



King County

1200 King County
Courthouse
516 Third Avenue
Seattle, WA 98104

Meeting Agenda

Transportation, Economy, and Environment Committee

Councilmembers:

Steffanie Fain, Chair;

Pete von Reichbauer, Vice Chair;

Claudia Balducci, Reagan Dunn

Lead Staff: Jake Tracy (206-263-0875)

Committee Clerk: Angelica Calderon (206 477-7470)

9:30 AM

Tuesday, June 16, 2026

Hybrid Meeting

Hybrid Meetings: Attend the 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 to 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 Transportation, Economy, and Environment Committee values community input and looks forward to hearing from you on agenda items.

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	<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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HOW TO WATCH/LISTEN TO THE MEETING REMOTELY: There are three ways to watch or listen to the meeting:

- 1) Stream online via this link www.kingcounty.gov/kctv, or input the link web address into your web browser.
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Dial: 1 253 215 8782
 Webinar ID: 828 3304 6944

To help us manage the meeting, please use the Livestream or King County TV options listed above, if possible, to watch or listen to the meeting.

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

- 1. Call to Order
- 2. Roll Call
- 3. Approval of Minutes **p. 5**

Minutes of March 17 and April 21, 2026 meeting.

Consent

- 4. [Proposed Motion No. 2026-0059](#) **p. 12**

A MOTION confirming the executive's appointment of Eric Adman, who resides in council district one, to the conservation futures advisory committee, as a council district one representative.

Sponsors: Dembowski



Sherrie Hsu, Council staff

- 5. [Proposed Motion No. 2026-0060](#) **p. 12**

A MOTION confirming the executive's appointment of Ben Antonius, who resides in council district two, to the conservation futures advisory committee, as a council district two representative.

Sponsors: Lewis

Sherrie Hsu, Council staff

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6. [Proposed Motion No. 2026-0072](#) **p. 24**

A MOTION approving a memorandum of understanding to restructure the Eastrail regional advisory council.

Sponsors: Balducci

Sherrie Hsu, Council staff

7. [Proposed Ordinance No. 2026-0150](#) **p. 35**

AN ORDINANCE authorizing the executive to enter into an amendment to the amended and restated solid waste interlocal agreement with the city of Bothell related to solid waste management services in areas of Snohomish County annexed to the city of Bothell after December 31, 2012.

Sponsors: Fain

Terra Rose, Council staff

Discussion and Possible Action

8. [Proposed Motion No. 2026-0058](#) **p. 52**

A MOTION confirming the executive's appointment of Jacqueline Reyes, who resides in council district eight, to the conservation futures advisory committee, as an at-large representative.

Sponsors: Mosqueda



Sherrie Hsu, Council staff

9. [Proposed Ordinance No. 2026-0116](#) **p. 62**

AN ORDINANCE relating to the sale of environmental attributes held by the county; authorizing the county to enter into an agreement for the sale of environmental attributes related to biomethane produced at the South Treatment Plant to Karbone Inc.

Sponsors: Fain

Jake Tracy, Council staff

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10. [Proposed Motion No. 2026-0038](#) **p. 140**

A MOTION acknowledging receipt of a plan describing the analysis to be completed for the policy questions identified in the Regional Wastewater Services Plan Update scope document as adopted by regional water quality committee resolution 2025-01, prepared in accordance with the 2026-2027 Budget Ordinance, Ordinance 20023, Section 115, Proviso P1.

Sponsors: Balducci

Jenny Giambattista, Council staff

Briefing

11. [Briefing No. 2026-B0079](#) **p. 228**

Fare Enforcement Report Briefing

Mary Bourguignon, Council staff

12. [Briefing No. 2026-B0080](#) **p. 264**

Transit Funding Needs Briefing

Mary Bourguignon, Council staff

Other Business

Adjournment



Sign language and interpreter services can be arranged given sufficient notice (206-848-0355).
TTY Number - TTY 711.
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Meeting Minutes Transportation, Economy, and Environment Committee

Councilmembers:
Steffanie Fain, Chair;
Pete von Reichbauer, Vice Chair;
Claudia Balducci, Reagan Dunn

Lead Staff: Jake Tracy (206-263-0875)
Committee Clerk: Angelica Calderon (206 477-7470)

9:30 AM

Tuesday, March 17, 2026

Hybrid Meeting

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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. 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.

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 by 8:00 a.m. three business days prior to the meeting.

CONNECTING TO THE WEBINAR:
Webinar ID: 828 3304 6944

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.

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1. **Call to Order**

Chair Fain called the meeting to order at 9:32 a.m.

2. **Roll Call**

Present: 4 - Balducci, Dunn, Fain and von Reichbauer

3. **Approval of Minutes**

Councilmember von Reichbauer moved approval of the February 17, 2026, meeting minutes. There being no objections, the minutes were approved.

Briefing

4. **Briefing No. 2026-B0038**

Briefing on Safety and Security at the 2026 FIFA World Cup

Hedda McLendon, VP of Legacy, Seattle FIFA World Cup 2026; Dan Nelson, Chief of

Planning, City of Seattle; Jeffrey Flohr, Undersheriff, (KCSO); Brendan McCluskey, Director, King County Emergency Management; Jonathan Rose, FIFA Program Director, Metro, introduced Chris Bruner, FIFA Safety/Security Lead, Metro; Andy Collins, Battalion Chief, Seattle Fire Department; briefed the Committee and answered questions from the Committee.

This matter was Presented

5. Public Comment

The following person was present to offer public comment:

Prem Subedi. Cristina Gonzalez, Senior Community Engagement Planner read his comments into the record.

Discussion and Possible Action

6. Proposed Ordinance No. 2026-0037

AN ORDINANCE approving South Link Connections Public Transportation Service Changes for King County.

Sponsors: Fain and von Reichbauer

Mary Bourguignon, Council staff, briefed the Committee on the legislation and answered questions from the members.

This item was expedited to the March 24, 2026 Council Agenda.

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

Yes: 4 - Balducci, Dunn, Fain and von Reichbauer

7. Proposed Motion No. 2026-0025

A MOTION related to public transportation, approving the King County Metro Public Transportation Agency Safety Plan 2025 and the King County Metro Public Transportation Agency Safety Plan 2026, in accordance with the Federal Transit Administration's Public Transportation Agency Safety Plan regulations and the Bipartisan Infrastructure Law.

Sponsors: Fain

Mary Bourguignon, Council staff, briefed the Committee on the legislation and answered questions from the members. Michelle Allison, Director, Metro Transit Department, answered questions from the Committee.

Councilmember Dunn moved amendment A1, the amendment was adopted.

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

Yes: 4 - Balducci, Dunn, Fain and von Reichbauer

Other Business

There was no other business to come before the Committee.

Adjournment

The meeting was adjourned at 11:04 a.m.

Approved this _____ day of _____

Clerk's Signature



King County

1200 King County
Courthouse
516 Third Avenue
Seattle, WA 98104

Meeting Minutes Transportation, Economy, and Environment Committee

Councilmembers:
Steffanie Fain, Chair;
Pete von Reichbauer, Vice Chair;
Claudia Balducci, Reagan Dunn

Lead Staff: *Jake Tracy (206-263-0875)*
Committee Clerk: *Angelica Calderon (206 477-7470)*

9:30 AM

Tuesday, April 21, 2026

Hybrid Meeting

Special joint meeting with the Regional Transit Committee

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1. **Call to Order**

Chair Fain called the joint meeting to order at 9:32 a.m.

2. **Roll Call**

Present: 4 - Balducci, Dunn, Fain and von Reichbauer

Briefing

3. **Briefing No. 2026-B0053**

FIFA Transportation Summit

Sam Zimbabwe, Seattle FWC2026, Grant Lahmann, Transit Operations Chief of Staff, Sound Transit, Jonathan Rose, FIFA Program Director, King County Metro, Travis Phelps, Management of Mobility Division Director, Washington State Department of Transportation and Elizabeth Sheldon, Deputy Director and Chief Infrastructure Engineer, Seattle Department of Transportation, briefed the Committee via PowerPoint presentation and answered questions from the members.

This matter was Presented

Adjournment

The meeting was adjourned at 10:49 a.m.

Approved this _____ day of _____

Clerk's Signature



King County

**Metropolitan King County Council
Transportation, Economy, and Environment Committee**

STAFF REPORT

Agenda Item:	4 & 5	Name:	Sherrie Hsu
Proposed No.:	2026-0059 2026-0060	Date:	June 16, 2026

SUBJECT

Proposed Motions 2026-0059 and 2026-0060 would confirm the following Executive appointments, respectively, to the Conservation Futures Advisory Committee:

- Eric Adman, who resides in council district one, as a council district one representative, to the remainder of a four-year term expiring December 31, 2029.
- Ben Antonius, who resides in council district two, as a council district two representative, for the remainder of a four-year term expiring December 31, 2028.

BACKGROUND

The Conservation Futures Tax (CFT) is collected as a dedicated portion of the property tax and is available only for the acquisition of open space and resource lands. King County Code 26.12.010 establishes a process for an annual allocation of CFT proceeds through a community-based process conducted by the Conservation Futures Advisory Committee (CFAC). The CFAC is an advisory body and recommends allocation of CFT proceeds based on a competitive application process.

The CFAC is comprised of 16 members, one from each council district, four council at-large members, and three executive at-large members.

APPOINTEE INFORMATION

Proposed Motion 2026-0059 would appoint Eric Adman, who resides in council district one, as a council district one representative, to the remainder of a four-year term expiring December 31, 2029. Erin Adman is co-director of the Adopt A Stream Foundation and brings experience in stream and watershed education and protection as the president of the nonprofit Sno-King Watershed Council, as a member of the WRIA 8 Salmon Recovery Council, and as a board member and volunteer with the Adopt A Stream Foundation.

Proposed Motion 2026-0060 would appoint Ben Antonius, who resides in council district two, as a council district two representative, for the remainder of a four-year term expiring December 31, 2028. Ben Antonius currently the Restoration Program Manager for the Delridge Neighborhoods Development Association (DNDA) and has experience overseeing DNDA's forest restoration program and participating in leadership roles within the Green Seattle Partnership.

ATTACHMENTS

1. Proposed Motion 2026-0059
2. Transmittal Letter for 2026-0059
3. Proposed Motion 2026-0060
4. Transmittal Letter 2026-0060
5. Conservation Futures Advisory Committee Board Profile



KING COUNTY

Signature Report

ATTACHMENT 1

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Motion

Proposed No. 2026-0059.1

Sponsors Dembowski

1 A MOTION confirming the executive's appointment of
2 Eric Adman, who resides in council district one, to the
3 conservation futures advisory committee, as a council
4 district one representative.

5 BE IT MOVED by the Council of King County:

6 The county executive's appointment of Eric Adman, who resides in council
7 district one, to the conservation futures advisory committee, as a council district one

Motion

8 representative, for the remainder of a four-year term to expire on December 31, 2029, is
9 hereby confirmed.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Sarah Perry, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this ____ day of _____, ____.

Girmay Zahilay, County Executive

Attachments: None



King County

Girmay Zahilay

King County Executive

401 Fifth Avenue, Suite 800

Seattle, WA 98104

206-477-3306 Fax 206-296-0194

TTY Relay: 711

www.kingcounty.gov

March 10, 2026

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

Dear Councilmember Perry:

This letter transmits a proposed Motion confirming the appointment of Ben Antonius, who resides in council district two, to the Conservation Futures Advisory Committee, as the district two representative, for the remainder of a three-year term expiring December 31, 2028.

Mr. Antonius's application, financial disclosure, board profile, and appointment letter are enclosed to serve as supporting and background information to assist the Council in considering confirmation.

Thank you for your consideration of the proposed legislation. If you have any questions about this appointment, please have your staff call Rosa Mai, Community Service, Boards & Commissions Specialist, at (206) 369-9279.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Zahilay', written in a cursive style.

Girmay Zahilay
King County Executive

Enclosures

The Honorable Sarah Perry

March 5, 2026

Page 2

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

Garrett Holbrook, Council Relations Director, Office of the Executive

Rosa Mai, Community Service, Boards & Commissions Specialist, Office of the
Executive

Ingrid Lundin, Staff Liaison to the Conservation Futures Advisory Committee

Jacqueline Reyes



KING COUNTY

Signature Report

ATTACHMENT 3

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Motion

Proposed No. 2026-0060.1

Sponsors Lewis

1 A MOTION confirming the executive's appointment of Ben
2 Antonius, who resides in council district two, to the
3 conservation futures advisory committee, as a council
4 district two representative.

5 BE IT MOVED by the Council of King County:

6 The county executive's appointment of Ben Antonius, who resides in council
7 district two, to the conservation futures advisory committee, as a council district two

Motion

8 representative, for the remainder of a four-year term to expire on December 31, 2028, is
9 hereby confirmed.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Sarah Perry, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this ____ day of _____, ____.

Girmay Zahilay, County Executive

Attachments: None



King County

Girmay Zahilay

King County Executive

401 Fifth Avenue, Suite 800

Seattle, WA 98104

206-477-3306 Fax 206-296-0194

TTY Relay: 711

www.kingcounty.gov

March 10, 2026

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

Dear Councilmember Perry:

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Girmay Zahilay
King County Executive

Enclosures

The Honorable Sarah Perry

March 10, 2026

Page 2

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Rosa Mai, Community Service, Boards & Commissions Specialist, Office of the
Executive

Ingrid Lundin, Staff Liaison to the Conservation Futures Advisory Committee

Jacqueline Reyes

CONSERVATION FUTURES ADVISORY COMMITTEE**DATE:** February 2026**TOTAL NUMBER OF MEMBERS:** 16**LENGTH OF TERM:** 4 Years

** King County seeks to create an inclusive and accessible process for individuals who wish to serve on a King County board or commission. We strive to ensure that King County boards and commissions are representative of the communities we serve.*

BOARD MEMBERS APPOINTED

Pos. No.	Name	KCC District	Background	Date Appointed	Term Expires	Number of Appointed Terms
1	Vacant	1	Vacant District 1 representative	Vacant	12/31/29	Vacant
2	Vacant	2	Vacant District 2 representative	Vacant	12/31/28	Vacant
3	Hannah Cavendish-Palmer	3	Nonprofit executive District 3 representative	8/23/23	12/31/28	1 Partial / 1 Full
4	Jean White	4	Retired from King County DNRP District 4 representative	12/5/22	12/31/26	1 Full
5	Yoshiko Grace Matsui	5	Human resources professional & KC #54 Water Commissioner District 5 representative	2/1/22	12/31/25	1 Full
6	Molly Graham	6	Floral Designer, self-employed District 6 representative	3/17/17	12/31/26	1 Partial / 2 Full
7	Keith Livingston	7	Self-employed artist; retired from a career in Municipal Management District 7 representative	2/22/19	12/31/25	2 Full
8	Steve Abel	8	Retired, teacher, small business owner District 8 representative	8/21/20	12/31/23	1 Full
9	Tom Stafford	9	Branch Manager at Federal Aviation Administration District 9 representative	12/5/22	12/31/26	1 Full
10	Catherine Gockel	4	EPA, Puget Sound Program Council at-large representative	4/05/11	12/31/26	1 Partial / 3 Full
11	Eric Zimmerman	5	Director of partnerships, World Vision Council at-large representative	1/17/24	12/31/28	1 Partial / 1 Full
12	Sam Rapoport	2	Outdoors instructor, aerospace engineer, teacher Council at-large representative	2/1/22	12/31/28	2 Full
13	Daniel Kim	7	Commercial construction company manager	10/22/24	12/31/29	1 Partial / 1 Full

Pos. No.	Name	KCC District	Background	Date Appointed	Term Expires	Number of Appointed Terms
			Council at-large representative			
14	Vacant		Vacant Executive at-large representative	Vacant	12/31/27	Vacant
15	Jen Syrowitz	9	Conservation Program Manager, Conservation Northwest Executive at-large representative	10/23/20	12/31/27	2 Full
16	Niesha Fort	4	Director of Community Engagement and Partnership, Family First Community Center Executive at-large representative	10/18/18	12/31/27	1 Partial / 2 Full

APPOINTED MEMBERS – SUBJECT TO COUNCIL CONFIRMATION

Pos. No.	Name	KCC District	Background	Date Appointed	Term Expires	Number of Appointed Terms
1	Eric Adman	1	Co-director, Adopt A Stream Foundation District 1 representative	Pending	12/31/29	1 Full
2	Ben Antonius	2	Restoration Program Manager, Delridge Neighborhoods Development Association District 2 representative	Pending	12/31/28	1 Full
14	Jacqueline Reyes	8	Conservation Manager, The Wilderness Society Executive at-large representative	Pending	12/31/27	1 Partial



King County

**Metropolitan King County Council
Transportation, Economy and Environment Committee**

STAFF REPORT

Agenda Item:	6	Name:	Sherrie Hsu
Proposed No.:	2026-0072	Date:	June 16, 2026

SUBJECT

Proposed Motion 2026-0072 would approve an updated memorandum of understanding that would remove the Eastside Greenway Alliance from the Eastrail Regional Advisory Council, at the organization’s request.

SUMMARY

Eastrail is a 42-mile former rail line running from the City of Renton to the City of Snohomish and extending through the cities of Snohomish, Woodinville, Kirkland, Bellevue, Renton, and Redmond, as well as parts of unincorporated Snohomish County and King County.

In 2013, King County and the Port of Seattle signed a purchase and sale agreement for King County to acquire the Port’s remaining interest in the remaining 15.6 miles of the railbanked area, as well as a 3.6-mile trail easement north of the railbanked area, between Woodinville and Brightwater. Other entities acquired interests as well. The five entities that acquired the Port’s interests in the railbanked portion of the Eastrail began planning collaboratively around a shared, multi-use vision for the corridor through a Regional Advisory Council (RAC).

Since then, new memorandums of understanding (MOU) have been passed in 2017 and 2022, each updating the membership or governance structure of the RAC.

PM 2026-0072 would approve a new MOU that would update the membership of the RAC by removing the Eastside Greenway Alliance, at the organization’s request.

BACKGROUND

Eastrail (formerly called the "Eastside Rail Corridor" or "ERC") is a 42-mile former rail line running from the City of Renton to the City of Snohomish and extending through the cities of Snohomish, Woodinville, Kirkland, Bellevue, Renton, and Redmond, as well as parts of Snohomish County and King County.

In 2003, the BNSF Railway Company (BNSF) announced its intention to divest itself of this rail corridor. In response, a group of regional partners, including King County and

the Port of Seattle (the Port), signed a Memorandum of Understanding (MOU) that envisioned a regional effort to preserve the corridor for multiple uses.¹

To begin that regional effort, the Port acquired BNSF's interests in the corridor between Renton and Snohomish. The southern portions of the corridor (between Woodinville and Renton, and from Woodinville to Redmond) were railbanked.² King County became the Interim Trail Sponsor³ of the 21-mile railbanked portion and purchased a multipurpose easement from the Port in the railbanked area.⁴ King County's wastewater treatment system includes facilities that run within and cross the Eastrail.

In 2013, King County and the Port executed a purchase and sale agreement for King County to acquire the Port's remaining interest in the remaining 15.6 miles of the railbanked area, as well as a 3.6-mile trail easement north of the railbanked area, between Woodinville and Brightwater.⁵ In addition, the County continues to own its multipurpose easement in the areas of Eastrail acquired by Kirkland and Sound Transit, comprising approximately 6.6 miles. In total, King County owns property interests in approximately 25.8 miles of Eastrail.

In 2015, the City of Woodinville purchased ownership of 2.6 miles of corridor within the active freight area between the northern terminus of King County's ownership and the city limits.

In 2016, Snohomish County purchased the remaining portion of active rail corridor between the Snohomish County line and the City of Snohomish.

The five entities that acquired the Port's interests in the railbanked portion of the Eastrail (King County, Sound Transit, the City of Redmond, the City of Kirkland, and Puget Sound Energy) began planning collaboratively around a shared, multi-use vision for the corridor through a Regional Advisory Council (RAC).⁶ In 2013, the RAC produced "Creating Connections," a report containing the RAC recommendations on the Eastrail.

2017 MOU Update. In 2017, the RAC was expanded to include Snohomish County, the City of Bellevue, the City of Renton, the City of Woodinville and the Eastside Greenway Alliance, under a new MOU.⁷

- The MOU established the purpose, membership, leadership, and staffing for the RAC. It also expanded the RAC's scope of work to align with the 2013 Creating Connections report and the 2016 work plan adopted by the RAC.

¹ Ordinance 16738.

² Under the Federal National Trails Act, also known as the Rails to Trails Act, 16 U.S.C. §1247(d).

³ As the Interim Trail User, the County is subject to legal obligations imposed by Section 8(d) of the Rails-to-Trails Act, 16 U.S.C. § 1247(d) and 49 C.F.R § 1152.29, as implemented through the Notices of Interim Trail Use (NITUs) for the various parts of the Corridor issued by the Surface Transportation Board (STB), and also the Trail Use Agreement entered into between BNSF and the County, and the STB-required Statement of Willingness to Accept Financial Responsibility (SWAFR). Pursuant to the Rails to Trails Act, all interim uses of railbanked corridors are subject to reactivation of potential interstate freight rail service.

⁴ Ordinance 16084

⁵ Ordinance 17503

⁶ Motion 13801

⁷ Motion 14922

2022 MOU Update. In 2022, the RAC governance was restructured under a new MOU.⁸

- Prior to this, the RAC was governed by a chair and vice chair, with the chair selected from among the four King County representatives to the RAC, and the vice chair as an elected representative from a jurisdiction other than King County who has an ownership interest along the Eastrail.
- With the MOU update, two co-chairs, rather than a chair and vice chair, now lead the RAC. One co-chair is an elected official from the King County RAC membership, and the other co-chair is an elected official from another Eastrail owner jurisdiction.
- The MOU also updated all references to the new name of “Eastrail.”⁹

ANALYSIS

The current membership of the RAC includes representatives from King and Snohomish counties; the cities of Bellevue, Kirkland, Remond, Renton, and Woodinville; Sound Transit; Puget Sound Energy; and Eastside Greenway Alliance.

