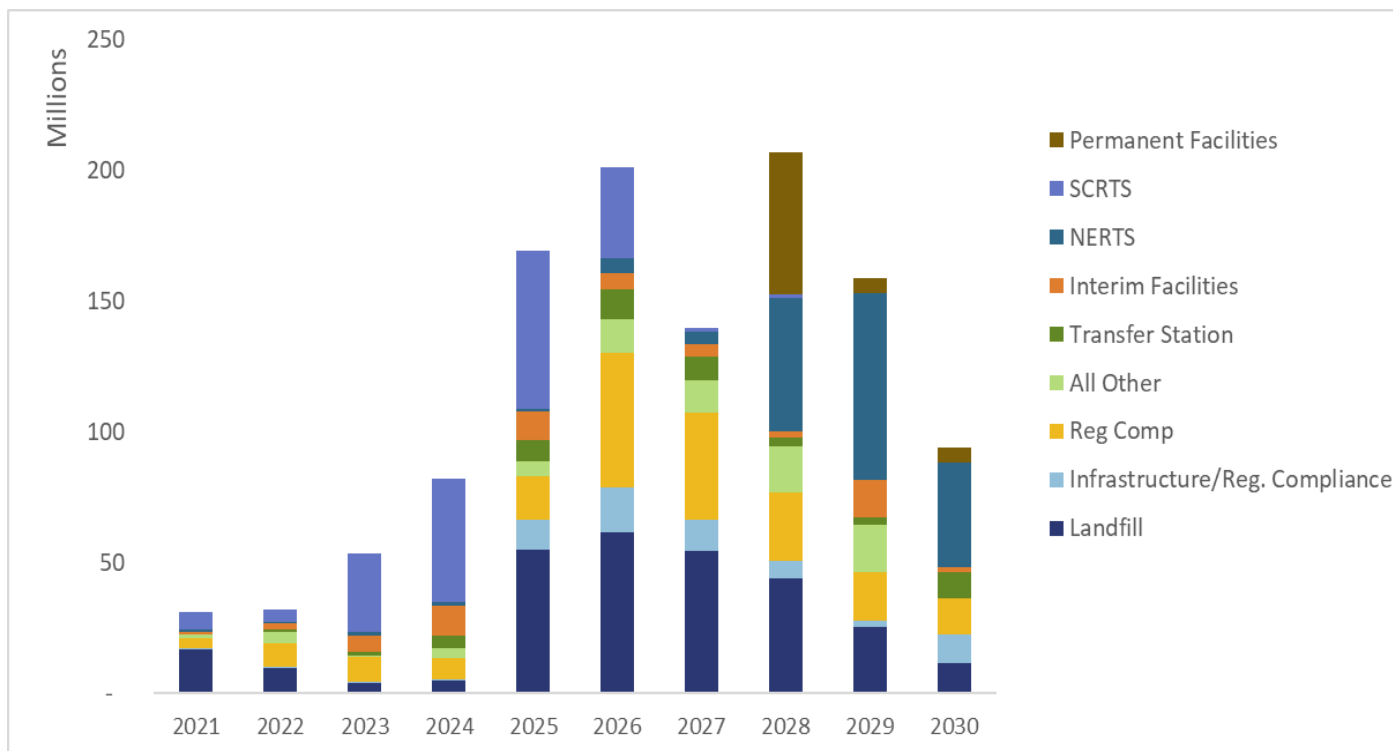


Figure 3: SWD Projected Capital Project Spending, 2025-2030<sup>9</sup>

### Interlocal Agreement Extensions

An additional factor putting upward pressure on rates are the Interlocal Agreements (ILAs) DNRP has with 37 cities in the King County disposal system. These ILAs are set to expire in 2040, and with them the guaranteed revenue backing needed to issue long-term general obligation bonds to support the division's capital improvement program. In 2022, partner cities indicated they did not want to begin ILA extension discussions until after a decision has been made on what will be done with waste after the closing of the CHRLF, expected to occur around 2040. Without ILA extensions past 2040, debt currently issued for capital projects will have ever-shorter repayment periods that will increase rates. The County will continue to engage with its city partners to confirm a timeframe for the extensions and will also look at other means of mitigating the debt impact of the ILA term.

DNRP has already begun work with consultants, partner cities, and advisory groups to update the 2019 Comp Plan, the process through which the long-term disposal decision will be made. It is currently estimated that the updated Comp Plan will be submitted to the Council in early 2028 and adopted by mid-2029. Seeking extensions to the ILAs will occur in the latter part of that process.

### Re+, Tonnage, and Rates

As outlined in the King County Code, it is the County's goal to "achieve zero waste of resources by 2030 through maximum feasible and cost-effective prevention, reuse, and reduction of solid wastes going into its landfills and other processing facilities."<sup>10</sup> In 2022, DNRP published the Re+ Plan, which outlines the primary actions the County and its partners (cities, haulers, businesses, etc.) will take to achieve the zero waste of resources goal. However, successful implementation of this plan could significantly

<sup>9</sup> Project spending shown is unadjusted for the accomplishment rate.

<sup>10</sup> [King County Code 10.14.020](#).

reduce landfill-bound municipal solid waste (MSW) tons and associated revenue, meaning rates will need to increase.

Figure 4 shows two forecasts for total MSW, in thousands of tons, that the County anticipates would be generated over the next 10 years. The baseline forecast assumes no Re+ actions are taken, while the Re+ forecast shows significant diversion of MSW.

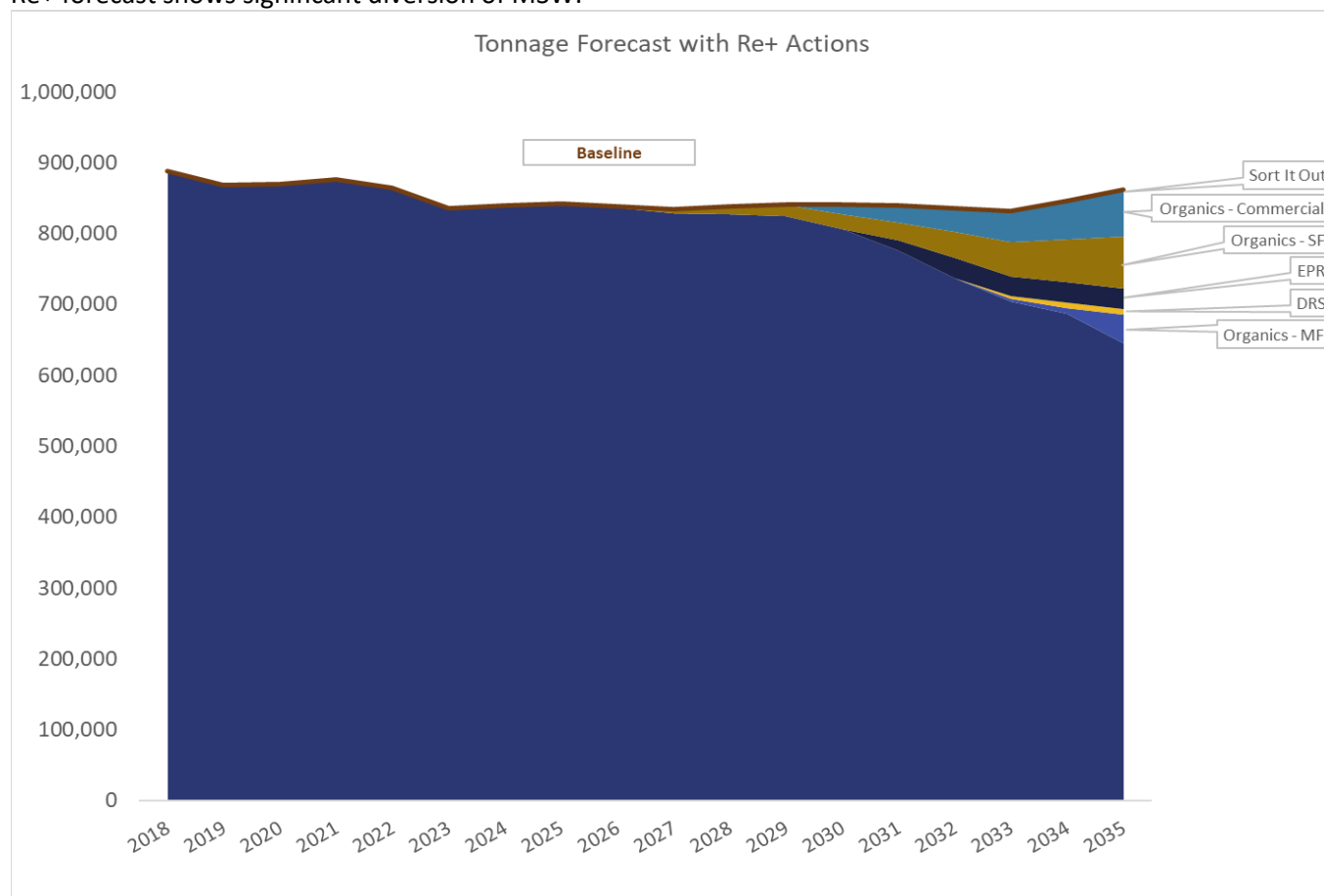


Figure 4: Tonnage History and Forecast, 2018-2035

SF=single-family; EPR=extended producer responsibility; DRS=deposit return system (for beverage containers); MF=multi-family

The Re+ forecast includes recoverable organics diversion, including food waste diversion resulting from the statewide organics legislation passed in 2022 as HB 1799; reduction due to extended producer responsibility and deposit return system legislation (anticipated in 2031); expanded recycling efforts at transfer stations; and new sorting technologies such as mixed-waste processing.<sup>11</sup> These estimates are based on the 2022 Waste Characterization Study, comparisons with historical DNRP efforts and similar programs in other jurisdictions, and consultant studies.<sup>12</sup>

**Report Methodology:** DNRP gathered data from various internal and external systems, including from the cashiering system used at solid waste facilities for tonnage and revenue information (Paradigm), King County accounting and budget systems for expenditure information (Oracle), and the PRISM

<sup>11</sup> [HB 1799 – 2021-22](#)

<sup>12</sup> [2022 Waste Characterization Study](#)

database, which provides expenditure forecasts for capital projects. Ideas and additional information were gathered through internal DNRP collaborations and from various partners. Briefings with the DNRP solid waste advisory committees – the Metropolitan Solid Waste Advisory Committee (MSWAC) and the Solid Waste Advisory Committee (SWAC) – started in January 2025 and continued monthly through development of this proposal. The committees provided input on a variety of topics, including communications, rate options, and capital spending. Letters from the MSWAC and SWAC are included in this legislative package. This proposal was also developed with input and direction from the County's Office of Performance, Strategy and Budget.

The methodology used in formulating the rate proposal is explained in detail below.

## **V. Report Requirements**

### **A. Rate Model Methodology**

Revenue generated by the rates charged supports all the services provided by SWD, including:

- The garbage (MSW) transfer system
- Disposal of MSW and Special Waste at the Cedar Hills Regional Landfill
- Recycling and yard waste collection at most transfer stations
- Hazardous and moderate-risk waste collection (at transfer stations)
- Waste-reduction programs
- Education and outreach

The vast majority of revenues to the Solid Waste Fund are comprised of disposal fees and the FAC. Three primary variables drive the revenue received from disposal fees: 1) the FAC, 2) tonnage, and 3) the tipping fees charged for tonnage. When tonnage decreases, revenue is reduced. Revenue generated by the rates must align with costs to ensure services are available for customers and jurisdictions.

To align revenue and costs, the cost to provide services (also referred to as the revenue target, revenue requirements, or expenditures) is determined by analyzing SWD's spending patterns; updating assumptions about inflation and interest rates; factoring in changes in central rates; reviewing proposals for budget adds and reductions; identifying the level of reserve cash to maintain each year; and examining a host of other factors that influence the cost of solid waste services.<sup>13</sup>

Next, the amount of the FAC must be determined. This is done through a cost-of-service analysis at the customer class level. A customer class is "a grouping of solid waste customers with similar usage characteristics who are served at similar costs."<sup>14</sup> The cost-of-service analysis looks at the cost to provide services to each customer class, including both disposal and non-disposal related costs.

For example, to provide disposal service to commercial haulers, the County employs scale house and transfer station operators, drivers, mechanics, and landfill crews, and it builds, operates, and maintains

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<sup>13</sup> The Solid Waste Fund has three reserves. The rainy-day reserve, recession reserve, and rate stabilization reserve. Each reserve account has rules for the amount of cash that must be held in reserve and when those monies can be spent. More information about reserves is provided in Section C of this report and in Appendix B.

<sup>14</sup> [FCS report](#), Section V.B. Solid Waste Classes of Service

transfer stations and the landfill. A portion of each of these costs is allocated to each of the customer classes based on their usage of that resource, usually determined by the number of tons or transactions a class generates.

Non-disposal costs include expenses, such as administration, regional planning, Re+ actions, and regulatory compliance. The FAC is based on the commercial haulers' portion of the non-disposal services costs. For example, if the sum of all non-disposal costs totaled \$100 million dollars, and the commercial customer class share of those costs was 30 percent, the FAC would be set at \$30 million dollars.

Nearly all other Solid Waste Fund revenues (other than the FAC) come from tonnage received at transfer stations. The remaining "other" revenues include rents on County-owned property, interest incomes, grant funding, and landfill gas revenues (currently zero). Once the FAC and other revenues are subtracted from the overall cost of service, or revenue requirement, the remaining cost must be divided by the projected tonnage to set the per-ton rates. At a high level, the relationship between the cost to provide services (expenditures), revenue, tonnage, and rates can be characterized as shown in the equation below:

$$\text{Expenditures} + \text{Reserves} = \frac{\text{Revenues Required} - (\text{FAC} + \text{Other Revenues})}{\text{Tonnage}} = \text{Per Ton Rate}$$

## B. Proposed Fees for 2026

Per Ton Fees	2025	2026
Commercial Tipping Fee	\$ 165.91	\$179.18
Self-Haul Tipping Fee	\$203.81	\$229.29
Regional Direct	\$ 163.05	\$194.89
Special Waste	\$ 244.57	\$275.14
Yard Waste	\$ 115.00	\$129.38
<b>Fixed Fee (in millions)</b>	<b>2025</b>	<b>2026</b>
Fixed Annual Charge (FAC)	\$ 23.34	\$26.84
<b>Curbside Impact</b>	<b>2025</b>	<b>2026</b>
Avg monthly increase <sup>15</sup>	\$ 0.93	\$0.97

Figure 5: 2025 Adopted Rates and 2026 Proposed Rates

Solid waste customers and jurisdictions have historically asked for and have come to expect some measure of the impact a rate increase proposal would have on the average retail rate of residents' waste collection bills. This is referred to as "curbside impact." The curbside impact measure identified in the table above is the average monthly curbside financial impact for all residents in the County's service area. This calculation is inclusive of all can sizes and based on average household garbage generation by weight. Notably, because all cities have different starting rates and distribute the disposal costs across their customer bases differently, the impact shown in this table will likely not match the actual curbside impact in any given city. However, it should be accurate in the aggregate across the entire SWD service area.

<sup>15</sup> See Appendix A for additional information on the curbside impact calculation.

Fee	2025	2026
Self-Haul Garbage*	\$32.60	\$36.69
Yard/Wood Waste	\$18.00	\$20.70

\*Fee shown is pre-tax and without a Hazardous Waste Fee surcharge.<sup>16</sup>

Figure 6: Proposed Minimum Fees for Self-Haul Garbage and Yard/Wood Waste

The department also charges a minimum fee on self-haul and yard/wood waste charges on weights of 320 pounds or less. Some vehicles, such as passenger vehicles, are automatically charged at the minimum fee.<sup>17, 18</sup>

In 2026, the division is proposing to increase the Cleanup LIFT low-income customer discount from \$18 to \$20, roughly 50 percent of the minimum fee (including taxes and fees) for garbage transactions.<sup>19</sup> Since the program began in 2019, the County has provided over 75,000 discounts to self-haul customers. In 2024, approximately 3.3 percent of all self-haul transactions were Cleanup LIFT transactions, up from 3.14 percent in 2023 and 2.7 percent in 2022.

#### Construction and Demolition Fee

The King County Construction and Demolition (C&D) Materials Diversion Program is funded through a \$13-per-ton fee on C&D waste sent to the landfill. Revenues collected through this fee can only be spent on expenses related to the handling and disposal of C&D.<sup>20</sup> Although there is no C&D rate increase proposed for 2026, the program anticipates future revenue increases by smaller, more incremental changes to the rate over time. King County contracts with C&D waste transfer and processing facilities to manage these materials, requiring those facilities to pay the C&D fee. C&D materials that are recycled or go to beneficial use are not subject to the fee.

### C. Financial Projections: Expenditures, Reserves, and Revenue

The expenditure, reserve and revenue assumptions used to develop this proposal are detailed in this section.

<sup>16</sup> The King County Board of Health (KCBOH) sets the moderate-risk waste surcharge amount that funds hazardous waste programs throughout the county. The KCBOH is not recommending any increases to this fee for 2026.

<sup>17</sup> [KCC 10.40.020 NN](#) defines fixed-rate vehicles.

<sup>18</sup> The minimum fee is typically set at 16 percent of the self-haul per-ton fee and assumes the customer is bringing 320 pounds or less to the station for disposal (320 pounds is 16 percent of one ton).

<sup>19</sup> For self-haul customers, the County offers a discount for low-income individuals on their transaction if they can provide an Orca LIFT, Electronic Benefits Transfer (EBT) card, or Medicaid card.

<sup>20</sup> [KCC 4A.670.300](#) establishes the value of the fee and [KCC 10.30.050](#) establishes approved uses of the revenue.

As expressed through the adopted 2019 Comp Plan, it is the policy of King County to achieve zero waste of resources by 2030, replace transfer stations built in the 1960s, and maximize the life of the landfill. The new transfer stations will expand access to recycling and hazardous waste services, reduce wait times, and increase safety. The department evaluated existing SWD programs and projects to ensure alignment with the Comp Plan's strategic goals and commitments. DNRP identified several investments that would fulfill or strengthen these goals. In addition, several key factors contributed to increases in the revenue requirement for 2026. These are outlined below.

**Economic Uncertainty:** The county is facing economic conditions that could reduce revenues and increase costs. While inflation has cooled over the last year compared with 2022 and 2023, it may be exacerbated by increases in tariffs imposed by the U.S. on imported goods. This prolonged period of economic uncertainty has also reduced consumer confidence to its lowest point in more than a decade.<sup>21</sup> These factors and other concerns about the economy could reduce expected tonnage and the attendant revenues; historically, economic downturns have correlated with decreased waste volumes delivered to the system. At the same time, economic uncertainty, declining consumer confidence, and inflation all put upward pressure on bond rates as the county enters a period of significant capital spending on solid waste infrastructure.

**Debt service vs. operating growth:** One trend that will emerge over the next six to eight years is the ratio of debt service to operating costs as the driving force behind rate increase proposals and as a proportion of SWD's budget. Growth in capital costs is largely a function of implementing the actions called for in the 2019 Comp Plan. These include building the SCRTS and NERTS facilities and maximizing the life of the landfill. Capital costs are also disproportionately larger due to the ILA time constraint on debt discussed above.

*Capital Equipment Replacement Program Transfer.* The department maintains reserves equal to 10 percent of the value of its rolling stock in the Capital Equipment Replacement Program (CERP) to ensure adequate funding is available to replace vehicles and other equipment that has reached the end of its useful life. The division has reviewed planned spending levels relative to the current fund balance and is proposing to increase its transfer to the fund by \$1 million, or \$7.5 million annually, for 2026 and 2027. The increase reflects planned purchasing and will better allow the division to absorb impacts from tariffs, which are expected to increase equipment costs substantially. The transfer is projected to increase incrementally in 2028 to \$9 million, and to escalate further in the outyears.

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<sup>21</sup> *New York Times*, March 25, 2025. "Consumer Confidence is Tumbling as Financial Concerns Mount"



## Environmental Permits in SWD

Annual reporting requirements

2024 data



**Environmental:** The regulatory requirements for waste disposal and landfill management are complex and continuously evolving. SWD has 37 operating permits and works closely with multiple regulatory bodies to ensure its compliance. In recent years, the frequency and intensity for testing, monitoring, and reporting requirements have increased, resulting in increased workload for staff. The division has made efforts to increase its capacity, including replacing term-limited positions with full-time employees, and will continue to do so as requirements warrant. Recently, the Washington State Department of Ecology issued regulations to improve control of methane emissions from landfills. In response to increased sampling requirements, SWD has hired two new landfill gas utility operators, and a new Engineer III position will be filled later this year to oversee the reporting and compliance work associated with the new regulations.

**Capital Projects:** The department continues to invest in major projects from the Comp Plan. These include the SCRTS, which is currently under construction; the NERTS, which will be built on the existing Houghton Transfer Station site; maximizing

the life and capacity of the CHRLF; and upgrading the landfill gas capture system there. The new transfer stations will expand access to recycling and hazardous waste services, reduce wait times, increase safety, and reduce or eliminate many of the environmental impacts of the older stations they are replacing. The long-term rate path assumes the investment will be needed in new sorting and processing technology, such as mixed waste processing and potential co-digestion that will be needed to reach Re+ goals.

The potential economic impact of the division's projected capital spending for 2025 and 2026 is estimated to be over 2,000 new jobs, according to the Washington State Office of Financial Management's Input-Output Model.<sup>22</sup>

**Equity and Social Justice (ESJ):** The department is currently developing a new low-income discount program for curbside solid waste services in areas of the county regulated by the Washington Utilities and Transportation Commission (UTC).<sup>23</sup> SWD will assess household eligibility and work with haulers to

<sup>22</sup> This figure was calculated using Washington State Office of Financial Management's [Input-Output Model](#).

<sup>23</sup> In accordance with state law [RCW 81.77.020](#) and [RCW 36.58.040](#), counties are prohibited from providing curbside garbage collection services. Legal authority for regulating collection is shared primarily between the state, acting through the UTC, and the cities. The UTC sets and adjusts rates and requires compliance with the state and local solid waste management plans and related ordinances.

ensure discounts are applied to eligible residents, as mandated by state law.<sup>24</sup> This requires close collaboration with the hauling partners and the UTC to adjust rates as needed without significantly impacting overall rates.

*Operating Expenditure Increases:* The division is planning no increases in existing operating expenses beyond inflation. Minimal growth in operating expenses will help mitigate the upward pressure from capital growth.

#### **Reserves**

The department has three reserve funds. The Rainy Day fund is required by County policy and is intended to cover unexpected expenses. The Recession Reserve was established by SWD to mitigate revenue losses from reduced tonnage. The Rate Stabilization Reserve is used to mitigate future rate increases caused by spikes in forecasted spending, such as those from large capital projects.

*Rainy Day Reserve:* The Rainy-Day Fund level is equivalent to 30 days of operating expenses. In 2025, the division intends to draw down the reserve by \$5 million for the legal settlement of claims with BEW. The division expects to replenish this reserve by the end of 2026.

*Recession Reserve:* The Recession Reserve is meant to provide a buffer to rate payers in the event of a recession. This reserve is typically equivalent to 5 percent of annual disposal revenue and is intended to be drawn down over the course of two years. After a period of recovery, the department gradually replenishes the reserve. With the onset of a recession in 2020, the department fully drew down the reserve and subsequently fully replenished it to 5 percent of annual disposal revenues at the end of 2024. In 2025, SWD is projecting that the reserve will be \$5.5 million, below the 5 percent threshold. The division has downgraded its expected revenue forecast for the year, anticipating diminished economic activity as tariff impacts become more widely felt. Currently, the division is expecting to fully replenish the reserve by the end of the 2026 and 2027 biennium, resulting in approximately \$8 million in reserve to mitigate against future recessionary impacts.

*Rate Stabilization Reserve:* The department has been slowly drawing down the Rate Stabilization Reserve over the past five years in order to mitigate rate increases. It is expected that this reserve will be fully exhausted in 2025 and 2026. The reserve will begin to replenish starting in 2027, and outyear projections show the balance should increase to over \$10 million by 2031.