Proposed Motion 2026-0072 would approve a new MOU¹⁰ that, if approved by the King County Council and RAC partners would remove the Eastside Greenway Alliance from the RAC membership, following the organization’s request.

On October 14, 2025, EGA notified the RAC Co-Chairs that, in light of having met its objectives in supporting the development of the corridor and serving as a member of the RAC since 2017, it would be relinquishing its membership in the RAC.

At the RAC’s quarterly meeting on October 31, 2025, the other RAC member entities reached consensus that they would support EGA’s decision to relinquish its membership.

At the RAC’s meeting on April 23, 2026, the RAC members approved the new MOU, and the members are currently advancing their own approval processes.

Council staff have not identified any policy issues with the proposed motion or MOU update.

ATTACHMENTS

1. Proposed Motion 2026-0072 (and its attachment)

⁸ Motion 16154

⁹ In accordance with the name change enacted with Motions 15330 and 15531

¹⁰ Attachment A to Proposed Motion 2026-0072



KING COUNTY

Signature Report

ATTACHMENT 1

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Motion

Proposed No. 2026-0072.1

Sponsors Balducci

1 A MOTION approving a memorandum of understanding to
2 restructure the Eastrail regional advisory council.

3 WHEREAS, Eastrail, formerly known as the Eastside Rail Corridor or ERC, is a
4 forty-two-mile corridor that extends from Renton to Snohomish and from Woodinville to
5 Redmond, and

6 WHEREAS, the King County council originally established the governance
7 structure of the Eastside Rail Corridor regional advisory council ("the RAC") on
8 December 11, 2012, in accordance with Motion 13801, to create a collaborative group to
9 carry out a regional planning process to ensure effective use of the southern portion of
10 Eastrail and the Redmond Spur, and

11 WHEREAS, the King County council approved the original membership of the
12 RAC with Motion 13834 on February 11, 2013, and

13 WHEREAS, the RAC's original membership was comprised of owner
14 jurisdictions and included: three King County councilmembers; the King County
15 executive or the executive's designee; one representative from the city of Redmond; one
16 representative from the city of Kirkland; one representative from Puget Sound Energy;
17 and one representative from Sound Transit, and

18 WHEREAS, on June 6, 2016, in Motion 14654, the King County council
19 approved the 2016 work plan for the RAC, which called for redesign of the governance

20 structure previously adopted in Motion 13801, and

21 WHEREAS, the King County council approved King County Parks' Eastside Rail
22 Corridor Regional Trail Final Master Plan and Environmental Impact Statement on
23 February 13, 2017, in Motion 14805, and

24 WHEREAS, on June 7, 2017, the RAC membership reached consensus to amend
25 its administrative procedures and expand its membership to include members from
26 jurisdictions not holding ownership interests in the corridor but through which sections of
27 the corridor pass and the Eastside Greenway Alliance ("EGA"), a group representing
28 nonprofit and private sector voices, to support the development of the vision of the
29 corridor and surrounding land uses in accordance with the 2016 work plan approved by
30 the King County council in Motion 14654, and

31 WHEREAS, the King County council approved a memorandum of understanding
32 on August 14, 2017, in Motion 14922, to restructure the RAC to include additional
33 jurisdictions and stakeholders as members as well as to expand its scope of work to align
34 with the 2013 Creating Connections report and the 2016 work plan adopted by the RAC,
35 and

36 WHEREAS, in accordance with Motion 14922, the RAC serves as a venue for
37 coordinating efforts of member jurisdictions to advance common goals such as
38 advocating for the funding and implementation of Trail Master Plan improvements, and

39 WHEREAS, on January 25, 2019, the RAC reached consensus to change its name
40 from the Eastside Rail Corridor regional advisory council to the Eastrail regional
41 advisory council, and the King County council made that change in Motion 15531, and

42 WHEREAS, at its January 31, 2022, quarterly meeting, the RAC reached

43 consensus in support of modifications of its leadership structure, to be formalized through
44 revisions to its 2017 memorandum of understanding, and recommended to its member
45 entities that they take action to approve those revisions, and

46 WHEREAS, the King County council approved a memorandum of understanding
47 on July 5, 2022, in Motion 16154, to restructure the RAC to provide that two chairs lead
48 the RAC, one of which would be an elected official from the King County RAC
49 membership and the other to be an elected official from another Eastrail owner
50 jurisdiction, and

51 WHEREAS, on October 14, 2025, EGA notified the RAC cochairs that, in light
52 of having met its objectives in supporting the development of the corridor and serving as
53 a member of the RAC since 2017, it would be relinquishing its membership in the RAC,
54 and

55 WHEREAS, at the RAC's quarterly meeting held on October 31, 2025, the other
56 RAC member entities reached consensus that they would support EGA's decision to
57 relinquish its membership in the RAC and take the necessary steps to formalize this
58 change in RAC membership;

59 NOW, THEREFORE, BE IT MOVED by the Council of King County:

60 The memorandum of understanding regarding the organization of the Eastrail
61 regional advisory council, which is Attachment A to this motion, is hereby approved.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Sarah Perry, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this ____ day of _____, ____.

Girmay Zahilay, County Executive

Attachments: A. Memorandum of Understanding Regarding the Organization of the Eastrail Regional Advisory Council, March 2026

MEMORANDUM OF UNDERSTANDING
Regarding the Organization of the
Eastrail Regional Advisory Council
March 2026

This MEMORANDUM OF UNDERSTANDING (MOU) is made by and among KING COUNTY, SNOHOMISH COUNTY, THE CITY OF KIRKLAND, THE CITY OF REDMOND, CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY (SOUND TRANSIT), PUGET SOUND ENERGY (PSE), THE CITY OF BELLEVUE, THE CITY OF WOODINVILLE, and THE CITY OF RENTON (collectively, the “Parties”). This MOU sets forth the Parties’ mutual understanding regarding, and intent to structure the Eastrail Regional Advisory Council (RAC).

RECITALS

WHEREAS, the Eastrail (formally known as Eastside Rail Corridor) Regional Advisory Council (RAC) was established as a collaborative group to carry out a regional planning process to coordinate planning and development activities so as to ensure effective use of the railbanked portion of the Eastrail corridor, and

WHEREAS, in 2017 the RAC executed a memorandum of understanding that, among other actions, expanded the membership for the RAC to include

- Three members from the King County council;
- The King County executive, or the executive's designee;
- A representative from Snohomish county;
- A representative from the city of Kirkland;
- A representative from the city of Redmond;
- A representative from the city of Bellevue;
- A representative from the city of Renton;
- A representative from the city of Woodinville;
- A representative from Sound Transit;
- A representative from Puget Sound Energy; and
- A representative from the Eastside Greenway Alliance, and

WHEREAS, the Eastside Greenway Alliance (EGA) has been an active voice for the non-profit and private sector community interested in the potential mobility and recreation options provided by the corridor and as a member of the RAC has provided essential support to achieving outcomes of timely and lasting value to the development of the corridor, and

WHEREAS, on October 14, 2025 EGA notified the RAC Co-Chairs that, in light of having met its objectives in supporting the development of the corridor and serving as a member of the RAC since 2017, it would be relinquishing its membership in the RAC, and

WHEREAS, at the RAC's quarterly meeting held on October 31, 2025 the other RAC member entities reached consensus that they would support EGA's decision to relinquish its membership in the RAC and take the necessary steps to formalize this change in RAC membership, and

WHEREAS, in 2022 the RAC executed a memorandum of understanding that revised the leadership structure of the RAC to end its use of a Chair/Vice Chair leadership structure and institute a Co-Chair leadership structure, and which this MOU sustains, and

WHEREAS, the parties now wish to replace the 2022 memorandum of understanding and enter into this MOU that reflects the revised membership of the RAC;

THEREFORE, the Parties above have reached the following understanding:

SECTION 1. Purpose of the Eastrail Regional Advisory Council (RAC):

The purposes of the RAC are consistent with the owner and easement holder uses and plans for the corridor, (1) to set and advance the multiple use vision of the Eastrail, as initially set forth in the RAC's Creating Connections report, which emphasized the transportation mobility, utility, recreational and equity benefits of the corridor and (2) to support the implementation of the Eastrail Regional Trail as identified in the King County Trail Master Plan and in corresponding plans developed by certain RAC member jurisdictions. The RAC will also serve as a venue for coordinating efforts of member jurisdictions to advance common goals such as: advocating for the funding and implementation of Trail Master Plan improvements and collaborating to develop a brand identity for the corridor, compatible with existing identities in several RAC member jurisdictions.

The RAC will serve as a venue to jointly:

- Coordinate the planning, development, public engagement, and communications and marketing activities to the extent possible to ensure effective use of the railbanked portion of the corridor.
- Coordinate the partner planning process for the trail, high-capacity transit, and utility uses in the Eastrail.
- Coordinate with affected cities around local planning and development.
- Address both near-term and long-term recommendations.
- Recommend any needed changes to the county's countywide planning policies relative to the corridor.
- Coordinate on funding capital projects and potentially operations.
- Develop legislative agendas and lobbying as it pertains to Eastrail projects and issues.
- Weigh in on Sound Transit and Metro Long Range Plans as related to the Eastrail.

- Approve a work plan and corresponding budget that sets out the work for the RAC for the year. Members will assign staff to participate in coordination and collaboration efforts.

SECTION 2a. RAC Membership:

The RAC membership will be driven by the RAC vision. Members will include owner jurisdictions (King County, City of Kirkland, City of Redmond, Sound Transit, City of Woodinville, and Snohomish County) as well as easement holders (PSE, King County and Sound Transit), and cities directly adjacent to the corridor who hold permitting and land use authority, (City of Bellevue and City of Renton). King County will have four representatives, the King County Executive (or his/her designee), and three members from the County Council. All other parties will have one representative from each party as a member of the RAC.

SECTION 2b. New RAC Membership:

The RAC will add or remove members, membership agencies and jurisdictions based on the following processes:

- Consensus agreement of the current RAC membership.
- Signed letter of interest by all parties acknowledging the change to the membership structure.

SECTION 3. RAC Leadership:

The RAC will have two co-Chairs. One co-Chair will be an elected official from the King County RAC membership, and the other co-Chair will be an elected official from another Eastrail owner jurisdiction. The co-Chair positions will be selected every two (2) years by the ownership jurisdiction members of the RAC. The RAC will operate under a consensus model and will not take votes approving or disapproving any particular item before the RAC. The RAC may establish subcommittees of members and staff as needed to address special and or specific issues related to the work of the RAC.

SECTION 4. RAC Meetings:

The RAC will meet on a quarterly basis. Meetings will take place in a standing time slot mutually agreed upon by the co-Chairs of the RAC, after consultation with other RAC members. The meeting dates for each year will be set in the fourth meeting of the prior year. The RAC meeting frequency can be adjusted by consensus of the Parties.

SECTION 5. RAC Staffing:

The work of the RAC will be supported by a staff group comprised of senior staff from RAC member organizations and invited technical experts, to undertake work addressing the RAC priorities. The staff group will serve as an information sharing venue for

distributing information on completed, current, and anticipated activities that provide tangible outcomes supporting the vision. The staff group will make recommendations on information items that should be placed on the RAC agenda. King County will deploy staff resources specifically to support the RAC operations and actions.

SECTION 6. Property Rights; Jurisdictional Authority.

Nothing herein is intended to limit or affect the Parties' jurisdictional authority over, or their individually-owned property interests in segments of the Eastrail.

SECTION 7. Legal Relations.

This MOU shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties or to impose any partnership obligations or other liability thereon. No party shall have any right, power, or authority to enter into any agreement or undertaking for or on behalf of, to act as, or be an agent or representative of, any other party. This MOU creates no right, privilege, duty, obligation, or cause of action in any person or entity not a party to it. No Party is obligated to participate under this MOU, but to the extent that a Party elects to participate under this MOU then it shall comply with the MOU.

IN WITNESS WHEREOF, the Parties hereto have executed this MOU, effective as of the date first written below.

Signatories

[King County]

[Snohomish County]

[City of Bellevue]

[City of Kirkland]

[City of Redmond]

[City of Renton]

[City of Woodinville]

[Sound Transit]

[Puget Sound Energy]



King County

**Metropolitan King County Council
Transportation, Economy, and Environment Committee**

STAFF REPORT

Agenda Item:	7	Name:	Terra Rose
Proposed No.:	2026-0150	Date:	June 16, 2026

SUBJECT

Proposed Ordinance 2026-0150 would authorize the Executive to enter into an amendment to the solid waste interlocal agreement (ILA) with the City of Bothell related to solid waste management services in areas annexed into the City from Snohomish County.

SUMMARY

The City of Bothell, whose city limits include areas located in both King and Snohomish Counties, participates in King County's solid waste system through an interlocal agreement that provides that the City shall cause all solid waste and moderate risk waste that is generated and/or collected within the city limits to be delivered to King County for disposal. In 2014, the ILA was amended to direct waste generated and/or collected in areas of Snohomish County annexed to the City after January 2, 2011, to be disposed in the Snohomish County system.¹

The Bloomberg Hill Island Annexation Area, comprised of 11.9 acres located in Snohomish County just north of the county border line, was annexed into the City effective December 31, 2012. However, despite being in Snohomish County and having been annexed after the January 2, 2011 cutoff date established in the ILA, Executive staff indicate that this annexation area has been served by waste haulers that for years have taken waste from this area to King County facilities for disposal. Executive staff further note that this oversight was discovered during the City's contract negotiations with waste haulers.

Proposed Ordinance 2026-0150 would authorize the Executive to amend the solid waste ILA with Bothell to allow King County to accept waste from the Bloomberg Hill Island Annexation Area in line with current and past practice, and as requested by the City. Executive staff indicate that only the Bloomberg Hill Island Annexation Area and no other annexed areas would be affected by this change. Executive staff have further noted that, according to the City, memorializing this practice would eliminate the need for the City to contract with a different hauler, and for the hauler to change disposal sites, which would add significant mileage and associated environmental impacts.

¹ Ordinance 17721

Executive staff estimate that the amount of waste that would go to the Cedar Hills Regional Landfill from new development happening in the annexed area would be less than 26 tons per year, or 0.15 percent of the total tonnage going to the landfill from within the Bothell city limits.

BACKGROUND

Solid Waste System Interlocal Agreements. King County's Solid Waste Division operates a regional solid waste system for the unincorporated areas and the 37 partner cities, including the City of Bothell, that have executed solid waste interlocal agreements with the County. These ILAs establish the various rights and responsibilities for the partner cities and the County with respect to disposal of solid waste generated and/or collected within the city limits. Under the ILAs, the cities are responsible for ensuring solid waste generated or collected within the city are delivered to the County system's facilities, and the County is responsible for disposal of the collected waste, which currently occurs at the County's Cedar Hills Regional Landfill. The ILA provides that no solid waste generated or collected within a City may be diverted from the designated disposal sites without County approval.

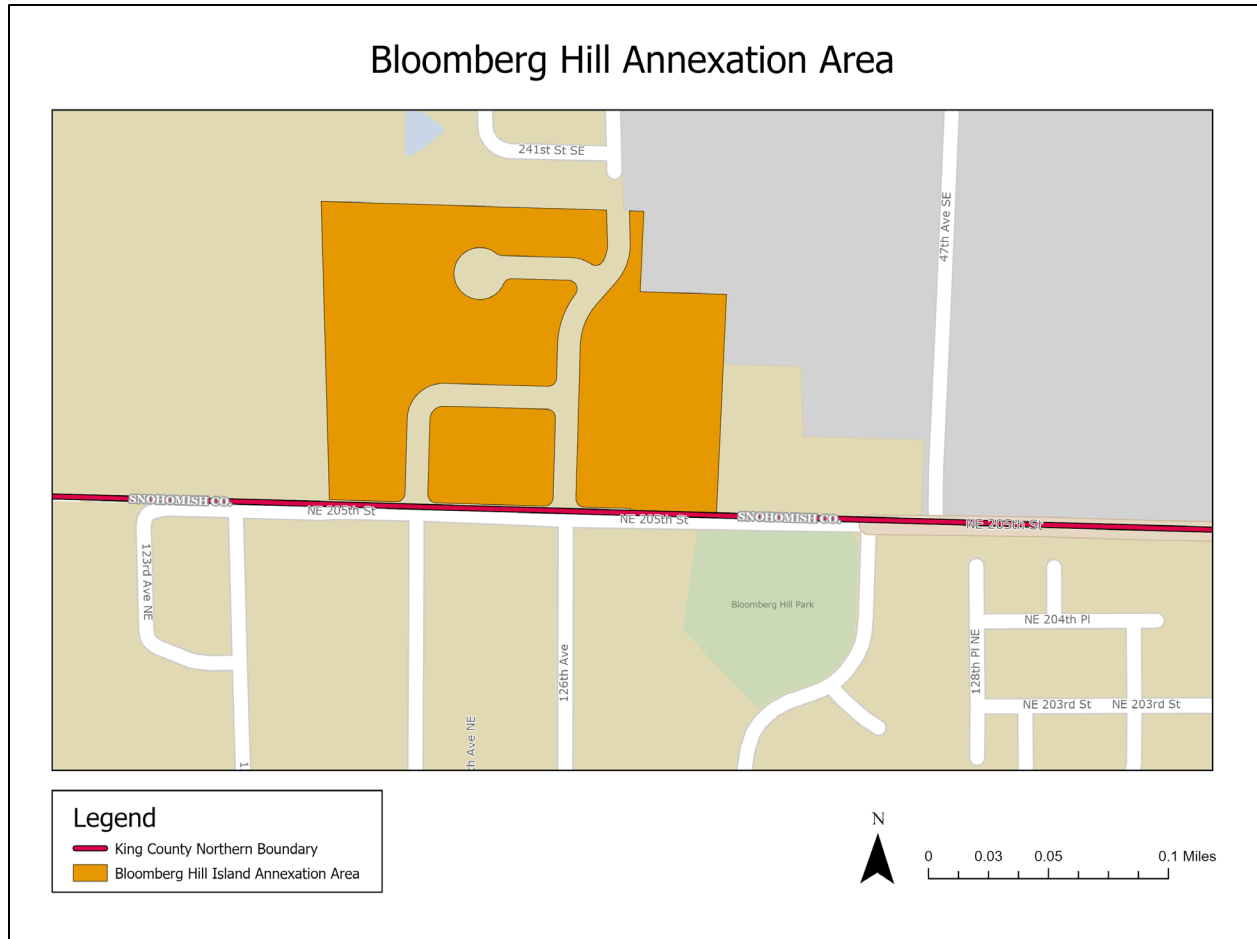
Bothell City Limits and Disposal Service. The City of Bothell is bisected by the border between King and Snohomish County and therefore the city limits include areas in both King and Snohomish Counties, as illustrated in Figure 1 on the following page.

The current ILA between King County and Bothell provides that the City shall deliver all solid waste and moderate risk waste that is generated and/or collected within the city limits to King County for disposal, with the exception of waste from areas of Snohomish County annexed to the City after January 2, 2011.² Waste from those areas is to be disposed by Snohomish County, which operates its own regional solid waste system separate from King County's.

Bloomberg Hill Island Annexation Area. The Bloomberg Hill Island Annexation Area, illustrated in Figure 1, is an area comprised of 11.9 acres just north of the boundary line between King and Snohomish Counties that was annexed into the City of Bothell effective December 31, 2012. According to Executive staff, the Bloomberg Hill Island Annexation Area previously contained five homes but is currently being developed for 48 homes.

² Ordinance 17721

Figure 1. Bloomberg Hill Island Annexation Area in the City of Bothell



Despite being in Snohomish County and having been annexed after the January 2, 2011 cutoff date established in the current ILA, Executive staff indicate that the Bloomberg Hill Island Annexation Area has been served by waste haulers that for years have taken solid waste from this area to King County facilities for disposal. Therefore, King County has received the per ton fee revenue for the disposal of solid waste from this annexed area. Executive staff further note that this oversight was discovered during the City's contract negotiations with waste haulers.

Proposed Motion 2025-0363. In November 2025, the Executive transmitted Proposed Motion 2025-0363, which would amend the solid waste ILA between King County and the City of Bothell with "Amendment 2" that would allow King County to accept waste from the Bloomberg Hill Island Annexation Area in line with current and past practice, and as requested by the City of Bothell. Executive staff indicate Snohomish County is willing to agree to such an amendment. The transmittal letter and fiscal note for this legislation are provided as Attachments 2 and 3 to the staff report, respectively.

Council staff and legal counsel identified issues with this legislation, namely that it was incorrectly transmitted as a motion. For ILAs and amendments thereto to have legal effect, they must be adopted by ordinance.

ANALYSIS

Proposed Ordinance 2026-0150 would convert the transmitted motion described above to an ordinance that would authorize the Executive to enter into Amendment 2 to the solid waste ILA between King County and the City of Bothell to align the ILA language with the current and past practice of King County being responsible with disposing waste from the Bloomberg Hill Island Annexation Area. According to Executive staff, this change was requested by the City of Bothell and is agreeable to Snohomish County.

To allow the Bloomberg Hill Island Annexation Area to be served by King County's disposal system, the ILA amendment language proposed by the ordinance would change the cutoff date after which point waste generated or collected in areas of Snohomish County annexed into the City of Bothell is to be served by the Snohomish County system. The amendment would change the cutoff from after January 2, 2011 to after December 31, 2012, which is the effective date of the Bloomberg Hill Island Annexation Area.

Executive staff have noted that, according to the City, memorializing the current and past practice of King County serving the area with disposal services would eliminate the need for the City to contract with a different hauler and for the hauler to change disposal sites, which would add significant mileage and associated environmental impacts.

According to Executive staff, no other annexed areas would be affected by this change. Executive staff estimate that the amount of waste that would go to the Cedar Hills Regional Landfill from the new development happening in the Bloomberg Hill annexation area would be less than 26 tons per year, or 0.15 percent of the total tonnage going to the landfill from within the Bothell City limits. The fiscal note provided with the proposed motion that formed the basis for this ordinance (Attachment 3) indicates approximately \$10,000 in estimated revenues in the 2026-2027 biennium from disposal of waste from the annexed area.

This ILA amendment between Bothell and King County would only be effective after the City and Snohomish County also amend their separate ILA to the same effect.

ATTACHMENTS

1. Proposed Ordinance 2026-0150 (and its attachment)
2. Transmittal Letter from Proposed Motion 2025-0363
3. Fiscal Note from Proposed Motion 2025-0363



KING COUNTY

Signature Report

Ordinance

ATTACHMENT 1

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Proposed No. 2026-0150.1

Sponsors Fain

1 AN ORDINANCE authorizing the executive to enter into
2 an amendment to the amended and restated solid waste
3 interlocal agreement with the city of Bothell related to solid
4 waste management services in areas of Snohomish County
5 annexed to the city of Bothell after December 31, 2012.

6 STATEMENT OF FACTS:

- 7 1. In 1988, King County and the city of Bothell ("the parties") entered
8 into a solid waste interlocal agreement ("the original ILA") that
9 established the parties' rights and responsibilities with respect to disposal
10 of solid waste either generated or collected, or both, within the corporate
11 limits of the city.
- 12 2. In July 2011, Ordinance 17112 authorized the executive to: (1) amend
13 the original ILA with the city of Bothell to allow solid waste generated in
14 areas of Snohomish County annexed to the city after January 2, 2011, to
15 be disposed through the Snohomish County solid waste system rather than
16 the King County system; and (2) enter into an interlocal agreement with
17 Snohomish county consistent with the amendment to the original ILA with
18 the city of Bothell.

19 3. In October 2013, Ordinance 17677 authorized the executive to execute
20 an amended and restated solid waste interlocal agreement ("the extended
21 ILA") that had been negotiated between the county and cities participating
22 in King County's solid waste system. The extended ILA superseded the
23 original ILA.

24 4. The extended ILA provides that the county agrees to dispose of or
25 designate disposal sites for all solid waste and moderate risk waste either
26 generated or collected, or both, within the corporate limits of the system in
27 accordance with all applicable federal, state, and local environmental
28 health laws, rules, or regulations.

29 5. The extended ILA further provides that no solid waste generated or
30 collected within the city may be diverted from designated disposal sites
31 without King County approval.

32 6. In December 2013, Ordinance 17721 authorized the executive to
33 amend the extended ILA to be consistent with the amendment to the
34 original ILA related to waste generated or collected in areas of Snohomish
35 County annexed to the city after January 2, 2011 ("Amendment 1 to the
36 extended ILA").

37 7. King County and the city of Bothell entered into the extended ILA and
38 Amendment 1 to the extended ILA on January 27, 2014.

39 8. Effective December 31, 2012, the city annexed territory located in
40 Snohomish County known as the Bloomberg Hill Island Annexation Area,
41 an area comprised of 11.9 acres just north of the King County boundary

42 line. The Bloomberg Hill Island Annexation Area was annexed into the
43 city after January 2, 2011, but has been served by solid waste haulers that
44 for years have taken the solid waste from this area to King County
45 facilities for disposal.

46 9. The Bloomberg Hill Island Annexation Area previously contained five
47 homes but is currently being developed for forty-eight homes. The
48 estimated amount of waste that would be disposed at the Cedar Hills
49 regional landfill from the new development is approximately twenty-six
50 tons per year, or 0.15 percent of the total waste tonnage disposed of at the
51 Cedar Hills regional landfill from within the Bothell city limits.

52 10. The city wishes to amend the extended ILA so that solid waste from
53 the Bloomberg Hill Island Annexation Area would remain going to King
54 County facilities and that waste generated or collected, or both, in areas of
55 Snohomish County annexed to the city after December 31, 2012, would be
56 disposed through the Snohomish County solid waste system. The city
57 reports that Snohomish County is willing to agree to a similar amendment
58 to the agreement between the city and Snohomish County.

59 11. The ILA amendment proposed by this ordinance would memorialize
60 the current practice and eliminate the need for the city to contract with a
61 different hauler to serve the Bloomberg Hill Island Annexation Area,
62 which would require the hauler to change disposal sites and would
63 increase the miles traveled by the collection vehicles and the associated
64 environmental impacts.

65 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

66 SECTION 1. The King County executive is hereby authorized to enter into
67 Amendment No. 2 to the Amended and Restated Solid Waste Interlocal Agreement
68 between King County and the city of Bothell substantially in the form of Attachment A to
69 this ordinance.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Sarah Perry, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this ____ day of _____, _____.

Girmay Zahilay, County Executive

Attachments: A. AMENDMENT NO. 2 TO THE AMENDED AND RESTATED SOLID WASTE INTERLOCAL AGREEMENT BETWEEN KING COUNTY AND THE CITY OF BOTHELL, Revision Date 052626

AMENDMENT NO. 2 TO THE AMENDED AND RESTATED SOLID WASTE INTERLOCAL AGREEMENT (“AGREEMENT”) BETWEEN KING COUNTY AND THE CITY OF BOTHELL

WHEREAS, King County (“County”) and the City of Bothell (“City”) (collectively referred to as “Parties”) entered into an Amended and Restated Solid Waste Interlocal Agreement with an effective date of January 27, 2014 and as amended by Amendment 1 (“Agreement”), to establish the Parties’ rights and responsibilities with respect to disposal of solid waste generated and/or collected within the corporate limits of the City; and

WHEREAS, the Agreement superseded the prior Solid Waste Interlocal Agreement with an effective date of January 1, 1988; and

WHEREAS, the Agreement provides that the City shall authorize the County to designate disposal sites for the disposal of all solid waste and moderate risk waste that is authorized to be delivered to the County’s solid waste system in accordance with all applicable Federal, State, and local environmental health laws, rules, or regulations and is generated and/or collected within the corporate limits of the City, except for solid waste that is eliminated through waste prevention or waste recycling activities consistent with the King County Comprehensive Solid Waste Management Plan; and

WHEREAS, the Agreement further provides that no solid waste generated or collected within the City may be diverted from the designated disposal sites without County approval; and

WHEREAS, King County has designated facilities comprising the King County solid waste system for the disposal of solid waste generated and/or collected within the City; and

WHEREAS, the Parties entered into Amendment No. 1 to the Agreement to allow solid waste generated in areas of Snohomish County annexed to the City after January 2, 2011, to be disposed through the Snohomish County solid waste system and added additional terms to the Agreement, including Section 6.2.c.; and

WHEREAS, effective December 31, 2012, the City annexed certain territory located in Snohomish County known as the “Bloomberg Hill Island Annexation Area”; and

WHEREAS, the Bloomberg Hill Island Annexation Area is comprised of 11.9 acres; and

WHEREAS, the City wishes to amend the Agreement with the County to allow solid waste generated in areas of Snohomish County annexed to the City after December 31, 2012, to be disposed through the Snohomish County solid waste system, and the County is willing to agree to such an amendment; and

WHEREAS, the Parties wish to amend the Agreement to the extent provided below.

Now therefore, the Parties agree to the following amendment to the Agreement:

1. Section VI. GENERAL OBLIGATION OF PARTIES

The text of paragraph 6.2.c., incorporated into the Agreement by Amendment 1, shall be amended to read:

Notwithstanding paragraph 6.2.b., the City may dispose of solid waste either generated or collected, or both, in areas of Snohomish County that are annexed to the City after ~~January 2, 2011~~ December 31, 2012 through the Snohomish County solid waste system and may authorize Snohomish County to designate disposal sites for such solid waste; solid waste either generated or collected, or both, within all other portions of the corporate limits of the City (either within or outside King County) shall be disposed through the King County solid waste system throughout the term of the Agreement at sites designated by King County.

2. Effective Date of This Amendment 2.

Amendment 2 shall become effective when all of the following have occurred: (a) the Parties have duly authorized and executed this Amendment 2 and it has been filed and recorded in accordance with RCW chapter 39.34; and (b) the City has duly authorized and executed an amendment, substantially in the form of Exhibit A to this Amendment 2, to the Agreement between the City of Bothell and Snohomish County Concerning Solid Waste Management (“Snoho ILA”).

3. Current Practice

4. Until an amendment to the Snoho ILA, in substantially the same form as Exhibit A, is fully executed by the City and Snohomish County and filed and recorded in accordance with RCW chapter 39.34, the Parties agree that the County shall continue the current practice of accepting solid waste either generated or collected, or both, from the area of the City previously referred to as the Bloomberg Hill Island Annexation Area under the terms of the Agreement. Until an amendment to the Snoho ILA, in substantially the same form as Exhibit A, is fully executed by the City and Snohomish County, and filed and recorded in accordance with RCW chapter 39.34, the City shall indemnify, hold harmless and defend the County from and against any claims arising from the County’s acceptance of solid waste either generated or collected, or both, from the area previously referred to as the Bloomberg Hill Island Annexation Area. Attached is Exhibit A entitled “Amendment 1 to the Agreement between the City of Bothell and Snohomish County Concerning Solid Waste Management.”

Except as modified herein, all other terms and conditions to the Agreement, including those incorporated into the Agreement by Amendment 1, shall remain in full force and effect.

CITY OF BOTHELL

KING COUNTY

Kyle Stannert
City Manager

King County Executive

Date: _____

Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Eileen Keiffer
City Attorney

Deputy Prosecuting Attorney

**EXHIBIT A TO
TO THE AMENDED AND RESTATED SOLID WASTE INTERLOCAL AGREEMENT
("AGREEMENT") BETWEEN KING COUNTY AND THE CITY OF BOTHELL**
(starts on next page)

AMENDMENT NO. 1 TO THE AGREEMENT BETWEEN THE CITY OF BOTHELL AND SNOHOMISH COUNTY CONCERNING SOLID WASTE MANAGEMENT

WHEREAS, the Solid Waste Division of Snohomish County Public Works (“County”) currently provides solid waste planning and management services to unincorporated portions of Bothell’s Municipal Urban Growth Area (“MUGA”); and

WHEREAS, the County and the City of Bothell (“City”) desire to maintain Snohomish County’s authority for the planning and management of solid waste services for this geographic area; and

WHEREAS, the City is a signatory to the King County Solid Waste Management Plan and has an interlocal agreement with King County for the planning and management of solid waste generated within the incorporated boundaries of Bothell (“City-King County ILA”); and

WHEREAS, the City-County ILA provides that any future annexations by the City of Snohomish County lands occurring after January 2, 2011, should fall within the jurisdiction of Snohomish County for purposes of solid waste planning and management, including designation of disposal sites for solid waste generated in these areas; and

WHEREAS, on June 28, 2011, the City and the County entered into the Agreement Between the City of Bothell and Snohomish County Concerning Solid Waste Management (“Agreement”); and

WHEREAS, effective December 31, 2012, the City annexed certain territory located in Snohomish County known as the “Bloomberg Hill Island Annexation Area;” and

WHEREAS, the City and County wish to amend the Agreement to allow solid waste generated in areas of Snohomish County annexed to the City after December 31, 2012, to be disposed through the Snohomish County solid waste system; and

Now therefore, the City and the County agree to the following amendments to the Agreement:

1. Paragraph 1.2.1 of Section 1, entitled “PURPOSE/APPLICABILITY,” shall be amended to read in its entirety as follows:

The Solid Waste authority for those portions of the City located in both King and Snohomish Counties as the City’s boundaries exist on December 31, 2012, and all areas of King County later annexed to the City, shall remain King County in accordance with the “Amended and Restated Solid Waste Interlocal Agreement” between King County and the City of Bothell effective January 1, 1988.

2. Paragraph 1.2.2 shall be amended to read in its entirety as follows:

The Solid Waste authority for all portions of the City located in Snohomish County that are annexed into the City after December 31, 2012, shall be Snohomish County.

- 3. Paragraph 3.1 of Section 3, entitled “SOLID WASTE MANAGEMENT,” shall be amended to read in its entirety as follows:

3.1 Planning Authority. The County agrees to provide Solid Waste management services for solid waste generated and/or collected within the portion of the City described in Section 1.2.2. The provision of such services would commence at the time the first annexation to the City after December 31, 2012, has been approved. The County shall serve as the planning authority within such areas for Solid Waste including moderate risk waste but shall not be responsible for the planning of hazardous or dangerous waste or any other planning responsibility that is specifically designated by State or Federal statute. The County shall develop waste stream forecasts as part of the comprehensive planning process and assumes all risks related to facility sizing on such forecasts. For the duration of this Agreement, the City shall participate in the Comprehensive Solid Waste Management Plan prepared and periodically reviewed and revised pursuant to chapter 70.95 RCW as may be amended from time to time. For the duration of this Agreement the City, in conformity with RCW 70.95.080 (3), as may be amended from time to time, authorizes the County to include in the Comprehensive Solid Waste Management Plan provisions for the management of Solid Waste generated within the portion of its corporate limits described in Section 1.2.2.

Except as modified herein, all other terms and conditions to the Agreement shall remain in full force and effect.

CITY OF BOTHELL

SNOHOMISH COUNTY

City Manager

Snohomish County Executive

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Digitally signed by Reay,
Sean

Date: 2024.11.04 14:25:42
-8'00'

City Attorney

Reay, Sean Date: 2024.11.04 14:25:42
Deputy Prosecuting Attorney



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

November 21, 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 Motion that, if enacted, would amend the interlocal agreement (ILA) between King County and the City of Bothell regarding municipal solid waste services. The amendment would address the logistical challenge posed by a small area annexed by the city that lies within Snohomish County. It is proposed that the area be served by the King County solid waste system.

The last preceding amendment to the ILA occurred in 2014. That amendment stated that the City of Bothell may dispose of solid waste collected in areas of Snohomish County annexed to the city after January 2, 2011, through the Snohomish County solid waste system. Solid waste generated or collected within all other portions of the corporate limits of the city (either within or outside King County) are to be disposed of through the King County solid waste system.

The area addressed in the enclosed proposed Motion, known as the Bloomberg Annexation Area, was annexed to the city in 2012. It comprises 11.9 acres and is located just north of the King/Snohomish County line. It previously contained five homes and is currently being developed for 48 homes. Through an oversight that was discovered during the City of Bothell's contract negotiations with waste haulers, and contrary to the terms of the 2014 amended ILA, waste from the area has been disposed of in King County.

The City of Bothell is requesting the ILA be amended to allow King County to accept waste from the area. Codifying this practice would eliminate the need for the City to contract with a different hauler, and for the hauler to change disposal sites, which would add significant mileage and associated environmental impacts. Moreover, the estimated amount of waste going to the Cedar Hills Regional Landfill (CHRLF) from the new development would be less than

The Honorable Girmay Zahilay

November 21, 2025

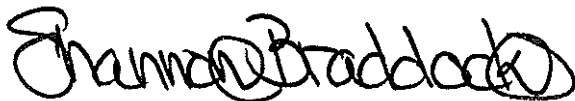
Page 2

26 tons per year, or 0.15 percent of the total tonnage going to CHRLF from within the Bothell city limits.

Thank you for your consideration of this proposed Motion. The requested ILA amendment would avoid logistical and environmental impacts. It would also enhance King County's relationship with the City of Bothell — a key partner in the County's regional solid waste management system — as well as Snohomish County.

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,

A handwritten signature in black ink that reads "Shannon Braddock". The signature is written in a cursive, somewhat stylized font.

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
Dwight Dively, Chief Operating Officer, Director, Office of Performance, Strategy and Budget
Stephanie Pure, Council Relations Director, Office of the Executive
John Taylor, Director, Department of Natural Resources and Parks (DNRP)
Rebecca Singer, Division Director, Solid Waste Division, DNRP

2025 FISCAL NOTE

Ordinance/Motion: 2025-XXXX
Title: City of Bothell ILA Amendment #2
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: 9/10/2025
Note Reviewed By:
Date Reviewed:

Description of request:

This proposal amends the Solid Waste Interlocat Agreement with the City of Bothell, to account for an increase in disposal revenue associated with 11.9 acres of redeveloped land in the City Of Bothell, referencened as Bloomberg Hill Island Annexaction. It is estimated that the disposal tonnage will increase from 6.7 tons per year to 33.7 tons.

Revenue to:

Agency	Fund Code	Revenue Source	2025	2026-2027	2028-2029
Solid Waste Division	4040	Disposal Fees	4,480	10,014	11,465
TOTAL			4,480	10,014	11,465

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? Yes/No

Notes and Assumptions:

For years 2027-2029, 7% increase in the per-ton rate, while total tonnage increase remains at 27 tons per year.

Year	Rate	Tons	Total
2025	165.91	27	\$ 4,479.57
2026	179.18	27	\$ 4,837.86
2027	191.72	27	\$ 5,176.44
2028	205.14	27	\$ 5,538.78



King County

**Metropolitan King County Council
Transportation, Economy, and Environment Committee**

STAFF REPORT

Agenda Item:	8	Name:	Sherrie Hsu
Proposed No.:	2026-0058	Date:	June 16, 2026

SUBJECT

Proposed Motion 2026-0058 would confirm the following Executive appointment to the Conservation Futures Advisory Committee:

- Jacqueline Reyes, who resides in council district eight, as an at-large representative for a partial term expiring December 31, 2027.

An amendment would correct PM 2026-0058 to clarify that this would be an Executive at-large representative.

BACKGROUND

The Conservation Futures Tax (CFT) is collected as a dedicated portion of the property tax and is available only for the acquisition of open space and resource lands. King County Code 26.12.010 establishes a process for an annual allocation of CFT proceeds through a community-based process conducted by the Conservation Futures Advisory Committee (CFAC). The CFAC is an advisory body and recommends allocation of CFT proceeds based on a competitive application process.

The CFAC is comprised of 16 members, one from each council district, four council at-large members, and three executive at-large members.

APPOINTEE INFORMATION

Proposed Motion 2026-0058 would appoint Jacqueline Reyes, who resides in council district eight, as an at-large representative for a partial term expiring December 31, 2027. Jacqueline Reyes is the Conservation Manager for The Wilderness Society and has also served on the King County Open Space Equity Cabinet, the E3 Washington Board, and RCO No Child Left Inside Advisory Committee.

ANALYSIS

An amendment and title amendment are needed to correct the motion to clarify that this would be an Executive at-large representative.

ATTACHMENTS

1. Proposed Motion 2026-0058
2. Amendment 1 to PM 2026-0058
3. Title Amendment T1 to PM 2026-0058
4. Transmittal Letter
5. Conservation Futures Advisory Committee Board Profile



KING COUNTY

Signature Report

ATTACHMENT 1

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Motion

Proposed No. 2026-0058.1

Sponsors Mosqueda

1 A MOTION confirming the executive's appointment of
2 Jacqueline Reyes, who resides in council district eight, to
3 the conservation futures advisory committee, as an at-large
4 representative.

5 BE IT MOVED by the Council of King County:

6 The county executive's appointment of Jacqueline Reyes, who resides in council
7 district eight, to the conservation futures advisory committee, as an at-large

Motion

8 representative, for a partial term to expire on December 31, 2027, is hereby confirmed.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Sarah Perry, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this ____ day of _____, ____.

Girmay Zahilay, County Executive

Attachments: None

1

April 24, 2026
Reyes CFT Appointment

[S. Hsu]

Sponsor: Mosqueda

Proposed No.: 2026-0058

1 **AMENDMENT TO PROPOSED MOTION 2026-0058, VERSION 1**

2 On page 1, line 7, after "as an" insert "executive"

3

4 **EFFECT prepared by S. Hsu: Amendment 1 would clarify that this appointment**
5 **would be for an executive at-large representative.**

T1

April 24, 2026
Reyes CFT Appointment

[S. Hsu]

Sponsor: Mosqueda

Proposed No.: 2026-0058

1 **TITLE AMENDMENT TO PROPOSED MOTION 2026-0058, VERSION 1**

2 On page 1, line 3, after "as an" insert "executive"

3

4 **EFFECT prepared by S. Hsu: Title Amendment 1 would clarify that this**

5 **appointment would be for an executive at-large representative.**



King County

Girmay Zahilay
King County Executive
401 Fifth Avenue, Suite 800
Seattle, WA 98104
206-477-3306 Fax 206-296-0194
TTY Relay: 711
www.kingcounty.gov

March 5, 2026

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

Dear Councilmember Perry:

This letter transmits a proposed Motion confirming the appointment of Jacqueline Reyes, who resides in council district eight, to the Conservation Futures Advisory Committee, as an Executive at-large representative, for the partial term expiring December 31, 2027.

Ms. Reyes' application, financial disclosure, board profile, and appointment letter are enclosed to serve as supporting and background information to assist the Council in considering confirmation.

Thank you for your consideration of the proposed legislation. If you have any questions about this appointment, please have your staff call Rosa Mai, Community Service, Boards & Commissions Specialist, at (206) 369-9279.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Zahilay', written in a cursive style.