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<sup>24</sup> [RCW 81.77.195](#)

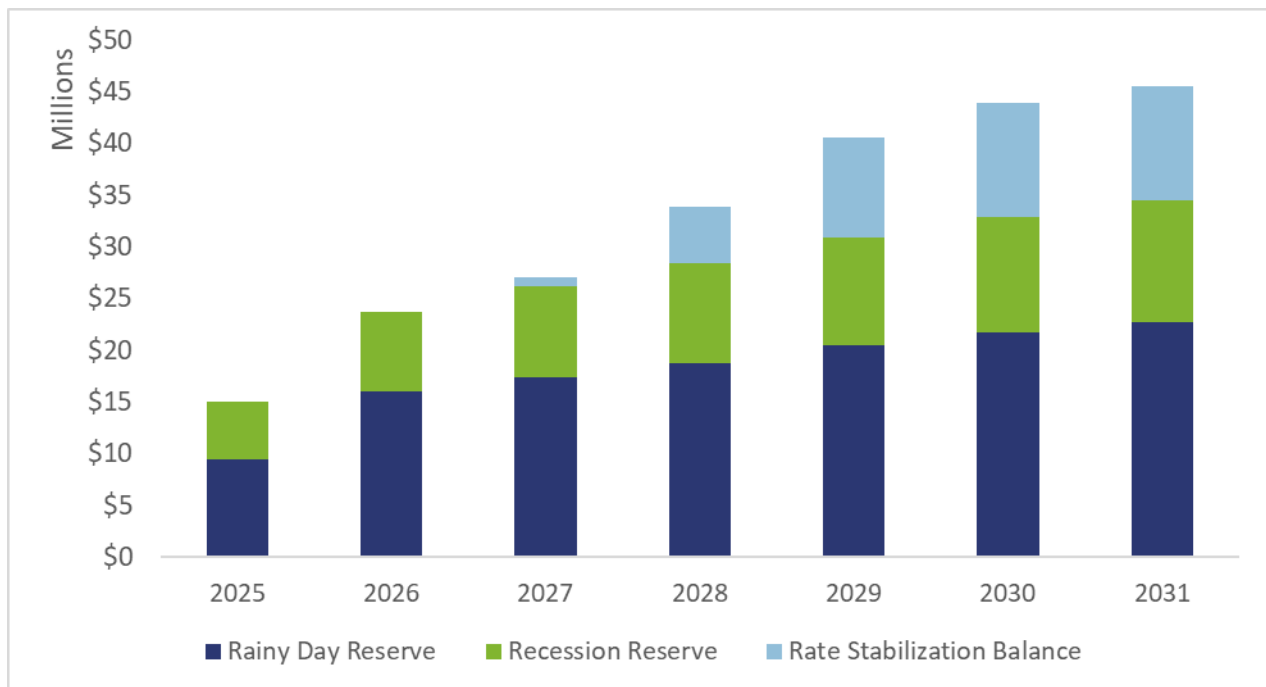


Figure 7: Solid Waste Operating Fund Balance, 2025-2031

## Revenues

**Disposal Fee Revenue:** DNRP is proposing an increase in its tonnage-based fees for garbage and the FAC. Historically, the department had proposed rate increases on a biennial basis, but DNRP has been proposing annual increases over the past several years. Smaller, more frequent increases are preferred by cities to minimize the burden on rate payers and create a smoother, more predictable situation for customers.

The description and revenue projections for each fee are summarized as follows:

- **Commercial Fee:** The Commercial Fee is the per-ton fee charged to commercial hauler customers disposing of MSW at transfer facilities and to curbside collection vehicles at the CHRLF. The department is proposing to change this fee from \$165.91 to \$179.18 in 2026.
- **Fixed-Annual Charge:** This was a new charge implemented in January 2024. The department proposes increasing the FAC from \$23,337,835 to \$26,838,510 in 2026.

**NOTE:** The Commercial Fee and the FAC are both disposal charges. Together, they are projected to increase revenues in the 2026 budget by approximately \$11 million above what they would be if there were no rate increases.

- **Self-haul Fee:** The self-haul fee is a per-ton fee charged to individual customers disposing of MSW at transfer facilities. All loads greater than 320 pounds pay the per-ton fee, and customers with less than 320 pounds of waste are charged the minimum fee. The department is proposing to raise the self-haul fee from \$203.81 per ton in 2025 to \$229.29 per ton in 2026. This increase is expected to bring in \$4 million more in revenues in 2026.

- **Regional Direct Fee:** This is a discounted fee charged to contract commercial collection companies that haul solid waste to the CHRLF in transfer trailers from their own transfer stations and processing facilities, thus bypassing County transfer stations. Regional Direct tonnage is typically composed of nonrecyclable material removed from recyclables during processing. Regional direct fees are typically set at 85 percent of the self-haul fee and, accordingly, this fee is increasing from \$163.05 per ton in 2025 to \$194.89 per ton in 2026.
- **Special Waste:** This fee is charged for certain materials that require special handling, record keeping, or both, such as asbestos-containing materials and contaminated soil. The fee is typically set at 120 percent of the self-haul rate, and thus would increase from \$244.57 per ton in 2025 to \$275.14 per ton in 2026.
- **Yard/Wood Waste Fee:** This fee is for separated yard waste and clean wood delivered to facilities that have separate collection areas for these materials. To keep pace with increasing costs, under this proposal the fee would increase from \$115.00 in 2025 to \$129.38 in 2026. If approved, these increases are expected to generate approximately \$250,000 in additional revenue over the next biennium.
- **Construction and Demolition Fee:** This fee is collected at designated C&D collection facilities on each ton of C&D waste that is sent to the landfill and then remitted to the County. It does not apply to C&D waste that is recycled. The fee was set at \$13 per ton in 2025 and the fee will remain unchanged for 2026.

*Other Revenues:* DNRP collects revenues in other ways not related to disposal.

- **Rental Income:** The department generates additional income through rental income at Harbor Island and other leases for the use of small spaces for cell phone towers and the like.
- **HHW Reimbursement:** DNRP receives reimbursement income from the Hazardous Waste Management Program in exchange for providing household hazardous waste collection services.
- **Seattle Residual Payments:** In 2024, the County and Seattle Public Utilities (SPU) signed an ILA regarding Regional Direct tons attributable to the King County Solid Waste Service Area that are sorted at material recovery facilities located in Seattle. These tons originate as garbage incorrectly placed in recycling bins (alongside good recyclable material) collected within the King County system, before being sorted out from the recyclable materials at facilities within Seattle city limits. The agreement between DNRP and SPU states that the disputed tons will stay within the SPU disposal system, but SPU will pay DNRP a portion of the disposal fee revenue they collect on this material. The department estimates that the County will receive about \$600,000 in revenue for these tons.
- **Sale of Landfill Natural Gas:** Previously, landfill gas was captured at CHRLF and converted to pipeline-quality natural gas by BEW. It was then sold to Puget Sound Energy, and the revenue shared between BEW and the department. As discussed above, those revenues essentially ceased in 2023, as BEW suspended operations. In March 2025, the County reached a settlement agreement with BEW that would include acquisition of the plant by the County. The County is expected to complete the sale by August 29, 2025, and the department plans to contract with a third party to oversee operations. The exact timeline for resumption of regular operations is not known at this time, but for financial planning purposes, the division is assuming no revenue generation in 2025. In the 2026-2027 biennium, the department expects to net \$5 million in revenue to rate payers, including debt service, operating expenses, and settlement costs.

The most recent total revenue projected in the rate model for 2026 is \$233.3 million. Revenue from disposal fees is projected to be \$162.8 million. The FAC is set at \$26.8 million, and an additional \$43.1 million is projected from other revenue sources.

#### D. Rate Determination

Each budget period, DNRP needs to raise revenue equal to its projected expenditures and required reserves. The amount of revenue required can be buffered by the existing balance in the Rate Stabilization Reserve but, at the end of each budget cycle, the department must have enough cash on hand to fund its required reserves.

The County's solid waste system is in the early stages of redefining how solid waste is managed. The 2019 Comp Plan and the 2020 SCAP guide this transformation. The NERTS and SCRTS projects will replace aging infrastructure and expand access to recycling. Investments in Re+ will reduce the County's carbon footprint, including new technologies that will reduce waste and expand processing capacity of recyclable materials, as well as investments in capturing landfill gas through the building of new capture wells. So, too, will construction projects at County-managed closed landfills and the building of electric charging infrastructure in preparation for the electrification of the department's fleet of vehicles. Re+ activities and the Area 9 project will expand the life of the landfill and provide time for the County to decide on and implement a long-term disposal alternative to be implemented once the landfill closes.

Completing these projects will be a key part of the County's effort to combat climate change and reduce waste, but success requires sustained funding. The department's capital spending plan is estimated to need \$865 million in funding between 2025 and 2031, leading to a significant increase in debt service.

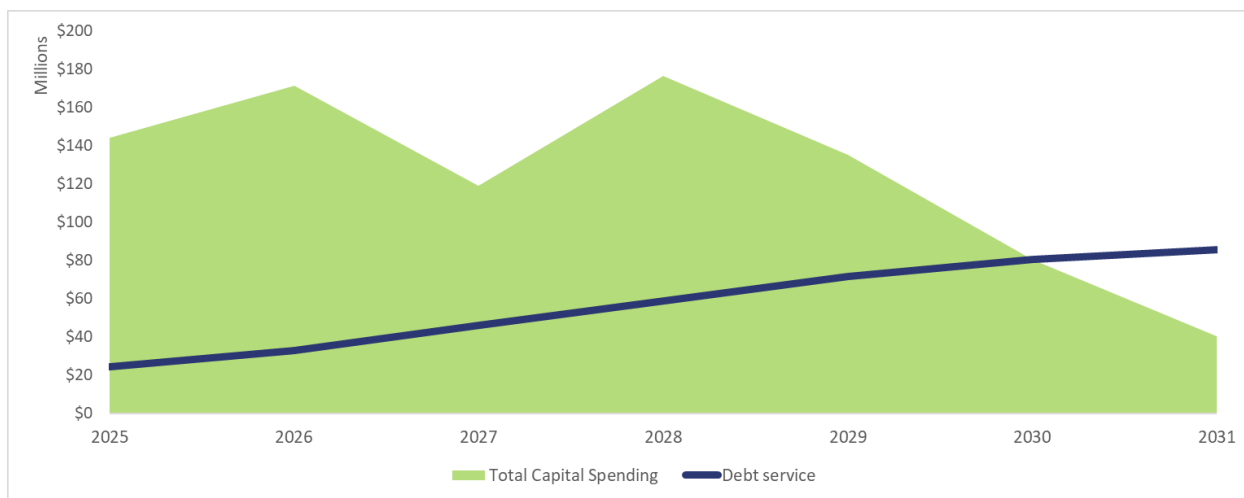


Figure 88: Projected Capital Spending and Debt Service, 2025-2031

Figure 8 shows the projected capital investment across the solid waste system over the next five years and the corresponding increase in projected debt service costs.

Ultimately, the department has sought to balance economic uncertainty in the short term with the long-term financial health of the department and the environmental health of the region. DNRP believes that its current proposal strikes a solid balance between these important goals while ensuring continued progress on regional commitments to system partners.

## **VI. Conclusion/Next Steps**

DNRP is in a period of significant capital investment that will last several biennia and reorient the outlook from a waste management perspective to a materials management leadership perspective. This proposed rate increase would support DNRP making an investment in critical infrastructure projects between now and 2031. Investments in infrastructure like the SCRTS, extending the life of the landfill, and improving the efficiency of landfill gas capture, to name a few, will yield long-term financial benefits for rate payers, boost the local economy, and reduce the impact of waste on the environment.

Spending has been prioritized to focus on maintaining delivery of essential services and delivering on the commitments made in the Comp Plan and the SCAP. Re+ could create hundreds of new green jobs while the spending on the major capital projects in the Comp Plan (transfer stations and maximization of the landfill) is expected to create about 2,000 new jobs, according to the Washington State Office of Financial Management's Input-Output Model.

The focus on the revenue side has been one of mitigating the impact of increased pace of capital spending. The economic turbulence caused by inflation and higher borrowing costs is impacting the cost of operations and capital spending, as well as resulting in a lower tonnage forecast than expected. During this rate-setting process, the department has been sensitive to the needs of its customers and other partners and worked to reduce the need for rate increases. Despite increased cost pressure in King County's capital program and reduced tonnage due largely to high interest rates, DNRP has been able to maintain a rate increase proposal consistent with projections from the last two rate cycles – all while preserving essential services and providing investments needed to reach the County's strategic goals and commitments.

## **VII. Appendices**

Appendix A–Curbside Impact Calculation

Appendix B–Rate Methodology

Appendix C–Tonnage Forecast Through 2031

Appendix D–Summary of Rate Model Through 2031

## Appendix A—Curbside Impact Calculation

Solid waste customers and jurisdictions have historically asked for and come to expect a measurement of the impact a rate increase proposal would have on residents' waste collection bills, referred to as "curbside impact." To fill this need, the Department of Natural Resources and Parks (DNRP) created a curbside impact measure that generates an average monthly curbside impact for all residents in the county's service area, based on amount of garbage generated by a typical household. It will not match the actual curbside impact in any given city because all cities have different starting rates and distribute the disposal costs across their customer bases differently. However, it should be accurate in the aggregate across the entire Solid Waste Division (SWD) service area. In addition, SWD has gathered rate data and modeled the impact in different jurisdictions for the most common can size, the 32/35-gallon cart. This provides more context for the potential variability of impacts across the service areas.

<b>Fixed Annual Charge</b>	\$26,838,510
<b>Forecast for Commercial Tons</b>	630,734
<b>FAC/Forecasted Tons</b>	\$42.55
Commercial Tipping Fee	\$179.18
Estimated CCR	\$221.73

Table 1: Calculation of Compound Commercial Rate

Currently, most city/hauler contracts split the rates they charge their customers into two parts: the service and disposal components. The service component reflects the cost of collection, while the disposal component represents disposal charges paid to SWD for the disposal of waste transported to the County's landfill. Historically, city contracts adjusted the disposal component by the rate of increase in the County's tipping fees. With the implementation of the rate restructure, cities and haulers had to adjust the contract terms to account for changes in both the tipping fee and the allocation of the fixed annual charge (FAC). Most cities and haulers elected to use a compound commercial rate (CCR), which blended the tipping fee and FAC into a single rate, which could be used to adjust the garbage component.

The estimated CCR in the previous rate cycle was \$202.72, so the rate of increase in 2026 rate would be 9.4 percent. Inclusive of all can sizes, a typical household in King County is estimated to generate about 102 pounds of garbage per month. Using the CCR, and based on the average garbage generation by weight, the estimated monthly impact of the 2026 rate increase would be \$0.97.

The curbside impact to customers varies considerably between cart sizes and collection contract/ Washington Utilities and Transportation Commission (UTC)-service areas. To model the potential impact, the division gathered rate data across the service area for the most common residential can size, the 32/35-gallon cart. The amount attributable to the disposal portion of the monthly service cost was not available for all contracts and the UTC areas. The division compiled the most recent available contract data and found that, on average, 26 percent of the cost was attributable to the disposal fee. This factor was then used across the monthly service cost to estimate the monthly increase. On



average, a 32/35-gallon customer would be expected to see a \$0.71 increase per month due to the proposed 2026 rate increase.

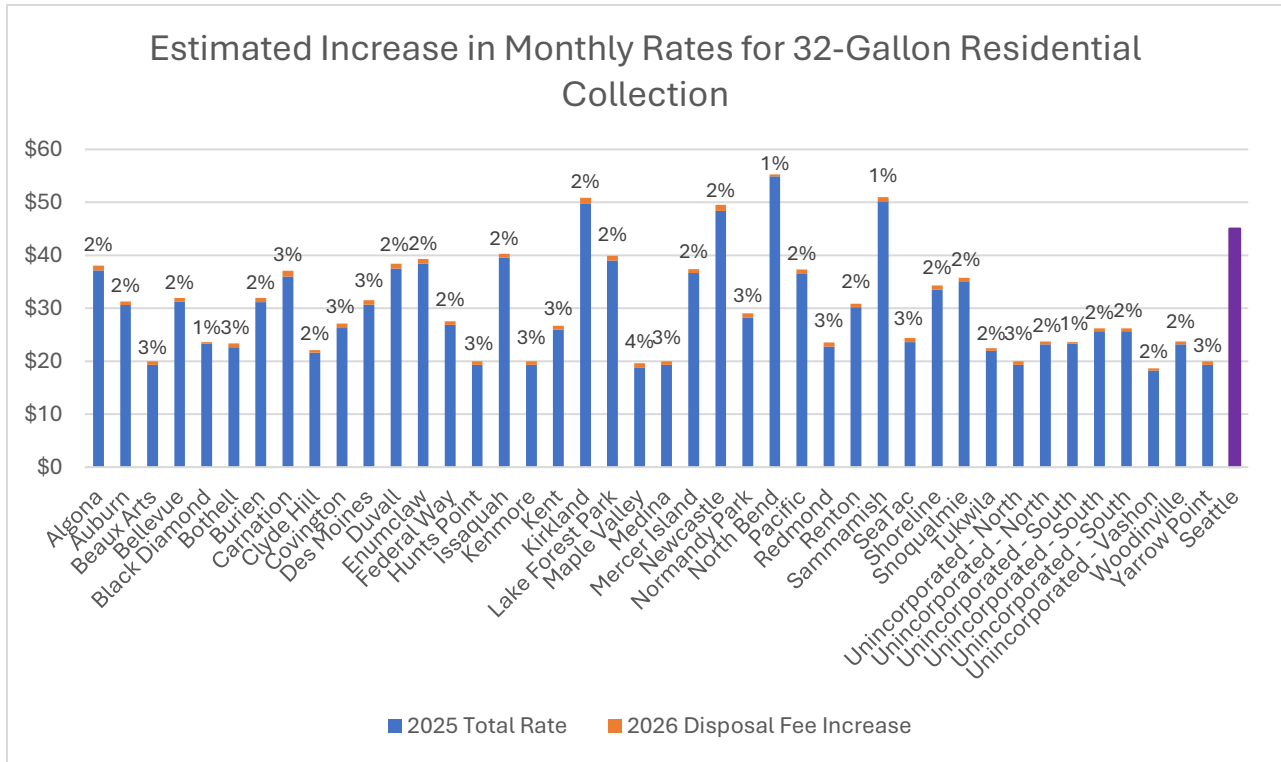


Figure 1: Comparison of the Impact of the Proposed Rate Increase on Monthly Solid Waste Service Fees

City	2025 Estimated Monthly Cost	2025 Estimated Disposal Component	2026 Estimated Monthly Increase	Estimation Method
Algona	\$37.17	\$9.03	\$0.86	3
Auburn	\$30.59	\$7.43	\$0.71	3
Beaux Arts	\$19.31	\$7.03	\$0.67	5
Bellevue	\$31.25	\$7.58	\$0.72	1
Black Diamond	\$23.28	\$3.17	\$0.30	5
Bothell	\$22.64	\$5.92	\$0.70	2
Burien	\$31.14	\$6.52	\$0.79	2
Carnation	\$35.97	\$8.74	\$1.09	3
Clyde Hill	\$21.59	\$5.24	\$0.50	3
Covington	\$26.27	\$8.69	\$0.83	4
Des Moines	\$30.66	\$6.98	\$0.88	2
Duvall	\$37.53	\$9.12	\$0.87	3
Enumclaw	\$38.40	\$9.33	\$0.89	3
Federal Way	\$26.90	\$6.53	\$0.62	3
Hunts Point	\$19.31	\$7.03	\$0.67	5



Issaquah	\$39.55	\$7.33	\$0.73	2
Kenmore	\$19.31	\$7.03	\$0.67	5
Kent	\$25.94	\$8.02	\$0.76	2
Kirkland	\$49.70	\$12.07	\$1.15	3
Lake Forest Park	\$39.02	\$9.48	\$0.90	3
Maple Valley	\$18.86	\$5.77	\$0.78	2
Medina	\$19.31	\$7.03	\$0.67	5
Mercer Island	\$36.64	\$6.16	\$0.73	2
Newcastle	\$48.41	\$11.76	\$1.12	3
Normandy Park	\$28.18	\$8.83	\$0.84	2
North Bend	\$54.89	\$8.50	\$0.39	2
Pacific	\$36.50	\$8.87	\$0.84	3
Redmond	\$22.76	\$8.47	\$0.81	4
Renton	\$30.19	\$6.72	\$0.64	4
Sammamish	\$50.21	\$8.26	\$0.79	1
SeaTac	\$23.63	\$5.74	\$0.78	3
Shoreline	\$33.52	\$6.27	\$0.79	2
Snoqualmie	\$35.07	\$6.98	\$0.66	2
Tukwila	\$21.97	\$6.34	\$0.49	2
UKC - North (Republic of Bellevue)	\$19.31	\$7.03	\$0.67	5
UKC - North (WM - Northwest)	\$23.18	\$5.63	\$0.53	5
UKC - South (Republic of Kent)	\$23.28	\$3.17	\$0.30	5
UKC - South (WM - Seattle)	\$25.64	\$6.23	\$0.59	5
UKC - South (WM - South Sound)	\$25.64	\$6.23	\$0.59	5
UKC - Vashon	\$18.24	\$4.43	\$0.42	5
Woodinville	\$23.18	\$5.63	\$0.53	5
Yarrow Point	\$19.31	\$7.03	\$0.67	5
Seattle	\$45.05	-	-	6

Figure 2: 32/35 Gallon Service Rates and Proposed Rate Impact

Estimation Method	
City disposal percentage is based on the current year rate sheet.	1
City disposal percentage is based on the most recent past year rate sheet disposal component out of total rate. This percentage is then applied to published current year rates to calculate the current disposal component.	2
City disposal percentage is based on the average disposal percentage across all current year and recent past year, for available City and UTC rate sheets. This percentage is then applied to published current year rates to calculate the current disposal component.	3

City disposal percentage is based on most recent past year rate model. This percentage is then applied to published current year rates to calculate the current disposal component.	4
Unincorporated King County (UKC) disposal percentage is estimated as the hauler cost of disposal out of total hauler costs as outlined in Rate Case Sheets. Defaults to average disposal percentage when recent estimated costs are unavailable. This percentage is then applied to published current year rates to calculate the current disposal component.	5
Provided for comparison.	6

Figure 2 Key: City Disposal Rate Estimation Method

## Appendix B—Rate Methodology

The solid waste rate model seeks to balance expenditures and reserve requirements with anticipated revenues. The ending fund balance can be carried over from prior years to smooth out demands on revenues from one biennium to the next.<sup>1</sup> Descriptions of each of the major components of the rate model are provided below.

### Expenditures

Expenditure—funds the Solid Waste Division (SWD) spends to provide public services—are divided into two major categories: operating and capital expenditures. Within operating expenditures, the solid waste rate model distinguishes between expenditures for existing work and those for new work that expands or augments existing operations.

#### Operating Expenses

*Existing Work* – Projected spending levels for existing operations are calculated by reviewing the current biennial budget, actual spending levels for the biennium, and the pro forma budget for 2026.<sup>2</sup> Differences between the existing budget, pro forma budget, and actual spending levels are reconciled to create the projected expenditure for the upcoming biennium. For example, some expenditure levels are directly related to tonnage or revenue projections. For those items, expenditures are calculated based on the tonnage forecast and/or revenue projections. The business and occupation tax the division must pay is, for example, based on the projected revenue in the coming budget period, which is not provided as part of the pro forma budget, while the transfer to public health and the landfill reserve fund are both projected based on tonnage.

*New Programs or Expansion of Existing Work* – As part of the rate development process, SWD identifies the need for new or additional services across each section of the division. Once new programs or bodies of work to meet County goals are identified, they are evaluated and prioritized based on whether they meet a regulatory mandate, their cost, and environmental and social justice impacts.

*Operational Efficiencies* – King County and DNRP are committed to financial stewardship. Employees are empowered to find ways to operate more efficiently and save money for rate payers. The department continually looks for operational efficiencies and evaluates options for expenditure reduction as part of its biennial budget and rate-setting process.

#### Capital Expenditures, Landfill Reserve Fund, and Debt Service

Solid waste capital projects and post-closure obligations at the landfill are funded through direct cash transfers to capital funds or by using bond funding to raise revenue. DNRP has three capital funds, the

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<sup>1</sup> A fund is a financial accounting unit used to control and monitor the planned use of resources, usually with a specific scope and often in compliance with legal and administrative requirements. Ending fund balance, or fund balance, refers to the amount of money left in a fund at the end of an operating period. In this document, it refers to a calendar year or biennium.

<sup>2</sup> A pro forma budget is a baseline budget projection provided by the County's Office of Performance, Strategy, and Budget (PSB). The pro forma provides a common starting point between PSB and other County departments as they begin to develop their biennial budget proposals.

solid waste capital improvement fund (CIP), the solid waste capital equipment replacement program fund (CERP), and the landfill reserve fund (LRF).

#### *Construction Fund Transfer*

Typically, \$4 million per biennium is transferred from the operating fund to the construction fund to pay for small capital projects when bond financing is not the appropriate funding instrument. The transfer amount is evaluated by DNRP during each rate-setting process.

#### *CERP Fund Transfer*

DNRP develops an annual spending plan, the CERP, to address solid waste equipment replacement needs over the rate-setting period and the two subsequent biennia. The transfer rate is calculated to provide the necessary funding for the planned spending above the required reserve amount.

#### *LRF Transfer*

The LRF transfer amount is calculated on a per-ton basis. Key variables include the tonnage forecast, the estimated date that Cedar Hills Regional Landfill (CHRLF) reaches capacity, and the projected cost for post-closure activities. Traditionally, new landfill development and closure projects were cash-funded from the LRF. Given the desire to keep rates low and the projected cost of planned development of Area 9, it became apparent that debt-financing these projects (instead of cash financing them) would provide significant relief to rate payers.<sup>3</sup> King County Code 4A.200.390, which governs the LRF, was updated in 2020 to explicitly allow bond proceeds to fund these projects.

#### *Debt Service*

DNRP, in consultation with the Office of Performance, Strategy, and Budget (PSB), annually reviews its CIP to update planned spending on existing projects and decide what other projects are needed. The cash flows are then multiplied by an accomplishment rate (typically between 75 and 85 percent), and these amounts are used to project the needed bond issuances to estimate the cost of debt service over the next six years.<sup>4</sup> The projected amount of new debt service is added to the scheduled debt service to arrive at an estimated expenditure in the rate model.

### **Reserve Requirements**

DNRP has three financial reserves: the Rainy Day Reserve, the Recession Reserve, and the Rate Stabilization Reserve.

#### *Rainy Day Reserve*

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<sup>3</sup> While cash funding projects is less expensive overall due to no interest cost, debt financing spreads those costs over time, so the rate does not have to increase sharply for a few years to cash fund expensive projects like transfer stations or new landfill cells. By employing bond financing in place of cash financing (where permitted), rates are kept lower in the near term.