Girmay Zahilay
King County Executive

Enclosures

The Honorable Sarah Perry

March 5, 2026

Page 2

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

Garrett Holbrook, Council Relations Director, Office of the Executive

Rosa Mai, Community Service, Boards & Commissions Specialist, Office of the Executive

Ingrid Lundin, Staff Liaison to the Conservation Futures Advisory Committee

Jacqueline Reyes

CONSERVATION FUTURES ADVISORY COMMITTEE**DATE:** February 2026**TOTAL NUMBER OF MEMBERS:** 16**LENGTH OF TERM:** 4 Years

** King County seeks to create an inclusive and accessible process for individuals who wish to serve on a King County board or commission. We strive to ensure that King County boards and commissions are representative of the communities we serve.*

BOARD MEMBERS APPOINTED

Pos. No.	Name	KCC District	Background	Date Appointed	Term Expires	Number of Appointed Terms
1	Vacant	1	Vacant District 1 representative	Vacant	12/31/29	Vacant
2	Vacant	2	Vacant District 2 representative	Vacant	12/31/28	Vacant
3	Hannah Cavendish-Palmer	3	Nonprofit executive District 3 representative	8/23/23	12/31/28	1 Partial / 1 Full
4	Jean White	4	Retired from King County DNRP District 4 representative	12/5/22	12/31/26	1 Full
5	Yoshiko Grace Matsui	5	Human resources professional & KC #54 Water Commissioner District 5 representative	2/1/22	12/31/25	1 Full
6	Molly Graham	6	Floral Designer, self-employed District 6 representative	3/17/17	12/31/26	1 Partial / 2 Full
7	Keith Livingston	7	Self-employed artist; retired from a career in Municipal Management District 7 representative	2/22/19	12/31/25	2 Full
8	Steve Abel	8	Retired, teacher, small business owner District 8 representative	8/21/20	12/31/23	1 Full
9	Tom Stafford	9	Branch Manager at Federal Aviation Administration District 9 representative	12/5/22	12/31/26	1 Full
10	Catherine Gockel	4	EPA, Puget Sound Program Council at-large representative	4/05/11	12/31/26	1 Partial / 3 Full
11	Eric Zimmerman	5	Director of partnerships, World Vision Council at-large representative	1/17/24	12/31/28	1 Partial / 1 Full
12	Sam Rapoport	2	Outdoors instructor, aerospace engineer, teacher Council at-large representative	2/1/22	12/31/28	2 Full
13	Daniel Kim	7	Commercial construction company manager	10/22/24	12/31/29	1 Partial / 1 Full

Pos. No.	Name	KCC District	Background	Date Appointed	Term Expires	Number of Appointed Terms
			Council at-large representative			
14	Vacant		Vacant Executive at-large representative	Vacant	12/31/27	Vacant
15	Jen Syrowitz	9	Conservation Program Manager, Conservation Northwest Executive at-large representative	10/23/20	12/31/27	2 Full
16	Niesha Fort	4	Director of Community Engagement and Partnership, Family First Community Center Executive at-large representative	10/18/18	12/31/27	1 Partial / 2 Full

APPOINTED MEMBERS – SUBJECT TO COUNCIL CONFIRMATION

Pos. No.	Name	KCC District	Background	Date Appointed	Term Expires	Number of Appointed Terms
1	Eric Adman	1	Co-director, Adopt A Stream Foundation District 1 representative	Pending	12/31/29	1 Full
2	Ben Antonius	2	Restoration Program Manager, Delridge Neighborhoods Development Association District 2 representative	Pending	12/31/28	1 Full
14	Jacqueline Reyes	8	Conservation Manager, The Wilderness Society Executive at-large representative	Pending	12/31/27	1 Partial



King County

**Metropolitan King County Council
Transportation, Economy, and Environment Committee**

STAFF REPORT

Agenda Item:	9	Name:	Jake Tracy
Proposed No.:	2026-0116	Date:	June 24, 2026

SUBJECT

Proposed Ordinance (PO) 2026-0116 would authorize the County to enter into an agreement with Karbone Inc. for the sale of environmental attributes related to biomethane produced at the Wastewater Treatment Division's South Treatment Plant.

SUMMARY

The Wastewater Treatment Division (WTD) produces renewable natural gas from biogas generated through wastewater treatment processes at the South Treatment Plant. Biomethane and environmental attributes from the South Treatment Plant have generated more than \$63 million in revenue to WTD since 2017, with most of that value coming from environmental attributes rather than the physical gas commodity.

Since 2022, King County has had a contract with Bluesource, LLC, for sale of environmental attributes from the South Treatment Plant, however, this expires June 30, 2026. With that contract's expiration, PO 2026-0116 would authorize the Executive to execute a base contract and related documents with Karbone Inc. to sell environmental attributes to that entity, which already purchases attributes related to the Cedar Hills Landfill. Terms of the agreement are summarized in Table 1.

Table 1. High-level Summary of Proposed Agreement

Topic	Summary
Parties	King County and Karbone Inc.
Product	Environmental attributes associated with renewable natural gas generated at the South Treatment Plant.
Term	July 1, 2026 through June 30, 2029, with up to two one-year extensions by mutual agreement.
Pricing	Would be determined on a sale-by-sale basis through mutual agreement of the parties.
Minimum Purchase	The agreement would not require Karbone to purchase a minimum quantity of environmental attributes.
Exclusivity	King County could also enter into contracts with other entities for sale of environmental attributes from the South Treatment Plant during this period. WTD also anticipates separate legislation for the sale of the natural gas itself to Puget Sound Energy.

The Executive anticipates approximately \$20.7 million in revenue from the sale of the environmental attributes between 2026 and 2031 if the agreement is executed and undergoes two one-year extensions. The proposed ordinance would require the money

to be allocated to WTD and reinvested in Strategic Climate Action Plan (SCAP)-related actions. This is a policy choice for Councilmembers.

BACKGROUND

South Treatment Plant Biomethane. WTD operates three regional wastewater treatment facilities, including the South Treatment Plant in Renton, which treats approximately 28 billion gallons of wastewater each year. Anaerobic digesters at the South Treatment Plant generate methane digester biogas as part of the treatment and purification of wastewater and associated solid material. Since 1988, WTD has removed impurities from the methane biogas, producing purified methane gas, also known as renewable natural gas, that can be injected into the regional natural gas pipeline when it meets pipeline-quality standards. According to the proposed ordinance, biomethane and environmental attributes from the South Treatment Plant have generated more than \$63 million in revenue to WTD since 2017, with most of that value coming from environmental attributes rather than the physical gas commodity.

Environmental Attributes. Environmental attributes are environmental benefits associated with renewable natural gas that are distinct from the commodity value of the gas itself and can have financial value in mandatory and voluntary environmental markets. In general, the physical gas price reflects the commodity value of methane as an energy source. Environmental attribute prices reflect separate value associated with the renewable, low-carbon, or compliance characteristics of the fuel.

Examples of environmental attribute markets include the federal Renewable Fuel Standard, state low-carbon or clean fuel standard programs, and voluntary renewable thermal credit markets.

- Under the federal **Renewable Fuel Standard (RFS)**, Renewable Identification Numbers (RINs), are compliance credits associated with qualifying renewable fuel. They are purchased by gasoline or diesel fuel refiners and importers for compliance with the Renewable Fuel Standard.
- Low-carbon or clean fuel standard programs, such as California's **Low Carbon Fuel Standard (LCFS)**, generate credits when fuels have lower carbon intensity than a program baseline.
- **Renewable Thermal Certificates (RTCs)** are voluntary accounting instruments used to track and trade the environmental attributes of renewable natural gas.

Prior Agreement with Bluesource. In 2022, the Council adopted Ordinance 19448, which approved a contract with Bluesource, LLC,¹ for the sale of South Treatment Plant biomethane and environmental attributes for three years, with two optional one-year extensions. The proposed ordinance states that the first one-year extension is set to expire on June 30, 2026, and that Bluesource has chosen not to renew the contract for the second additional year because environmental attribute markets have recently been volatile, with market access to the Renewable Fuel Standard becoming increasingly limited.

¹ Bluesource subsequently changed its name to Anew; this staff report uses the name Bluesource as that was the name listed in the contract approved by Council.

Karbone. Karbone Energy LLC² has been a service provider for energy transition and environmental commodity markets since 2008 and acts as a marketer that buys and sells commodities across energy markets to meet client financial and risk management needs. The proposed ordinance states that Karbone transacts on average over \$2 billion per year through energy markets, including over 250 million gallons of renewable fuels and associated environmental attributes through both regulatory compliance and voluntary markets. King County currently sells environmental attributes from the Cedar Hills Landfill to Karbone as approved by Ordinance 20028 in 2025.

ANALYSIS

Transmittal. PO 2026-0116 would authorize the Executive to execute a base contract and all related documents for the sale and purchase of environmental attributes with Karbone Inc., substantially in the form of Attachment A to the transmittal.

Attachment A includes the Base Contract, Special Provisions, and the Transaction Confirmation form (TC). The Base Contract is a North American Energy Standards Board natural gas form agreement. The Special Provisions modify that form agreement. The TC would be used for individual sales and purchases of environmental attributes.

Procurement and King County Code Requirements. Under KCC 4.56.250, code provisions related to the sale of property are waived for sales of ownership or other interests in emissions credits when such sales are in the best interests of the public and authorized by the Council.

According to the Findings section of the proposed ordinance, a sale to Karbone is in the best interests of the public because the market for the sale of environmental attributes associated with biomethane is highly specialized and is subject to market variability, and under the agreement, Karbone would facilitate the sales of the environmental attributes and the revenue generated would be used to support decarbonization of the natural gas supply system in King County and other areas.

Contract Terms. The Base Contract, Special Provisions, and TC contain terms relating to the sale of environmental attributes to Karbone. Several elements are different from the previous Bluesource contract, but similar or identical to the Cedar Hills-Karbone contract adopted in 2025. In general, the proposed agreement would provide WTD with greater flexibility to sell different types and quantities of environmental attributes through transaction confirmations, rather than committing all production to a single buyer under fixed quantity and pricing terms. According to Executive staff, this reflects changes in the environmental attribute market since the Bluesource contract was adopted in 2022, including increased available supply while demand has remained relatively constant.

Key elements of the proposed agreement include the following:

Contract Period. The contract would be in effect from July 1, 2026, through June 30, 2029, and could be extended for two successive one-year terms by mutual agreement of the parties at least 30 days prior to expiration.

² The proposed ordinance refers to the counterparty as Karbone Inc., while the agreement refers to Karbone Energy LLC. Executive staff have confirmed that the latter is correct. Amendment 1 would address this.

Applicable Programs. The TC includes multiple options for environmental attribute markets, including the federal RFS, the California LCFS, or other programs such as RTCs. This would allow Karbone to broker the sale of environmental attributes under any of these systems.

Contract Price. The price paid for a given quantity of environmental attributes would not be set by this agreement. The TC states that the contract price for environmental attributes shall equal either: 1) the sum of the gas price and environmental attribute contract price if both the gas and attributes are sold packaged together, or 2) the environmental attribute contract price alone if sold separately. Neither option is selected in the attached TC, meaning the County and Karbone could choose either method in any given transaction. The previous Bluesource agreement only allowed the former method. Council staff inquired about why the TC includes both pricing options and how the parties would determine which option applies to a future transaction. Executive staff responded that, in general, it is not expected that Karbone will purchase the physical gas molecules, and so most purchases will involve the environmental attributes alone. Executive staff expects to transmit separate legislation in the coming months to allow the sale of the gas associated with these environmental attributes directly to Puget Sound Energy. Executive staff stated that the gas price option is retained primarily to allow a transaction structure in which Karbone briefly takes title to the gas if needed for documentation of ownership in a given transaction.

The gas price (if gas was ever sold) would be based on the midpoint price for that day as given in a daily price survey published in Platts Gas Daily. For the environmental attribute price, the TC includes multiple potential pricing methods for RINs, LCFS credits, and other renewable natural gas credits. In general, the pricing methods would either establish a fixed price or base payment on an index price or sale price, with the County receiving a stated percentage of generated or sold attributes. Council staff inquired about how the parties would select from among the pricing methods. Executive staff stated that this would be negotiated on a case-by-case basis, and that leaving these options open would provide WTD more flexibility to ensure all attributes are fully monetized. WTD expects the RIN market to generally provide the greatest financial return.

Contract Quantity. No maximum or minimum daily quantity of biogas or attributes to be purchased by Karbone is identified. This is different than the Bluesource agreement, which required Bluesource to purchase all biogas and environmental attributes up to 1,300 MMBtu per day. Executive staff states that this change is because WTD intended to pursue multiple contracts – not just with Karbone – to ensure it is maximizing its compensation via competition among multiple potential purchasers. Unlike the current arrangement, WTD would have the flexibility to split the sale of attributes across multiple brokers at the most advantageous price to the County. Any future contracts with other entities would come before the Council for approval.

Other Terms. The TC includes provisions related to registration, generation, marketing, sales, payment, audit rights, breach, termination, limitation of liability, indemnification, and confidentiality. In general, the TC allocates responsibilities between King County and Karbone for documentation and program compliance; gives Karbone control over the evaluation of potential sale of, and over the ultimate sale of, RINs and LCFS credits

generated from renewable natural gas sold under the TC; requires monthly statements from Karbone; allows for audits requested by either party; and includes limitations on liability.

Anticipated Revenue. The fiscal note (Attachment 5 to this staff report) estimates that sale of environmental attributes under this agreement would generate roughly \$4.7 million in revenue in the remainder of 2026-2027 biennium, and an additional \$8 million per biennium through 2031, if the agreement goes through the two allowable one-year extensions. If not extended, revenue would end after 2029.

The revenue estimate assumes a production volume of 250,000 MMBtu per year, and for the attributes to be sold at an average of \$16 per MMBtu. As noted above, the contract price would not be fixed, and could be calculated in several different ways. For the purposes of the fiscal note, Executive staff assumed sales of RINs under the Renewable Fuel Standard.

Expenditure Requirements. The proposed ordinance would require that revenue from this contract "be allocated to the wastewater treatment division and reinvested in Strategic Climate Action Plan-related actions, including efforts that increase the beneficial use of biogas." This is a policy choice because the proposed ordinance would restrict the use of this revenue to SCAP-related WTD actions unless later amended or repealed by the Council.

SCAP actions related to WTD and biogas include:

- GHG 74. Evaluate consuming County-produced biogas and RNG in County facilities as a bridge fuel;
- GHG 75. Update and accelerate carbon reduction approaches for County solid waste and wastewater;
- GHG 77. Optimize biogas and reduce wastewater fugitive methane at wastewater facilities.

As the language used in the proposed ordinance is "including," revenue would not be limited to the above SCAP actions. Additionally, as revenue would be for SCAP "related" actions, it would not necessarily be limited to the actions listed in the SCAP itself.

Executive staff provided the additional information on anticipated expenditures:

"WTD plans to reinvest revenue into new projects and efforts that will accelerate climate action, including the reductions of GHG emissions. These may include: solar photovoltaic installations at treatment plants and offsite locations, biogas optimization projects, and/or energy efficiency efforts. The 2025 Strategic Climate Action Plan (SCAP) section APX.B.VI³ includes detail on reinvesting revenue and further clarifies that revenue is intended as additional funding and should not displace existing funding."

³ [2025 SCAP](#), see page 415

Technical Corrections. Council staff identified technical issues in the transmittal that could be corrected prior to passage. These are addressed by Amendment 1.

AMENDMENT

Amendment 1 would make technical changes to the proposed ordinance and Attachment A to correct errors in the transmittal. These include correcting the counterparty name, correcting the South Treatment Plant address, and other cross reference and section numbering changes.

Title Amendment T1 would correct the counterparty name.

INVITED

- David Broustis, Energy Manager, Department of Natural Resources and Parks

ATTACHMENTS

1. Proposed Ordinance 2026-0116 (and its attachment)
2. Amendment 1 (and its attachment)
3. Amendment T1
4. Transmittal Letter
5. Fiscal Note



KING COUNTY

Signature Report

Ordinance

ATTACHMENT 1

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Proposed No. 2026-0116.1

Sponsors Fain

1 AN ORDINANCE relating to the sale of environmental
2 attributes held by the county; authorizing the county to
3 enter into an agreement for the sale of environmental
4 attributes related to biomethane produced at the South
5 Treatment Plant to Karbone Inc.

6 **STATEMENT OF FACTS:**

- 7 1. The wastewater treatment division of the department of natural
8 resources and parks operates three regional wastewater treatment facilities,
9 including the South Treatment Plant in Renton, Washington, which treats
10 approximately twenty-eight billion gallons of wastewater each year.
- 11 2. Anaerobic digesters at the South Treatment Plant generate methane
12 digester biogas as part of the wastewater and associated solid material
13 treatment and purification processes.
- 14 3. Since 1988, the wastewater treatment division has been removing
15 impurities from the methane biogas originating from the anaerobic
16 digesters. Purified methane gas is also known as renewable natural gas,
17 which is a direct substitute for geologic natural gas. The purified
18 renewable natural gas that meets pipeline quality natural gas standards can
19 be injected into the regional natural gas pipeline.

20 4. Renewable natural gas contains biomethane gas molecules that have an
21 economic value similar to the value of geologic natural gas. In addition,
22 the beneficial use of the wastewater biogas as a byproduct of the anaerobic
23 digestion process provides significant greenhouse-gas reduction and other
24 environmental benefits when compared to the consumption of fossil fuel-
25 derived natural gas.

26 5. The environmental benefits, as an extension of the gas molecule energy
27 content, are recognized as environmental attributes. Environmental
28 attributes refer to renewable energy or other characteristics of a resource
29 that are distinguished from a commodity and can have financial value
30 related to both mandatory and voluntary environmental requirements and
31 markets.

32 6. An example of a mandatory environmental attribute market is the
33 Federal Renewable Fuel Standard, which was created in an effort to
34 reduce greenhouse gas emissions and expand the nation's use of renewable
35 fuels in the transportation sector. The legislation has created demand for
36 transportation fuels sourced from renewable sources, including
37 biomethane sourced from wastewater treatment plants.

38 7. In addition to the Renewable Fuel Standard, there exist other
39 environmental attribute markets, including voluntary Renewable Thermal
40 Credits, natural gas utility and corporate environmental attribute
41 purchases, and foreign renewable natural gas markets.

42 8. From 2017 through the present, the biomethane and environmental
43 attributes originating from the South Treatment Plant have generated over
44 \$63,000,000 of revenue to the wastewater treatment division, with the vast
45 majority of the combined biomethane and environmental attribute value
46 originating from the monetization of environmental attributes.

47 9. In 2021, the wastewater treatment division selected Bluesource, LLC
48 (now named ANEW), for the sale of the South Treatment Plant
49 biomethane and environmental attributes. The King County council
50 adopted Ordinance 19448, on June 7, 2022, approving a contract with
51 Bluesource, LLC, for three years, with two optional one-year extensions.

52 10. The first one-year extension with Anew is set to expire on June 30,
53 2026. Because environmental attribute markets have recently been
54 dynamic and volatile, with market access to the Renewable Fuel Standard
55 market becoming increasingly limited, Anew has chosen not to renew the
56 contract for the second additional year.

57 11. Access to both the Renewable Fuel Standard and other market
58 opportunities to transact environmental attributes originating from the
59 South Treatment Plant can provide greater opportunities to market all
60 available environmental attributes.

61 12. Karbone Inc. ("Karbone") has been a service provider for energy
62 transition and environmental commodity markets since 2008. Karbone
63 acts as a marketer that buys and sells commodities across energy markets
64 to meet client financial and risk management needs. Through energy

65 markets, Karbone transacts on average over 2 billion US dollars per year,
66 including over 250 million gallons of renewable fuels and associated
67 environmental attributes through both regulatory compliance and
68 voluntary markets.

69 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

70 **SECTION 1. Findings:**

71 A. Under K.C.C. 4.56.250, the provisions of K.C.C. chapter 4.56 related to the
72 sale of real or personal property are waived for sales or transfers of ownership, rights,
73 title, or interests in emissions credits, offsets or allowances or renewable energy
74 certificates, credits, or benefits, environmental air quality credits and any similar rights,
75 title or interests held by the county when such sales are in the best interests of the public
76 and are authorized by the King County council.

77 B. A sale to Karbone Inc. ("Karbone") of environmental attributes associated
78 with the South Treatment Plant biogas processing facility is in the best interests of the
79 public because the market for the sale of environmental attributes associated with
80 biomethane is highly specialized and is subject to market variability. The agreement with
81 Karbone will facilitate the sales of these environmental attributes into different markets
82 based on market conditions. The agreement with Karbone will generate revenue and
83 support the decarbonization of the natural gas supply system in King County and in other
84 geographic areas that purchase environmental attributes from King County.

85 **SECTION 2.** The King County executive is hereby authorized to execute a base
86 contract and all related documents for the sale and purchase of environmental attributes
87 with Karbone Inc. substantially in the form of Attachment A to this ordinance.

88 SECTION 3. Moneys from the sale of environmental attributes under section 2 of
89 this ordinance shall be allocated to the wastewater treatment division and reinvested in
90 Strategic Climate Action Plan-related actions, including efforts that increase the
91 beneficial use of biogas.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Sarah Perry, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this ____ day of _____, _____.

Girmay Zahilay, County Executive

Attachments: A. Environmental Attribute Purchase and Sale Agreement between King County and Karbone

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: June **xx**, 2026

The parties to this Base Contract are the following:

PARTY A Karbone Energy, LLC	<i>PARTY NAME</i>	PARTY B King County, through its Department of Natural Resources and Parks – Wastewater Treatment Division
675 Third Avenue, 31st Floor, New York, NY 10017	<i>ADDRESS</i>	201 S. Jackson St, Suite 6200 Seattle, WA 98104
www.karbone.com	<i>BUSINESS WEBSITE</i>	https://kingcounty.gov/en/dept/dnrp/waste-services/wastewater-treatment/about
11-903-7699	<i>CONTRACT NUMBER</i>	135108934
<input checked="" type="checkbox"/> US FEDERAL: 87-3055885 <input type="checkbox"/> OTHER:	<i>TAX ID NUMBERS</i>	<input checked="" type="checkbox"/> US FEDERAL: 91-6001327 <input type="checkbox"/> OTHER:
Delaware	<i>JURISDICTION OF ORGANIZATION</i>	Washington
<input type="checkbox"/> Corporation <input checked="" type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other: _____	<i>COMPANY TYPE</i>	<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
	<i>GUARANTOR (IF APPLICABLE)</i>	
CONTACT INFORMATION		
Karbone Energy LLC ATTN: <u>Settlements</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>settlements@karbone.com</u>	▪ <i>COMMERCIAL</i>	King County _____ ATTN: <u>David Broustis</u> TEL#: <u>206-2477-4544</u> FAX#: _____ EMAIL: <u>david.broustis@kingcounty.gov</u>
Karbone Energy LLC ATTN: <u>Settlements</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>settlements@karbone.com</u>	▪ <i>SCHEDULING</i>	King County _____ ATTN: <u>David Broustis</u> TEL#: <u>206-2477-4544</u> FAX#: _____ EMAIL: <u>david.broustis@kingcounty.gov</u>
Karbone Energy LLC ATTN: <u>Accounting</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>accounting@karbone.com</u>	▪ <i>CONTRACT AND LEGAL NOTICES</i>	King County _____ ATTN: <u>David Broustis</u> TEL#: <u>206-2477-4544</u> FAX#: _____ EMAIL: <u>david.broustis@kingcounty.gov</u>
Karbone Energy LLC ATTN: <u>Accounting</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>accounting@karbone.com</u>	▪ <i>CREDIT</i>	King County _____ ATTN: <u>David Broustis</u> TEL#: <u>206-2477-4544</u> FAX#: _____ EMAIL: <u>david.broustis@kingcounty.gov</u>
Karbone Energy LLC ATTN: <u>Settlements</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>settlements@karbone.com</u>	▪ <i>TRANSACTION CONFIRMATIONS</i>	King County _____ ATTN: <u>David Broustis</u> TEL#: <u>206-2477-4544</u> FAX#: _____ EMAIL: <u>david.broustis@kingcounty.gov</u>
ACCOUNTING INFORMATION		
Karbone Energy LLC ATTN: <u>Accounting</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>accounting@karbone.com</u>	▪ <i>INVOICES</i> ▪ <i>PAYMENTS</i> ▪ <i>SETTLEMENTS</i>	King County Wastewater Treatment Division ATTN: <u>Francesca Ho</u> TEL#: <u>206-477-5521</u> FAX#: _____ EMAIL: <u>Francesca.ho@kingcounty.gov</u>
BANK: <u>East West Bank</u> ABA: <u>322070381</u> ACCT: OTHER DETAILS: _____	<i>WIRE TRANSFER NUMBERS (IF APPLICABLE)</i>	BANK: U.S. Bank 1420 Fifth Ave 10 th Fl Seattle, WA 98101 ABA: 123000848 ACCT: OTHER DETAILS: Include details for purpose of wire or ACH
BANK: <u>East West Bank</u> ABA: <u>322070381</u> ACCT: OTHER DETAILS: _____	<i>ACH NUMBERS (IF APPLICABLE)</i>	BANK: U.S. Bank 1420 Fifth Ave 10 th Fl Seattle, WA 98101 ABA: 123000848 ACCT: OTHER DETAILS: Include details for purpose of wire or ACH

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:

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

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

Karbone Energy, LLC	<i>PARTY NAME</i>	King County, through its Department of Natural Resources and Parks – Wastewater Treatment Division
	<i>SIGNATURE</i>	
Jonathan Burnston	<i>PRINTED NAME</i>	Kamuron Gurol
Managing Director	<i>TITLE</i>	Wastewater Treatment Division Director

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.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover 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 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:
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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 non-affiliated 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
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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
FOR IMMEDIATE DELIVERY

EXAMPLE: REPLACE WITH REVISED TRANSACTION CONFIRMS

Letterhead/Logo	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: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____			
Contract Price: \$_____/MMBtu or _____				
Delivery Period: Begin: _____, ____ End: _____, ____				
Performance Obligation and Contract Quantity: (Select One) <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top; border: none;"> Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP </td> <td style="width: 33%; vertical-align: top; border: none;"> Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller </td> <td style="width: 33%; vertical-align: top; border: none;"> Interruptible: Up to _____ MMBtus/day </td> </tr> </table>		Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day
Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day		
Delivery Point(s): _____ (If a pooling point is used, list a specific geographic and pipeline location):				
Special Conditions:				
Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____			

**SPECIAL PROVISIONS TO
BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS**

King County, through its Department of Natural Resources and Parks – Wastewater Treatment Division and Karbone Energy LLC hereby agree effective as of [June xx, 2026] to amend, modify and supplement the NAESB Standard 6.3.1 Base Contract for Sale and Purchase of Natural Gas (“Base Contract”) dated the same date between the parties hereto with the following special provisions (“Special Provisions”). All capitalized terms not otherwise defined herein shall have the meaning set forth in the Base Contract.

SECTION 1. PURPOSES AND PROCEDURES

- Section 1.3 shall be amended by revising clause (i) in the last sentence to read “a binding Transaction Confirmation agreed by the parties pursuant to Section 1.2 or deemed to be agreed under this Section 1.3.”

- Section 1.4 shall be amended by inserting the following language immediately before the last sentence thereof:

“Telephonic recordings may be relied upon to resolve any differences provided that a true and complete copy is made available to the other party. No party may knowingly destroy or erase a recording once the possessing party becomes aware of an actual dispute in which the recording may reasonably be anticipated to be discoverable.”

- The following new Section 1.5 shall be added:

“1.5. The parties agree that the term “EDI,” as defined in Section 2.17, shall be modified to include any electronic communication used by the parties to indicate the parties’ agreement to a transaction, and the terms and provisions thereof, or to transmit a Transaction Confirmation to the other party, including, without limitation, instant messages, emails, and other electronic communications. The parties agree that (i) any EDI used to indicate the parties’ agreement to a transaction or the terms thereof shall be treated in the same manner as a telephone conversation or a recorded telephone call for all purposes under this Base Contract including, without limitation, for purposes of recording, consent to recording, evidence of an agreement between the parties with respect to a transaction, the conflict hierarchy under Section 1.3, and Section 2.9, and (ii) any printed record of an EDI communication shall be treated in the same manner as a recorded telephone call for purposes of this Base Contract.”

SECTION 2. DEFINITIONS

- The following sentence shall be added to the end of Section 2.9:

“In the absence of the foregoing agreement concerning the components making up the “Contract,” and their treatment as a single integrated agreement, the parties would not have entered into any transactions under the Base Contract.”

- Section 2.12 is hereby amended by deleting the parenthetical phrase “(or an alternate fuel if elected by Buyer and replacement Gas is not available),” from the definition of Cover Standard.

- The following new Section 2.36 shall be added:

“As used in Section 10.3.1, “Costs’ means any of the following, but only to the extent they are reasonable, direct and actual, and further to the extent they are specifically related to the Terminated Transactions and are not otherwise incorporated into the Net Settlement Amount: (a) costs and expenses associated with transportation, gathering, or storage incurred by the Non-Defaulting Party which cannot be avoided through the Non-Defaulting Party’s reasonable efforts; (b) brokerage fees, unwinding costs, commissions and other similar costs and expenses incurred by the Non-Defaulting Party either in (i) terminating any hedges of any Firm obligations under the Terminated Transactions or (ii) entering into new Firm arrangements that replace the Terminated

Transactions and new hedges that replace any hedges of the Firm obligations that were terminated; and (c) attorneys' fees and court costs incurred by the Non-Defaulting Party in connection with enforcing its rights."

- The following new Section 2.37 shall be added:

"“Merger Event” means, with respect to a party or if applicable, its Guarantor, that such party consolidates or amalgamates with, or merges into or with, or transfers substantially all of its assets to another entity and (i) the resulting entity fails to assume all of the obligations of such party or other entity hereunder, or (ii) the benefits of any credit support provided pursuant to or related to this Contract fail to extend to the performance by such resulting, surviving or transferee entity of its obligations hereunder, or (iii) the resulting entity’s creditworthiness is materially weaker than that of such party or other entity immediately prior to such action.”

SECTION 6. TAXES

- Section 6. Taxes – Buyer Pays At and After Delivery Point shall be amended by adding the phrase “prior to the due date of the applicable tax return” at the end of the last sentence thereof.
- Section 6. Taxes – Buyer Pays At and After Delivery Point shall be further amended by adding the following sentence at the end of such Section:

“Notwithstanding the preceding, for the avoidance of doubt, Seller shall in all cases bear any income, margin or franchise tax assessed with respect to the proceeds of sale of Gas under this Agreement.”

SECTION 7. BILLING, PAYMENT AND AUDIT

- Section 7.2 is amended by adding “Except as set forth in Section 3.2,” at the beginning.

SECTION 8. TITLE, WARRANTY AND INDEMNITY

- Section 8.1 shall be amended by adding the words “at and” between “Gas” and “after” in the third sentence.
- Section 8.3 shall be amended by adding the words “at and” between “attach” and “after” in the second sentence.

SECTION 10. FINANCIAL RESPONSIBILITY

- Section 10.1 is amended by replacing the second sentence of such section with the following:

“Adequate Assurance of Performance” shall mean sufficient security in the form, amount, for the 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, or a guaranty. The amount of Adequate Assurance of Performance shall be determined based upon X’s reasonable good faith estimate of its maximum net financial exposure to Y at any given time for transactions subject to this Contract. Each party agrees that notwithstanding any provisions of law relating to adequate assurance of future performance, including, without limitation, any applicable statutory enactment of Article 2-609 of the Uniform Commercial Code, the parties shall only be entitled to request Adequate Assurance of Performance as specifically provided herein.”

- Section 10.1 is further modified by adding the following at the end of such Section:

“Upon request by either party, within 120 days after the end of each fiscal year the other non-requesting party will provide its, or, if it has a Guarantor, its Guarantor’s, annual audited financial statements prepared in accordance with generally accepted accounting principles or international financial reporting standards fairly presenting the financial condition of the applicable entity; provided, however, in the event such entity is required

to make its annual audited financial statements available to the public, then the other party shall use public sources to obtain the information.”

- Section 10.2 is amended by:
 - (a) adding the phrase “, provided that such amount is not the subject of a bona fide dispute pursuant to Section 7.4” immediately after “such payment is due”, in line (9);
 - (b) deleting word “or” in front of “(ix) in line (9);
 - (c) adding the phrase “ (x) be the subject of a Merger Event; or (xi) with respect to a party’s Guarantor only, the failure of such Guarantor’s guaranty to be in full force and effect for purposes of this Contract (other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each transaction to which such guaranty shall relate;” before “then the other party” in line (10); and
 - (d) adding the phrase “, provided that no suspension of performance shall continue for more than ten (10) Days unless an Early Termination Date has been declared and the Defaulting Party has been given Notice thereof in accordance with Section 10.3.” before “.” at the end of the section.
- Section 10.5 is deleted in its entirety and replaced with the following:

“10.5 (a) The parties understand and agree that (i) transaction(s) hereunder constitute “forward contracts” within the meaning of title 11 of the United States Bankruptcy Code (the “Bankruptcy Code”); (ii) each of the parties is a “forward contract merchant” within the meaning of the Bankruptcy Code with respect to any transactions that constitute “forward contracts”; (iii) all payments made or to be made by one party to the other party pursuant to this Contract constitute “settlement payments” or “transfers” within the meaning of the Bankruptcy Code; (iv) all transfers of credit support by one party to the other party under this Contract constitute “margin payments” or “transfers” within the meaning of the Bankruptcy Code; (v) under Section 10 “Financial Responsibility” of this Contract, each party has a “contractual right to liquidate” the transactions within the meaning of Section 556 of the Bankruptcy Code, and (vi) if the parties have elected to have Section 7.7, Netting, apply to this Contract, then (1) this Contract constitutes a “master netting agreement” within the meaning of the Bankruptcy Code and (2) each party is deemed as a “master netting agreement participant” within the meaning of the Bankruptcy Code.

(b) for purposes of this Contract, neither party is a “utility” as such term is used in Section 366 of the Bankruptcy Code, and each party agrees to waive and not to assert the applicability of the provisions of said Section 366 in any bankruptcy proceeding wherein such party is a debtor. In any such proceeding, each party further agrees to waive the right to assert that the other party is a provider of last resort.

(c) each party shall be entitled to exercise its rights and remedies, as set forth under this Contract, in accordance with the safe harbor provisions of the Bankruptcy Code, including without limitation those in Sections 362(b)(6), 546(e), 548(d)(2), 553(b)(1), 556 and 561 thereof.”

- Section 10.6 is amended by adding the phrase “other than as a result of the occurrence of the Early Termination Date” at the end of the second sentence.

SECTION 11. FORCE MAJEURE:

- Section 11.1 is amended by adding the following after the words “claiming suspension” and before “, as further defined” in the last sentence thereof: “or its Affiliates and such cause could not reasonably have been foreseen and avoided by the party claiming suspension or its Affiliates”.

SECTION 12: TERM

- Section 12 is amended by adding “Section 6” and “Section 15.10 (for one year),” to the list of Sections in the second sentence and by adding the following after the first sentence: “Notwithstanding the foregoing, the Base Contract shall terminate three (3) years after effective date unless earlier terminated pursuant to its terms, provided that the Base Contract may be extended for two (2) successive one-year terms upon mutual agreement of the parties at least thirty (30) days prior to the end of the then-effective term.”

SECTION 14: MARKET DISRUPTION

- Section 14 is amended by deleting clause (e) and replacing it with the following:

“(e) both parties, each acting commercially reasonably, agree that a material change in the formula for or the method of determining the Floating Price has occurred, or that a material change in market conditions has occurred which has not yet been adequately addressed by the applicable index.”

SECTION 15. MISCELLANEOUS:

- The following text shall be added to the end of Section 15.5:

“EACH PARTY HEREBY WAIVES ITS RIGHT TO A JURY TRIAL, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.”

- Add the following as the new Section 15.13:

“15.13 Standard of Review:

(a) Absent the agreement of all parties to the proposed change, the standard of review for changes to any rate, charge, classification, term or condition of this Contract, whether proposed by a party (to the extent that any waiver in subsection (b) below is unenforceable or ineffective as to such party), a non-party or FERC acting *sua sponte*, shall solely be the “public interest” application of the “just and reasonable” standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (the “Mobile-Sierra” doctrine), and clarified in *Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish*, 554 U.S. 527, 128 S. Ct. 2733 (2008) and *NRG Power Mktg., LLC v. Me. Pub. Utils. Comm’n*, 558 U.S. 165, 130 S. Ct. 693 (2010).

(b) In addition, and notwithstanding the foregoing subsection (a), to the fullest extent permitted by applicable law, each party, for itself and its successors and assigns, hereby expressly and irrevocably waives any rights it can or may have, now or in the future, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and each hereby covenants and agrees not at any time to seek to so obtain, an order from FERC changing any section or transaction of or under this Contract specifying the rate, charge, classification, or other term or condition agreed to by the parties, it being the express intent of the parties that, to the fullest extent permitted by applicable law, neither party shall unilaterally seek to obtain from FERC any relief changing the rate, charge, classification, or other term or condition of this Contract, notwithstanding any subsequent changes in applicable law or market conditions that may occur.”

- Add the following as the new Section 15.14:

“15.14. (i) Eligible Contract Participant. At the time of each transaction entered into under this Contract, each party represents to the other party that it is an eligible contract participant as defined in Section 1a(18) of the U.S. Commodity Exchange Act (“CEA”) and CFTC Regulations promulgated thereunder (an “ECP”).

(ii) Commodity Trade Option. With respect to each transaction that is a Commodity Trade Option, as of the date the transaction is entered into:

(a) The party that is the offeree represents that: (i) it is a producer, processor, commercial user of, or merchant handling, the commodity that is the subject of the Commodity Trade Option, or the products or byproducts thereof; (ii) it is entering into the Commodity Trade Option solely for purposes related to its business as such; and

(b) Each party represents to the other that the Commodity Trade Option, if exercised, contains a binding obligation that results in the sale of the specified nonfinancial commodity for immediate or deferred shipment or delivery.

For purposes of this Contract:

“CFTC” means the U.S. Commodity Futures Trading Commission.

“CFTC Regulations” means the rules, regulations, orders and interpretations published or issued by the CFTC.

“Commodity Trade Option” means a commodity option (as that term is defined in CFTC Regulation 1.3(hh)) entered into pursuant to CFTC Regulation 32.3(a).”

- Add new Section 15.15 as follows:

Venue; Jurisdiction. Venue for any suit, legal action or other legal proceeding arising out of or relating to this Contract shall be in the Superior Court of Washington for King County or the United States District Court for the Western District of Washington and located in Seattle. Each party consents to the jurisdiction of any such court in any such suit, action or proceeding and waives any objection or defense which such party may have to the laying of venue of any such suit, action or proceeding in any such court, including the defense of an inconvenient forum to the maintenance in such court of such suit, action or proceeding. 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. Except as otherwise expressly provided in this Contract, each party shall pay its own attorneys' fees and costs in connection with any legal action hereunder.

- Add the following as Section 15.16:

This Contract shall be considered for all purposes as prepared through the joint efforts of the parties and shall not be construed against one party or the other as a result of the manner in which this Contract was negotiated, prepared, drafted or executed.

[signature page(s) follow(s)]

IN WITNESS WHEREOF, the parties have caused these Special Provisions to be duly executed as of the Effective Date.

King County, through its Department of Natural Resources and Parks – Wastewater Treatment Division

Karbone Energy LLC

By: _____

By: _____

Name: Kamuron Gurol

Name: Jonathan Burnston

Title: Wastewater Treatment Division Director

Title: Managing Director

B. RIN Contract Price. For RNG sold hereunder for which D3 RINs are generated in any Month, Buyer shall remit, in immediately available funds, the amount due to Seller for Seller's RIN Share within thirty (30) days after Buyer's receipt of payment from the sale of D3 RINs generated from such RNG. Buyer shall make commercially reasonable efforts to monetize the D3 RINs within 45 days from the date of RIN generation. For example, the standard Seller's RIN Share payment to Seller for Seller's June gas production volume will be paid by Buyer on or before the 14th of August. Notwithstanding the foregoing, Seller and Buyer may mutually agree by electronic communication such as e-mail to delay RIN monetization in an attempt to increase the value of the RINs to both parties if "RIN Sales Price" is selected below. For the applicable TC, the price payable to Seller for RINs generated in any Month shall be (select one):

Fixed Price. Buyer shall pay Seller \$ ____ per D3 K1 RIN for Seller's K1 RIN Share.

"**Seller's K1 RIN Share**" shall mean, for each Month in which D3 K1 RINs are generated and sold in connection with RNG sold and purchased hereunder, payment at the above price based on 96.5% of the total quantity of D3 K1 RINs generated for such Month.

RIN Index Price. Buyer shall pay Seller the RIN Index Price for Seller's RIN Share.

"**Seller's RIN Share**" shall mean, for each Month in which RINs are generated and sold in connection with RNG sold and purchased hereunder, payment at the RIN Index Price based on **97.5%** of the total quantity of RINs generated for such month.

"**RIN Index Price**" shall mean the average D3 Cellulosic RIN price calculated on a [_____] basis for the applicable Month as listed on the [_____] Index (the "**RIN Index**"), less any direct third-party expenses reasonably incurred by Buyer for the generation and verification of such RINs. Buyer will provide documentation for all expenses deducted and will minimize such expenses if commercially reasonable, as determined by Buyer in its discretion.

RIN Sales Price. Buyer shall pay Seller the RIN Sales Price for Seller's RIN Share.

"**Seller's RIN Share**" shall mean, for each Month in which RINs are generated and sold in connection with RNG sold and purchased hereunder, payment based on **97.5%** of the total quantity of RINs generated for such month.

"**RIN Sales Price**" used to calculate the amounts due and payable by Buyer to Seller for a given Month shall equal one hundred percent (100%) of the cash revenue realized by Buyer during such Month from the sale of D3 RINs associated with RNG delivered by Seller to Buyer under this TC less any direct third-party expenses reasonably incurred by Buyer for the generation, verification and sale of such RINs. Buyer will provide documentation for all expenses deducted and will minimize such expenses if commercially reasonable, as determined by Buyer in its discretion.

C. LCFS Contract Price. For RNG sold hereunder for which LCFS Credits are generated in any Month, Buyer shall remit, in immediately available funds, the amount due to Seller for Seller's LCFS Credit Share within thirty (30) days after Buyer's receipt of payment from the sale of LCFS Credits generated from such RNG. Buyer shall make commercially reasonable efforts to monetize the LCFS Credits within 45 days from the date of LCFS Credit generation. For example, the standard Seller's LCFS Credit Share payment to Seller for Seller's June gas production volume will be paid by Buyer on or before the 14th of August. Notwithstanding the foregoing, Seller and Buyer may mutually agree to delay LCFS Credit monetization in an attempt to increase the value of the LCFS Credits to both parties if "LCFS Credit Sales Price" is selected below. For the applicable TC, the price payable to Seller for LCFS Credits generated in any Month shall be (select one):

LCFS Credit Index Price. Buyer shall pay Seller the LCFS Credit Index Price for Seller's LCFS Credit Share.

"**Seller's LCFS Credit Share**" shall mean, for each Month in which LCFS Credits are generated and sold in connection with RNG sold and purchased hereunder, payment based on **97.5%** of the total quantity of LCFS Credits generated for such month.

"**LCFS Credit Index Price**" shall mean the average LCFS Credit price calculated on a [_____] basis for the applicable Month as listed on the [_____] Index (the "**LCFS Index**"), less any direct third-party expenses reasonably incurred by Buyer for the generation and verification of such LCFS Credits. Buyer will provide documentation for all expenses deducted and will minimize such expenses if commercially reasonable, as determined by Buyer in its discretion.

LCFS Credit Sales Price. Buyer shall pay Seller the LCFS Credit Sales Price for Seller's LCFS Credit Share.