<sup>4</sup> The capital accomplishment rate is how much of the forecasted project cost was spent in a given year. For example, if one forecasts spending \$100 million in a year but only spends \$85 million, the accomplishment rate for that project for that year is 85 percent. Assuming an accomplishment rate below 100 percent means the rate model will forecast that less debt will need to be issued (in this example, 15 percent less), the resulting debt service payments—and, by extension, the rate—will be lower.

King County Comprehensive Financial Management Policies require that operating funds include a Rainy Day Reserve sufficient to cover operating expenditures for up to 60 days but no less than 30 days.<sup>5</sup> The department has set this reserve amount equal to 30 days of operating expenditures.

#### Recession Reserve

In case of a recession, this reserve provides a buffer for the rate to protect the rate payers from the financial impacts of falling tonnage so that customers are not faced with major rate increases during a recession. It is set at 5 percent of annual disposal revenue. In years with a recession, this fund is intended to be drawn down by no more than 50 percent per year. After the recession has ended, the fund is gradually refilled over a five-year period.<sup>6</sup>

#### Rate Stabilization Reserve

The Rate Stabilization Reserve allows for ending fund balances to be carried over between budget periods, which, when utilized, can help smooth revenue demands over time. This creates a more predictable path for rate payers. For example, when a department spends less than it collects in a given year, it can carry that savings over into future years through the Rate Stabilization Reserve. This reserve can be used to cover costs in future years and reduce the impact of cost increases in future years, helping to keep rates from spiking from one year to the next.

#### Revenues

Since 2024, about 90 percent of the solid waste program's revenue has come from a combination of disposal fees and the proposed fixed annual charge (FAC). Other sources of revenue include the sale of gas gathered at the CHRLF; rental income from real property owned by the department; a fee from construction and demolition waste collected at third-party recycling facilities; and the commodity value of recyclables collected at the stations.<sup>7</sup> DNRP also receives reimbursement income from the Hazardous Waste Management Program in exchange for providing household hazardous waste collection services. Miscellaneous sources of revenue include various grants, interest earnings, and other small-dollar sources.

#### Disposal and Recycling Fees

Disposal and recycling fees are collected on a per-ton and per-item basis, depending on the material. The projected revenues for these sources are calculated using the tonnage forecast. The rate model is used to determine the revenue requirement and fee schedule needed to balance the expenditure and reserve requirements once all other revenue sources are incorporated into the model.

#### Per-Ton Fees

- **Commercial Fee.** The per-ton fee charged to customers disposing of municipal solid waste at transfer facilities and to curbside collection vehicles at the CHRLF. Until 2024, the basic fee was charged to both commercial and self-haul customers. However, since the 2024 implementation of the rate restructure and its FAC, the basic fee was split into the commercial tipping fee and

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<sup>5</sup> [Financial Management Policies](#)

<sup>6</sup> Per [King County Comprehensive Management Policies](#)

<sup>7</sup> DNRP is not currently receiving landfill gas revenue because the plant that converts it to pipeline-quality natural gas, Bio Energy Washington (BEW), ceased operating in 2023. In March 2025, the County reached a settlement agreement with BEW that would include acquisition of the plant by the County. As a result, the rate model for this proposal does not assume landfill gas revenues in 2025.

the self-haul fee. The commercial fee dropped in 2024 (relative to the 2023 basic fee) to offset the revenue that now accrues from the new FAC.

- **Fixed Annual Charge.** Beginning in 2024, the fee charged to each of the primary curbside collection haulers based on the share of total tons brought in from each of their service areas. The FAC is based on the share of the cost of non-disposal activities allocated to the commercial solid waste hauler customer class.
- **Self-Haul Fee.** The per-ton fee charged to customers disposing of municipal solid waste at transfer facilities. The minimum fee that a customer would pay is equivalent to 320 pounds. Until 2024, the basic fee was charged to both commercial and self-haul customers. However, in 2024, upon the implementation of the rate restructure and its FAC, the basic fee was split into the commercial tipping fee and the self-haul fee. Since the FAC is not collected from self-haul customers, the self-haul tipping fee is higher than the commercial tipping fee.
- **Regional Direct Fee.** A discounted fee charged to commercial collection companies that haul solid waste to Cedar Hills in transfer trailers from their own transfer stations and processing facilities, thus bypassing County transfer stations. This fee is set at 85 percent of the self-haul rate.<sup>8</sup>
- **Special Waste Fee.** The fee charged for certain materials that require special handling, record keeping, or both, such as asbestos-containing materials and contaminated soil. This fee is set at 120 percent of the self-haul rate.
- **Yard Waste and Clean Wood Waste.** A fee for separated yard waste and clean wood delivered to facilities that have separate collection areas for these materials.

#### *Per-Item Fees*

- **CFC Appliances.** Appliances with CFCs, such as refrigerators, are charged on a per-item basis.
- **Mattresses.** Mattresses, box springs, and other mattress like items are charged on a per-item basis.
- **Unsecured Loads.** Customers that arrive at our stations with unsecured loads are charged a \$25 fee.

#### *Cleanup LIFT*

For self-haul customers, the County offers a discount for low-income individuals on their transactions if they can provide an Orca LIFT, Electronic Benefits Transfer card (often referred to as an EBT card), or Medicaid card.

#### *Other Revenue*

##### *Sale of Landfill Natural Gas*

Methane, which is a natural byproduct of the decomposition of waste, is captured at CHRLF and converted to pipeline-quality natural gas at the renewable natural gas (RNG) facility located at the

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<sup>8</sup> The new rate restructure for commercial revenues creates a challenge when comparing pre-restructure rates to the new format. To do so, the restructured commercial fee and the FAC can be combined to create a rate value called the composite commercial rate (CCR), which can then be compared directly with the pre-restructure basic fee. The CCR is used solely to facilitate equal comparisons between pre-restructure rates with rates under the new structure; it is not for billing customers.

landfill. The processed gas has value as both a commodity that can displace the use of conventional fossil fuels and an environmental attribute, which monetizes the environmental benefits of the gas. Energy markets are relatively volatile and disputes between the division and landfill gas producer have introduced additional uncertainty. However, the County and the producer have recently reached a settlement agreement that includes potential acquisition of the plant by King County, which will result in resumed production and sale of the gas and its environmental attributes.

#### *Rental Income*

DNRP receives revenue from a variety of rental properties. The rent from the schedule for each lease is modelled and properties that are near the end of their lease terms are re-evaluated for income potential.

#### *Construction and Demolition Fee*

DNRP collects a small fee from each ton of construction and demolition waste collected at third-party sorting and reclamation facilities. This revenue funds the cost of administering the construction and demolition recycling program.

#### *Moderate-Risk Waste Reimbursement Expense*

DNRP receives reimbursement income from the Hazardous Waste Management Program in exchange for providing household hazardous waste collection services.

#### *Recyclable Materials Proceeds*

Recycling collected at the transfer stations is sent to materials processing facilities, and DNRP pays for hauling costs and processing. The department then receives the commodity value of the processed material as revenue. After China implemented a policy that effectively banned the importation of recyclable materials, values for many common materials fell precipitously. Thus, the proceeds from the sale of recyclable material are projected to be a declining revenue source for the department.

## Appendix C—Tonnage Forecast Through 2031

The rate proposal was developed using a forecast of the amount of waste that will be disposed of at department facilities during the rate period. The forecast relies on established statistical relationships between waste being disposed and some economic and demographic variables that affect it, namely population, employment, and consumption.<sup>1</sup>

Year	Type	Transfer Station Tons	Other Waste	Regional Direct	Special Waste	Yard Waste
2017	Actual	895,672	19,898	12,161	3,446	21,966
2018	Actual	849,506	18,336	17,039	3,632	19,150
2019	Actual	840,878	17,422	7,542	2,690	22,739
2020	Actual	813,703	21,390	32,553	1,504	23,583
2021	Actual	827,211	22,792	24,736	2,130	24,838
2022	Actual	821,860	25,578	15,730	1,988	23,588
2023	Actual	798,765	30,521	3,741	2,206	17,780
2024	Actual	797,128	29,718	10,81	1,950	19,016
2025	Forecast	797,950	30,000	11,000	2,000	18,400
2026	Forecast	793,755	30,000	11,000	2,000	18,400
2027	Forecast	785,910	30,000	11,000	2,000	18,400
2028	Forecast	784,810	30,000	11,000	2,000	18,400
2029	Forecast	781,895	30,000	11,000	2,000	18,400
2030	Forecast	763,463	30,000	11,000	2,000	18,400
2031	Forecast	732,949	30,000	11,000	2,000	18,400

<sup>1</sup> Consumption measured in dollars spent for retail sales, excluding automobiles.



Appendix D – Summary of Rate Model Through 2031<sup>1</sup>

	Projected	Proposed	Estimated				
Fund Account Summary	2025	2026	2027	2028	2029	2030	2031
Commercial Tipping Fee	\$165.91	\$179.18	\$194.41	\$209.97	\$226.76	\$244.90	\$264.50
Percent change		8.0%	8.5%	8.0%	8.0%	8.0%	8.0%
Fixed-Annual Charge (in millions)	\$23,337,835	\$26,838,510	\$30,864,287	\$35,493,930	\$40,668,623	\$43,061,868	\$45,091,910
Self-Haul Fee	\$203.81	\$229.29	\$257.95	\$288.90	\$323.57	\$362.40	\$405.88
Percent Change		12.5%	12.5%	12.0%	12.0%	12.0%	12.0%
<b>REVENUES</b>							
Disposal Revenue	\$147,499,867	\$162,719,702	\$176,865,878	\$192,905,689	\$210,010,769	\$224,534,286	\$236,492,313
FAC Revenue	\$23,337,835	\$26,838,510	\$30,864,287	\$35,493,930	\$40,668,623	\$43,061,868	\$45,091,910
RNG Processing Revenues		\$28,537,339	\$25,268,247	\$26,185,383	\$26,529,889	\$23,941,123	\$22,452,370
Non-Disposal Revenue	\$11,811,227	\$14,577,565	\$12,492,116	\$12,026,554	\$12,326,073	\$12,633,808	\$12,952,644
<b>Total Revenues</b>	<b>\$182,648,929</b>	<b>\$232,673,117</b>	<b>\$245,490,528</b>	<b>\$266,611,556</b>	<b>\$289,535,354</b>	<b>\$304,171,084</b>	<b>\$316,989,237</b>
<b>EXPENDITURES</b>							
SWD Operating Expenditures	\$148,545,509	\$149,495,396	\$152,810,418	\$157,057,627	\$163,948,161	\$165,452,573	\$171,899,304
RNG Processing Facility Expenses	\$6,902,446	\$18,489,479	\$18,974,790	\$19,190,033	\$19,410,656	\$19,636,795	\$19,868,588
Landfill Reserve Fund Transfer	\$13,886,900	\$16,140,656	\$17,512,612	\$19,001,184	\$20,616,285	\$22,368,669	\$24,270,006
Capital Equipment Recovery Program	\$6,500,000	\$7,500,000	\$7,500,000	\$9,000,000	\$10,500,000	\$11,025,000	\$11,576,250
Construction Fund	\$2,000,000	\$4,500,000	\$4,500,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Debt Service	\$25,594,004	\$32,826,152	\$45,890,448	\$58,573,666	\$71,387,033	\$80,231,690	\$85,399,622
<b>Total Expenditures</b>	<b>\$203,428,859</b>	<b>\$228,951,684</b>	<b>\$247,188,268</b>	<b>\$264,822,510</b>	<b>\$287,862,136</b>	<b>\$300,714,727</b>	<b>\$315,013,770</b>
<b>RESERVES</b>							
Rainy Day	\$9,482,581	\$16,004,321	\$17,390,455	\$18,799,688	\$20,437,320	\$21,717,474	\$22,724,032
Recession Reserve	\$5,548,863	\$7,748,556	\$8,843,294	\$9,645,284	\$10,500,538	\$11,226,714	\$11,824,616
Rate Stabilization Reserve	\$0	\$0	\$821,388	\$5,399,211	\$9,579,543	\$11,029,570	\$11,000,577
<b>Total Reserves</b>	<b>\$15,031,445</b>	<b>\$23,752,877</b>	<b>\$27,055,137</b>	<b>\$33,844,183</b>	<b>\$40,517,401</b>	<b>\$43,973,758</b>	<b>\$45,549,225</b>

<sup>1</sup> Based on analysis conducted in April 2025.

7/28/25

Technical Correction

[T. Rose]

Sponsor: Zahilay

Proposed No.: 2025-0182

1 **AMENDMENT TO PROPOSED ORDINANCE 2025-0182, VERSION 1**

2 On page 2, on line 34, after "Ordinance" strike "19805" and insert "12564".

3 **EFFECT prepared by *T. Rose: Amendment 1 would make a technical correction***

4 ***inserting the original ordinance number.***

7-28-25

Title Amendment Correction

[T. Rose]

Sponsor: Zahilay

Proposed No.: 2025-0182

1 **AMENDMENT TO PROPOSED ORDINANCE 2025-0182, VERSION 1**

2 On page 1, strike lines 1 through 7 and insert:

3 " AN ORDINANCE relating to solid waste fees charged at  
4 recycling and transfer facilities and at the Cedar Hills  
5 regional landfill; and amending Ordinance 12564, Section  
6 2, as amended, and K.C.C. 10.12.021 and establishing an  
7 effective date."

8 **EFFECT prepared by *T. Rose: Title amendment makes technical corrections.***



**King County**

**Shannon Braddock**

King County Executive

401 Fifth Avenue, Suite 800  
Seattle, WA 98104

**206-296-9600** Fax 206-296-0194

TTY Relay: 711

[www.kingcounty.gov](http://www.kingcounty.gov)

June 16, 2025

The Honorable Girmay Zahilay  
Chair, King County Council  
Room 1200  
C O U R T H O U S E

Dear Councilmember Zahilay:

This letter transmits a proposed Ordinance that, if enacted, would increase King County's disposal fees charged at transfer stations or the Cedar Hills Regional Landfill (CHRLF) for disposal of municipal solid waste. The revenue provided by these fees would enable King County to maintain essential solid waste disposal services, expand access to recycling, meet obligations in the 2019 Comprehensive Solid Waste Management Plan (Comp Plan), make progress towards County environmental goals, and continue to do so with a strong emphasis on equity and social justice in frontline communities.

This proposal includes an eight percent increase of the commercial tipping fee, a 12.5 percent increase of the self-haul tipping fee, a 12.5 percent increase of the yard waste fee, and a 15 percent increase of the fixed annual charge. The impact of King County rate increases for a typical residential customer with a 32-gallon can, after commercial haulers pass along these costs, is forecasted to be \$0.71 per month in 2026.

The Metropolitan Solid Waste Advisory Committee (MSWAC) and the Solid Waste Advisory Committee (SWAC) were briefed monthly, from January to May of 2025, on the rate increases proposed in this legislation. A rate adjustment now will help ensure a smoother rate path going into future years. It is the preferred approach of Department of Natural Resources and Parks' (DNRP) city partners.

The proposed legislation would provide for continued implementation of actions outlined in the Comp Plan, including capital projects, such as ongoing construction of the South County Recycling and Transfer Station in Algona, building the future Northeast Recycling and Transfer Station, and further development at the CHRLF. Investment in these critical

infrastructure projects is driving an estimated total capital spending of \$865 million between 2025 and 2031.

To counter this increase in capital spending, the Solid Waste Division (division) is deferring some projects into the future to avoid a spike in spending, with the associated high debt service. One such project is the Permanent Facilities Relocation, which would build a new permanent facility replacing the original facilities that were demolished to make room for development of the new Area 9 at the CHRLF. The project was originally estimated to spend over \$100 million through 2029. This project is now paused while the division searches for other potential move-in-ready properties that meet business needs. The pause defers spending on this project out into the 2030s.

The proposed legislation advances the service-accessibility by continuing to provide the Cleanup LIFT low-income discount. DNRP is currently developing a new low-income discount program for curbside solid waste services in unincorporated areas of the county. In addition, the proposed legislation supports the goals in the Strategic Climate Action Plan related to energy and preparation for climate change impacts, advancing toward the goal of zero waste of resources through actions to increase recycling of food waste, organics, and recyclables, and further improving landfill gas collection at the CHRLF.

Thank you for your consideration of this proposed Ordinance. This important legislation would enable King County to continue to provide essential, safe, reliable, efficient, and environmentally sustainable solid waste transfer, recycling, and disposal services to our community, and help the County continue to move toward zero waste of resources.

If your staff have any questions, please contact Rebecca Singer, Division Director of the Solid Waste Division of the Department of Natural Resources and Parks, at 206-263-2244.

Sincerely,

A handwritten signature in black ink, appearing to read "Shannon Braddock", written over a light blue horizontal line.

for

Shannon Braddock  
King County Executive

The Honorable Girmay Zahilay

June 16, 2025

Page 3

Enclosure

cc: King County Councilmembers

ATTN: Stephanie Cirkovich, Chief of Staff, King County Council

Melani Hay, Clerk of the Council

Karan Gill, Deputy Executive, Chief of Staff, Office of the Executive

Stephanie Pure, Council Relations Director, Office of the Executive

Dwight Dively, Director, Office of Performance, Strategy and Budget

John Taylor, Director, Department of Natural Resources and Parks (DNRP)

Rebecca Singer, Division Director, Solid Waste Division, DNRP

**2026-2027 FISCAL NOTE**

Ordinance/Motion: 2025-XXXX  
 Title: 2026 Solid Waste Rate Proposal  
 Affected Agency and/or Agencies: Solid Waste Division, Department of Natural Resources and Parks (DNRP)  
 Note Prepared By: David Pierce, Enterprise Services Section Manager, Solid Waste Division, DNRP  
 Date Prepared: 4/24/2025  
 Note Reviewed By: Elka Peterson Horner, Office of Performance, Strategy & Budget  
 Date Reviewed: 5/28/2025

**Description of request:**

This proposal would allow the Solid Waste Division to increase disposal fees in 2026. The last rate increase went into effect on January 1, 2025. These proposed rate increases would be implemented on January 1, 2026, if adopted.

**Revenue to:**

Agency	Fund Code	Revenue Source	2026-2027	2028-2029	2030-2031
Solid Waste Division	4040	Disposal Fees	339,585,580	402,916,458	461,026,599
Solid Waste Division	4040	Fixed Annual Charge	57,702,797	76,162,553	88,153,778
TOTAL			397,288,377	479,079,011	549,180,377

**Expenditures from:**

Agency	Fund Code	Department	2026-2027	2028-2029	2030-2031
TOTAL			0	0	0

**Expenditures by Categories**

	2026-2027	2028-2029	2030-2031
TOTAL	0	0	0

**Does this legislation require a budget supplemental? No****Notes and Assumptions:**

Increment is based on comparing revenues to the forecasted tonnage revenue based on the current rates.

Revenues: Under the proposal, fees would change in the following ways, effective January 1, 2026:

- The Commercial Fee for disposal of municipal solid waste would increase from \$165.91 per ton to \$179.18 per ton in 2026.
- The Fixed-Annual Charge (FAC) would rise from \$23,337,835 to \$26,838,510 in 2026.
- The Self-Haul Fee would increase from \$203.81 per ton to \$229.29 per ton in 2026.
- The Regional Direct Fee would increase from \$163.05 per ton to \$194.89 per ton in 2026.
- The Yard Waste Fee would increase from \$115.00 per ton to \$129.38 per ton in 2026.
- The Special Waste Fee would increase from \$244.57 per ton to \$275.14 per ton in 2026.
- The Special Waste Extra Handling Fee would increase from \$285.33 per ton to \$321.01 per ton in 2026.
- There would be no change in the fee for disposal of construction and demolition wastes.

Tonnage: Tonnage is based on the March 2025 Tonnage Forecast.

The allocation of collected revenues will follow standard budget processes.

# MSWAC

## Metropolitan Solid Waste Advisory Committee

King Street Center ■ 201 South Jackson Street, Suite 6400 ■ Seattle, WA 98104-3855

June 11, 2025

To: King County Executive Shannon Braddock  
King County Councilmember Rod Dembowski  
King County Councilmember Girmay Zahilay  
King County Councilmember Sarah Perry  
King County Councilmember Jorge L. Barón  
King County Councilmember De'Sean Quinn  
King County Councilmember Claudia Balducci  
King County Councilmember Pete Von Reichbauer  
King County Councilmember Teresa Mosqueda  
King County Councilmember Reagan Dunn

CC: John Taylor, Department of Natural Resources and Parks Director  
Rebecca Singer, Solid Waste Division Director

### RE: ADVISORY NOTE ABOUT THE 2026 SOLID WASTE RATE PROPOSAL

The Metropolitan Solid Waste Advisory Committee (MSWAC) recognizes the need for an adequate revenue stream to support the regional solid waste system and ensure continued progress on key capital projects such as transfer station modernization and maximizing disposal capacity at the Cedar Hills Regional Landfill, diverting resources from disposal, and expanded recycling services. Toward this objective, King County's Solid Waste Division has proposed a rate which includes an 8% increase on the commercial tipping fee, a 12.5% increase on the self-haul tipping fee, a 12.5% increase on the yard waste fee, and a 15% increase on the fixed annual charge. The impact of King County rate increases for a typical residential customer with a 32-gallon can, after commercial haulers pass along these costs, is forecasted to be \$0.71 per month in 2026.

Fiscal accountability and responsible stewardship of public funds is a priority, and we are mindful of how rate increases impact our residents. In an effort to be adaptable to current, unique circumstances that include the recent hiring of a new Solid Waste Division Director and concerns about the current rate path ([highlighted by the County Auditor](#)), MSWAC supports the division making an exception to the typical, preferable two-year rate setting timeframe with a one-year rate setting approach to fund 2026. This approach provides an opportunity for a comprehensive examination of the revenue requirement, capital project expenditures, reserve funds, and additional options for rate mitigation. MSWAC also supports a Regional Utilities Affordability Summit, as outlined in Executive Braddock's 200-Day Plan.

MSWAC is committed to programs and services that protect the environment and enhance the quality of life in our communities. Ensuring our residents continue to have access to the full range of essential waste disposal and recycling services King County provides is among our top priorities. We are also invested in the division's long-range comprehensive planning goals to boost recycling rates, modernize



aging transfer stations with expanded services, and advance actions to protect public health and safety while advancing zero waste efforts to all King County residents and businesses.

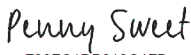
The Division's 2026 proposal will fund our key priorities adopted in the Solid Waste Comprehensive Plan, including:


- Decrease the tonnage of materials being landfilled by adopting waste prevention and resource recovery programs, such as Re+, that are beneficial to the environment and local economy.
- Provide access to recycling and waste disposal services seven days a week at eight transfer stations and six days a week at two rural drop boxes.
- Implement capital improvements that generate family-wage jobs in the construction trades and expand access to recycling in communities, such as south King County, that currently have limited access to such services.

This proposal was discussed in the January, February, March, April and May MSWAC meetings this year. The Solid Waste Division also hosted an Advisory Committee Rate Open House in March and an Advisory Committee Rate Special Session in April to further engage with Advisory Committees. We appreciate the dialogue with County staff and look forward to our continued work together to maintain a responsible rate path for the County's crucial solid waste infrastructure and planning needs.

We thank the Executive and County Council for considering our advisory input on 2026 King County Solid Waste Division rates.

Signed on behalf of MSWAC,

Signed by:  
  
 F88FC1DB813C4FB...  
 Penny Sweet  
 Chair, Metropolitan Solid Waste Advisory Committee  
 Councilmember, City of Kirkland

Signed by:  
  
 76913B6142FE433...  
 Jon Gire  
 Vice-Chair, Metropolitan Solid Waste Advisory Committee  
 Solid Waste Program Manager, City of Bellevue

# SWAC

## Solid Waste Advisory Committee

King Street Center ■ 201 South Jackson Street, Suite 6400 ■ Seattle, WA 98104-3855

June 13, 2025

To: King County Executive Shannon Braddock  
King County Councilmember Rod Dembowski  
King County Councilmember Girmay Zahilay  
King County Councilmember Sarah Perry  
King County Councilmember Jorge L. Barón  
King County Councilmember De'Sean Quinn  
King County Councilmember Claudia Balducci  
King County Councilmember Pete Von Reichbauer  
King County Councilmember Teresa Mosqueda  
King County Councilmember Reagan Dunn

CC: John Taylor, Department of Natural Resources and Parks Director  
Rebecca Singer, Solid Waste Division Director

RE: ADVISORY NOTE IN SUPPORT OF THE ONE-YEAR 2026 SOLID WASTE RATE INCREASE PROPOSAL & UTILITY RATE AFFORDABILITY SUMMIT IN 2025

Dear Executive Braddock, Council President Balducci, and Councilmembers,

The Solid Waste Advisory Committee (SWAC) recognizes the continuing need for an adequate revenue stream to support the County's essential solid waste system. SWAC also recognizes the substantial headwinds in Washington state and national economic forecasts and has significant concerns about the considerable cost of living in King County, including rising rates across all utilities in the region.

After months of review, SWAC supports ensuring continued progress on key capital improvement projects, such as transfer station modernization and optimizing disposal capacity at the Cedar Hills Regional Landfill, as well as sustaining important programs to divert recyclable resources from disposal and prepare for the implementation of the State's new Extended Producer Responsibility "EPR" Law (SB5484). Toward these objectives, we concur with King County's Solid Waste Division's proposed 2026 rates which include an 8% increase on the commercial tipping fee, a 12.5% increase on the self-haul tipping fee, a 12.5% increase on the yard waste fee, and a 15% increase on the fixed annual charge. The impact of King County Solid Waste rate increases for a typical residential customer with a 32-gallon can, is forecasted to be \$0.71 per month in 2026.