“**Seller’s LCFS Credit Share**” shall mean, for each Month in which LCFS Credits are generated and sold in connection with RNG sold and purchased hereunder, payment based on **97.5%** of the total quantity of LCFS Credits generated for such month.

“**LCFS Credit Sales Price**” used to calculate the amounts due and payable by Buyer to Seller for a given Month shall equal one hundred percent (100%) of the cash revenue realized by Buyer during such Month from the sale of LCFS Credits associated with RNG delivered by Seller to Buyer under this TC less any direct third-party expenses reasonably incurred by Buyer for the generation, verification and sale of such LCFS Credits. Buyer will provide documentation for all expenses deducted and will minimize such expenses if commercially reasonable, as determined by Buyer in its discretion.

Payment of the Seller’s LCFS Credit Share is contingent upon Buyer being able to utilize Environmental Attributes purchased under this TC, coupled with Gas, as Transportation Fuel in the state of California, Oregon, Washington, British Columbia (or other state or jurisdiction that has in force any program allowing the generation of carbon credits from the production and use of low carbon fuels), and the production and sale of LCFS Credits from such Environmental Attributes.

D. Other RNG Credit Contract Price. For RNG sold hereunder for which any other RNG Credit(s) are generated in any Month, Buyer shall remit, in immediately available funds, the amount due to Seller for Seller’s RNG Credit Share within thirty (30) days after Buyer’s receipt of payment from the sale of RNG Credits generated from such RNG. Buyer shall make commercially reasonable efforts to monetize the RNG Credits within 45 days from the date of RNG Credit generation. For example, the standard Seller’s RNG Credit Share payment to Seller for Seller’s June gas production volume will be paid by Buyer on or before the 14th of August.

Fixed Price. Buyer shall pay Seller \$ ___ per RNG Credit for Seller’s RNG Credit Share.

“**Seller’s RNG Credit Share**” shall mean, for each Month in which RNG Credits are generated and sold in connection with RNG sold and purchased hereunder, payment at the above price based on [___]% of the total quantity of RNG Credits generated for such Month.

“**RNG Credits**” with respect to this TC shall mean renewable natural gas-related environmental attributes sold into markets that could include, but are not limited to: International Sustainability & Carbon Certification (ISCC) European Union system; maritime renewable natural gas or liquified natural gas; or any other renewable natural gas-related environmental attribute markets not included and/or that can be combined with the pricing structures as detailed in sections A., B., and C. of this section.

Delivery Period:

The “**Delivery Period**” shall begin on [July 1, 2026] (“**Start Date**”) and continue through [June 30, 2029]. This TC can be extended upon mutual agreement of the Parties, pursuant to the terms and conditions set forth in Section 12 Term of the Base Contract.

Contract Quantity: Seller shall sell and Buyer shall purchase the Contract Quantity on the following basis (select one):

Firm (Fixed Quantity): _____ MMBtu/day; or

Firm (Variable Quantity (MaxDQ and MinDQ)):

- **Maximum Daily Quantity.** Buyer shall have a Firm obligation to purchase and receive from Seller each Day of the Delivery Period up to [_____] MMBtu per day as established in each sale Transaction Confirmation (“**MaxDQ**”). MaxDQ does not include any **Retained Quantities**.
- **Minimum Daily Quantity.** Seller shall have a Firm obligation to sell and deliver to Buyer each Day of the Delivery Period no less than [_____] MMBtu per day as established in each sales Transaction Confirmation (“**MinDQ**”). For clarity, the MinDQ may be a quantity of zero at any one time and does not include any **Retained Quantities**.

Seller Retained RNG and Environmental Attributes. Notwithstanding anything in this Transaction Confirmation, Seller retains the right, during the term of this TC, to all RNG (including associated Environmental Attributes) produced at the Facility each month that are not sold and delivered from Seller to Buyer hereunder (the **Retained Quantities**). Seller may sell and deliver any or all of the Retained Quantities to one or more other buyers.

Contract Quantity Conditions

The Contract Quantity shall be governed by different Applicable Programs (select one): Yes No (default)

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

RINs corresponding to _____ of RNG

- RTCs corresponding to _____ of RNG
 - LCFS Credits corresponding to _____ of RNG
- or
- Other: _____

Performance Obligation:

Sale and Purchase Obligation. Seller shall sell and deliver to Buyer, and Buyer shall purchase and receive from Seller the Contract Quantity. Through such delivery, Buyer shall maintain and have the firm claim and responsibility for the generation of all LCFS Credits and any other environmental credits or such equivalent associated with Environmental Attribute deliveries under this TC, with the exception of 45Z Federal Tax Credits and assigned RINs. Buyer shall pay the Environmental Attribute Contract Price as detailed in each future Transaction Confirmation to Seller.

Subject to Buyer’s obligations under Section 2 of the Special Provisions in this TC, the Parties acknowledge and agree that Environmental Attributes coupled with Gas must have an end-use for Transportation Fuel compliant with RFS2 (for RIN generation), or compliant with the LCFS or similar state- or regional-level program (for LCFS Credit generation) and the End-Use Location(s) location(s) must be in a state or jurisdiction that has in force any program allowing the generation of carbon credits from the production and use of low carbon fuels. The Contract Quantity of Environmental Attributes sold hereunder will be eligible and compliant with the requirements of the applicable program governing such Environmental Attributes.

Delivery Point:

The “**Delivery Point**” for Biogas delivered and received hereunder shall be at the interconnection point of the facility with the natural gas distribution system of Puget Sound Energy, identified as the South Seattle Gate Station.

- Meter# 8.

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, but not US EPA Renewable Fuel Standard AND Renewable Thermal Credit)

- US EPA Renewable Fuel Standard (RFS2)
 - 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: _____

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: King County South Treatment Plant

Address: 16645 228th Avenue SE, or Latitude/Longitude:

City: Maple Valley

County or Parish: King County

State or Province: Washington

Country: United States

Generation Information System: The GIS of the Applicable Program:-(select parties' mutually agreed GIS and insert GIS name)

GIS: _____

Attestation: _____

or

Other: _____

Registration

Party responsible for percentage of initial registration costs and fees

Buyer Percentage at ___%

Seller Percentage at 100%

Party responsible for percentage of ongoing registration costs and fees

Buyer Percentage at 100%

Seller Percentage at ___%

Special Provisions:

1. Definitions.

“**Affected Party**” shall have the meaning set forth in Section 8(B) of the Special Provisions in this TC.

“**Affiliate**” means with respect to a person or entity, a person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such person; provided that with respect to Buyer, the term “**Affiliate**” refers exclusively to Karbone and the entities controlled by Karbone.

“**Alternative Fuel**” means any transportation fuel that is not California reformulated gasoline or a diesel fuel, including, but not limited to, those fuels specified in the California LCFS Regulations.

“**Biogas**” means a mixture of biomethane, inert gases, and impurities that meets all the following requirements:

A. It is produced through the anaerobic digestion of renewable biomass under an approved pathway.

B. Non-renewable components have not been added.

C. It requires removal of additional components to be suitable for its designated use (e.g., as a biointermediate, to produce RNG, or to produce biogas-derived renewable fuel).

“**Biogas Producer**” has the meaning given to such term under RFS2. As of the Effective Date, the applicable meaning is “any person who owns, leases, operates, controls, or supervises a biogas production facility”.

“**Biogas Production Facility**” means a facility producing Biogas from which the RNG purchased and sold hereunder is produced.

“**Biogas Token**” means a representation in EMTS of RNG production reported in EMTS by a Biogas Producer equal to 1 MMBtu of Biogas at HHV (high heating value).

“**CARB**” means the California Air Resources Board or its successor agency. If operating outside of California, any reference herein to CARB shall also be inclusive of any state entity equivalent in the relevant jurisdiction.

“**Carbon Intensity**” means the amount of Lifecycle Greenhouse Gas Emissions, per unit of energy of fuel delivered, expressed in grams of carbon dioxide equivalent per megajoule (gCO₂E/MJ) as calculated in the applicable version of the California GREET model and approved by CARB.

“**Cellulosic Biofuel**” means a renewable fuel derived from any cellulose, hemi-cellulose or lignin that has Lifecycle Greenhouse Gas Emissions that are at least sixty percent (60%) less than the Baseline Lifecycle Greenhouse Gas emissions (as set forth in the RFS2).

“**CNG**” means compressed natural gas.

“**D3 RIN**” means a D3 Cellulosic Biofuel RIN as established by the Federal Renewable Fuel Standard Program.

“**Delivery Period**” shall have the meaning set forth in the Section titled Delivery Period in this TC.

“**Disqualified RNG**” means Gas that was initially determined by the Parties upon delivery to be RNG but subsequently becomes disqualified as RNG and ineligible to generate RINs and/or LCFS Credits because it does not qualify as a renewable fuel under the EPA Renewable Fuel Standard or the LCFS, as applicable.

“**Documentation**” shall have the meaning of actual attribute sales price invoices or statements prior to Karbone’s marketing fees.

“**End-Use Location(s)**” means location(s) where Environmental Attributes purchased by Buyer under this TC are to be used for Transportation Fuel purposes, which will be listed on the applicable documentation provided by Buyer to EPA under the RFS2 in connection with generating RINs from such Environmental Attributes.

“**Environmental Attributes**” means 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 Lifecycle Greenhouse Gas 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 and sold herein. Environmental Attributes do not include: (i) tax credits; (ii) any Environmental Attributes specified as excluded in this TC; (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 permit..

“**Environmental Attribute Contract Price**” shall have the meaning set forth in the Section titled Contract Price in this TC.

“**EPA**” means the United States Environmental Protection Agency or its successor.

“**Gas**” shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.

“**K1 RIN**” means an ‘Assigned RIN’, as such term is defined under RFS2.

“**K2 RIN**” means a “Separated RIN”, as such term is defined under RFS2 pursuant to § 80.1428(b).

“**Law**” shall have the meaning set forth in Section 8(C) of the Special Provisions in this TC.

“**Lifecycle Greenhouse Gas Emissions**” means the aggregate quantity of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride, or any other substances or combination of substances that may become regulated as greenhouse gases under any federal, state or local laws, in each case measured in increments of one metric tonne of carbon dioxide equivalent (collectively, “**Greenhouse Gases**”), emissions, as determined by the EPA or another regulatory agency, related to the full fuel lifecycle, where mass values for all Greenhouse Gases are adjusted to account for their relative global warming potential.

“**Low Carbon Fuel Standard**” or “**LCFS**” means the California Air Resources Board Low Carbon Fuel Standard set forth in the California Code of Regulations at Title 17, Division 3, Chapter 1, Subchapter 10, Article 4, §§ 95480 – 95503, as amended from time to time (hereinafter the “**California LCFS Regulations**”). If operating outside of California, any reference herein to LCFS shall also be inclusive of any state entity equivalent in the relevant jurisdiction, including but not limited to the regulations, orders, decrees and standards issued by a governmental authority implementing or otherwise applicable to the Oregon Clean Fuels Program as set forth in OAR chapter 340, division 253 as defined in OAR 340-253-0060(4) and each successor regulation, as may be subsequently amended, modified, or restated from time to time (the “**CFP**”) and the Washington Clean Fuel Standard set forth in the Revised Code of Washington at Title 70A, Chapter 70A.535, as amended from time to time (the “**CFS**”).

“**Low Carbon Fuel Standard Credits**” or “**LCFS Credits**” means credits generated and traded under the Low Carbon Fuel Standard, with each credit equal to one metric tonne of carbon dioxide equivalent reductions as compared to the baseline carbon dioxide equivalent emissions under the Low Carbon Fuel Standard. If operating outside of California, any reference herein to LCFS Credits shall also be inclusive of any state entity equivalent in the relevant jurisdiction, including but not limited to any credits generated and traded under the CFP and the CFS.

“**LCFS Credit Value**” shall have the meaning set forth in Section 5(D) of the Special Provisions in this TC.

“**LNG**” means liquified natural gas.

“**MaxDQ**” shall have the meaning set forth in the Section titled Contract Quantity in this TC.

“**MinDQ**” shall have the meaning set forth in the Section titled Contract Quantity in this TC.

“**Non-Affected Party**” shall have the meaning set forth in Section 8(B) of the Special Provisions in this TC.

“**OPIS**” means the Oil Price Information Service, or successor thereto, and its publications and daily reports covering the physical spot market for renewable fuels and related environmental credit/carbon values across the United States.

“**Party(ies)**” means, singularly, Buyer or Seller and, plurally, both Buyer and Seller.

“**Product Transfer Document**” or “**PTD**” means a document or a set of documents that authenticates the transfer of ownership of fuel from a regulated party to the recipient of fuel. A PTD is created by a regulated party to contain information collectively supplied by other fuel transaction documents, including bills of lading, invoices, contracts, meter tickets, rail inventory sheets, etc. per 40 C.F.R. § 80.1453 of the RFS2 and as per Section 95491(c) of the California LCFS Regulations.

“**Project**” means the King County South Wastewater Treatment Plant, 1200 Monster Rd SW, Renton, WA 98057

“**Q-RIN**” means a RIN that has been reviewed and validated by an approved QAP provider.

“**Quality Assurance Plan**” or “**QAP**” means the voluntary RIN validation program implemented under 40 C.F.R. § 80.1469 to § 80.1473 whereby independent third parties audit the production of the renewable fuel and monitor on a monthly and quarterly basis to ensure that RINs have been validly generated, which as applies to RINs under the RFS2 was published on July 18, 2014 (at 79 Fed. Reg. 42078) and which became effective on September 16, 2014.

“**Regulatory Event**” shall have the meaning set forth in Section 8(B) of the Special Provisions in this TC

“**Renewable Identification Number**” or “**RIN**” “means a renewable identification number generate pursuant to RFS2. Unless specified or the context requires otherwise, references to “RIN” in this TC refer to K2 RINs (Separated RINs).

“**Renewable Natural Gas**” or “**RNG**” means a mixture of hydrocarbons that is a gas at 60 degrees Fahrenheit and 1 atmosphere of pressure from the Facility that is (i) produced from Biogas, (ii) upgraded to meet standards for injection to a natural gas commercial pipeline system without removal of additional components and (ii) transfers the equivalent quantity of Environmental Attributes to Buyer.

“**RIN Share**” shall have the meaning set forth in the Section titled Contract Price in this TC.

“**RIN Value**” has the meaning set forth in Section 4(H) of the Special Provisions in this TC.

“**RFS2**” means the Renewable Fuel Standard Program under the Energy Policy Act of 2005, and the Energy Independence and Security Act of 2007 and implementing regulations, including, without limitation, 40 C.F.R. Subpart 80, Subparts A, E and M, as the same may be amended, supplemented or restated from time to time, including any successor program.

“**RNG**” means a product that (1) is produced from Biogas; (2) does not require removal of additional components to be suitable for injection into the natural gas commercial pipeline system and (3) is used to produce renewable fuel.

“**RNG Contract Price**” shall have the meaning set forth in the Section titled Contract Price in this TC.

“**RNG Credit(s)**” shall mean a credit, number or certificate generated from, attributable to, or representing RNG under an Applicable Program (as selected above), including without limitation: K1 RINs; Q-RIN; K2 RINs, LCFS; RTC; or other equivalent regulatory or voluntary credits.

“**RNG Producer**” has the meaning given to such term under RFS2. As of the Amendment Date, the applicable meaning is “any person who owns, leases, operates, controls, or supervises an RNG production facility”.

“**Sales Price**” shall mean the product of the Contract Price multiplied by the Contract Quantity for each Delivery under this TC.

“**Start Date**” shall have the meaning set forth in the Section titled Delivery Period in this TC.

“**Transportation Fuel**” has the meaning given to such term under RFS2. As of the Amendment Date, the applicable meaning is “fuel for use in motor vehicles, motor vehicle engines, nonroad vehicles or nonroad engines (except fuel for use in ocean-going vessels)”.

“**Transportation Fuel Producer**” or “**TFP**” means an entity with which Buyer or Buyer’s affiliate is contractually engaged to sell and deliver Environmental Attributes of RNG purchased from Seller under this TC to be combined with Gas and consumed as Transportation Fuel.

2. Buyer Commitments.

- A. Cause all RNG sold and purchased hereunder to be dispensed as Transportation Fuel in accordance with RFS2 and, as applicable, the LCFS;
- B. Act in good faith in the sale of RNG, Gas, and Environmental Attributes purchased by Buyer hereunder and the separation and sale of RINs and LCFS Credits therefrom, use commercially reasonable efforts to maximize the proceeds received by Buyer from such sales, and include all proceeds received by Buyer from such sales in the calculation of the Contract Price, if applicable;

3. Additional Terms and Conditions.

- A. **Nominations.** If “Firm (Variable Quantity)” is selected in Contract Quantity above, Seller will provide Buyer with its nominated daily quantity of RNG, based on the Project’s projected RNG production schedule and Seller’s projected deliveries at the Delivery Point at no less than the MinDQ and up to the MaxDQ, unless otherwise accepted by Buyer and Seller, for each Month of the Delivery Period per the conditions as provided below:
- a No less than thirty (30) days prior to the end of any calendar year, Seller shall nominate daily expected quantities to Buyer for the subsequent year.
 - b No less than ten (10) days prior to each delivery Month, Seller shall submit to Buyer changes to daily nominated quantities for said upcoming delivery month.
 - c Mid-month changes to daily nominated quantities are due from Seller to Buyer by 8:00 a.m. Eastern Standard Time, one (1) day prior to each said daily delivery or weekend/holiday trading period.
 - d Any material changes to expected deliveries above shall be reported from Seller to Buyer promptly following Seller identifying such changes.
- B. **Delivery and Use of RNG.** For all Environmental Attributes sold and purchased under this TC between Seller and Buyer, Seller represents and warrants that:
- a it has the right and title to all Environmental Attributes transferred hereunder, which were produced from the Project, and will convey to Buyer all such Environmental Attributes in accordance with the requirements of RFS2 and, as applicable, the LCFS in order to preserve the ability to separate RINs and generate LCFS Credits, and it will not take any action that would result in the Environmental Attributes not satisfying the requirements of RFS2 and, as applicable, the LCFS;
 - b Seller has not and will not generate RINs or LCFS Credits nor represent the fuel for sale as RNG with the ability to generate RINs to any other party;
 - c Seller has not and will not generate RINs or LCFS Credits under any renewable energy or fuel program, including but not limited to any state Renewable Portfolio Standard, for any and all RNG sold to Buyer.
 - d the Environmental Attributes have not been used by Seller other than for the generation of K1 RINs, or sold or transferred by Seller to any third party prior to transfer to Buyer;
 - e the Environmental Attributes delivered to Buyer hereunder are from RNG of pipeline quality that, when dispensed as Transportation Fuel, meet the requirements of RFS2 and, as applicable, the LCFS; and
 - f all information provided by Seller to Buyer relating to this TC shall be accurate and complete in all material respects.
- C. **Disqualified RNG.** Each Party will promptly notify the other Party in the event that any RNG is determined to be Disqualified RNG. As applies to end-use as Transportation Fuel, Buyer and Seller acknowledge and agree that (a) Disqualified RNG may be eligible to generate LCFS Credits as a non-renewable Transportation Fuel via the applicable pathway under the LCFS, and (b) each Party will promptly provide any documentation or supporting information reasonably requested by Buyer related to the Disqualified RNG.
- D. **Regulatory Certifications.** Seller shall provide to Buyer all documentation required by the EPA and/or CARB to (i) certify that the Environmental Attributes sold and purchased hereunder were from a Cellulosic Biofuel eligible to generate RINs or Q-RINs (with respect to RFS2) and, as applicable, create a low Carbon Intensity pathway (with respect to the LCFS) for generation of LCFS Credits, and (ii) assist with the certification of RINs, Q-RINs or LCFS Credits. This documentation will include, but is not limited to, all documentation required to certify that production of the RNG and transportation of the Environmental Attributes of RNG from its point of production to the Delivery Point is compliant with the transportation routing requirements (“pathing”) of the RFS2 and LCFS and any producer documentation required following delivery of Environmental Attributes of RNG to Buyer. Additional documentation may include any affidavits, reporting or attestations required by the EPA and/or CARB as applicable, such as documentation confirming Seller is (to the extent necessary and subject to Buyer’s obligations under Section 5 of the Special Provisions in this TC) registered under the California LCFS Regulations as a regulated party under the LCFS.
- E. **Records.** Each Party shall maintain all records in its possession relevant to the purchase of RNG hereunder, including, as applicable, all records relevant to the production, purchase and sale, transportation, and delivery of RNG purchased hereunder and for end-use, including end-use as Transportation Fuel, and Seller shall maintain information as it applies to the creation and sale of RINs and/or Q-RINs in accordance with the requirements of RFS2. Seller shall maintain records related to RNG production process, feedstocks used, Project commissioning and registration, treatment of RNG to pipeline quality, RNG deliveries to the Delivery Point. Buyer shall maintain records related to RNG deliveries from the Delivery Point along the pathway, including use as Transportation Fuel and certifications, and the monetization of RINs and/or QRINs and LCFS Credits associated to RNG deliveries under this TC. As may be requested from time to time by Seller, Buyer will provide to Seller access and rights to audit (i) Buyer’s books and records to verify the accuracy of any accounting and reconciliation of the Contract Price and the performance of Buyer’s obligations under this TC, and (ii) the records related to end-use consumption at End-Use

Location(s) associated with RNG deliveries under this TC upon Seller's commercially reasonable request. For the avoidance of doubt, Buyer shall apply reasonable commercial efforts to provide Seller with any records that were not originated or created by Buyer or that may require Buyer to request such records from another third-party.

- F. **Additional Acknowledgements.** Each Party will provide the other Party with such cooperation, additional documentation, certifications or other information as may be reasonably necessary to carry out the purposes of this TC. Buyer and Seller each acknowledge and agree that any and all obligations set forth in this TC of either Buyer or Seller, including, but not limited to, the obligation to provide information, data, documentation or other cooperation to the other Party shall also be applicable with respect to an agent or subcontractor of the other Party in the event such Party retains another party to perform any obligations under this TC. Such Party shall ultimately be responsible for its agent's or subcontractor's actions or inactions. Notwithstanding anything in this TC to the contrary, Seller acknowledges and understands that Buyer takes no responsibility for any action or inaction of Seller. Buyer acknowledges and understands that Seller takes no responsibility for any action or inaction of Buyer. As applies to end-use as Transportation Fuel, the Parties understand and agree that Buyer shall be solely responsible for the separation of or for causing the separation of K1 RINs into K2 (separated) RINs and generation of LCFS Credits and Seller is responsible for the generation of K1 RINs and transfer of K1 RINs to Buyer, including, but not limited to, all compliance responsibilities with respect thereto. Seller understands and agrees that Buyer will have firm claim and responsibility for all K1 RINs and verified LCFS Credits associated with RNG sold and purchased under this TC and agrees to not make any claims related to such RNG inconsistent with the creation and use of such Q-RINs and verified LCFS Credits.
- G. **Other Low Carbon Credits.** In the event that RNG sold and purchased hereunder are delivered to a state or jurisdiction other than California, and such state or jurisdiction has in force any program allowing the generation of carbon credits from the production and use of low carbon fuels, any credits generated under such program (or the value realized on the sale of such credits) from the RNG sold and purchased hereunder shall be allocated to Buyer and Seller according to the same terms and conditions as the LCFS Credits are allocated.

4. Registration and Generation of RINs; Marketing.

A. Registration under RFS2.

- i. **Biogas Producer Registration.** Buyer shall, upon request by Seller, provide Seller with such reasonable cooperation, additional documentation or other information as may be, in order for Seller to (i) register as a Biogas Producer under RFS2 and (ii) register each Biogas Production Facility under RFS2, provided that Seller acknowledges and understands that Buyer takes no responsibility for Seller and each Production Facility's registration hereunder;
- ii. **RNG Producer Registration.** Buyer shall, upon request by Seller, provide Seller with such reasonable cooperation, additional documentation or other information as may be, in order for Seller to, (i) register as an RNG Producer under RFS2 and (ii) register the Facility as an RNG production facility under RFS2, provided that Seller acknowledges and understands that Buyer takes no responsibility for Seller and each Production Facility's registration hereunder.
- iii. **Provisional Registration.** To the extent that the registration status of a Biogas Producer, Biogas Production Facility, RNG Producer or the Facility is deemed "provisional" by EPA, any K1 RINs generated while Biogas Producer or RNG Producer status is deemed "provisional" will be held by Buyer and will not be transferred for dispensing until the applicable registration is no longer provisional or it is determined by Buyer in its reasonable discretion that the nonprovisional registration will be issued without restrictions that would render the RNG Disqualified RNG.

B. Biogas Tokens; RIN Generation; Dispensing and RIN Sales.

- i. **Biogas Tokens.** Subject to registration of Seller as a Biogas Producer under RFS2, Seller shall (i) report Biogas batch production in EMTS, (ii) generate Biogas Tokens corresponding to Biogas production, and (iii) transfer (if necessary) the Biogas Tokens to the applicable account for K1 RIN generation. The foregoing includes, without limitation, preparation of any product transfer documents or other documentation required in connection with the applicable action.
- ii. **K1 RINs.** Subject to registration of Seller as an RNG producer under RFS2, Seller shall generate K1 RINs from Biogas Tokens transferred to Seller and transfer such K1 RINs to Buyer with respect to RNG delivered to Buyer during the applicable period. The foregoing includes, without limitation, preparation of any product transfer documents or other documentation required in connection with the applicable action.
- iii. **Dispensing.** Buyer will arrange for the RNG to be converted into and used as Transportation Fuel and transfer the K1 RINs to the applicable RIN separator, receive the K2 RINs associated with such RNG from the RIN separator and market and use commercially reasonable efforts to sell such K2 RINs.
- iv. **Marketing.** Buyer is the exclusive marketer of any RINs and Alternative Products generated from RNG purchased and sold hereunder.

- v. **Annual Attestation/Audit.** Buyer shall, upon request by Seller, provide Seller with such reasonable cooperation, additional documentation or other information as may be, in order for Seller to cause any required annual attestation engagement or audit under an applicable program to be completed as required under an Applicable Program.
- C. **QAP.** Each of Buyer and Seller agree that Biogas Tokens and K1 RINs generated in connection or with respect to RNG purchased and sold hereunder will be reviewed pursuant to an EPA-approved Quality Assurance Program (QAP) protocol absent mutual written agreement to the contrary. Seller shall (i) enter into a contract for QAP services with a registered QAP provider in accordance with RFS2 and (ii) authorize the contracted QAP provider to communicate with Buyer directly with respect to any review, report or other services provided by such QAP provider.
- D. **Maintenance of Eligibility for Use as Transportation Fuel.** Seller is responsible for compliance with any applicable requirements of the Applicable Programs pertaining to the RNG prior to and at the Delivery Point. Buyer is responsible for compliance with any applicable requirements of the Applicable Programs following acceptance of the RNG at the Delivery Point.
- E. **[Reserved].**
- F. **Seller's Warranty.** For purposes of this TC, Seller represents and warrants the following in addition to the representations and warranties set forth in _ of the Base Contract: "Seller represents and warrants that all Environmental Attributes associated with RNG delivered to Buyer hereunder (i) are unencumbered and held by Seller with good and marketable title upon transfer to Buyer, (ii) have not been altered in any respect or sold to any Party prior to delivery to Buyer and (iii) are attributable to gas produced from anaerobic digestion."
- G. **Seller Covenants.**
- i. Neither Seller nor any of its Affiliates shall, directly or indirectly, take any action or omit to take any action that, in either case, would or is likely to adversely impact the registration, verification, certification, quality assurance or continued eligibility of the RNG under the Applicable Program(s).
 - ii. Seller shall not, and shall not enter into any agreement that would, directly or indirectly, (i) claim, use, transfer or otherwise encumber any Environmental Attributes or (ii) generate, market or sell any environmental claim, benefit or credit arising from or associated with the RNG without Buyer's prior written consent, which shall not be unreasonably withheld, delayed or conditioned.
 - iii. Seller agrees to execute any documentation necessary to allow Buyer to act as Seller's agent with respect to any tracking or transaction account established with respect to Gas or RINs.
- H. **[Reserved].**
- H. **RIN Market and Trades.** For the avoidance of doubt, Seller acknowledges and agrees that (i) the market for RINs may lack liquidity, (ii) Buyer shall at all times retain control over the evaluation of potential sales of RINs and the ultimate sale of RINs into the market, and (iii) Seller shall have no right to participate in or direct the sales of RINs. EXCEPT AS EXPRESSLY SET FORTH IN THIS TC, BUYER DOES NOT MAKE, AND EXPRESSLY DISCLAIMS, ALL WARRANTIES AND REPRESENTATIONS WITH RESPECT TO THE MARKETING OF RINS OR Q-RINS.
- 5. LCFS Credits**
- A. **LCFS Compliance.** The Parties understand and agree that Buyer shall be responsible for registering with CARB and complying with the relevant regulatory provisions of the LCFS solely with respect to the generation of LCFS Credits. Seller be responsible with respect to all other compliance requirements with the relevant regulatory provisions of the LCFS, including, but not limited to, responsibilities for quarterly progress reporting and quarterly and annual compliance reporting and all other registration, reporting and documentation responsibilities as are set forth in this TC.
- B. **LCFS Credit Generation.** The Parties understand and agree that, provided that Seller provides all data required under the terms of this TC, Buyer will determine the number of LCFS Credits eligible to be generated and will generate LCFS Credits, associated with RNG delivered under this TC, in accordance with the LCFS. For avoidance of doubt, Buyer and Seller acknowledge and agree that Buyer is generating and is taking title to LCFS Credits associated with RNG deliveries under this TC and Seller has no rights to LCFS Credits nor does Seller have any rights to LCFS Credits which may be generated by End-Use Location(s) associated with the consumption of Gas not delivered under this TC.
- C. **Regulated Party Status and Product Transfer Documents.** Pursuant to the California LCFS Regulations, Seller shall transfer its LCFS regulated party status to Buyer with respect to all Environmental Attributes sold by Seller to Buyer hereunder. As required under the California LCFS Regulations, Seller shall, on a quarterly basis, provide Buyer or its designee with a Product Transfer Document.
- D. **[Reserved].**

E. **LCFS Market and Trades.** For the avoidance of doubt, Seller acknowledges and agrees that (i) the market for LCFS Credits may lack liquidity, (ii) Buyer shall at all times retain control over the evaluation of potential sales of LCFS Credits and the ultimate sale of LCFS Credits into the market, and (iii) Seller shall have no right to participate in or direct the sales of LCFS Credits. EXCEPT AS EXPRESSLY SET FORTH IN THIS TC, BUYER DOES NOT MAKE, AND EXPRESSLY DISCLAIMS, ALL WARRANTIES AND REPRESENTATIONS WITH RESPECT TO THE CREATION AND MARKETING OF LCFS CREDITS.

6. Statements; Payments. Notwithstanding Section 7 of the Base Contract, for each Month during the Delivery Period Buyer shall deliver a statement to Seller within thirty (30) days after the end of the immediately following Month that details the following:

- i. the quantity of RNG sold hereunder during such Month and Buyer's calculation of the RNG Contract Price for such quantity, including an itemized list of all expenses deducted in the calculation thereof pursuant to this TC;
- ii. the quantity of RINs generated from such RNG, the quantity of RINs yet to be generated from such RNG, and Buyer's estimated calculation of the RIN Revenue, including an itemized list of all expenses deducted in the calculation thereof pursuant to this TC;
- iii. the quantity of LCFS Credits generated from such RNG (or associated Environmental Attributes), the quantity of LCFS Credits yet to be generated from such RNG (or associated Environmental Attributes), and Buyer's estimated calculation of the LCFS Share, including an itemized list of all expenses deducted in the calculation thereof pursuant to this TC; and
- iv. the quantities of RINs and LCFS Credits generated from RNG (or associated Environmental Attributes) sold hereunder in each prior Month during the Delivery Period and the quantities of such RINs and LCFS Credits that Buyer has not yet sold.

7. Breach.

A. In the event that, over any one hundred and twenty (120) day period, a Party breaches its obligation to deliver or receive, as applicable, RNG or other obligations that results in an inability or failure by Seller to generate K1 RINs and/or Buyer to generate LCFS Credits from delivered and received RNG, the RINs and LCFS Credits that would have been generated by Buyer shall be accounted for in the calculation of the Contract Price for purposes of Section 3.2 of the Base Contract with the amount due to the non-breaching party in connection with such RINs and LCFS Credits calculated as follows:

- i. For a breach by Buyer, an amount equal to the positive difference, if any, between (1) the sum of the RIN Share (with the RIN Value equal to the RIN Index Price multiplied by the Net Quantity) and the LCFS Credit Share (with the LCFS Credit Value equal to the LCFS Index Price multiplied by the Net Quantity), and (2) the net proceeds received by Seller from the sale of any RINs and LCFS Credits generated, if any, outside this TC from the RNG associated with Buyer's breach, less the additional reasonable costs Seller incurs in connection with generating and selling such RINs and LCFS Credits; and
- ii. For a breach by Seller, an amount equal to the sum of (1) RIN Value multiplied by the difference between 100% and the percentage of the RIN Value set forth in the Section titled Contract Price in this TC that Buyer would have been obligated to pay Seller (with the RIN Value equal to the RIN Index Price multiplied by the Net Quantity), and (2) the LCFS Credit Value multiplied by the difference between 100% and the percentage of the LCFS Credit Value set forth in the Section titled Contract Price in this TC that Buyer would have been obligated to pay Seller (with the LCFS Credit Value equal to the LCFS Index Price multiplied by the Net Quantity), where (a) "**Net Quantity**" means the number of RINs or LCFS Credits, as applicable, that would have been generated from the Biogas which either was not delivered or was not received pursuant to a breach, less the portion of such RINs or LCFS Credits associated with Buyer's obligation to compensate End-Use Location(s) in connection with the generation of such RINs or LCFS Credits, (b) "**RIN Index Price**" means the average D3 Q-RIN price for the applicable RIN year published by the RIN Index for all posting days of the Month in which RINs were not generated due to the breach, and (c) "**LCFS Index Price**" means the average LCFS Credit price published by the LCFS Index for all posting Days of the quarter in which LCFS Credits were not generated due to the breach.

B. Any amount owed under this Section 7 shall be deducted from the breaching Party's RIN Share and LCFS Credit Share. In the event that the non-breaching Party elects to terminate this TC pursuant to Section 7(E) below, then the breaching Party shall pay the non-breaching Party the remaining amount owed under this Section 7 within thirty (30) days of termination.

C. If a Party cannot cure a breach under this Section 7 within the cure period provided under Section 10.2 of the Base Contract, the non-breaching Party may terminate this TC immediately. For avoidance of doubt, if the Parties have elected to apply Early Termination Damages under the Base Contract, no early termination calculation would take place for a termination under this Section 7.

8. Term; Termination

- A. **Term.** This TC will become effective on the date upon which it is executed by each Party where indicated below and will terminate or expire concurrently with the Delivery Period.
- B. **Termination of this TC.** In addition to termination under the Base Contract, this TC may be terminated in its entirety under the following circumstances:

- i. **Regulatory Event.** If the implementation of new, or changes to existing, Laws or other requirements or changes in administration or interpretation of Laws (“**Regulatory Event**”) occurs and the affected party (“**Affected Party**”) is unable, after using commercially reasonable efforts, to avoid nonperformance or negative material economic impacts, the Affected Party shall be entitled to terminate this TC, subject to the following conditions:
- (a) The Affected Party must give the non-affected party (“**Non-Affected Party**”) prior written notice of its intent to terminate this TC, and shall specify the Early Termination Date, which shall be not more than thirty (30) Business Days after the date of the notice to terminate. On the Early Termination Date, the Affected Party shall determine the amounts owed (whether or not then due) by each Party with respect to all Biogas delivered and received between the Parties under this TC on and before the Early Termination Date (including, but not limited to, an estimate of the Environmental Attribute Contract Price for such RNG) and all other applicable charges relating to such deliveries and receipts, for which payment has not yet been made by the Party that owes such payment under this TC.
 - (b) Nothing herein shall prevent the Non-Affected Party from disputing whether the Affected Party has the right to terminate this TC.
 - (c) For avoidance of doubt, no early termination damage calculation would take place for a termination under this Section 8(B). “**Regulatory Events**” shall not include (1) the imposition of new Taxes, (2) any requirement to procure a new permit, license or other governmental authorizations (unless a Party is ineligible and cannot procure the same within a reasonable period of time using best efforts), (3) the imposition of regulatory requirements that increase the costs of one or both Parties’ performance of their obligations under this TC, (4) any EPA rulemaking relating to the setting of renewable fuel volume obligations or standards under the RFS2, including by way of a reset of renewable fuel volume obligations by EPA, (5) any delay of an EPA rulemaking relating to such setting of renewable fuel volume obligations or standards, (6) any revision to the pricing formula for cellulosic waiver credits under the RFS2, (7) any change in the point of obligation under the RFS2 program, (8) any EPA rulemaking relating to the rules for RIN carry forwards, and (9) any change in compliance procedures in respect of the generation, trading or retirement of RINs. Notwithstanding the foregoing, Regulatory Events shall include imposition of a requirement on Seller to deliver RNG to Buyer other than via displacement/exchange, “book and claim” or “in-kind gas swap”. “**Law**” means any law, rule, regulation, ordinance, statute, judicial decision, administrative order, Transporter business practices or protocol, Transporter tariff, or rule of any commission or agency with jurisdiction in the state in which the Project or Seller is located).
- ii. **Force Majeure.** See Section 11 of the Base Contract. For avoidance of doubt, no early termination damage calculation would take place for a termination under this Section 8(C).
- C. **Early Termination Payments.** Early termination of this TC will not affect either Party’s obligations accruing, due and owing hereunder on or prior to the effective date of the termination. Amount(s) owed as a result of early termination, as detailed this Section 8, shall be due for such amount(s) within fifteen (15) days upon receipt by the owing Party of an invoice for such amount due to the non-owing Party. The Parties acknowledge and agree that any termination payment under this TC constitutes a reasonable approximation of harm or loss and is not a penalty or punitive in any respect.
- 9. Limitation of Liability.** Notwithstanding anything to the contrary contained in this LC:
- i. Neither Party shall be liable to the other Party or its directors, officers, employees or agents for any indirect, special, punitive or consequential damages, losses, expenses, or liabilities howsoever caused (including, without limitation, loss of profits).
 - ii. Buyer’s liability under this TC shall not exceed the value of Buyer’s RIN Share plus Buyer’s LCFS Credit Share, as actually retained by Buyer pursuant to this TC.
 - iii. Seller’s liability under this TC shall not exceed the value of the RIN Share plus LCFS Credit Share actually received by Seller pursuant to this TC.
- 10. Additional Indemnifications.**
- A. Seller. Notwithstanding any other provisions in the Base Contract, Seller agrees to defend, indemnify and hold harmless Buyer and all its affiliates, and all of their respective officers, directors, shareholders, associates, employees, agents, representatives, successors and assigns from and against all losses, penalties, fines, charges or claims, arising out of any third party claim (collectively, “Claims”) arising from or out of (i) Seller-provided falsehoods, misrepresentations, material inaccuracies or misleading statements in any documentation (including, but not limited to, in claims of title, registrations, attestations and other representations and warranties concerning the RNG); (ii) personal injury (including death) or property damage from said RNG which attach before title passes to Buyer, (iii) other claims, liens, and encumbrances related to said RNG which attach before title passes to Buyer, (iv) Seller’s gross negligence or willful misconduct; (v) violation of any applicable law/regulation/ordinance, (including but not limited to, failure to comply with any applicable obligation or requirement of the EPA or CARB); or (vi) Seller’s breach of this Transaction Confirmation.

B. Buyer. Notwithstanding any other provisions in the Base Contract, Buyer agrees to defend, indemnify and hold harmless Seller and all its affiliates, and all of their respective officers, directors, associates, employees, agents, representatives, successors and assigns from and against all third party Claims based on or arising from or out of (i) Buyer-provided falsehoods, misrepresentations, material inaccuracies or misleading statements in any documentation related to this Transaction Confirmation; (ii) personal injury (including death) or property damage from said Biogas that occurred after title passes to Buyer, (iii) other claims, liens, and encumbrances related to said Biogas that attach after title passes to Buyer, (iv) Buyer’s gross negligence or willful misconduct; (v) violation of any applicable law/regulation/ordinance (including but not limited to, failure to comply with any applicable obligation or requirement of the EPA or CARB); or (vi) Buyer’s breach of this Transaction Confirmation.

11. Confidentiality.

Notwithstanding the parties election on the Base Contract not to make Section 15.10 of the Base Contract applicable, the parties acknowledge and agree that neither party shall disclose directly or indirectly without the prior written consent of the other party (i) the Contract Price of a transaction, nor (ii) any confidential information of such party disclosed pursuant to an audit, request for Documentation, or other arrangement hereunder (other than to the employees, lenders, counsel, accountants and other agents of the party), except in order to comply with any applicable law, order, regulation, exchange rule, or applicable program.

Please confirm the foregoing correctly sets forth the terms of our agreement with respect to this TC by signing in the space provided below and returning a copy of the executed confirmation by email to: david.broustis@kingcounty.gov; lhonaker@kingcounty.gov; jonathan.burnston@karbone.com; accounting@karbone.com; and legal@karbone.com

[Signature Box Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Transaction Confirmation to be executed as of the Effective Date.

<p>Seller: KING COUNTY, THROUGH ITS DEPARTMENT OF NATURAL RESOURCES AND PARKS – WASTEWATER TREATMENT DIVISION</p> <p>By: _____ Name: Kamuron Gurol Title: Director, Wastewater Treatment Division</p>	<p>Buyer: KARBONE ENERGY, LLC</p> <p>By: _____ Name: Jonathan Burnston Title: Managing Director</p>
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1

5.27.2026

Technical Amendment

[J. Tracy]

Sponsor: Fain

Proposed No.: 2026-0116

1 **AMENDMENT TO PROPOSED MOTION 2026-0116, VERSION 1**

2 On page 3, on line 61, after "12. Karbone" strike "Inc." and insert "Energy LLC"

3

4 On page 4, on line 77, after "to Karbone" strike "Inc." and insert "Energy LLC"

5

6 On page 4, on line 87, after "Karbone" strike "Inc." and insert "Energy LLC"

7

8 Strike Attachment A, Environmental Attribute Purchase and Sale Agreement between

9 King County and Karbone and insert Attachment A, Environmental Attribute Purchase

10 and Sale Agreement between King County and Karbone dated June 16, 2026.