Our deepest concern is that rates forecasted for the near future are untenable and unsustainable for our residential and business ratepayers. Rates are increasing region-wide across multiple utilities, as part of broader increases in the cost of living. Considering these challenges, we are concerned that annual rate increases at this pace will eventually no longer be affordable for all ratepayers, including and extending beyond low-income ratepayers. We support SWD's decision to comprehensively re-evaluate their forecasts and capital planning in the next year and urge the division to further explore alternatives to planning assumptions and expenditures to minimize significant price increases to ratepayers in the years

ahead. Along these lines, we absolutely support Executive Braddock's proposal to host a Regional Utilities Rate Affordability Summit shortly.

Fiscal accountability and responsible stewardship of public funds is a priority for SWAC members, and we are mindful of how this rate increase could negatively impact residential and business customers. In an effort to be adaptable to current, unique circumstances that include the recent hiring of a new Solid Waste Division Director and concerns about the current rate path ([highlighted by the County Auditor](#)), SWAC supports the Solid Waste Division making an exception to the typical, preferable two-year rate setting timeframe with a one-year rate setting approach in 2026. This approach provides an opportunity for a comprehensive examination of this enterprise fund revenue requirement, necessary capital project expenditures, reserve fund levels, and additional options for rate mitigation.

The Division's 2026 rate proposal will fund these key priorities:

- Continue long range disposal planning and stakeholder engagement for the County's Cedar Hills Landfill currently serving 37 cities in King County when it reaches capacity (expected 2038).
- Transition operations of the newly acquired renewable natural gas plant at the Cedar Hills Regional Landfill (BEW agreement).
- Decrease the tonnage of materials being landfilled by adopting waste prevention and resource recovery programs, such as Re+ and implementing the new State EPR Law for paper and packaging.
- Implement planned transfer station capital improvements that create family-wage jobs and expand recycling access to communities that are currently underserved.
- Provide access to recycling and waste disposal services seven days a week at eight transfer stations and six days a week at two rural drop box locations

This 2026 solid waste rate increase proposal was discussed in the January, February, March, April and May SWAC meetings this year. The Solid Waste Division also hosted an Advisory Committee Rate Open House in March and an Advisory Committee Rate Special Session in April to further engage with Advisory Committees on the complexities of our budget components and how they interact with contracted or UTC collections services rates at the municipal levels. As you may know, these disposal and collections service rates combine into one overall rate increase every year that residential and business customers pay in their monthly garbage bills to our curbside collections service providers.

Your SWAC members appreciate the 2026 disposal rate dialogue we had with County staff, and they had with the Metropolitan Solid Waste Advisory Committee (MSWAC) members over these many months. We now ultimately support the staff recommendation on this responsible 2026 rate package to advance the County's crucial solid waste system infrastructure needs and important climate action work.

Signed on behalf of SWAC,

Signed by:  


B78CD657E16844F...

Wendy Weiker

Chair, SWAC

Sustainability and Community

Outreach Manager, Republic Services

DocuSigned by:



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William Louie

Vice-Chair, SWAC

Interested Resident



## King County

# Metropolitan King County Council Budget and Fiscal Management Committee

### STAFF REPORT

<b>Agenda Item:</b>	7	<b>Name:</b>	Wendy K. Soo Hoo
<b>Proposed No.:</b>	2025-0236	<b>Date:</b>	August 27, 2025

### SUBJECT

Proposed Ordinance 2025-0236 would authorize the Executive to enter into a new agreement with Puget Sound Energy (PSE) for the sale of biomethane produced by the Cedar Hills Regional Landfill, as well as the associated environmental attributes.

### SUMMARY

Landfill gas is generated through the decomposition of waste buried in the County's Cedar Hills Regional Landfill. Prior to 2023, this gas was captured by a gas control system on site at Cedar Hills and sold under contract<sup>1</sup> to Bio Energy Washington (BEW), which processed the landfill gas into pipeline-quality gas; BEW then sold the processed gas to PSE. BEW ceased operating its Cedar Hills processing plant in 2023.

Under state law, landfill gas is classified as a "renewable resource."<sup>2</sup> Associated with landfill gas, therefore, are environmental attributes (also referred to as emissions credits) that reflect the reduced environmental impacts from processed gas. Per its contract with BEW, the County retained the rights to the environmental attributes associated with the landfill gas production and, under a separate agreement, sold the environmental attributes directly to PSE.<sup>3</sup>

In July 2025, the Council adopted Ordinance 19959, which authorized the Solid Waste Division to purchase the BEW processing plant. At the time, Executive staff indicated an intent to bring on a third-party operator to operate the former BEW plant and for the county to sell the processed landfill gas, or biomethane, directly to PSE, along with the environmental attributes.

Proposed Ordinance 2025-0236 would authorize a new agreement with PSE for the sale of both the biomethane and the environmental attributes for the period from September 1, 2025 through October 31, 2035. According to Executive staff, the agreement with PSE would generate \$3.5 million in revenue to the Solid Waste Division in the last four months of this year, and then more than \$10 million annually in future

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<sup>1</sup> Ordinance 15872

<sup>2</sup> RCW 19.285.030(21)

<sup>3</sup> Ordinance 17022

years. The Solid Waste Division also estimates expenditures of approximately \$150,000 per year based on 12 cents per MMBTU for the use of PSE's pipeline and related facilities.

Note that some of the provisions of the agreement are blank in accordance with a confidentiality agreement between the County and PSE; these provisions will be discussed in executive session in accordance with RCW 42.30.110.

## **BACKGROUND**

**Cedar Hills Landfill Gas Generation and Collection.** The Cedar Hills Regional Landfill ("Cedar Hills"; "landfill"), owned by the County and located in unincorporated Maple Valley, is the single operating landfill in King County and receives garbage from the cities and unincorporated areas in the County's regional solid waste system.<sup>4</sup> Landfill gas is generated through the decomposition of waste buried in the landfill and as required by state and federal law, is captured by a gas control system operated by the Solid Waste Division to reduce emissions escaping through the ground or air.

**Pre-2023 Contractual Arrangements for the Processing and Sale of the County's Landfill Gas.** A series of agreements have governed the processing of the landfill gas generated at Cedar Hills into renewable natural gas and its subsequent sale, as well as the sale of the environmental attributes associated with the landfill gas. Figure 1 provides a graphical depiction of the pre-2023 arrangements between the County, Bio Energy Washington ("BEW"), and Puget Sound Energy ("PSE").

Under state law, landfill gas is classified as a "renewable resource" and therefore, associated with the landfill gas are environmental attributes, which can be sold or used as offset credits.<sup>5</sup>

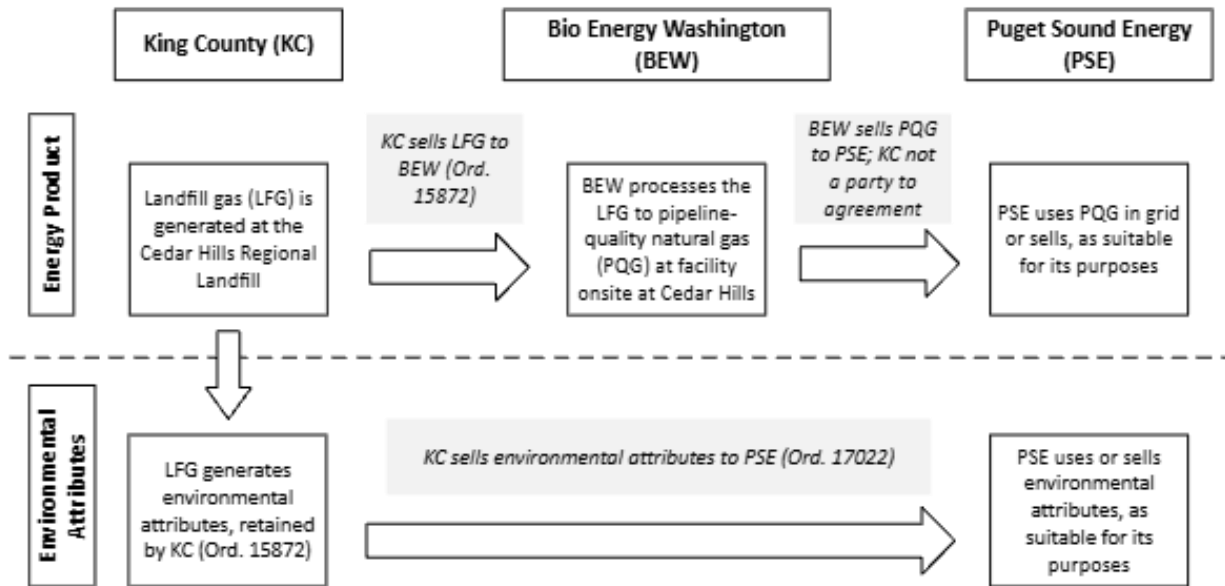
Prior to the arrangement shown in Figure 1, the County "flared" the landfill gas, which refers to burning the gas at a high temperature to reduce, but not eliminate, volumes of greenhouse gases by converting the landfill gas methane into less impactful carbon dioxide.

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<sup>4</sup> Includes all cities in King County except for Seattle and Milton

<sup>5</sup> RCW 19.285.030(21)

**Figure 1.**  
**Pre-2023 Contractual Arrangements for the Collection, Processing and Sale of**  
**County's Landfill Gas (and Associated Environmental Attributes)**



**Past County Arrangement with BEW.** In 2003, the Council approved legislation that authorized the King County Executive to enter into agreements with BEW, a private company for the sale and conversion of landfill gas into energy.<sup>6</sup> In accordance with the original project agreements, BEW developed, built, and owned the landfill gas processing plant located at Cedar Hills on property leased to BEW by the County.

In 2007, the Council authorized the Executive to execute amended and updated agreements related to the project development, gas sales, and site lease that are in effect until 2030 with the possibility of extension.<sup>7</sup> Until 2023 when the processing plant ceased operations, BEW had been processing the landfill gas to pipeline-quality, renewable natural gas at its processing plant.

**Past BEW Arrangement with PSE.** BEW had an agreement with PSE, to which the County was not a party, through which BEW sold PSE the processed pipeline-quality gas. This gas was routed through a nearby gas line into the PSE grid.

**Past County Arrangement with PSE.** Under the agreement between the County and BEW, the County retained any and all rights to the environmental attributes that are associated with the landfill gas.<sup>8</sup> Between 2011 and when the last agreement with PSE expired in mid-2023, the County sold the environmental attributes to PSE, which resulted in PSE having the rights to both the processed landfill gas and the environmental attributes.<sup>9</sup>

<sup>6</sup> Ordinance 14723

<sup>7</sup> Ordinance 15872

<sup>8</sup> Ordinance 15782

<sup>9</sup> Ordinance 17022; Ordinance 19562

**Current Situation.** In 2023, BEW notified the County that it was ceasing operation of the landfill gas processing plant and subsequently filed suit against the County in U.S. District Court, claiming the County breached its contractual obligations to BEW, claiming in part the County was not following good engineering practices in gas collection and in determining responsibility for disposal of hazardous waste residuals after gas processing.<sup>10</sup> The County countersued with multiple claims against BEW. The parties reached and executed a Settlement Agreement earlier this year, wherein the County and BEW would, among other things, negotiate an agreement for the County to acquire the processing plant from BEW. In July 2025, the Council adopted Ordinance 19959 approving the acquisition.

Since BEW ceased operation of the processing plant, Executive staff indicate that the Solid Waste Division has been flaring the landfill gas, as required by the landfill's operational permits, which require flaring during periods when landfill gas cannot be sent to BEW.

## **ANALYSIS**

Proposed Ordinance 2025-0236 would authorize the Executive to execute a new agreement with PSE for the sale of biomethane and environmental attributes produced at the Cedar Hills Regional Landfill to Puget Sound Energy. Some of the provisions of the agreement are blank in accordance with a confidentiality agreement between the County and PSE; these provisions will be discussed in executive session in accordance with RCW 42.30.110.

**King County Code Requirements.** The proposed agreement was developed as a negotiated direct sale to PSE. King County Code (KCC) Chapter 4.56 outlines the requirements concerning the County's real and personal property. Under KCC 4.56.250, the sale of rights, title, or interests in emissions credits held by the County are exempt from the standard real and personal property requirements "when unique circumstances are present." Code allows such sales to be made in the best interests of the public to a person or entity through a direct sale negotiated by the Executive and approved by the Council.

According to the Statement of Facts in the proposed ordinance, unique circumstances exist for this agreement "because the market for the sale of biomethane and the environmental attributes associated with biomethane is highly specialized and is subject to market variability... Puget Sound Energy is a logical purchaser of [renewable natural gas] produced by the Cedar Hills biogas processing facility... The sale of the biomethane and environmental attributes provide public benefit by increasing the revenue generated through the sale of the renewable natural gas resource."

By adopting the ordinance, the Council would agree that unique circumstances are present and that it is in the best interest of the public to allow the direct negotiated sale of the biomethane and environmental attributes to PSE.

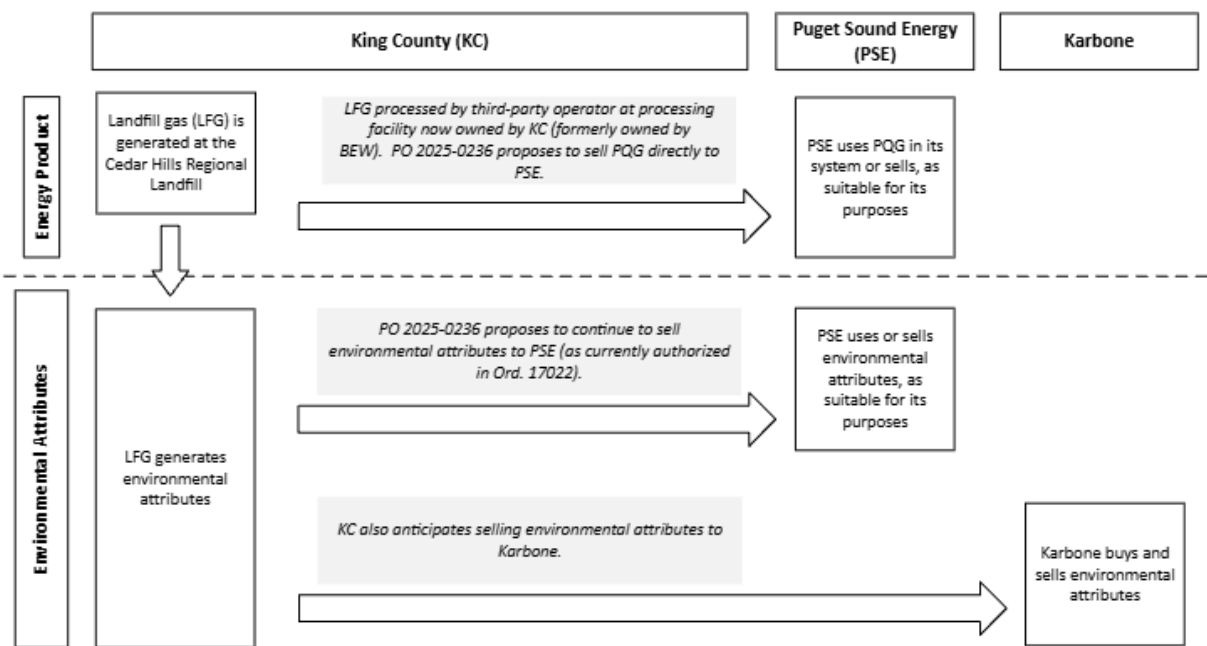
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<sup>10</sup> U.S. District Court, Case No. 2:23-cv-00542-LK

**Proposed Agreement Terms.** The proposal would allow for the sale of all of the biomethane generated at Cedar Hills Regional Landfill and a portion of the environmental attributes to PSE. The proposed agreement covers the period from September 1, 2025 through October 31, 2035.

*Base Contract for Sale and Purchase of Natural Gas (Attachment A to Proposed Ordinance 2025-0236).* Attachment A to Proposed Ordinance 2025-0236 covers the sale of all of the pipeline-quality gas and a portion of the associated environmental attributes to PSE. Some of the terms, including the volumes to be sold and rates, are not specified due to an agreement between the Solid Waste Division and PSE to keep these terms confidential. The Solid Waste Division anticipates selling the remainder of the environmental attributes through a separate agreement with Karbone, Inc. The proposed contractual arrangements are shown in Figure 2.

**Figure 2.**  
**Proposed and Planned Contractual Arrangements for the Collection, Processing and Sale of County's Landfill Gas (and Associated Environmental Attributes)**



To be able to sell the biomethane to PSE, the Solid Waste Division is working to bring on a third-party processor to operate the gas processing plant and anticipates completing that agreement by late August.

*Transfer Line Interconnection and Transportation Agreement (Attachment B to Proposed Ordinance 2025-0236).* As part of the agreement, the County would compensate PSE at 12 cents per MMBTU for the use of its pipeline and related facilities and equipment that connect the Cedar Hills gas processing plant and interstate pipeline facilities operated by Northwest Pipeline.

**Fiscal Impact.** According to Executive staff, the agreement with PSE would generate \$3.5 million in revenue to the Solid Waste Division in the last four months of this year,



and then more than \$10 million annually in future years. The majority of the revenue would be generated from the sale of the environmental attributes.

Proposed Ordinance 2025-0236 requires that revenue from the sale of the gas and the environmental attributes be allocated to the Solid Waste Division and used to offset debt and operating costs associated with operating the Cedar Hills biogas processing plant. The Proposed Ordinance further states that revenue in excess of debt and operating costs for the processing plant may be used to stabilize Solid Waste Division rates; however, the Solid Waste Division requests that the Council amend the legislation to state that any excess revenue may be used for other Solid Waste Division purposes.

Note that the Solid Waste Division estimates expenditures of approximately \$150,000 per year based on 12 cents per MMBTU for the use of PSE's pipeline and related facilities that connect the Cedar Hills gas processing plant and interstate pipeline facilities operated by Northwest Pipeline.

### **AMENDMENT**

Council staff is drafting an amendment that would make technical corrections/clarifications and the amendment will be distributed before the Budget and Fiscal Management Committee meeting.

### **INVITED**

- John Taylor, Director, Department of Natural Resources and Parks
- Rebecca Singer, Director, Solid Waste Division, Department of Natural Resources and Parks
- Christopher Stubbs, Deputy Director, Solid Waste Division
- David Broustis, Energy Manager, Solid Waste Division
- Katherine Taylor, Government Affairs Officer, Department of Natural Resources and Parks

### **ATTACHMENTS**

1. Proposed Ordinance 2025-0236 (and its attachments)
2. Transmittal Letter



# KING COUNTY

## Signature Report

ATTACHMENT 1  
1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

### Ordinance

**Proposed No.** 2025-0236.1

**Sponsors** Dembowski

1 AN ORDINANCE relating to the sale of biomethane and  
2 related environmental attributes held by the county;  
3 authorizing the solid waste division to enter into an  
4 agreement for the sale of biomethane and environmental  
5 attributes produced at the Cedar Hills regional landfill to  
6 Puget Sound Energy.

7 **STATEMENT OF FACTS:**

- 8 1. The solid waste division of the department of natural resources and  
9 parks operates the Cedar Hills regional landfill, located in Maple Valley,  
10 Washington, which receives over 800,000 tons of municipal solid waste  
11 each year.
- 12 2. The breakdown of organic matter at the landfill generates landfill  
13 biogas as part of the natural decomposition of waste over time when  
14 buried underground. Landfill biogas generally is composed of 45% to  
15 60% methane.
- 16 3. Landfill biogas can be processed to generate a high concentration  
17 biomethane gas that meets natural gas pipeline standards. Purified  
18 biomethane gas is also known as renewable natural gas (RNG), which is a  
19 direct substitute for geologic natural gas. The RNG includes biomethane  
20 energy gas molecules.

21           4. In addition to the biomethane energy content of the renewable natural  
22           gas, the beneficial use of landfill biogas as a byproduct of the landfill  
23           decomposition process provides significant greenhouse-gas reduction and  
24           other environmental benefits when compared to the consumption of fossil  
25           fuel-derived natural gas. These environmental benefits, as an extension of  
26           the energy content, are recognized as environmental attributes.

27           5. Environmental attributes related to renewable energy or other  
28           characteristics of a resource that are distinguished from the biomethane  
29           commodity can have financial value related to both voluntary and  
30           mandatory environmental markets.

31           6. Bio Energy (Washington), LLC, ("Bio Energy") constructed a facility  
32           at the Cedar Hills regional landfill that can purify landfill biogas into  
33           biomethane. In 2011, Bio Energy began to purify landfill biogas from the  
34           Cedar Hills regional landfill into pipeline-quality biomethane gas and  
35           inject the gas into the natural gas pipeline adjacent to the landfill. The  
36           facility has not been processing and injecting gas since June of 2023.

37           7. Legislation was adopted by the King County council that authorizes the  
38           purchase of the landfill gas processing facility by King County from Bio  
39           Energy, and to resolve all legal disputes between Bio Energy and King  
40           County.

41           8. Puget Sound Energy is the owner of approximately a quarter mile of  
42           natural gas pipeline connecting the Cedar Hills biogas processing facility  
43           to the Northwest Pipeline, owned by the Williams Companies. All

44 pipeline quality gas produced by the Cedar Hills biogas processing facility  
45 is transported through this pipeline.

46 9. As the local natural gas utility, Puget Sound Energy supplies natural  
47 gas to approximately 900,000 customers. Puget Sound Energy supplies  
48 renewable natural gas to its customers for various reasons, including:  
49 corporate interest in decarbonization; to integrate lower-carbon fuels as  
50 part of its compliance with the Washington State Climate Commitment  
51 Act; and to use the mechanisms of 2019 Washington State House Bill  
52 2580, which allows natural gas utilities to acquire RNG through purchased  
53 gas agreements and recover associated costs.

54 10. Before July 2023, King County had a contractual relationship with  
55 Puget Sound Energy to help monetize the value of the environmental  
56 attributes of the biomethane produced by the Cedar Hills biogas  
57 processing facility.

58 11. Under K.C.C. 4.56.250, sales of rights, title or interests in emissions  
59 credits, offsets or allowances or renewable energy certificates, credits,  
60 benefits, environmental air quality credits and any similar rights, title or  
61 interests held by the county are exempt from the real and personal  
62 property requirements of K.C.C chapter 4.56 when unique circumstances  
63 are present. Such sales may be made in the best interests of the public to a  
64 person or entity through a direct agreement negotiated by the King County  
65 executive and approved by the King County council.

66 12. Unique circumstances are present for this agreement because the  
67 market for the sale of biomethane and the environmental attributes  
68 associated with biomethane is highly specialized and is subject to market  
69 variability. K.C.C. 4.56.250 authorizes the county to negotiate directly  
70 with a person or entity in such circumstances. For the reasons indicated  
71 above and to support the decarbonization of the natural gas supply system  
72 in King County and beyond, Puget Sound Energy is a logical purchaser of  
73 RNG produced by the Cedar Hills biogas processing facility. The County  
74 has negotiated directly with Puget Sound Energy to sell biomethane and  
75 specified volumes of the environmental attributes related to the RNG  
76 produced at the Cedar Hills biogas processing facility.

77 13. The sale of the biomethane and environmental attributes provide public  
78 benefit by increasing the revenue generated through the sale of the renewable  
79 natural gas resource. The revenue from the sale of the biomethane and  
80 environmental attributes will be used to offset debt and other costs associated with  
81 operating the Cedar Hills biogas processing facility. Revenue in excess of debt  
82 and operating costs will be used to reduce greenhouse gas emissions and on  
83 stabilizing solid waste division rates.

84 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

85 SECTION 1. Findings: The King County council has determined, and therefore  
86 finds, that unique circumstances make a negotiated direct sale of biomethane and  
87 environmental attributes associated with the Cedar Hills biogas processing facility in the  
88 best interests of the public.

89        SECTION 2. The King County executive is hereby authorized to execute a base  
90 contract, a transfer line interconnection and transportation agreement, and all related  
91 documents for the sale and purchase of biomethane and environmental attributes with  
92 Puget Sound Energy substantially in the form of Attachments A and B to this ordinance.

93        SECTION 3. Moneys from the sale of biomethane and environmental attributes  
94 under section 2 of this ordinance shall be allocated to the originating division. The  
95 revenue from the biomethane and environmental attributes shall be used to offset debt  
96 and operating costs associated with the acquisition of the Cedar Hills biogas processing

- 97 facility. Revenue beyond that needed for the debt service and operating costs may be  
98 spent on rate stabilization.

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

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Girmay Zahilay, Chair

ATTEST:

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Melani Pedroza, Clerk of the Council

APPROVED this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

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Shannon Braddock, County Executive

**Attachments:** A. Base Contract for Sale and Purchase of Natural Gas, B. Transfer Line Interconnection and Transportation Agreement Between Puget Sound Energy, Inc. and King County, Washington

## Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date **XXXX**, 2025, between Puget Sound Energy (PSE) and King County

The parties to this Base Contract are PSE and King County, Washington.

<b>PARTY A</b> Puget Sound Energy, Inc.	<b>PARTY NAME</b>	<b>PARTY B</b> King County, through its Department of Natural Resources and Parks – Solid Waste Division
355 110 <sup>th</sup> Ave NE. Bellevue, WA 98004-9734	<b>ADDRESS</b>	201 S. Jackson St, Suite 6400 Seattle, WA 98104
<a href="http://www.pse.com">www.pse.com</a>	<b>BUSINESS WEBSITE</b>	<a href="https://kingcounty.gov/en/dept/dnrp/waste-services/garbage-recycling-compost/about">https://kingcounty.gov/en/dept/dnrp/waste-services/garbage-recycling-compost/about</a>
	<b>CONTRACT NUMBER</b>	
<b>007942113</b>	<b>D-U-N-S® NUMBER</b>	<b>957152549</b>
<input checked="" type="checkbox"/> US FEDERAL: 91-0374630 <input type="checkbox"/> OTHER:	<b>TAX ID NUMBERS</b>	<input checked="" type="checkbox"/> US FEDERAL: 91-6001327 <input type="checkbox"/> OTHER:
<b>Washington</b>	<b>JURISDICTION OF ORGANIZATION</b>	<b>Washington</b>
<input checked="" type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other: _____	<b>COMPANY TYPE</b>	<input type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input checked="" type="checkbox"/> Other: A home rule charter county and political subdivision of the State of Washington
	<b>GUARANTOR (IF APPLICABLE)</b>	
<b>CONTACT INFORMATION</b>		
<b>ATTN:</b> <u>RNG Supply</u> <b>TEL#:</b> <u>425-577-4538</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>Mike.Ostrowski@pse.com</u>	▪ <b>COMMERCIAL</b>	<b>ATTN:</b> <u>Lindy Honaker</u> <b>TEL#:</b> <u>206-263-6739</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>lhonaker@kingcounty.gov</u>
<b>ATTN:</b> <u>Gas Scheduling</u> <b>TEL#:</b> <u>425-457-9013</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>Brynn.Gourdin@pse.com</u>	▪ <b>SCHEDULING</b>	<b>ATTN:</b> <u>Lindy Honaker</u> <b>TEL#:</b> <u>206-263-6739</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>lhonaker@kingcounty.gov</u>
<b>ATTN:</b> <u>RNG Supply</u> <b>TEL#:</b> <u>425-577-4538</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>Mike.Ostrowski@pse.com</u>	▪ <b>CONTRACT AND LEGAL NOTICES</b>	<b>ATTN:</b> <u>Lindy Honaker</u> <b>TEL#:</b> <u>206-263-6739</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>lhonaker@kingcounty.gov</u>
<b>ATTN:</b> <u>Energy Risk Control</u> <b>TEL#:</b> <u>425-456-2864</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>Hailing.Huang@pse.com</u>	▪ <b>CREDIT</b>	<b>ATTN:</b> <u>Lindy Honaker</u> <b>TEL#:</b> <u>206-263-6739</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>lhonaker@kingcounty.gov</u>
<b>ATTN:</b> <u>RNG Supply</u> <b>TEL#:</b> <u>425-577-4538</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>Mike.Ostrowski@pse.com</u>	▪ <b>TRANSACTION CONFIRMATIONS</b>	<b>ATTN:</b> <u>Lindy Honaker</u> <b>TEL#:</b> <u>206-263-6739</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>lhonaker@kingcounty.gov</u>
<b>ACCOUNTING INFORMATION</b>		
<b>ATTN:</b> <u>Energy Accounting</u> <b>TEL#:</b> <u>425-462-3707</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>PwrGas.invoices@pse.com</u>	▪ <b>INVOICES</b> ▪ <b>PAYMENTS</b> ▪ <b>SETTLEMENTS</b>	<b>ATTN:</b> <u>Nebi Tekle</u> <b>TEL#:</b> <u>206-477-0784</u> <b>FAX#:</b> _____ <b>EMAIL:</b> <u>ntekle@kingcounty.gov</u>
<b>BANK:</b> _____ <b>ABA:</b> _____ <b>ACCT:</b> _____ <b>OTHER DETAILS:</b> _____	<b>WIRE TRANSFER NUMBERS (IF APPLICABLE)</b>	<b>BANK:</b> _____ <b>ABA:</b> _____ <b>ACCT:</b> _____ <b>OTHER DETAILS:</b> _____
<b>BANK:</b> _____ <b>ABA:</b> _____ <b>ACCT:</b> _____ <b>OTHER DETAILS:</b> _____	<b>ACH NUMBERS (IF APPLICABLE)</b>	<b>BANK:</b> _____ <b>ABA:</b> _____ <b>ACCT:</b> _____ <b>OTHER DETAILS:</b> _____



ATTN: _____ ADDRESS: _____	CHECKS (IF APPLICABLE)	ATTN: _____ ADDRESS: _____
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## Base Contract for Sale and Purchase of Natural Gas

(Continued)

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select the appropriate box(es) from each section:

<b>Section 1.2</b> Transaction Procedure <input type="checkbox"/> Oral (default) OR <input checked="" type="checkbox"/> Written	<b>Section 10.2</b> Additional Events of Default <input type="checkbox"/> No Additional Events of Default (default) <input type="checkbox"/> Indebtedness Cross Default <input type="checkbox"/> Party A: _____ <input type="checkbox"/> Party B: _____ <input type="checkbox"/> Transactional Cross Default Specified Transactions: _____ _____ _____
<b>Section 2.7</b> Confirm Deadline <input checked="" type="checkbox"/> 2 Business Days after receipt (default) OR <input type="checkbox"/> 5 Business Days after receipt	
<b>Section 2.8</b> Confirming Party <input type="checkbox"/> Seller (default) OR <input type="checkbox"/> Buyer <input type="checkbox"/> PSE _____	
<b>Section 3.2</b> Performance Obligation <input checked="" type="checkbox"/> Cover Standard (default) OR <input type="checkbox"/> Spot Price Standard	<b>Section 10.3.1</b> Early Termination Damages <input type="checkbox"/> Early Termination Damages Apply (default) OR <input checked="" type="checkbox"/> Early Termination Damages Do Not Apply
<i>Note: The following Spot Price Publication applies to both of the immediately preceding.</i>  <b>Section 2.31</b> Spot Price Publication Not Applicable – see Special Provisions	<b>Section 10.3.2</b> Other Agreement Setoffs <input checked="" type="checkbox"/> Other Agreement Setoffs Apply (default) <input checked="" type="checkbox"/> Bilateral (default) <input type="checkbox"/> Triangular OR <input type="checkbox"/> Other Agreement Setoffs Do Not Apply
<b>Section 6</b> Taxes <input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point (default) OR <input type="checkbox"/> Seller Pays Before and At Delivery Point	
<b>Section 7.2</b> Payment Date <input checked="" type="checkbox"/> 25 <sup>th</sup> Day of Month following Month of delivery (default) OR <input type="checkbox"/> 20 <sup>th</sup> Day of Month following Month of delivery	<b>Section 15.5</b> Choice Of Law <u>Washington</u>
<b>Section 7.2</b> Method of Payment <input type="checkbox"/> Wire transfer (default) <input checked="" type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check	<b>Section 15.10</b> Confidentiality <input checked="" type="checkbox"/> Confidentiality applies (default) OR <input type="checkbox"/> Confidentiality does not apply
<b>Section 7.7</b> Netting <input type="checkbox"/> Netting applies (default) OR <input checked="" type="checkbox"/> Netting does not apply	
<input type="checkbox"/> <b>Special Provisions</b> Number of sheets attached: _____ <input checked="" type="checkbox"/> <b>Addendum(s): <u>Renewable Natural Gas Addendum</u></b>	

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

PSE	PARTY NAME	King County, through its Department of Natural Resources and Parks – Solid Waste Division
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By:	<i>SIGNATURE</i>	By: _____
	<i>PRINTED NAME</i>	
	<i>TITLE</i>	

# General Terms and Conditions

## Base Contract for Sale and Purchase of Natural Gas

### SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.9.

**The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.**

#### **Oral Transaction Procedure:**

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

#### **Written Transaction Procedure:**

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract.

### SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

- 2.1. "Additional Event of Default" shall mean Transactional Cross Default or Indebtedness Cross Default, each as and if selected by the parties pursuant to the Base Contract.
- 2.2. "Affiliate" shall mean, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of at least 50 percent of the voting power of the entity or person.
- 2.3. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.
- 2.4. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.
- 2.5. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).
- 2.6. "Business Day(s)" shall mean Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S.
- 2.7. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.8. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.9. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation, all of which shall form a single integrated agreement between the parties.
- 2.10. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.11. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.12. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.13. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as cash, an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, guaranty, or other good and sufficient security of a continuing nature.
- 2.14. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.15. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.16. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.17. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.18. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.19. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.20. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.

- 2.21. "Guarantor" shall mean any entity that has provided a guaranty of the obligations of a party hereunder.
- 2.22. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.23. "Indebtedness Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it or its Guarantor, if any, experiences a default, or similar condition or event however therein defined, under one or more agreements or instruments, individually or collectively, relating to indebtedness (such indebtedness to include any obligation whether present or future, contingent or otherwise, as principal or surety or otherwise) for the payment or repayment of borrowed money in an aggregate amount greater than the threshold specified in the Base Contract with respect to such party or its Guarantor, if any, which results in such indebtedness becoming immediately due and payable.
- 2.24. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.
- 2.25. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.26. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.
- 2.27. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.28. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.29. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.30. "Specified Transaction(s)" shall mean any other transaction or agreement between the parties for the purchase, sale or exchange of physical Gas, and any other transaction or agreement identified as a Specified Transaction under the Base Contract.
- 2.31. "Spot Price " as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.
- 2.32. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.
- 2.33. "Transactional Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it shall be in default, however therein defined, under any Specified Transaction.
- 2.34. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.
- 2.35. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

## SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

<b>The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.</b>
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<b>Cover Standard:</b>
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3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s) excluding any quantity for which no replacement is available; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s) excluding any quantity for which no sale is available; and (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available for all or any portion of the Contract Quantity of Gas, then in addition to (i) or (ii) above, as applicable, the sole and exclusive remedy of the performing party with respect to the Gas not replaced or sold shall be an amount equal to any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the

applicable Delivery Point, multiplied by the quantity of such Gas not replaced or sold. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

**Spot Price Standard:**

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

## SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

## SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

## SECTION 6. TAXES

**The parties have selected either “Buyer Pays At and After Delivery Point” or “Seller Pays Before and At Delivery Point” as indicated on the Base Contract.**

### **Buyer Pays At and After Delivery Point:**

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority (“Taxes”) on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party’s responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

### **Seller Pays Before and At Delivery Point:**

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority (“Taxes”) on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party’s responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

## SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month’s billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed without undue delay. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under “Money Rates” by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

## SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 15.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury (including death) or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury (including death) or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. The parties agree that the delivery of and the transfer of title to all Gas under this Contract shall take place within the Customs Territory of the United States (as defined in general note 2 of the Harmonized Tariff Schedule of the United States 19 U.S.C. §1202, General Notes, page 3); provided, however, that in the event Seller took title to the Gas outside the Customs Territory of the United States, Seller represents and warrants that it is the importer of record for all Gas entered and delivered into the United States, and shall be responsible for entry and entry summary filings as well as the payment of duties, taxes and fees, if any, and all applicable record keeping requirements.

8.5. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

## SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payment instructions, and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder shall be in writing and may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

9.4. The party receiving a commercially acceptable Notice of change in payment instructions or other payment information shall not be obligated to implement such change until ten Business Days after receipt of such Notice.

## SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y or its Guarantor, if applicable), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to X, including, but not limited to cash, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or guaranty. Y hereby grants to X a continuing first priority security interest in, lien on, and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by Y to X pursuant to this Section 10.1. Upon the return by X to Y of such Adequate Assurance of Performance, the security interest and lien granted hereunder on that Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party.

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its Guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; (viii) not have paid any amount due the other party hereunder on or



before the second Business Day following written Notice that such payment is due; or ix) be the affected party with respect to any Additional Event of Default; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is legally permissible, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

**The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.**

**Early Termination Damages Apply:**

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

**Early Termination Damages Do Not Apply:**

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

**The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.**

**Other Agreement Setoffs Apply:**

**Bilateral Setoff Option:**

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff any Net Settlement Amount against (i) any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; and (ii) any amount(s) (including any excess cash margin or excess cash collateral) owed or held by the party that is entitled to the Net Settlement Amount under any other agreement or arrangement between the parties. **Triangular Setoff Option:**

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option, and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff (i) any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; (ii) any Net Settlement Amount against any amount(s) (including any excess cash margin or excess cash collateral) owed by or to a party under any other agreement or arrangement between the parties; (iii) any Net Settlement Amount owed to the Non-Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Non-Defaulting Party or its Affiliates to the Defaulting Party under any other agreement or arrangement; (iv) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party to the Non-Defaulting Party or its Affiliates under any other agreement or arrangement; and/or (v) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party or its Affiliates to the Non-Defaulting Party under any other agreement or arrangement.

**Other Agreement Setoffs Do Not Apply:**

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of the Net Settlement Amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount as well as any setoffs applied against such amount pursuant to Section 10.3.2, shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount as adjusted by setoffs, shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

## SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars, or acts of terror; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Contract; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

## SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6, Section 10, Section 13, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

## SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

## SECTION 14. MARKET DISRUPTION

If a Market Disruption Event has occurred then the parties shall negotiate in good faith to agree on a replacement price for the Floating Price (or on a method for determining a replacement price for the Floating Price) for the affected Day, and if the parties have not so agreed on or before the second Business Day following the affected Day then the replacement price for the Floating Price shall be determined within the next two following Business Days with each party obtaining, in good faith and from nonaffiliated market participants in the relevant market, two quotes for prices of Gas for the affected Day of a similar quality and quantity in the

geographical location closest in proximity to the Delivery Point and averaging the four quotes. If either party fails to provide two quotes then the average of the other party's two quotes shall determine the replacement price for the Floating Price. "Floating Price" means the price or a factor of the price agreed to in the transaction as being based upon a specified index. "Market Disruption Event" means, with respect to an index specified for a transaction, any of the following events: (a) the failure of the index to announce or publish information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading on the exchange or market acting as the index; (c) the temporary or permanent discontinuance or unavailability of the index; (d) the temporary or permanent closing of any exchange acting as the index; or (e) both parties agree that a material change in the formula for or the method of determining the Floating Price has occurred. For the purposes of the calculation of a replacement price for the Floating Price, all numbers shall be rounded to three decimal places. If the fourth decimal number is five or greater, then the third decimal number shall be increased by one and if the fourth decimal number is less than five, then the third decimal number shall remain unchanged.

## SECTION 15. MISCELLANEOUS

15.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or Affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

15.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

15.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

15.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

15.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

15.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

15.7. There is no third party beneficiary to this Contract.

15.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

15.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

15.10. Unless the parties have elected on the Base Contract not to make this Section 15.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to comply with a regulatory agency's reporting requirements including but not limited to gas cost recovery proceedings; or (v) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

15.11. The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties

15.12. Any original executed Base Contract, Transaction Confirmation or other related document may be digitally copied, photocopied, or stored on computer tapes and disks (the "Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, the Transaction Confirmation, if introduced as evidence in automated facsimile form, the recording, if introduced as evidence in its original form, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, mediation or administrative proceedings will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the recording, the Transaction Confirmation, or the Imaged Agreement on the basis that such were not originated or maintained in documentary form. However, nothing herein shall be construed as a waiver of any other objection to the admissibility of such evidence.

**DISCLAIMER:** The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**

## TRANSACTION CONFIRMATION

EXHIBIT A  
FOR IMMEDIATE DELIVERY

Date: \_\_\_\_\_, \_\_\_\_\_  
Transaction Confirmation #: \_\_\_\_\_

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated \_\_\_\_\_. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

**SELLER:**

King County, through its Department of Natural Resources and Parks – Solid Waste Division

Attn: Lindy Honaker

Phone: 206-263-6739

Fax: \_\_\_\_\_

Base Contract No. \_\_\_\_\_

Transporter: \_\_\_\_\_

Transporter Contract Number: \_\_\_\_\_

**BUYER:**

Puget Sound Energy, Inc.

Attn: Mike Ostrowski

Phone: 425-577-4538

Fax: \_\_\_\_\_

Base Contract No. \_\_\_\_\_

Transporter: \_\_\_\_\_

Transporter Contract Number: \_\_\_\_\_

Contract Price: \$ \_\_\_\_\_ /MMBtu or \_\_\_\_\_

Delivery Period: Begin: September 1, 2025 \_\_\_\_\_ End: October 31, 2035 \_\_\_\_\_

**Performance Obligation and Contract Quantity:** (Select One)**Firm (Fixed Quantity):**

\_\_\_\_\_ MMBtus/day

☐ EFP

☐ Buyer or ☐ Seller

**Firm (Variable Quantity):**

\_\_\_\_\_ MMBtus/day Minimum

\_\_\_\_\_ MMBtus/day Maximum

subject to Section 4.2. at election of

**Interruptible:**

Up to \_\_\_\_\_ MMBtus/day

**Delivery Point(s):** Cedar Hills Meter Station of Northwest Pipeline, Section 28, T-23N, R-6E, King County, Washington

(If a pooling point is used, list a specific geographic and pipeline location):

**Special Conditions:**

Seller: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Buyer: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## Base Contract for Sale and Purchase of Natural Gas

### Renewable Natural Gas Addendum

This Renewable Natural Gas Addendum ("RNG Addendum") is entered into as of the following date: [REDACTED] (the "Effective Date") by and between Party A and Party B as set forth below, subject to and governed by the Base Contract for Sale and Purchase of Natural Gas indicated in the table below ("Base Contract").

The parties to this RNG Addendum are the following:

<b>PARTY A</b> <b>Puget Sound Energy, Inc.</b>	<b>PARTY NAME</b>	<b>PARTY B</b> <b>King County, through its Department of</b> <b>Natural Resources and Parks --</b> <b>Solid Waste Division</b>
	<b>BASE CONTRACT</b> <b>NUMBER</b>	
	<b>BASE CONTRACT</b> <b>DATE</b>	

WHEREAS Party A and Party B are parties to the Base Contract; and

WHEREAS the parties desire to set forth the additional terms and conditions related to RNG Transaction Confirmations for the purchase and sale of Renewable Natural Gas ("RNG") whereby one party will be purchasing and receiving the RNG and the other party will be selling and delivering the RNG.

NOW, THEREFORE, in consideration of the premises and agreements set forth hereinafter, the sufficiency of such consideration being acknowledged by the parties, the parties hereby agree as follows:

This RNG Addendum constitutes an addendum to the Base Contract and supplements and amends the Base Contract for RNG transactions. Capitalized terms used in this RNG Addendum which are not herein defined will have the meanings ascribed to them in the Base Contract or, if not defined in the Base Contract or defined differently in an RNG Transaction Confirmation, in the RNG Transaction Confirmation.

**For the purchase and sale of RNG under the Contract and an RNG Transaction Confirmation, the parties agree the following Sections shall supersede and apply in lieu of or in addition to, as applicable, the like-numbered Sections of the Base Contract.**

- 1.1 These General Terms and Conditions are intended to facilitate purchase and sale transactions of RNG on a Firm or Interruptible basis. "Buyer" refers to the party receiving RNG and "Seller" refers to the party delivering RNG. The entire agreement between the parties shall be the Contract as defined in Section 2.9.
- 1.3 If a sending party's RNG Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via ECS by the Confirm Deadline, unless such receiving party has previously sent an RNG Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party by ECS or in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's RNG Transaction Confirmation; provided, for an RNG Transaction Confirmation using NAESB WGQ Standard No. 6.4.2 RNG dataset sent via ECS, the receiving party shall notify the sending party via ECS of receiving party's acceptance or dispute of the RNG Transaction Confirmation. If there are any material differences between timely sent RNG Transaction Confirmation governing the same transaction, then neither RNG Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the RNG Transaction Confirmation. In the event of a conflict among the terms of (i) a binding RNG Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Special Provisions to the Base Contract, if applicable, (iv) this RNG Addendum, (v) other addendums to the Base Contract executed between the parties, and (vi) the General Terms and Conditions of the Base Contract and the selections of the parties on its cover pages, the terms of the documents shall govern and have priority in the sequence listed in this sentence.
- 2.17 "ECS" shall mean a secure electronic communication exchange of (i) this Contract, (ii) RNG Transaction Confirmations, or (iii) invoices under Section 7. ECS may be performed using: (a) encryption of the exchanged document, (b) encryption of the exchanged communication, (c) secured through a secure login via NAESB WGQ EBB/EDM, (d) a facsimile sent through a secured fax server, or (e) an e-mail sent through a secured e-mail server. ECS may be implemented by the parties or by using one or more third-party service providers. It is the responsibility of each of the counterparties to ensure the selected third-party service provider(s) communicates in a secure or encrypted manner.
- 2.20 "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane. Except as otherwise provided in an RNG Transaction Confirmation, "Gas" refers to the physical gas component of RNG independent of the associated Environmental Attributes. In addition, under an RNG Transaction Confirmation, references to "Gas" under Section 3.2 to calculate the payment due also means "RNG" that complies with the Applicable Program.



- 2.27 “Payment Date” shall mean a date, as indicated on the Base Contract, on or before which payment is due.
- 2.36 “Applicable Program” shall mean the regulatory program or voluntary program agreed to between the parties specified in an RNG Transaction Confirmation.
- 2.37 “Applicable Law” means any foreign, federal, state, tribal or local law, statute, regulation, code, ordinance, license, permit, compliance requirement, decision, order, writ, injunction, directive, judgment, policy, decree, including any judicial or administrative interpretations thereof, or any agreement, concession or arrangement with any governmental authority, applicable to either party, their facilities, this RNG Addendum, or either party’s performance under an RNG Transaction Confirmation, and any amendments or modifications to the foregoing.
- 2.38 “Attestation” shall mean the Attestation and Transfer Certificate as agreed to by the parties separate and apart from the RNG Transaction Confirmation. The RNG Exhibit B attached to this RNG Addendum is an example.
- 2.39 “Biogas” shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state produced by non-fossilized and biodegradable organic waste.
- 2.40 “Certification” shall mean, if applicable, the certification by a Certification Authority of the RNG under an Applicable Program.
- 2.41 “Certification Authority” shall mean an entity that certifies the eligibility of RNG under an Applicable Program, which may include, as applicable, a governmental authority, one or both of the parties, an independent auditor, or other third-party.
- 2.42 “Certification Identifier” shall mean a unique identifier for a certain volume of RNG or a Facility assigned by a Certification Authority specified in an RNG Transaction Confirmation.
- 2.43 “Delivery”, “Deliver”, or “Delivered” shall mean Seller’s delivery of RNG to Buyer as specified in the RNG Transaction Confirmation.
- 2.44 “Disqualified RNG” shall mean Gas that was Delivered as RNG but subsequently becomes disqualified as RNG or ineligible to generate the intended RNG Credits because it does not comply with the requirements of the Applicable Program.
- 2.45 “Environmental Attribute(s)” shall mean the aspects, elements, and benefits that determine the type and extent of impact to the environment, and that are associated with, and attributable to the Gas. Further, Environmental Attributes include the aspects, elements, and benefits attributable to, created by, or caused by: (i) distinguishing RNG from geological natural gas; (ii) the capture or avoidance of GHG emissions; (iii) the capture or avoidance of emissions of pollutants to air, soil, or water; (iv) the character of the feedstock source of the Gas, including whether it is renewable, sustainable, cellulosic, advanced, biogenic, biomass-based and/or waste-derived; (v) the displacement of another fuel or energy source by RNG; and (vi) any attributes which are a necessary prerequisite to the creation of RNG certificates, RNG Credits, offsets or allowances specified in the RNG Transaction Confirmation. Environmental Attributes do not include: (i) tax credits; (ii) any Environmental Attributes specified as excluded in an RNG Transaction Confirmation; (iii) grants, loans, or subsidies; or (iv) emission reduction credits encumbered or used by the Facility for compliance with local, state, or federal operating and/or air quality permits.
- 2.46 “Facility” shall mean the place, buildings, equipment, and technology specified in the RNG Transaction Confirmation that captures Biogas and cleans and conditions such Biogas into RNG.
- 2.47 “GIS” shall mean generation information system, generation attribute tracking system, or other equivalent system for registering, reporting, credit banking, transfer, and retirement of Environmental Attributes as specified in an RNG Transaction Confirmation.
- 2.48 “GIS Account” shall mean a party’s company account in the GIS system as specified in an RNG Transaction Confirmation.
- 2.49 “Program Administrator” shall mean the entity responsible for oversight of the Applicable Program.
- 2.50 “Regulatorily Continuing” means if the parties specify Regulatorily Continuing in the RNG Transaction Confirmation, then unless a Regulatory Event or Regulatory Cessation has occurred, the Seller has the obligation to ensure that the RNG delivered under an RNG Transaction Confirmation complies with the requirements of Applicable Program during the Delivery Period, including, if necessary, providing replacement RNG. If the parties do not specify Regulatorily Continuing in the RNG Transaction Confirmation, then, unless otherwise provided in the Contract, the Seller is obligated to Deliver and the Buyer is obligated to receive any RNG during the Delivery Period that complied with the requirements of Applicable Program as of the Effective Date of the RNG Transaction Confirmation.
- 2.51 “Regulatory Cessation” means a change under the Applicable Program where the regulatory obligation related to RNG or RNG Credits generated from the RNG under the Applicable Program is repealed, stayed, enjoined, or ended, and performance under the RNG Transaction Confirmation is impossible, and such change under the Applicable Program continues for at least 30 Business Days.
- 2.52 “Regulatory Event” is defined in Section 15.2.
- 2.53 “Renewable Natural Gas” or “RNG” shall mean bundled Gas and Environmental Attributes that is: (i) derived from Biogas; (ii) measured in MMBtu; and (iii) meets the applicable pressure, quality and heat content requirements of the Receiving Transporter. RNG includes all Environmental Attributes unless otherwise excluded in an RNG Transaction Confirmation.
- 2.54 “Reporting Party” shall mean the party specified in the RNG Transaction Confirmation.
- 2.55 “RNG Credit(s)” shall mean a credit, number or certificate generated from, attributable to, or representing RNG under an Applicable Program, including without limitation: RIN; Q-RIN; LCFS; RTC; or other equivalent regulatory or voluntary credits.
- 2.56 “RNG Transaction Confirmation” shall mean a document evidencing the terms of a specific transaction between the parties similar to the form of RNG Exhibit A attached to this RNG Addendum.



- 2.57 “Vehicle Fuel Producer” shall mean an entity converting RNG into and dispensing RNG as fuel for transportation vehicles as defined by the Applicable Program.
- 7.6.1 A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract and for compliance with the Applicable Program. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to by ECS or in writing, with adequate explanation and/or documentation, within two years after the Month of RNG delivery, or such later date required for compliance with an Applicable Program. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.
- 15.2 If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction or regulatory agency or deemed unlawful because of a statutory change (individually or collectively, such events being referred to herein as a “Regulatory Event”), such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.
- 15.13 Notwithstanding Section 15.5, if the Applicable Program is a regulatory program, the interpretation of the Applicable Program shall be governed by, subject to, and construed in all aspects in accordance with the substantive laws of the state, province or federal body that promulgated the Applicable Program.

## Section 16. Renewable Natural Gas Additional Terms and Conditions

In addition to the terms and conditions set forth in the Base Contract, the following terms and conditions will govern the purchase and sale of RNG.

### 16.1 Specific Terms for a Purchase and Sale Transaction

16.1.1 Environmental Attributes Associated with RNG. For all RNG sold and purchased under an RNG Transaction Confirmation, Seller represents and warrants that: (i) the Environmental Attributes delivered to Buyer hereunder are from the Facility, if a Facility is specified in the RNG Transaction Confirmation; (ii) Seller has the rights to all Environmental Attributes associated with the RNG, unless specifically stated otherwise in the RNG Transaction Confirmation; (iii) upon sale of the RNG by Seller to Buyer, Seller shall transfer the Environmental Attributes associated with the RNG as provided in the applicable RNG Transaction Confirmation; (iv) the RNG shall be delivered to Buyer in accordance with the requirements of the Applicable Program; (v) following transfer to Buyer, Buyer shall have the exclusive right to report, retire, make ownership claims, hold, sell or transfer such Environmental Attributes, which may be evidenced by, or may be components of, or a precondition to create, RNG certificates, RNG Credits, offsets or allowances; and (vi) as of the Effective Date of the RNG Transaction Confirmation, Seller has not, and will not, sell, trade, remarket, give away, make ownership claims with respect to, or otherwise sell separately the Environmental Attributes transferred to Buyer.

16.1.2 Disqualified RNG. Either party will provide Notice to the other party if such party determines any RNG delivered under an RNG Transaction Confirmation is Disqualified RNG, including sufficient evidence supporting such determination. The parties agree to utilize commercially reasonable efforts to resolve the adverse impact of the disqualification under the RNG Transaction Confirmation.

16.1.3 Registration. The Reporting Party as specified in the RNG Transaction Confirmation shall submit to the Program Administrator, or other entity, as required under an Applicable Program and within 30 Days following the last day of the Month in which RNG subject to the RNG Transaction Confirmation is Delivered, any and all documentation required by the Applicable Program with respect to eligibility of the RNG, or any RNG Credits, or certificates generated therefrom following receipt of any information required for such registration in a GIS, as applicable. Within 60 Days of such registration, the Reporting Party will transfer the RNG Credits to Buyer. The party responsible to pay for the initial costs associated with registration under the Applicable Program(s) is the Reporting Party unless otherwise specified in the RNG Transaction Confirmation. Seller and Buyer agree to cooperate to provide all necessary information required to complete registration. The party responsible for any ongoing reporting and costs associated with registration under the Applicable Program is the Reporting Party unless otherwise specified in the RNG Transaction Confirmation.

16.1.4 Further Assurances. Each party will provide the other party such cooperation, additional documentation, certifications or other information as may be reasonably necessary to carry out the purposes of this RNG Addendum and the RNG Transaction Confirmations thereunder (including pursuant to any audit of this RNG Addendum and/or the RNG Transaction Confirmation by a third-party) and in order for all rights to vest in the Buyer for the conveyed Environmental Attributes associated with the purchase and sale of the RNG.

### 16.2 Responsibilities Related to Vehicle Fuel Producers

16.2.1 If the parties agree as specified in an RNG Transaction Confirmation that this section applies and Buyer specifies RNG will be used for vehicle fuel, then the parties agree Buyer will receive the Environmental Attributes from Seller bundled with Gas deemed to have been delivered by Seller and received by Buyer at the Contract Price. Additionally, the Parties agree Buyer will be deemed to have delivered to Seller, an equivalent quantity of Gas at the Buyer's delivery point specified in the RNG

Transaction under this section and pursuant to same terms and conditions applicable to the Gas and Environmental Attributes delivered by Seller. Buyer shall retain the Environmental Attributes to be sourced to its use of Gas as vehicle fuel as specified in the RNG Transaction Confirmation (collectively the "Gas-Sale Protocol").

16.2.2 In the event Buyer's obligation to purchase RNG from Seller, or Seller's obligation to sell RNG to Buyer, is contingent upon Buyer obtaining and maintaining a RNG supply agreement with a Vehicle Fuel Producer, as specified in the RNG Transaction Confirmation, and Buyer does not meet or maintain the Vehicle Fuel Producer requirement, then: (i) Buyer shall take commercially reasonable steps to store pursuant to Section 17.1 all delivered RNG under the RNG Transaction Confirmation; and (ii) in the event Buyer is unable to secure dispensing capacity for the RNG with a Vehicle Fuel Producer within 60 Days, then Seller may request in writing that Buyer transfer such RNG back to Seller and Buyer agrees to effect such transfer in accordance with the Applicable Program, as soon as practicable, following receipt of such request and shall continue to store the RNG prior to such transfer.

### 16.3 RNG Delivery Conditions

16.3.1 If an Attestation is either specified in the RNG Transaction Confirmation or required under an Applicable Program, Seller shall promptly provide to Buyer a completed Attestation.

16.3.2 If prepayment is elected in the RNG Transaction Confirmation, Buyer's payment for any RNG or part thereof to be Delivered pursuant to the terms of an RNG Transaction Confirmation will be due in immediately available funds from Buyer prior to Delivery, and Seller shall not be required to make Delivery of RNG to Buyer until Seller is in receipt of the total payment under the relevant RNG Transaction Confirmation. Within one Business Day of receipt of the Buyer's payment for any RNG, Seller shall Deliver the RNG to Buyer under the relevant RNG Transaction Confirmation.

## Section 17. RNG Additional Miscellaneous Terms and Conditions

In addition to the terms and conditions set forth in the Base Contract, the following terms and conditions will govern the purchase and sale of RNG.

17.1 Storage of RNG. The cost of any storage of RNG following Delivery shall be allocated between the Parties in accordance with the selections specified in the RNG Transaction Confirmation.

17.2 The parties may specify in an RNG Transaction Confirmation whether Regulatorily Continuing applies. In addition, the parties may specify in an RNG Transaction Confirmation how damages are determined if the RNG Transaction Confirmation is terminated pursuant to Section 17.3 when either a Regulatory Event or Regulatory Cessation occurs.

17.3 If a Regulatory Event or a Regulatory Cessation occurs, the parties agree to use commercially reasonable efforts to reform the affected RNG Transaction Confirmation in order to give effect to the original intent of the parties. The affected party may send a Notice to the other party that it desires in good faith to reform the affected RNG Transaction Confirmation in order to address the material adverse impacts of the Regulatory Event or Regulatory Cessation; provided however, that, a change in the market value of the RNG after the Effective Date of an RNG Transaction Confirmation shall not by itself constitute a material adverse impact. Such Notice shall state how the Regulatory Event or Regulatory Cessation impacts the affected RNG Transaction Confirmation and the proposed terms upon which the affected party would like to continue to perform the affected RNG Transaction Confirmation with respect to any RNG not yet delivered after the non-affected party's receipt of Notice. If the parties fail to renegotiate the material terms or conditions within 30 Days of the Notice either party shall have the right by Notice to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as the date for termination of the affected RNG Transaction Confirmation. Notwithstanding the foregoing, if the impact of the Regulatory Event or Regulatory Cessation is one that can be overcome with increased expenditures and the non-affected party is willing to incur those costs to the reasonable satisfaction of the affected party, acting in a commercially reasonable manner, then the parties shall continue to perform under the terms of the RNG Transaction. To the extent the affected RNG Transaction Confirmation is terminated, the parties shall select either Alternative A or Alternative B in an RNG Transaction Confirmation the manner in which damages will be determined as specified in the RNG Transaction Confirmation.

17.3.1 Alternative A: On the termination date for the applicable RNG Transaction Confirmation (i) if there is one affected party, damages shall be determined in accordance with Sections 10.2 and 10.3 of the Contract, except that references to the Defaulting Party and to the Non-Defaulting Party will be deemed references to the affected party and to the non-affected party, respectively, or (ii) if there are two affected parties, each party shall determine damages in accordance with Section 10.3 of the Contract with the Market Value being the arithmetic average of the amounts so determined. The Market Value for each terminated transaction shall be determined by using the mid-market quotations or values for RNG without regard to the creditworthiness of the party performing the calculations.

17.3.2 Alternative B: On the termination date for the Affected Transactions, damages will be determined in accordance with Section 10.3.1, Early Termination Damages Do Not Apply.

IN WITNESS WHEREOF, and with the intent to be legally binding, the parties hereto have caused this RNG Addendum to be executed in duplicate by their duly authorized officers or representatives as of the Effective Date.

<b>PARTY A</b> <b>Puget Sound Energy, Inc.</b>	<b>PARTY NAME</b>	<b>PARTY B</b> <b>King County, through its Department of</b> <b>Natural Resources and Parks --</b> <b>Solid Waste Division</b>
<b>SIGNATURE</b>		
By:_____		By:_____
<b>PRINTED NAME</b>		
	<b>TITLE</b>	



## RENEWABLE NATURAL GAS TRANSACTION CONFIRMATION (RNG Transaction Confirmation)

RNG EXHIBIT A

FOR IMMEDIATE DELIVERY **REPLACE WITH REVISED TRANSACTION CONFIRM**

Letterhead/Logo	Date: _____ (the "Effective Date") RNG Transaction Confirmation#: _____ Base Contract # _____
<p>This RNG Transaction Confirmation is subject to and governed by the Base Contract for Sale and Purchase of Natural Gas dated _____ [DATE] between [COUNTERPARTY] ("Party A"), and [COUNTERPARTY] ("Party B"). The terms of this RNG Transaction Confirmation are binding unless disputed by ECS or in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.</p> <p>This RNG Transaction Confirmation is also subject to an RNG Addendum dated _____.</p> <p>The terms of this RNG Transaction Confirmation are binding. Capitalized terms not otherwise defined in this RNG Transaction Confirmation shall have the meaning given in the Base Contract or the RNG Addendum.</p>	
<b>SELLER: [Party A or Party B]</b> _____ _____ Attn: _____ Phone: _____ Email: _____	<b>BUYER: [Party A or Party B]</b> _____ _____ Attn: _____ Phone: _____ Email: _____
<p><b>Contract Price:</b> The Contract Price shall be: (select one)</p> <p><input type="checkbox"/> Fixed at: _____ per MMBtu for RNG Delivered</p> <p><input type="checkbox"/> Percentage at: _____ % of <input type="checkbox"/> NET or <input type="checkbox"/> GROSS (default) of Gas Commodity Revenue; <b>AND</b>          Percentage at: _____ % of <input type="checkbox"/> NET or <input type="checkbox"/> GROSS (default) RNG Credit Revenue;          NET- equals GROSS less direct expenses (for example, transport costs, dispensing fee, storage for shaped flows).</p> <p><input type="checkbox"/> Mixed, with a base Price at: _____ per MMBtu for RNG Delivered, <b>AND</b>          Percentage at: _____ % of <input type="checkbox"/> NET or <input type="checkbox"/> GROSS (default) of Gas Commodity Revenue; <b>AND</b>          Percentage at _____ % of <input type="checkbox"/> NET or <input type="checkbox"/> GROSS (default) RNG Credit Revenue;          NET- equals GROSS less direct expenses (for example, transport costs, dispensing fee, storage for shaped flows).</p> <p>or</p> <p><input type="checkbox"/> Other: _____.</p>	
<p><b>Delivery Period:</b> The Delivery Period shall be: (select one)</p> <p><input type="checkbox"/> Begin: _____ ("Start Date"), and End: _____ ("End Date"),          or</p> <p><input type="checkbox"/> Beginning on the first Business Day following the date upon which the Facility is delivering RNG at the Delivery Point (the applicable date or the "Commencement Date") and continue through and until _____ ("End Date") unless earlier terminated in accordance with the Base Contract.</p> <p style="margin-left: 40px;">The parties anticipate that the Facility's Commencement Date will be _____. Seller shall provide Buyer with at least 60 Days prior Notice of the anticipated firm Commencement Date.</p> <p style="margin-left: 40px;">If the Facility's Commencement Date has not occurred by _____, then Buyer may terminate this RNG Transaction Confirmation upon Notice to the Seller.</p>	

**Section 3. Performance Obligation and Contract Quantity:** Seller shall sell and Buyer shall purchase the Contract Quantity on the following basis: (Select Contract Quantity Units, insert Contract Quantity under applicable Performance Obligation, and complete Sections 16.2.1, 16.2.2, and prepayment under Section 16.3.2.)

**Contract Quantity Units:** ☐ MMBtu (default) or ☐ Other \_\_\_\_\_

**Firm (Fixed Quantity):**

\_\_\_\_\_ MMBtu/day

**Firm (Variable Quantity):**

\_\_\_\_\_ MMBtu/day Minimum

\_\_\_\_\_ MMBtu/day Maximum

subject to Section 4.2 at election of

☐ Buyer or ☐ Seller (default)

**Interruptible:**

Up to \_\_\_\_\_ MMBtu/day

**Contract Quantity Conditions**

The Contract Quantity shall be subject to the following conditions: (Select One) Yes ☐ No ☐ (default)

If yes, (Check all that apply) (Complete with a specific quantity, percentage, and/or priority, if applicable)

☐ \_\_\_\_\_ of RNG

☐ Only Environmental Attributes corresponding to \_\_\_\_\_ of RNG

☐ \_\_\_\_\_ of RNG Credits

or

☐ Other: \_\_\_\_\_

**Section 16.2.1 Gas-Sale Protocol**

Buyer and Seller agree to the Gas-Sale Protocol set forth in Section 16.2.1 related to Buyer's third-party transaction with a Vehicle Fuel Producer: ☐ Yes ☐ No (default)

If yes, Buyer's delivery point to Seller shall be: \_\_\_\_\_

(If a pooling point is used, list a specific geographic and transporter location)

**Section 16.2.2 Vehicle Fuel Obligation**

Buyer's obligation to purchase RNG from Seller is contingent upon Buyer obtaining and maintaining a supply agreement with a Vehicle Fuel Producer: ☐ Yes ☐ No (default)

Seller's obligation to sell RNG to Buyer is contingent upon Buyer obtaining and maintaining a supply agreement with a Vehicle Fuel Producer: ☐ Yes ☐ No (default)

If yes under either selection above, Buyer to provide Seller with applicable information. (See Special Conditions below if any).

**Sections 16.3.2**

Seller's obligation to deliver RNG to Buyer is contingent upon Buyer's prepayment

☐ Yes

☐ No (default)

If yes, see Special Conditions below.

**Delivery Point(s):** The Delivery Point shall be \_\_\_\_\_, Meter # \_\_\_\_\_.

(If a pooling point is used, list a specific geographic and transporter location)

**Applicable Program:** The Applicable Program for RNG sold by Seller and purchased by Buyer shall be governed by the following entity: (select at least one)

- ☐ US EPA Renewable Fuel Standard
- ☐ Low Carbon or Clean Fuel Standard – State: \_\_\_\_\_ (insert State or Governing Jurisdiction)
- ☐ Renewable Thermal Credit - \_\_\_\_\_ (insert State or Governing Jurisdiction)
- or
- ☐ Other: \_\_\_\_\_

**Program Administrator** (Complete this section if not identified in the Applicable Program):

Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

**Sections 17.2 and 17.3 Regulatory Conditions:** Under the Applicable Program, the parties agree the following regulatory conditions apply:

- 17.2 Regulatorily Continuing ☐ Yes (default) ☐ No
- 17.3 Manner of determination of damages for Regulatory Event or Regulatory Cessation: (Select the alternative to apply under Section 17.3)
- ☐ Section 17.3.1 Alternative A (default)
- ☐ Section 17.3.2 Alternative B

**RNG and Environmental Attributes:** The RNG sold by Seller and purchased by Buyer shall include all Environmental Attributes unless otherwise excluded: (select and identify all that apply)

- ☐ RNG with all Environmental Attributes (default),
- ☐ List of Environmental Attributes excluded from RNG,
- ☐ \_\_\_\_\_
- ☐ \_\_\_\_\_
- ☐ \_\_\_\_\_
- ☐ \_\_\_\_\_

or

☐ Other: \_\_\_\_\_

**Facility Information:** The Performance Obligation for the Contract Quantity shall be fulfilled from the following facilities:

- ☐ Yes (default) or ☐ No

If yes, complete the following information for each facility:

Facility Name: \_\_\_\_\_

Address: \_\_\_\_\_, or Latitude/Longitude: \_\_\_\_\_

City: \_\_\_\_\_

County or Parish: \_\_\_\_\_

State or Province: \_\_\_\_\_

Country: \_\_\_\_\_

Anticipated Commencement Date: \_\_\_\_\_

**Generation Information System:** The GIS of the Applicable Program:-(select parties' mutually agreed GIS and insert GIS name)

☐ GIS: \_\_\_\_\_

☐ Attestation: \_\_\_\_\_

or

☐ Other: \_\_\_\_\_

**Section 16.1.3 Reporting Party**

☐ Seller (default)

☐ Buyer

**Section 16.1.3 Registration**

Party responsible for percentage of initial registration costs and fees

Buyer Percentage at \_\_\_\_\_%

Seller Percentage at \_\_\_\_\_%

Party responsible for percentage of ongoing registration costs and fees

Buyer Percentage at \_\_\_\_\_%

Seller Percentage at \_\_\_\_\_%

**Section 17.1 – Storage of RNG.** If RNG is stored by Buyer after Delivery by Seller, the cost of such storage will be allocated as follows: (Select one alternative under 17.1.1 and one alternative under 17.1.2 below)

17.1.1 If RNG is stored by Buyer prior to the RNG becoming eligible to generate RNG Credits under any Applicable Program:

☐ Buyer percentage at: \_\_\_\_\_%

☐ Seller percentage at: \_\_\_\_\_%

☐ Other (please specify): \_\_\_\_\_

☐ Not Applicable (default)

17.1.2 If RNG is stored by Buyer for any other reason than specified in Section 17.1.1 above:

☐ Buyer percentage at: \_\_\_\_\_%

☐ Seller percentage at: \_\_\_\_\_%

☐ Other (please specify): \_\_\_\_\_

☐ Not Applicable (default)

**Carbon Intensity:** The RNG delivered by Seller hereunder has expected carbon intensity of \_\_\_\_\_ gCO<sub>2e</sub>/MJ ("Baseline CI"). The parties agree to negotiate in good faith an adjustment to the Contract Price if the actual carbon intensity is either 10% higher or 10% lower than the Baseline CI. In the event the parties fail to agree on an adjustment to the Contract Price within 5 Business Days, the RNG will be Disqualified RNG under Section 16.1.2.

**Special Conditions:**

☐ Yes or

☐ No (default)

If yes, insert terms and conditions agreed to by the parties.

Seller: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Buyer: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**RNG Exhibit B**

**RENEWABLE NATURAL GAS ATTESTATION AND TRANSFER CERTIFICATE**

I, \_\_\_\_\_, as the authorized representative of \_\_\_\_\_ (Seller) declare that Seller hereby sells, transfers and delivers to Buyer RNG produced from the Facility as identified below, as more specifically described in the RNG Transaction Confirmation No. \_\_\_\_\_, and dated \_\_\_\_\_, between Buyer and Seller, and:

1. RNG was generated by the following Facility and sold, subject to receipt of payment, to Buyer;
2. RNG was certified (or are capable of Certification) by the following Certification Authority, if applicable;
3. RNG was solely and exclusively owned by Seller;
4. RNG has not been used by Seller or any third-party to meet any Applicable Program obligations or similar mandates;
5. RNG was not sold to any third-party other than Buyer;
6. RNG was not used on-site for generation by the facility owner to make environmental claims; and
7. RNG does not constitute a double environmental claim between Seller and Buyer by Seller transferring, selling to, or an environmental attribute ownership or rights claim by, any third-party.

**Description of RNG**

Facility Name	Delivery Period	Quantity	RNG source	Facility Identifier, if any	Certification Authority, if applicable	Certification Identifier, if applicable

As an authorized representative of Seller, I state that the above statements are true and correct. This attestation may serve as a bill of sale to confirm, in accordance with the RNG Transaction Confirmation, the transfer from Seller to Buyer all of Seller's right, title and interest in and to the RNG as set forth above.

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_  
[notarize if required]

This attestation may be disclosed by Seller and Buyer to others, including the Certification Authority, Applicable Program administrator or any other authority having jurisdiction over Buyer with respect to Buyer's obligation to obtain RNG, to substantiate and verify the accuracy of the parties' compliance, advertising and public environmental attributes claim.



RENEWABLE NATURAL GAS TRANSACTION CONFIRMATION  
(RNG Transaction Confirmation)



Date: [\_\_\_\_\_] (the "Effective Date")

RNG Transaction Confirmation#: \_\_\_\_\_

Base Contract # \_\_\_\_\_

This RNG Transaction Confirmation is subject to and governed by the Base Contract for Sale and Purchase of Natural Gas between King County, Washington ("**Seller**"), and Puget Sound Energy Inc. ("**Buyer**"), including all addendums thereto. The terms of this RNG Transaction Confirmation are binding unless disputed by in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract. The terms of this RNG Transaction Confirmation are binding. Capitalized terms not otherwise defined in this RNG Transaction Confirmation shall have the meaning given in the Base Contract or the RNG Addendum.

**SELLER:**

**King County, through its Department of Natural Resources and Parks – Solid Waste Division**

**Attn:** Lindy Honaker

**Email:** lhonaker@kingcounty.gov

**BUYER:**

**Puget Sound Energy Inc.**

**Attn:** Mike Ostrowski

**Email:** Mike.Ostrowski@pse.com

**Contract Price:** The Contract Price shall be: (select one)

☒ Fixed at: \$ \_\_\_\_\_ per MMBtu for the Environmental Attributes of RNG Delivered, escalated by \_\_\_\_\_ % starting on 11/1/2026 and an additional \_\_\_\_\_ % each 12 months thereafter,

☐ Percentage at: \_\_\_\_\_ % of ☐ NET or ☐ GROSS (default) of Gas Commodity Revenue; **AND**

Percentage at: \_\_\_\_\_ % of ☐ NET or ☐ GROSS (default) RNG Credit Revenue;

NET- equals GROSS less direct expenses (for example, transport costs, dispensing fee, storage for shaped flows).

☐ Mixed, with a base Price at: \_\_\_\_\_ per MMBtu for RNG Delivered, **AND**

Percentage at: \_\_\_\_\_ % of ☐ NET or ☐ GROSS (default) of Gas Commodity Revenue; **AND**

Percentage at \_\_\_\_\_ % of ☐ NET or ☐ GROSS (default) RNG Credit Revenue;

NET- equals GROSS less direct expenses (for example, transport costs, dispensing fee, storage for shaped flows).

Or

☐ Other: \_\_\_\_\_.

**Delivery Period:**

The Parties' obligations with respect to the purchase and sale of Environmental Attributes under this Transaction Confirmation shall commence on September 1, 2025 and shall continue thereafter until October 31, 2035 (such cumulative period being the "**Delivery Period**").

**Section 3. Performance Obligation and Contract Quantity:** Seller shall sell and Buyer shall purchase, subject to the Facility's ability to produce such volumes, the Environmental Attributes for the following estimated volumes of Biogas that Seller produces at the Facility (the "Contract Quantity"). Estimated annual volumes are as follows:

Term Period	Volumes (MMBTU)
9/1/2025 thru 10/31/2025	
11/1/2025 thru 10/31/2026	
11/1/2026 thru 10/31/2027	
11/1/2027 thru 10/31/2028	
11/1/2028 thru 10/31/2035	per 12-month period

Notwithstanding anything in this RNG Transaction Confirmation, the Seller retains the rights to any and all 45Z Federal Tax Credit (Clean Fuel Production Credit) for all Biogas produced at the Facility, including the above estimated Contract Quantity volumes.

Seller also retains the right, during the term of this RNG Transaction Confirmation, to all the Environmental Attributes for all Biogas produced at the Facility, in excess of the above estimated Contract Quantity.

Starting on 11/1/2025, on a monthly basis, Seller will Deliver to Buyer % of the Environmental Attributes for the actual volume of Biogas produced that month, up to and until the above estimated Contract Quantity volumes for the relevant Term Period are met, by transferring RNG Credits and all other Environmental Attributes to Buyer pursuant to Section 16.1.3 of the RNG Addendum, unless Buyer and Seller separately agree otherwise. Nothing in the foregoing sentence releases Seller from its obligation to Deliver the entire Contract Quantity within each Term Period identified above.

The Buyer and Seller may, by mutual agreement through recording an updated binding RNG Transaction Confirmation, increase the volume for the period 11/1/2028 thru 10/31/2035 up to MMBtu per 12-Month period. Such updated RNG Transaction Confirmation will specify when Delivery of such increased volumes will take effect. The Buyer and Seller will attempt in good faith to record this updated RNG Transaction Confirmation by 01/01/2028.

#### Section 16.2.1 Gas-Sale Protocol

Buyer and Seller agree to the Gas-Sale Protocol set forth in Section 16.2.1 related to Buyer's third-party transaction with a Vehicle Fuel Producer: ☐ Yes ☒ No (default)

If yes, Buyer's delivery point to Seller shall be: \_\_\_\_\_  
(If a pooling point is used, list a specific geographic and transporter location)

#### Section 16.2.2 Vehicle Fuel Obligation

Buyer's obligation to purchase RNG from Seller is contingent upon Buyer obtaining and maintaining a supply agreement with a Vehicle Fuel Producer: ☐ Yes ☒ No (default)

Seller's obligation to sell RNG to Buyer is contingent upon Buyer obtaining and maintaining a supply agreement with a Vehicle Fuel Producer: ☐ Yes ☒ No (default)

If yes under either selection above, Buyer to provide Seller with applicable information. (See Special Conditions below if any).

#### Sections 16.3.2

Seller's obligation to deliver RNG to Buyer is contingent upon Buyer's prepayment  
☐ Yes ☒ No (default) If yes, see Special Conditions below.

**Delivery Point(s):** The Delivery Point shall be:  
Cedar Hills Meter Station of Northwest Pipeline  
Section 28, T-23N, R-6E  
King County, Washington

**Applicable Program:** The Applicable Program for RNG sold by Seller and purchased by Buyer shall be governed by the following entity: (select at least one)

- ☐ US EPA Renewable Fuel Standard  
☐ Low Carbon or Clean Fuel Standard – State: \_\_\_\_\_ (insert State or Governing Jurisdiction)  
☐ Renewable Thermal Credit – [\_\_\_\_\_] (insert State or Governing Jurisdiction)

or

- ☒ Other M-RETS- Renewable Thermal Certificate, recognized by State of Washington

**Program Administrator** (Complete this section if not identified in the Applicable Program):

Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

**Sections 17.2 and 17.3 Regulatory Conditions:** Under the Applicable Program, the parties agree the following regulatory conditions apply:

17.2 Regulatorily Continuing ☒ Yes (default) ☐ No

17.3 Manner of determination of damages for Regulatory Event or Regulatory Cessation: (Select the alternative to apply under Section 17.3)

- ☐ Section 17.3.1 Alternative A (default)  
☒ Section 17.3.2 Alternative B

**RNG and Environmental Attributes:** The RNG sold by Seller and purchased by Buyer shall include all Environmental Attributes unless otherwise excluded: (select and identify all that apply)

- ☒ RNG with all Environmental Attributes (default),  
☒ List of Environmental Attributes excluded from RNG,  
☒ None \_\_\_\_\_  
☐ \_\_\_\_\_  
☐ \_\_\_\_\_  
☐ \_\_\_\_\_

or

☐ Other: \_\_\_\_\_

**Facility Information:** The Performance Obligation for the Contract Quantity shall be fulfilled from the following facilities (or such other facility as Seller may designate from time to time):

☒ Yes (default) or ☐ No PLUG IN INFO

If yes, complete the following information for each facility:

Facility Name: Cedar Hills Landfill

Location: King County, Washington

**Generation Information System:** The GIS of the Applicable Program:-(select parties' mutually agreed GIS and insert GIS name)

☐ GIS: \_\_\_\_\_

☐ Attestation: \_\_\_\_\_

or

☒ Other: M-RETS \_\_\_\_\_

**Section 16.1.3 Reporting Party**

☒ Seller (default)

☐ Buyer

**Section 16.1.3 Registration**

Party responsible for percentage of initial registration costs and fees

Buyer Percentage at 0%

Seller Percentage at 100%

Party responsible for percentage of ongoing registration costs and fees

Buyer Percentage at 0%

Seller Percentage at 100%

Party responsible for percentage of retirement costs and fees

Buyer Percentage at 100%

Seller Percentage at 0%

**Section 17.1 – Storage of RNG.** If RNG is stored by Buyer after Delivery by Seller, the cost of such storage will be allocated as follows: (Select one alternative under 17.1.1 and one alternative under 17.1.2 below)

17.1.1 If RNG is stored by Buyer prior to the RNG becoming eligible to generate RNG Credits under any Applicable Program:

☐ Buyer percentage at: \_\_\_\_\_%

☐ Seller percentage at: \_\_\_\_\_%

☐ Other (please specify): \_\_\_\_\_

☒ Not Applicable (default)

17.1.2 If RNG is stored by Buyer for any other reason than specified in Section 17.1.1 above:

☐ Buyer percentage at: \_\_\_\_\_%

☐ Seller percentage at: \_\_\_\_\_%

☐ Other (please specify): \_\_\_\_\_

☒ Not Applicable (default)

**Carbon Intensity (CI):** Seller shall provide Buyer with the carbon intensity of the Facility within 90 days of first delivery. Seller shall provide Buyer with a copy of any carbon intensity study performed of the Facility during the Delivery Period.

**Special Conditions:**

☒ Yes or

☐ No (default)

1. Seller shall provide buyer with copies of pipeline volume reports or other documentation used by Seller to provide support to MRETS.

Seller: <u>King County, through its Department of Natural Resources and Parks – Solid Waste Division</u>	Buyer: <u>Puget Sound Energy Inc.</u>
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____



TRANSFER LINE INTERCONNECTION AND TRANSPORTATION AGREEMENT  
 BETWEEN  
 PUGET SOUND ENERGY, INC.  
 AND  
 KING COUNTY, WASHINGTON

This TRANSFER LINE INTERCONNECTION AND TRANSPORTATION AGREEMENT (“**Agreement**”) dated [DATE] (the “**Effective Date**”), is entered into by and between Puget Sound Energy, Inc. (“**PSE**”) and King County, a political subdivision of the state of Washington (“**King County**”). Each of PSE and King County is sometimes referred to in this Agreement individually as a “**Party**”; both of PSE and King County are sometimes referred to in this Agreement together as the “**Parties**.”

WITNESSETH:

WHEREAS, King County owns and operates the landfill gas purification plant located at the Cedar Hills Regional Landfill; and

WHEREAS, PSE is a corporation organized and doing business under the laws of the State of Washington, and a gas and electric utility regulated by the Washington Utilities and Transportation Commission; and

WHEREAS, King County intends to process the methane gas produced by the Cedar Hills Regional Landfill in a safe, economical, and environmentally acceptable manner and to cooperate in furthering the State of Washington’s policy of meeting energy demand through projects that produce energy from resources such as landfill gas; and

WHEREAS, King County has the rights to sell the gas recovered, treated, processed, and converted into Pipeline Quality Gas at such facility; and

WHEREAS, PSE owns and operates certain pipeline and related facilities between the Cedar Hills Landfill Gas Processing Facility and the interstate pipeline facilities operated by Northwest Pipeline GP (“**NWP**”); and

WHEREAS, King County desires to sell Pipeline Quality Gas to PSE; and

WHEREAS, pursuant and subject to the terms of the NAESB Agreements executed by the Parties as of [DATE], PSE shall purchase Pipeline Quality Gas produced by King County at the Cedar Hills Landfill Gas Processing Facility for use in providing energy to PSE’s utility customers; and

WHEREAS, the Parties desire to set forth the terms under which PSE will provide services related to the Pipeline Quality Gas (“**Services**”) and the terms under which King County will compensate PSE for the Services; and

WHEREAS, the Parties desire to set forth the terms under which King County may use the PSE Facilities;

NOW, THEREFORE, PSE and King County, for good and valuable consideration, the receipt of which is hereby acknowledged, hereby agree as follows:

## **ARTICLE 1 DEFINITIONS**

For the purposes of this Agreement, the following capitalized terms used but not otherwise defined herein have the definitions set forth below.

**“Cedar Hills Landfill Gas Processing Facility”** means the landfill gas recovery, treatment, and processing facility located at the landfill commonly known as the Cedar Hills Regional Landfill.

**“Dekatherm”** or **“Dth”** means the unit of energy equal to 1,000,000 British thermal units or 1 MMBtu.

**“King County Facilities”** means the Cedar Hills Landfill Gas Processing Facility and all other facilities or equipment necessary for producing Pipeline Quality Gas from Landfill Gas, including facilities or equipment for separation, compressing, drying, and delivering Pipeline Quality Gas to the Point of Delivery.

**“Landfill Gas”** means the gas containing methane and other compounds produced by the Cedar Hills Regional Landfill which has not yet been processed by the King County Facilities.

**“Measurement Devices”** means the devices, owned and operated by PSE that are located at the Point of Measurement and that measure the volume and properties of gas delivered at the Point of Measurement.

**“NAESB Agreements”** means those certain agreements entered into by King County and PSE for the purchase of King County’s Pipeline Quality Gas by PSE.

**“Odorization Equipment”** means that equipment owned and operated by PSE as necessary for PSE to appropriately odorize the Pipeline Quality Gas.

**“Pipeline Quality Gas”** means gas meeting or exceeding the specifications identified in the three-party agreement into which the Parties and NWP will enter into in accordance with Article 5.

**“Point of Delivery”** means the valve downstream of King County’s 4<sup>th</sup> stage compression and upstream of the PSE-owned Odorization Equipment, which is located just behind the generator house at the King County Facilities.

**“Point of Measurement”** means the point between the Transfer Line and the interconnect with NWP’s interstate pipeline facilities where the Measurement Devices are located.

**“Processed Gas”** means Landfill Gas which has been processed by King County Facilities.

**“PSE Facilities”** means the equipment and facilities owned and operated by PSE for purposes of this Agreement, including, but not limited to, the Transfer Line, Measurement Devices, and Odorization Equipment.

**“Standard cubic foot”** or **“SCF”** means the quantity of gas contained in 1 cubic foot volume at 60 degrees Fahrenheit and 14.73 pounds per square inch absolute pressure.

**“Transfer Line”** means the pipeline owned and operated by PSE that transports Pipeline Quality Gas from King County Facilities to the interconnect with the interstate pipeline facilities owned by NWP.

## **ARTICLE 2 TERM OF AGREEMENT**

**Section 2.01** This Agreement shall become effective upon the Effective Date. The Agreement shall remain in effect from the Effective Date until the earlier of: (i) October 31, 2035; (ii) termination pursuant to the terms of this Agreement; or (iii) termination by written agreement of the Parties.

**Section 2.02** The term may be extended by mutual written agreement of the Parties for an additional term of 10 years.

**Section 2.03** In the event of a termination, all payment obligations incurred prior to termination shall be and hereby are preserved until satisfied.

## **ARTICLE 3 SERVICES.**

**Section 3.01** PSE hereby agrees to perform the Services as set forth on Appendix A to this Agreement, which is hereby incorporated by reference herein.

## **ARTICLE 4 PAYMENT AND INVOICING FOR SERVICES**

**Section 4.01** King County hereby agrees to pay PSE for the Services according to the pricing schedule in Appendix B to this Agreement which is hereby incorporated by reference herein.



## **ARTICLE 5 GAS QUALITY**

**Section 5.01** The Parties will establish the specifications and standards that Pipeline Quality Gas must meet in a separate, three-party agreement by and between PSE, King County, and NWP to be negotiated in good faith and executed between the Parties and NWP.

## **ARTICLE 6 FORCE MAJEURE**

**Section 6.01** Neither PSE nor King County shall be liable to the other Party for any delay in the performance of any of their respective obligations under this Agreement to the extent such delay is caused by acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, pandemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests or restraints of leaders and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the order of any court or governmental authority having jurisdiction, and any other cause, whether of the kind enumerated herein or otherwise, not reasonably within the control of the Party claiming delay and which by the exercise of due diligence such Party is unable to prevent or overcome (each such event “Force Majeure”). Failure to prevent or settle a strike or strikes shall not be considered a matter within the control of the Party claiming suspension.

**Section 6.02** Such causes or contingencies affecting the performance under this Agreement by either PSE and King County, however, shall not relieve either Party of liability in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve either Party of its obligations to make payments of amounts then due in respect of Pipeline Quality Gas that has already been delivered to the Point of Measurement.

## **ARTICLE 7 ASSISTANCE DURING START-UP AND TESTING**

**Section 7.01** Each Party shall cooperate with, and provide reasonable assistance to, the other Party, without charge, during start-up and testing of the King County Facilities and the PSE Facilities. Each Party shall provide written notice to the other, as soon as possible, of the readiness of their respective facilities to perform such Party’s obligations under this Agreement.

## **ARTICLE 8 EMERGENCIES; EXPECTED KING COUNTY HOURS OF OPERATION**

**Section 8.01** PSE may, without liability, interrupt, pause or suspend the Services as necessary for purposes of carrying out repairs or mitigating exigent risks and shall provide maximum feasible notice of emergency interruptions, and, to the extent practicable, the estimated duration of any such interruption, pause, or suspension of the Services.

## **ARTICLE 9**

### **POSSESSION OF GAS AND RESPONSIBILITY AND INDEMNIFICATION**

**Section 9.01** King County shall be deemed to be in control and possession of the gas until such gas shall have been delivered to the Point of Delivery. PSE shall be deemed to be in control and possession of the gas once it is delivered to the Point of Delivery and shall assume responsibility for, and risk of loss in connection with, the transportation of such gas. PSE will be deemed to take title to any and all Pipeline Quality Gas that PSE purchased pursuant to the NAESB Agreements once such Pipeline Quality Gas has been delivered to the Point of Measurement. King County will retain title to all gas after its delivery to the Point of Measurement that PSE has not taken title to under the foregoing sentence. King County shall indemnify and hold harmless PSE, its successors and assigns, and the respective directors, officers, agents, and employees of PSE, its successors and assigns, from and against all losses, liabilities and claims, including without limitation, reasonable attorneys' fees and court costs (collectively "Claims"), from any and all persons, arising from or out of claims of title, personal injury, or property damage to the extent arising out of or in connection with (i) any Landfill Gas, Processed Gas and Pipeline Quality Gas prior to the delivery of any such gas to the Point of Measurement; and (ii) the failure of any gas delivered to the Point of Measurement to qualify as Pipeline Quality Gas unless such failure was caused by or attributable to an act or omission of PSE. PSE shall indemnify and hold harmless King County, its successors and assigns, and the respective directors, officers, agents, and employees of PSE, its successors and assigns, from and against all Claims, from any and all persons, arising from or out of claims of title, personal injury, or property damage to the extent arising out of or in connection with any Landfill Gas, Processed Gas, and Pipeline Quality Gas after the delivery of any such gas to the Point of Measurement except for any Claims arising from the failure of any gas delivered to the Point of Measurement to qualify as Pipeline Quality Gas unless such failure was caused by or attributable to an act or omission of King County. The terms of this Section 9.01 supersede anything to the contrary in the NAESB Agreements.

**Section 9.02** In connection with any action to enforce this Article 9, each Party hereby waives any immunity, defense, or protection under any workers' compensation, industrial insurance, or similar laws (including but not limited to, the Washington Industrial Insurance Act, Title 51 of the Revised Code of Washington). This Article 9 shall not be interpreted or construed as a waiver of either Party's right to assert any such immunity, defense, or protection directly against any of its own employees or such employee's estate or other representatives.

## **ARTICLE 10**

### **INDEMNIFICATION AND LIMITATION OF LIABILITY**

**Section 10.01** Each Party agrees to indemnify and hold harmless the other Party for claims by third parties for personal injury, death, or property damage to the extent caused by or resulting from: (i) the negligent or intentional acts, errors, or omissions of the indemnifying Party, (ii) the indemnifying Party's breach of applicable law, except, in either of (i) or (ii), to the extent such matter is otherwise addressed under the indemnification obligations set forth in Article 9 of this Agreement.

**Section 10.02** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, OTHER THAN A PARTY'S INDEMNIFICATION OBLIGATIONS SET FORTH IN ARTICLES 9 AND 10, AND A PARTY'S RIGHTS TO EQUITABLE RELIEF AS MAY BE EXPRESSLY SET FORTH IN THIS AGREEMENT, A PARTY'S LIABILITY FOR BREACH OF ANY PROVISION OF THIS AGREEMENT SHALL BE LIMITED TO DIRECT DAMAGES. EXCEPT AS SET FORTH IN THE PRECEDING SENTENCE, (i) SUCH DIRECT DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF THE NON-BREACHING PARTY AND ALL OTHER REMEDIES AT LAW OR EQUITY ARE HEREBY WAIVED, AND (ii) NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY, OR INDIRECT DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE.

## **ARTICLE 11**

### **DISPUTE RESOLUTION AND APPLICABLE LAW**

**Section 11.01** Venue for any suit, legal action, or other legal proceeding arising out of or relating to this Agreement shall lie either in the Superior Court of Washington for King County or in the United States District Court for the Western District of Washington, both of which are located in Seattle, Washington. Each Party consents to the jurisdiction of these two courts in any such suit, action, or proceeding involving this Agreement. The Parties agree that a final judgment in any such suit, action, or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or by any other manner provided by law. Each Party shall pay its own attorneys' fees and costs in connection with any legal action hereunder.

**Section 11.02** Except as otherwise expressly provided in this Agreement and before any Party initiates any lawsuit or legal proceedings pursuant to this Article 11, the Parties will attempt in good faith to resolve through negotiations any dispute, claim or controversy arising out of or relating to this Agreement; provided, however, that either Party may seek interim relief to the extent necessary to preserve its rights hereunder or protect its property during the continuance of the resolution process set forth in this Article 11. Either Party may initiate negotiations by providing notice to the other Party, setting forth the subject of the dispute and the relief requested. The recipient of such notice shall respond within seven (7) days with a written statement of its position on, and recommended solution to, the dispute. If the dispute is not resolved by this exchange of correspondence, then representatives of each Party with full settlement authority will meet at a mutually agreeable time and place within ten (10) days of the initial notice in order to exchange relevant information and perspectives, and to attempt to resolve the dispute. If the Parties do not resolve such dispute within twenty (20) days of the initial notice, then either Party shall at any time thereafter have the right to exercise any of its rights and remedies provided to it hereunder or otherwise available at law or in equity (subject to the limitations set forth herein).

**Section 11.03** The laws of the State of Washington shall govern the interpretation and application of this Agreement, without regard to any State's choice of law principles.

## **ARTICLE 12 INSURANCE**

**Section 12.01** Throughout the term of this Agreement, King County shall, at King County's expense, maintain Commercial General Liability insurance with minimum per occurrence limits of ten million dollars (\$10,000,000), providing coverage for any and all costs, including defense costs, losses, and damages resulting from personal injury, bodily injury (including death), and property damage. Such insurance shall include products liability, completed operations, and blanket contractual liability coverage, as well as coverage for XCU (Explosion, Collapse, and Underground) hazards. These requirements for insurance coverage limits may be satisfied by a combination of Primary and Excess Commercial General Liability policies. In the event that any policy is written on a "claims made" basis, and such policy is not renewed during the Term of this Agreement, King County shall obtain for such policy the broadest basic and supplemental extended reporting period coverage commercially available on reasonable terms and conditions in the commercial insurance market and provide PSE with proof that such basic and supplemental extended reporting period coverage has been obtained.

**Section 12.02** All insurance policies as provided above shall (i) be endorsed to include PSE, its officers, directors, employees, and agents as additional insureds, (ii) not be reduced, canceled, or otherwise materially changed without thirty (30) days' prior written notice to PSE, (iii) be primary with respect to PSE, and any other insurance or self-insurance maintained by PSE shall be excess of and not contributing insurance with King County's insurance, (iv) apply severally and not collectively to each insured against which or whom a claim is made or suit is brought, except that the inclusion of more than one insured shall not operate to increase the insurance company's limits of liability as set forth in the insurance policy, and (v) be endorsed as necessary to waive all subrogation rights against PSE. To the extent permitted by its insurance policies, King County hereby waives all rights of subrogation against PSE, its officers, directors, employees, and agents.

**Section 12.03** Prior to delivering any Pipeline Quality Gas to the PSE Facilities, and throughout the Term of this Agreement, King County shall provide PSE with (a) evidence of insurance policies, showing the policy effective dates, limits of liability, and the schedule of terms, conditions, and endorsements, and (b) a copy of the endorsement naming PSE, its officers, directors, employees, and agents as additional insureds, showing the policy number(s), and signed by an authorized representative of the insurance company. Unless PSE notifies King County in writing within five business days of receipt, PSE shall be deemed satisfied with the coverage summarized in the certificate of coverage provided by King County to PSE. All insurance coverage pursuant hereto shall be issued by an insurer with a Best's Rating of not less than "A-VII."

**Section 12.04** Notwithstanding anything in Article 12, King County represents that it is self-funded for its liability exposures. King County agrees to provide PSE with a certificate of self-insurance as adequate proof of coverage. King County further represents that it does not purchase Commercial General Liability insurance and is a self-insured governmental entity. Therefore, King County does not have the ability to add PSE as an additional insured. PSE acknowledges and accepts the foregoing as satisfaction of the insurance requirements set forth in this Article 12. However, if King County elects to cease self-insuring its liability exposures and to

purchase Commercial General Liability Insurance, King County agrees to add PSE as an additional insured and satisfy all other insurance requirements in Sections 12.01, 12.02, and 12.03.

### **ARTICLE 13 SEVERABILITY AND SURVIVAL**

**Section 13.01** If any article, paragraph, clause, or provision of this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall be unaffected by such invalidity or unenforceability and all remaining provisions shall remain in full force and effect as if such article, paragraph, clause, or provision of any part thereof so adjudicated had not been included herein and the Parties shall exercise their best efforts to correct the article, paragraph, clause, or provision giving rise to such invalidity or unenforceability and substitute appropriate provisions to achieve the intent of this Agreement.

**Section 13.02** Articles 9, 10, and 11, and the obligations to make payments hereunder shall survive termination of this Agreement.

### **ARTICLE 14 INDEPENDENT CONTRACTORS**

**Section 14.01** Each Party shall furnish its own facilities, contractors, and employees to fully perform its obligations under this Agreement. Neither Party shall, by virtue of this Agreement, have (i) any responsibility for the payment or performance of any obligations of the other Party, (ii) any right, power, or authority to act as the agent of, to enter into any contract, to make any representation or warranty, or to incur any obligation or liability of the other Party. This Agreement shall not be interpreted or construed to create any association, joint venture, or partnership between the Parties or to impose any partnership obligation or liability upon either Party.

### **ARTICLE 15 NO THIRD PARTY BENEFICIARIES**

**Section 15.01** This Agreement is for the benefit of, and will be enforceable by, the Parties only. This Agreement is not intended to confer any right or benefit on any third party (including, but not limited to, any employee of any party). No action may be commenced or prosecuted against a Party by any third party claiming as a third-party beneficiary of this Agreement or any of the transactions contemplated by this Agreement.

### **ARTICLE 16 INTERPRETATION**

**Section 16.01** This Agreement will be construed without regard to any presumption or other rule regarding construction against the Party causing this Agreement to be drafted.

## **ARTICLE 17 ASSIGNMENT**

**Section 17.01** King County may not assign this Agreement without PSE's prior written consent, which consent shall not be unreasonably withheld, provided the proposed assignee (the "King County Assignee") is capable of performing this Agreement in accordance with its terms and assumes all liability hereunder. PSE shall purchase Pipeline Quality Gas from the King County Assignee pursuant to this Agreement. Notwithstanding the preceding, this Agreement shall be fully assignable by King County, without the consent of PSE, provided such assignment is in connection with an assignment of all or any part of King County's rights or obligations under this Agreement as collateral security for amounts payable under any financing arrangement in connection with the Cedar Hills Landfill Gas Processing Facility. This Agreement shall also be fully assignable by PSE, subject to King County's written consent, which consent shall not be unreasonably withheld, provided the proposed assignee is capable of performing this Agreement in accordance with its terms. Subject to the foregoing restrictions on assignment, this Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the Parties.

## **ARTICLE 18 ACCESS TO RECORDS**

**Section 18.01** In addition to meter and gas testing records, the Parties shall, in accordance with generally accepted accounting principles consistently applied, maintain books, records, documents and other accounts necessary for the performance of this Agreement. Each Party and its duly authorized representatives shall have access to such books, records, documents and accounts as relate to matters covered by this Agreement for purposes of inspection, review and copying for a period of three (3) years after completion of the work or services that are the subject of such books, records, documents and accounts.

## **ARTICLE 19 NOTICES, COMPUTATION OF TIME AND HOLIDAYS**

**Section 19.01** Any notice required by this Agreement to be given to either Party shall be effective when it is received by such Party, and in computing any period of time related to such notice, such period shall commence at 12:01 p.m. prevailing time at the place of receipt on the date of receipt of such notice.

**Section 19.02** All notices required or appropriate under this Agreement shall be given in writing by hand, by overnight courier, by first-class postage prepaid mail return receipt requested, by registered or certified mail return receipt requested, or by emails which are confirmed by first class mail addressed to the applicable Party, directed to the following addresses, as maybe amended by written notice:

PUGET SOUND ENERGY, INC.  
355 110th Ave NE.  
Bellevue, WA 98004-9734  
Attention: Mike Ostrowski

Email address: [mike.ostrowski@pse.com](mailto:mike.ostrowski@pse.com)

KING COUNTY, WASHINGTON  
King County Department of Natural Resources and Parks  
Attention: Solid Waste Division Deputy Director  
201 S Jackson, Suite 6400  
Seattle, WA 98104  
Email address: [commctr.swd@kingcounty.gov](mailto:commctr.swd@kingcounty.gov)

**Section 19.03** If the date for making any payment or performing any act is a day on which banking institutions are closed in the place where the payment is to be made or a legal holiday, payment may be made or the act performed on the next succeeding day which is neither a legal holiday nor a day when banking institutions are closed.

## **ARTICLE 20 ENTIRETY OF AGREEMENT**

**Section 20.01** This Agreement, including the Appendices A and B, supersedes all prior negotiations, representations, and agreements between the Parties relating to the subject matter hereof and constitutes the entire agreement between the Parties.

**Section 20.02** This Agreement may be executed in two or more counterpart copies, each of which when so executed shall be considered for all purposes an original. Executed counterparts transmitted by facsimile or other electronic means shall be binding on the Parties.

*[Signature page follows]*

IN WITNESS WHEREOF, the Parties have caused this Transfer Line Transportation Agreement to be signed by their duly authorized representatives as of the Effective Date referred to above.

PUGET SOUND ENERGY, INC.

BY \_\_\_\_\_

NAME:

TITLE:

DATE \_\_\_\_\_

KING COUNTY, WASHINGTON

BY \_\_\_\_\_

NAME:

TITLE:

DATE \_\_\_\_\_



TRANSFER LINE INTERCONNECTION AND TRANSPORTATION AGREEMENT  
BETWEEN  
PUGET SOUND ENERGY, INC.  
AND  
KING COUNTY, WASHINGTON

**APPENDIX A**  
**Description of Services**

King County shall own, operate and maintain the King County Facilities.

PSE shall own, operate and maintain the PSE Facilities, including the Measurement Devices, Odorization Equipment and the Transfer Line for the transportation of Pipeline Quality Gas from the interconnect of the King County Facilities and the Transfer Line at the Point of Delivery, to the interconnect of the Transfer Line and NWP at the Point of Measurement, and shall provide for reasonable renewals and replacements thereof during the term of this Agreement.

Each Party shall provide the other Party reasonable access to its respective facilities to the extent necessary for the performance of this Agreement.

PSE shall monitor the electronic data transmitted to it regarding the quality and quantity of gas delivered, and may, subject to and in accordance with a plan to be mutually agreed upon by the Parties, such agreement to not be unreasonably withheld; periodically review and inspect the King County Facilities to ensure the proper operation of the King County Facilities and compliance with any applicable codes and safety requirements at a date and time mutually agreed upon by the Parties; provided, however, nothing herein shall be construed to impose any obligation on PSE to periodically review and inspect the King County Facilities; nor shall PSE's undertaking to review or inspect any portion of the King County Facilities relieve or diminish King County's obligation to review and inspect the King County Facilities for proper operation and compliance with any applicable codes and safety requirements.

TRANSFER LINE INTERCONNECTION AND TRANSPORTATION AGREEMENT  
BETWEEN  
PUGET SOUND ENERGY, INC.  
AND  
KING COUNTY, WASHINGTON

**APPENDIX B**  
**Pricing Schedule**

King County shall pay to PSE a facilities charge (the “Facilities Charge”) in the amount of \$0.12 (12 cents) per Dth for each Dth of Pipeline Quality Gas delivered to the Point of Measurement. The Facilities Charge shall be designed to reimburse PSE for ownership, operation, and maintenance of the PSE Facilities.



## King County

**Shannon Braddock**

King County Executive

401 Fifth Avenue, Suite 800  
Seattle, WA 98104

**206-296-9600** Fax 206-296-0194

TTY Relay: 711

[www.kingcounty.gov](http://www.kingcounty.gov)

July 31, 2025

The Honorable Girmay Zahilay  
Chair, King County Council  
Room 1200  
C O U R T H O U S E

Dear Councilmember Zahilay:

This letter transmits a proposed Ordinance that, if enacted, would provide King County the authority to sell biomethane and environmental attributes originating from the Cedar Hills landfill gas processing plant to Puget Sound Energy (PSE).

Approval of this proposed legislation would authorize the Executive to execute a Contract for the Sale of Biomethane and Environmental Attributes from the Cedar Hills Biogas Processing Facility (purchase and sale agreement) between the Solid Waste Division (SWD) of the Department of Natural Resources and Parks (DNRP) and PSE. The purchase and sale agreement with PSE is to sell product gas and specified volumes of the environmental attributes associated with product gas originating from the Cedar Hills biogas processing facility with the environmental attributes increasing in volume over the first four years of the agreement. This proposed ordinance supports the monetization of biomethane to be produced at the renewable natural gas processing plant located at Cedar Hills Regional Landfill, recently adopted by the King County Council to be acquired by the County. Enacting this proposed Ordinance will create a public benefit by supporting the beneficial use of biofuels, reducing the amount of landfill gas that is flared into the atmosphere, and bringing revenue to the County.

The ordinance also includes a Transfer Line Interconnection and Transportation Agreement. The Transfer Line Interconnection and Transportation Agreement provides access to PSE's natural gas pipeline between the processing facility and the regional natural gas pipeline operated by the Williams Companies.

Operating the landfill gas processing plant has significant environmental benefits. In 2021, Cedar Hills Regional Landfill (CHRLF) generated an average of about 6,500 standard cubic

The Honorable Girmay Zahilay

July 31, 2025

Page 2

feet per minute of landfill gas. When processed at the Cedar Hills biogas processing facility, landfill gas is purified into pipeline-quality biomethane, also known as renewable natural gas. Converting landfill gas into renewable energy means that an equal amount of non-renewable natural gas energy does not need to be consumed. This reduces greenhouse gas emissions by tens of thousands of metric tons per year.

The landfill gas processing plant also has financial benefits for SWD and the ratepayers of King County. Selling biomethane and the related environmental attributes produced by the landfill gas processing plant will generate ongoing revenue for the County into the future. Two of the documents attached to the proposed ordinance contain redactions which may be discussed in executive session.

Thank you for your consideration of this important legislation. Approval of this proposed Ordinance would allow SWD to sell and monetize renewable natural gas and environmental attributes originating from CHRLF, thereby supporting the local clean energy economy.

If your staff have questions, please contact Rebecca Singer, Division Director of the Solid Waste Division of the Department of Natural Resources and Parks, at 206-263-2244.

Sincerely,



for

Shannon Braddock  
King County Executive

Enclosure

cc: King County Councilmembers  
ATTN: Stephanie Cirkovich, Chief of Staff, King County Council  
Melani Hay, Clerk of the Council  
Karan Gill, Deputy Executive, Chief of Staff, Office of the Executive  
Stephanie Pure, Council Relations Director, Office of the Executive  
John Taylor, Director, Department of Natural Resources and Parks (DNRP)  
Rebecca Singer, Director, Solid Waste Division, DNRP



## King County

# Metropolitan King County Council Budget & Fiscal Management Committee

### STAFF REPORT

<b>Agenda Item:</b>	8	<b>Name:</b>	Mary Bourguignon
<b>Proposed No.:</b>	2025-B0115	<b>Date:</b>	August 27, 2025

### SUBJECT

Today's briefing will provide information about Metro's 2028-2029 biennium reserve levels, in response to a budget proviso.

### SUMMARY

Metro's adopted 2025 budget is \$2.1 billion, combined operating and capital.<sup>1</sup> Its services are supported by a dedicated 0.9% sales tax; federal and state grants; contracts for service; fares; and a dedicated property tax for water taxi service.

When the 2025 budget was transmitted, Metro's financial plan indicated that expenditures were outpacing reserves and projected a \$500 million shortfall in reserves by the 2028-2029 biennium. The Executive indicated at the time that the 2026-2027 budget would include proposals to mitigate these challenges.

In response to the projected reserve shortfall, the Council included a proviso<sup>2</sup> asking the Executive to brief the BFM Committee on Metro's 2028-2029 biennium total reserve levels by June 19, 2025. The briefing was to include potential impacts to Metro's operating budget, potential actions that could result in increased revenue to support Metro's operations, potential impacts to Metro's infrastructure capital or revenue fleet budgets, and potential requests for additional revenue support for Metro.

### BACKGROUND

**King County's Metro Transit Department (Metro)** is the largest provider of public transit in the region, operating fixed-route bus and water taxi service, as well as accessible, flexible, and shared services. Metro also operates Link light rail and Sound Transit Express bus service under contract to Sound Transit; and the Seattle Streetcar under contract to the City of Seattle. Metro currently operates approximately 3.9 million transit service hours a year with approximately 87 million boardings anticipated this year, an average of 300,000 boardings each weekday.

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<sup>1</sup> Ordinance 19861

<sup>2</sup> Ordinance 19861, Section 115, Proviso P1

Metro's adopted 2025 budget is \$2.1 billion, combined operating and capital.<sup>3</sup> Its services are supported by a dedicated 0.9% sales tax; federal and state grants; contracts for service; fares; and a dedicated property tax for water taxi service.

When the 2025 budget was transmitted, the Executive described it as "transitional" and noted that it largely extended policy direction from the 2023-2024 budget. However, because expenditures were outpacing revenues, Metro's accompanying financial plan anticipated a projected \$500 million shortfall in reserves by the 2028-2029 biennium. The Executive indicated that the 2026-2027 budget would include proposals to mitigate these challenges.

The Council's budget deliberations identified six key issues that could affect ongoing revenues and expenditures, and therefore, reserve levels:

- **Ridership and service**, with weekday ridership in Fall 2024 at 64% of pre-pandemic levels, but service at 87% of pre-pandemic levels.
- **Fares and fund management**, with Metro collecting on average \$150 million per year less in farebox revenues than pre-pandemic, due to the changing levels of ridership and service, increasing levels of transfers (and therefore revenue split) following the increase in Sound Transit's Link light rail service, a reduction in Business Passport (employer-subsidized) fare revenue, and increased fare evasion.
- **Safety and security concerns** that required additional resources for increased numbers of contracted transit security officers and Metro Transit Police deputies, additional bus and bus stop cleaning, and behavioral health support.
- **Operational capacity issues**, specifically challenges recruiting and retaining employees that limited Metro's ability to restore service, required additional resources for training, and led to a 2023 collective bargaining agreement<sup>4</sup> that included retention and recruitment bonuses with Metro's largest labor partner, the Amalgamated Transit Union (ATU), Local 587. Note that this collective bargaining agreement expires in October 2025.
- **The transition to zero-emission** to satisfy the goal in the King County Code of achieving a 100% zero-emission vanpool fleet by 2030 and a 100% zero-emission bus fleet by 2035, which will require the conversion of each base and replacement of the fleet, with appropriations of nearly \$500 million in 2025.
- **RapidRide expansion and the implementation of Metro Connects**, which will require ongoing capital and service investments. The Metro Connects long-range plan was adopted as an unconstrained plan, meaning that it is not fully funded.

A related issue, which was not anticipated during deliberations on the 2025 budget is the changing landscape surrounding federal funding, which could affect both operational

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<sup>3</sup> Ordinance 19861

<sup>4</sup> Ordinance 19668 covers the three-year period from November 1, 2022, through October 31, 2025.

and capital grant funding. As of early 2025, Metro anticipated receiving \$125 million in 2025 and \$129 million in 2026 in Federal Transit Administration formula funding. In addition, Metro had received more than \$100 million in grant commitments in recent years for bus fleet purchases and RapidRide implementation.

**Budget actions.** In response to the anticipated reserve shortfall by the 2028-2029 biennium, the Council included a proviso<sup>5</sup> asking the Executive to brief the BFM Committee on Metro's 2028-2029 biennium total reserve levels by June 19, 2025. The briefing was to include potential impacts to Metro's operating budget, potential actions that could result in increased revenue to support Metro's operations, potential impacts to Metro's infrastructure capital or revenue fleet budgets, and potential requests for additional revenue support for Metro.

P1 PROVIDED THAT:

Of this appropriation, \$100,000 shall not be expended or encumbered until the executive provides a briefing to the budget and fiscal management committee or its successor on the Metro transit department's 2028-2029 biennium total reserve levels, defined as the sum of the individual reserves and designations in the reserves category of the public transportation fund, which are expected to be below the level required in the fund management policies for the public transportation fund in Ordinance 18321. The briefing shall include, but not be limited to, the following:

A. Potential impacts to the Metro transit department's operating budget, including, but not limited to, transit service, staffing, or operating procedures;

B. Potential actions that could result in increased revenue to support the Metro transit department's operating or capital budgets, including, but not limited to, actions to increase adult fare ridership, actions to increase transit farebox revenues, or actions to increase grant funding or support from partner jurisdictions or partner agencies;

C. Potential impacts to the Metro transit department's infrastructure capital or revenue fleet budgets, including, but not limited to, reducing, reprioritizing, modifying, or delaying planned capital investments or planned fleet purchases; and

D. Potential requests for additional revenue support for the Metro transit department.

The executive should provide the briefing required by this by June 19, 2025.

Today's briefing will respond to the proviso.

**INVITED**

- Jeannie Miller, Assistant General Manager, Finance & Administration, Metro Transit Department
- Geoff Kaiser, Director of Budget & Financial Planning, Finance & Administration Division, Metro Transit Department

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<sup>5</sup> Ordinance 19861, Section 115, Proviso P1

## **ATTACHMENTS**

1. Metro reserves presentation



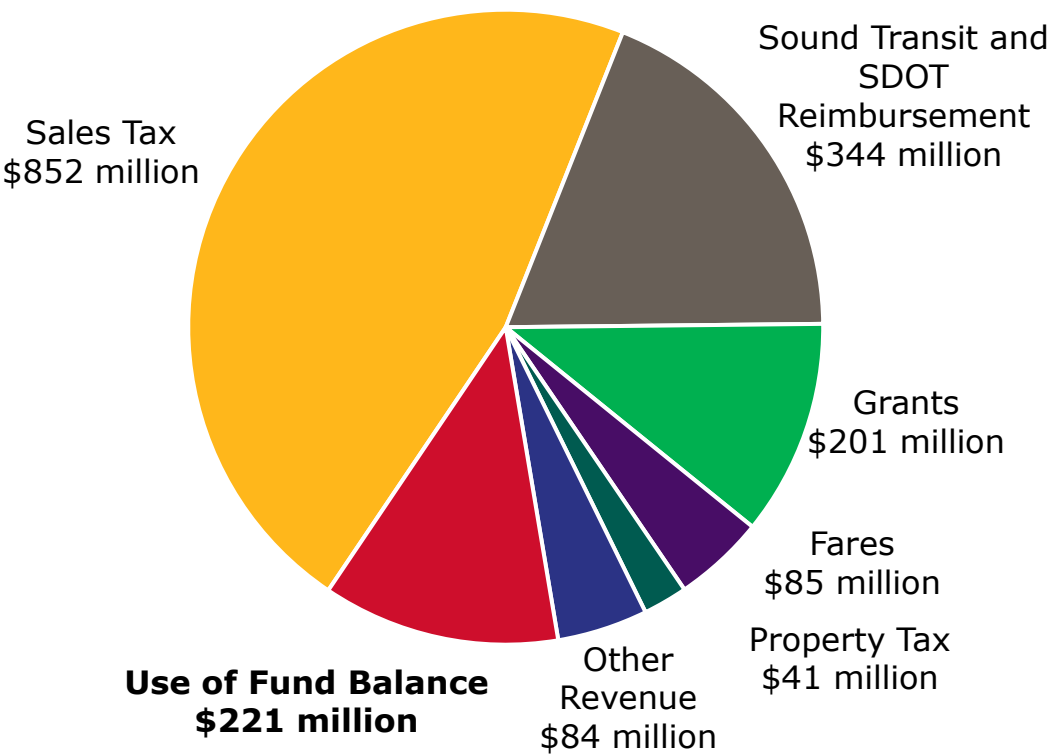
# Metro Transit 2025 Budget Proviso

## Briefing on 2028-2029 Reserve Levels

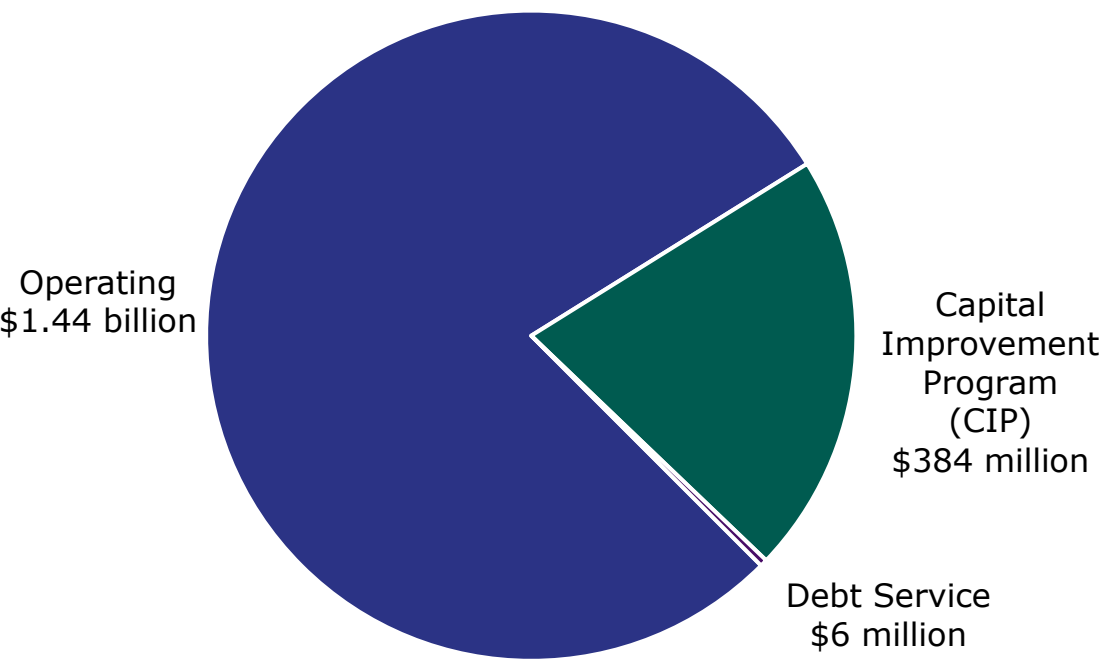


# Key Financial Data

Funding Sources, Total = \$1.83 billion



Use of Funds, Total = \$1.83 billion



# May 29 Financial Plan Summary

Financial Plan (\$ Million)	2025 Budget	2025 Estimate	2026-2027	2028-2029
Beg. Fund Balance	\$2,185	\$2,104	\$2,001	\$1,315
<b>Total Revenues</b>	<b>\$1,606</b>	<b>\$1,608</b>	<b>\$3,585</b>	<b>\$4,090</b>
<i>Operating Expense</i>	\$1,432	\$1,438	\$3,140	\$3,425
<i>Capital Expense</i>	\$737	\$384	\$1,264	\$1,952
<i>Debt Service</i>	\$6	\$6	\$19	\$104
<b>Total Expenses</b>	<b>\$2,175</b>	<b>\$1,829</b>	<b>\$4,423</b>	<b>\$5,482</b>
<i>Under-expense + Other Adjustments</i>	\$116	\$116	\$150	\$95
Ending Fund Balance	<b>\$1,733</b>	<b>\$2,001</b>	<b>\$1,315</b>	<b>\$21</b>
Reserves and Designations	\$1,319	\$1,559	\$1,371	\$851
Excess/Shortfall	\$414	\$442	<b>-\$55</b>	<b>-\$830</b>

# Metro's Reserves

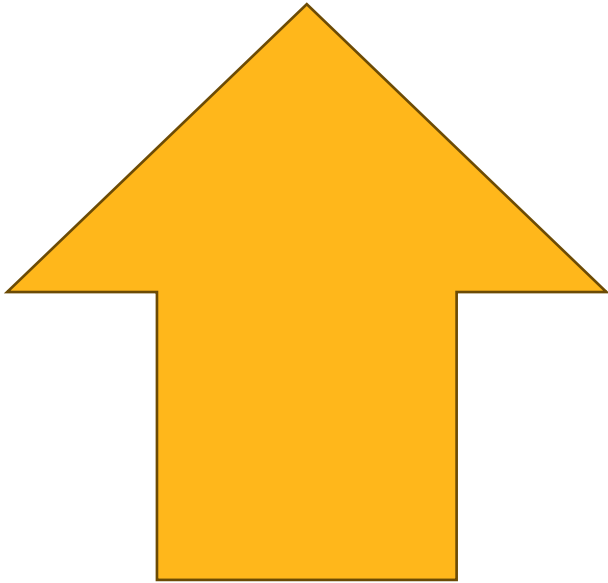
## Reserves mandated by Ordinance 19863

- Recession, Risk, and Cash Flow Reserves
  - 45% of annual, estimated sales tax revenue
- Revenue Fleet Replacement Reserve
  - Funds a 20-year fleet replacement plan
- Bond Subfund Reserve

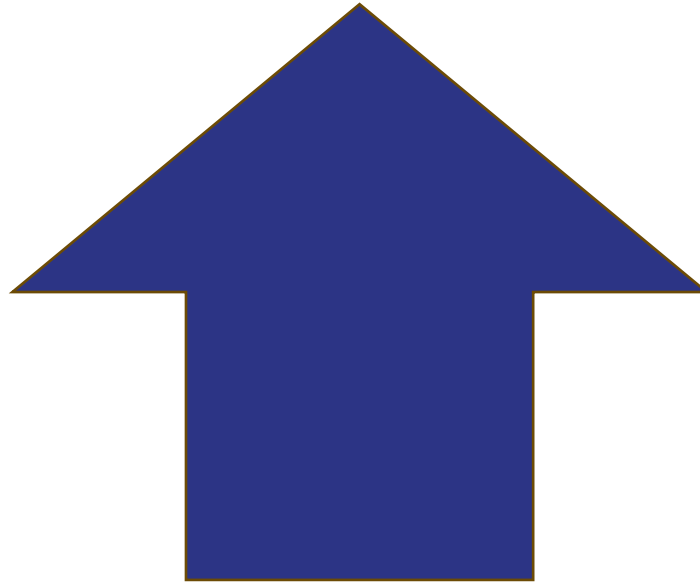
## Other reserves and designations

- Guided by Motion 16041 - Comprehensive Financial Management Policies
- Funds designated for future, budgeted capital projects
- Monitoring restricted revenue sources (Marine, FTA)

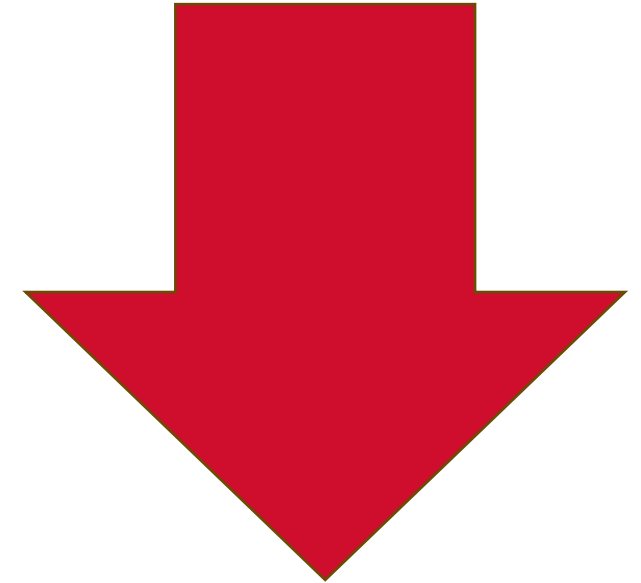
# Growing Costs and Weak Revenue Projections Drive the Reserve Shortfall



Rising personnel  
costs



Continued inflation and  
high costs for equipment,  
services, and supplies



Flat projections for  
sales tax and  
farebox recovery

# Major Policy Commitments Assumed in 2025 Budget

2035 target for full conversion of bus fleet to zero-emissions

Target via Ordinance 19052

Restoration of suspended bus service

Governed by Ordinance 19581

RapidRide program expansion

Metro Connects and various other ordinances

# Addressing Projected Shortfall

- Metro's priorities are to invest in delivering safe, clean, and reliable service to our customers, including continuing to restore suspended bus service.
- Metro will focus on delivering a capital program that prioritizes taking care of what we have through our state of good repair program while balancing new capital investments.
  - This includes proposing meaningful investments to convert fleet to zero emissions with a pace of transition that will be based on available funding, while continuing to prioritize service and limiting impacts to customers
- Metro is working to identify cost-saving measures while continuing to focus on service quality.





# Potential Options for Increased Revenue



## King County Transportation District funding

Various funding options available, including up to three-tenths of one percent sales tax funding



## Focus on increasing ridership and farebox revenue

Continued restoration of suspended service through restructures

Providing a safe, secure system for passengers

Reinstituting fare enforcement



## Implementing \$0.25 adult fare increase in September 2025

Next increase assumed for 2028 in Metro's financial planning



## Increase partner jurisdiction support

Direct payment for expanded service

Working with partners on alternative capital delivery models

Reducing capital project risk and cost through interlocal agreements



# Other Risks & Opportunities for 2026-2027 Planning



Federal funding risk



Additional economic uncertainty



July OEFA forecast & impact from SB 5814