11

12 **EFFECT prepared by *J. Tracy: Amendment 1 would make technical changes to the***

13 ***proposed ordinance and Attachment A to correct errors in the transmittal. These***

14 ***include correcting the counterparty name, correcting the South Treatment Plant***

15 ***address, reference and section numbering changes, and minor scrivener's errors.***

Base Contract for Sale and Purchase of Natural GasThis Base Contract is entered into as of the following date: June **xx**, 2026

The parties to this Base Contract are the following:

PARTY A Karbone Energy LLC	PARTY NAME	PARTY B King County, through its Department of Natural Resources and Parks – Wastewater Treatment Division
675 Third Avenue, 31st Floor, New York, NY 10017	ADDRESS	201 S. Jackson St, Suite 6200 Seattle, WA 98104
www.karbone.com	BUSINESS WEBSITE	https://kingcounty.gov/en/dept/dnrp/waste-services/wastewater-treatment/about
	CONTRACT NUMBER	
11-903-7699	D-U-N-S® NUMBER	135108934
<input checked="" type="checkbox"/> US FEDERAL: 87-3055885 <input type="checkbox"/> OTHER:	TAX ID NUMBERS	<input checked="" type="checkbox"/> US FEDERAL: 91-6001327 <input type="checkbox"/> OTHER:
Delaware	JURISDICTION OF ORGANIZATION	Washington
<input type="checkbox"/> Corporation <input type="checkbox"/> Limited Partnership <input type="checkbox"/> LLP <input checked="" type="checkbox"/> LLC <input type="checkbox"/> Partnership <input type="checkbox"/> Other: _____	COMPANY TYPE	<input type="checkbox"/> Corporation <input type="checkbox"/> Limited Partnership <input type="checkbox"/> LLP <input type="checkbox"/> LLC <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Other: A home rule charter county and political subdivision of the State of Washington
	GUARANTOR (IF APPLICABLE)	
CONTACT INFORMATION		
Karbone Energy LLC ATTN: <u>Settlements</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>settlements@karbone.com</u>	▪ COMMERCIAL	King County _____ ATTN: <u>David Broustis</u> TEL#: <u>206-477-4544</u> FAX#: _____ EMAIL: <u>david.broustis@kingcounty.gov</u>
Karbone Energy LLC ATTN: <u>Settlements</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>settlements@karbone.com</u>	▪ SCHEDULING	King County _____ ATTN: <u>David Broustis</u> TEL#: <u>206-477-4544</u> FAX#: _____ EMAIL: <u>david.broustis@kingcounty.gov</u>
Karbone Energy LLC ATTN: <u>Accounting</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>accounting@karbone.com</u>	▪ CONTRACT AND LEGAL NOTICES	King County _____ ATTN: <u>David Broustis</u> TEL#: <u>206-477-4544</u> FAX#: _____ EMAIL: <u>david.broustis@kingcounty.gov</u>
Karbone Energy LLC ATTN: <u>Accounting</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>accounting@karbone.com</u>	▪ CREDIT	King County _____ ATTN: <u>David Broustis</u> TEL#: <u>206-477-4544</u> FAX#: _____ EMAIL: <u>david.broustis@kingcounty.gov</u>
Karbone Energy LLC ATTN: <u>Settlements</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>settlements@karbone.com</u>	▪ TRANSACTION CONFIRMATIONS	King County _____ ATTN: <u>David Broustis</u> TEL#: <u>206-477-4544</u> FAX#: _____ EMAIL: <u>david.broustis@kingcounty.gov</u>
ACCOUNTING INFORMATION		
Karbone Energy LLC ATTN: <u>Accounting</u> TEL#: <u>646-291-2900</u> FAX#: _____ EMAIL: <u>accounting@karbone.com</u>	▪ INVOICES ▪ PAYMENTS ▪ SETTLEMENTS	King County Wastewater Treatment Division ATTN: <u>Francesca Ho</u> TEL#: <u>206-477-5521</u> FAX#: _____ EMAIL: <u>Francesca.ho@kingcounty.gov</u>
BANK: <u>East West Bank</u> ABA: <u>322070381</u> ACCT: OTHER DETAILS: _____	WIRE TRANSFER NUMBERS (IF APPLICABLE)	BANK: U.S. Bank 1420 Fifth Ave 10 th Fl Seattle, WA 98101 ABA: 123000848 ACCT: OTHER DETAILS: Include details for purpose of wire or ACH
BANK: <u>East West Bank</u> ABA: <u>322070381</u> ACCT: OTHER DETAILS: _____	ACH NUMBERS (IF APPLICABLE)	BANK: U.S. Bank 1420 Fifth Ave 10 th Fl Seattle, WA 98101 ABA: 123000848 ACCT: OTHER DETAILS: Include details for purpose of wire or ACH

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:

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

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

Karbone Energy LLC	<i>PARTY NAME</i>	King County, through its Department of Natural Resources and Parks – Wastewater Treatment Division
	<i>SIGNATURE</i>	
Jonathan Burnston	<i>PRINTED NAME</i>	Kamuron Gurol
Managing Director	<i>TITLE</i>	Wastewater Treatment Division Director

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.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover 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 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.
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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:
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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:
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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 non-affiliated 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
 General Terms and Conditions Page 10 of 31 Revision date January 2025

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
FOR IMMEDIATE DELIVERY

EXAMPLE: REPLACE WITH REVISED TRANSACTION CONFIRMS

Letterhead/Logo	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: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____			
Contract Price: \$_____/MMBtu or _____				
Delivery Period: Begin: _____, ____ End: _____, ____				
Performance Obligation and Contract Quantity: (Select One) <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top;"> Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP </td> <td style="width: 33%; vertical-align: top;"> Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller </td> <td style="width: 33%; vertical-align: top;"> Interruptible: Up to _____ MMBtus/day </td> </tr> </table>		Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day
Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day		
Delivery Point(s): _____ (If a pooling point is used, list a specific geographic and pipeline location):				
Special Conditions:				
Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____			

**SPECIAL PROVISIONS TO
BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS**

King County, through its Department of Natural Resources and Parks – Wastewater Treatment Division and Karbone Energy LLC hereby agree effective as of [June xx, 2026] to amend, modify and supplement the NAESB Standard 6.3.1 Base Contract for Sale and Purchase of Natural Gas (“Base Contract”) dated the same date between the parties hereto with the following special provisions (“Special Provisions”). All capitalized terms not otherwise defined herein shall have the meaning set forth in the Base Contract.

SECTION 1. PURPOSES AND PROCEDURES

- Section 1.3 shall be amended by revising clause (i) in the last sentence to read “a binding Transaction Confirmation agreed by the parties pursuant to Section 1.2 or deemed to be agreed under this Section 1.3.”
- Section 1.4 shall be amended by inserting the following language immediately before the last sentence thereof:

“Telephonic recordings may be relied upon to resolve any differences provided that a true and complete copy is made available to the other party. No party may knowingly destroy or erase a recording once the possessing party becomes aware of an actual dispute in which the recording may reasonably be anticipated to be discoverable.”

- The following new Section 1.5 shall be added:

“1.5. The parties agree that the term “EDI,” as defined in Section 2.17, shall be modified to include any electronic communication used by the parties to indicate the parties’ agreement to a transaction, and the terms and provisions thereof, or to transmit a Transaction Confirmation to the other party, including, without limitation, instant messages, emails, and other electronic communications. The parties agree that (i) any EDI used to indicate the parties’ agreement to a transaction or the terms thereof shall be treated in the same manner as a telephone conversation or a recorded telephone call for all purposes under this Base Contract including, without limitation, for purposes of recording, consent to recording, evidence of an agreement between the parties with respect to a transaction, the conflict hierarchy under Section 1.3, and Section 2.9, and (ii) any printed record of an EDI communication shall be treated in the same manner as a recorded telephone call for purposes of this Base Contract.”

SECTION 2. DEFINITIONS

- The following sentence shall be added to the end of Section 2.9:

“In the absence of the foregoing agreement concerning the components making up the “Contract,” and their treatment as a single integrated agreement, the parties would not have entered into any transactions under the Base Contract.”

- Section 2.12 is hereby amended by deleting the parenthetical phrase “(or an alternate fuel if elected by Buyer and replacement Gas is not available),” from the definition of Cover Standard.
- The following new Section 2.36 shall be added:

“As used in Section 10.3.1, “Costs’ means any of the following, but only to the extent they are reasonable, direct and actual, and further to the extent they are specifically related to the Terminated Transactions and are not otherwise incorporated into the Net Settlement Amount: (a) costs and expenses associated with transportation, gathering, or storage incurred by the Non-Defaulting Party which cannot be avoided through the Non-Defaulting Party’s reasonable efforts; (b) brokerage fees, unwinding costs, commissions and other similar costs and expenses incurred by the Non-Defaulting Party either in (i) terminating any hedges of any Firm obligations under Special Provisions

the Terminated Transactions or (ii) entering into new Firm arrangements that replace the Terminated Transactions and new hedges that replace any hedges of the Firm obligations that were terminated; and (c) attorneys' fees and court costs incurred by the Non-Defaulting Party in connection with enforcing its rights."

- The following new Section 2.37 shall be added:

"“Merger Event” means, with respect to a party or if applicable, its Guarantor, that such party consolidates or amalgamates with, or merges into or with, or transfers substantially all of its assets to another entity and (i) the resulting entity fails to assume all of the obligations of such party or other entity hereunder, or (ii) the benefits of any credit support provided pursuant to or related to this Contract fail to extend to the performance by such resulting, surviving or transferee entity of its obligations hereunder, or (iii) the resulting entity’s creditworthiness is materially weaker than that of such party or other entity immediately prior to such action.”

SECTION 6. TAXES

- Section 6. Taxes – Buyer Pays At and After Delivery Point shall be amended by adding the phrase “prior to the due date of the applicable tax return” at the end of the last sentence thereof.
- Section 6. Taxes – Buyer Pays At and After Delivery Point shall be further amended by adding the following sentence at the end of such Section:

“Notwithstanding the preceding, for the avoidance of doubt, Seller shall in all cases bear any income, margin or franchise tax assessed with respect to the proceeds of sale of Gas under this Agreement.”

SECTION 7. BILLING, PAYMENT AND AUDIT

- Section 7.2 is amended by adding “Except as set forth in Section 3.2,” at the beginning.

SECTION 8. TITLE, WARRANTY AND INDEMNITY

- Section 8.1 shall be amended by adding the words “at and” between “Gas” and “after” in the third sentence.
- Section 8.3 shall be amended by adding the words “at and” between “attach” and “after” in the second sentence.

SECTION 10. FINANCIAL RESPONSIBILITY

- Section 10.1 is amended by replacing the second sentence of such section with the following:

“Adequate Assurance of Performance” shall mean sufficient security in the form, amount, for the 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, or a guaranty. The amount of Adequate Assurance of Performance shall be determined based upon X’s reasonable good faith estimate of its maximum net financial exposure to Y at any given time for transactions subject to this Contract. Each party agrees that notwithstanding any provisions of law relating to adequate assurance of future performance, including, without limitation, any applicable statutory enactment of Article 2-609 of the Uniform Commercial Code, the parties shall only be entitled to request Adequate Assurance of Performance as specifically provided herein.”

- Section 10.1 is further modified by adding the following at the end of such Section:

“Upon request by either party, within 120 days after the end of each fiscal year the other non-requesting party will provide its, or, if it has a Guarantor, its Guarantor’s, annual audited financial statements prepared in accordance with generally accepted accounting principles or international financial reporting standards fairly presenting the financial condition of the applicable entity; provided, however, in the event such entity is required

to make its annual audited financial statements available to the public, then the other party shall use public sources to obtain the information.”

- Section 10.2 is amended by:
 - (a) adding the phrase “, provided that such amount is not the subject of a bona fide dispute pursuant to Section 7.4” immediately after “such payment is due”, in line (9);
 - (b) deleting word “or” in front of “(ix) in line (9);
 - (c) adding the phrase “ (x) be the subject of a Merger Event; or (xi) with respect to a party’s Guarantor only, the failure of such Guarantor’s guaranty to be in full force and effect for purposes of this Contract (other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each transaction to which such guaranty shall relate;” before “then the other party” in line (10); and
 - (d) adding the phrase “, provided that no suspension of performance shall continue for more than ten (10) Days unless an Early Termination Date has been declared and the Defaulting Party has been given Notice thereof in accordance with Section 10.3.” before “.” at the end of the section.
- Section 10.5 is deleted in its entirety and replaced with the following:

“10.5 (a) The parties understand and agree that (i) transaction(s) hereunder constitute “forward contracts” within the meaning of title 11 of the United States Bankruptcy Code (the “Bankruptcy Code”); (ii) each of the parties is a “forward contract merchant” within the meaning of the Bankruptcy Code with respect to any transactions that constitute “forward contracts”; (iii) all payments made or to be made by one party to the other party pursuant to this Contract constitute “settlement payments” or “transfers” within the meaning of the Bankruptcy Code; (iv) all transfers of credit support by one party to the other party under this Contract constitute “margin payments” or “transfers” within the meaning of the Bankruptcy Code; (v) under Section 10 “Financial Responsibility” of this Contract, each party has a “contractual right to liquidate” the transactions within the meaning of Section 556 of the Bankruptcy Code, and (vi) if the parties have elected to have Section 7.7, Netting, apply to this Contract, then (1) this Contract constitutes a “master netting agreement” within the meaning of the Bankruptcy Code and (2) each party is deemed as a “master netting agreement participant” within the meaning of the Bankruptcy Code.

(b) for purposes of this Contract, neither party is a “utility” as such term is used in Section 366 of the Bankruptcy Code, and each party agrees to waive and not to assert the applicability of the provisions of said Section 366 in any bankruptcy proceeding wherein such party is a debtor. In any such proceeding, each party further agrees to waive the right to assert that the other party is a provider of last resort.

(c) each party shall be entitled to exercise its rights and remedies, as set forth under this Contract, in accordance with the safe harbor provisions of the Bankruptcy Code, including without limitation those in Sections 362(b)(6), 546(e), 548(d)(2), 553(b)(1), 556 and 561 thereof.”

- Section 10.6 is amended by adding the phrase “other than as a result of the occurrence of the Early Termination Date” at the end of the second sentence.

SECTION 11. FORCE MAJEURE:

- Section 11.1 is amended by adding the following after the words “claiming suspension” and before “, as further defined” in the last sentence thereof: “or its Affiliates and such cause could not reasonably have been foreseen and avoided by the party claiming suspension or its Affiliates”.

SECTION 12: TERM

- Section 12 is amended by adding “Section 6” and “Section 15.10 (for one year),” to the list of Sections in the second sentence and by adding the following after the first sentence: “Notwithstanding the foregoing, the Base Contract shall terminate three (3) years after effective date unless earlier terminated pursuant to its terms, provided that the Base Contract may be extended for two (2) successive one-year terms upon mutual agreement of the parties at least thirty (30) days prior to the end of the then-effective term.”

SECTION 14: MARKET DISRUPTION

- Section 14 is amended by deleting clause (e) and replacing it with the following:

“(e) both parties, each acting commercially reasonably, agree that a material change in the formula for or the method of determining the Floating Price has occurred, or that a material change in market conditions has occurred which has not yet been adequately addressed by the applicable index.”

SECTION 15. MISCELLANEOUS:

- The following text shall be added to the end of Section 15.5:

“EACH PARTY HEREBY WAIVES ITS RIGHT TO A JURY TRIAL, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.”

- Add the following as the new Section 15.13:

“15.13 Standard of Review:

(a) Absent the agreement of all parties to the proposed change, the standard of review for changes to any rate, charge, classification, term or condition of this Contract, whether proposed by a party (to the extent that any waiver in subsection (b) below is unenforceable or ineffective as to such party), a non-party or FERC acting *sua sponte*, shall solely be the “public interest” application of the “just and reasonable” standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (the “Mobile-Sierra” doctrine), and clarified in *Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish*, 554 U.S. 527, 128 S. Ct. 2733 (2008) and *NRG Power Mktg., LLC v. Me. Pub. Utils. Comm’n*, 558 U.S. 165, 130 S. Ct. 693 (2010).

(b) In addition, and notwithstanding the foregoing subsection (a), to the fullest extent permitted by applicable law, each party, for itself and its successors and assigns, hereby expressly and irrevocably waives any rights it can or may have, now or in the future, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and each hereby covenants and agrees not at any time to seek to so obtain, an order from FERC changing any section or transaction of or under this Contract specifying the rate, charge, classification, or other term or condition agreed to by the parties, it being the express intent of the parties that, to the fullest extent permitted by applicable law, neither party shall unilaterally seek to obtain from FERC any relief changing the rate, charge, classification, or other term or condition of this Contract, notwithstanding any subsequent changes in applicable law or market conditions that may occur.”

- Add the following as the new Section 15.14:

“15.14. (i) Eligible Contract Participant. At the time of each transaction entered into under this Contract, each party represents to the other party that it is an eligible contract participant as defined in Section 1a(18) of the U.S. Commodity Exchange Act (“CEA”) and CFTC Regulations promulgated thereunder (an “ECP”).

(ii) Commodity Trade Option. With respect to each transaction that is a Commodity Trade Option, as of the date the transaction is entered into:

(a) The party that is the offeree represents that: (i) it is a producer, processor, commercial user of, or merchant handling, the commodity that is the subject of the Commodity Trade Option, or the products or byproducts thereof; (ii) it is entering into the Commodity Trade Option solely for purposes related to its business as such; and

(b) Each party represents to the other that the Commodity Trade Option, if exercised, contains a binding obligation that results in the sale of the specified nonfinancial commodity for immediate or deferred shipment or delivery.

For purposes of this Contract:

“CFTC” means the U.S. Commodity Futures Trading Commission.

“CFTC Regulations” means the rules, regulations, orders and interpretations published or issued by the CFTC.

“Commodity Trade Option” means a commodity option (as that term is defined in CFTC Regulation 1.3(hh)) entered into pursuant to CFTC Regulation 32.3(a).”

- Add new Section 15.15 as follows:

Venue; Jurisdiction. Venue for any suit, legal action or other legal proceeding arising out of or relating to this Contract shall be in the Superior Court of Washington for King County or the United States District Court for the Western District of Washington and located in Seattle. Each party consents to the jurisdiction of any such court in any such suit, action or proceeding and waives any objection or defense which such party may have to the laying of venue of any such suit, action or proceeding in any such court, including the defense of an inconvenient forum to the maintenance in such court of such suit, action or proceeding. 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. Except as otherwise expressly provided in this Contract, each party shall pay its own attorneys' fees and costs in connection with any legal action hereunder.

- Add the following as Section 15.16:

This Contract shall be considered for all purposes as prepared through the joint efforts of the parties and shall not be construed against one party or the other as a result of the manner in which this Contract was negotiated, prepared, drafted or executed.

[signature page(s) follow(s)]

IN WITNESS WHEREOF, the parties have caused these Special Provisions to be duly executed as of the Effective Date.

King County, through its Department of Natural Resources and Parks – Wastewater Treatment Division

Karbone Energy LLC

By: _____

By: _____

Name: Kamuron Gurol

Name: Jonathan Burnston

Title: Wastewater Treatment Division Director

Title: Managing Director

B. RIN Contract Price. For RNG sold hereunder for which D3 RINs are generated in any Month, Buyer shall remit, in immediately available funds, the amount due to Seller for Seller's RIN Share within thirty (30) days after Buyer's receipt of payment from the sale of D3 RINs generated from such RNG. Buyer shall make commercially reasonable efforts to monetize the D3 RINs within 45 days from the date of RIN generation. For example, the standard Seller's RIN Share payment to Seller for Seller's June gas production volume will be paid by Buyer on or before the 14th of August. Notwithstanding the foregoing, Seller and Buyer may mutually agree by electronic communication such as e-mail to delay RIN monetization in an attempt to increase the value of the RINs to both parties if "RIN Sales Price" is selected below. For the applicable TC, the price payable to Seller for RINs generated in any Month shall be (select one):

Fixed Price. Buyer shall pay Seller \$ ____ per D3 K1 RIN for Seller's K1 RIN Share.

"**Seller's K1 RIN Share**" shall mean, for each Month in which D3 K1 RINs are generated and sold in connection with RNG sold and purchased hereunder, payment at the above price based on 96.5% of the total quantity of D3 K1 RINs generated for such Month.

RIN Index Price. Buyer shall pay Seller the RIN Index Price for Seller's RIN Share.

"**Seller's RIN Share**" shall mean, for each Month in which RINs are generated and sold in connection with RNG sold and purchased hereunder, payment at the RIN Index Price based on 97.5% of the total quantity of RINs generated for such month.

"**RIN Index Price**" shall mean the average D3 Cellulosic RIN price calculated on a [_____] basis for the applicable Month as listed on the [_____] Index (the "**RIN Index**"), less any direct third-party expenses reasonably incurred by Buyer for the generation and verification of such RINs. Buyer will provide documentation for all expenses deducted and will minimize such expenses if commercially reasonable, as determined by Buyer in its discretion.

RIN Sales Price. Buyer shall pay Seller the RIN Sales Price for Seller's RIN Share.

"**Seller's RIN Share**" shall mean, for each Month in which RINs are generated and sold in connection with RNG sold and purchased hereunder, payment based on 97.5% of the total quantity of RINs generated for such month.

"**RIN Sales Price**" used to calculate the amounts due and payable by Buyer to Seller for a given Month shall equal one hundred percent (100%) of the cash revenue realized by Buyer during such Month from the sale of D3 RINs associated with RNG delivered by Seller to Buyer under this TC less any direct third-party expenses reasonably incurred by Buyer for the generation, verification and sale of such RINs. Buyer will provide documentation for all expenses deducted and will minimize such expenses if commercially reasonable, as determined by Buyer in its discretion.

C. LCFS Contract Price. For RNG sold hereunder for which LCFS Credits are generated in any Month, Buyer shall remit, in immediately available funds, the amount due to Seller for Seller's LCFS Credit Share within thirty (30) days after Buyer's receipt of payment from the sale of LCFS Credits generated from such RNG. Buyer shall make commercially reasonable efforts to monetize the LCFS Credits within 45 days from the date of LCFS Credit generation. For example, the standard Seller's LCFS Credit Share payment to Seller for Seller's June gas production volume will be paid by Buyer on or before the 14th of August. Notwithstanding the foregoing, Seller and Buyer may mutually agree to delay LCFS Credit monetization in an attempt to increase the value of the LCFS Credits to both parties if "LCFS Credit Sales Price" is selected below. For the applicable TC, the price payable to Seller for LCFS Credits generated in any Month shall be (select one):

LCFS Credit Index Price. Buyer shall pay Seller the LCFS Credit Index Price for Seller's LCFS Credit Share.

"**Seller's LCFS Credit Share**" shall mean, for each Month in which LCFS Credits are generated and sold in connection with RNG sold and purchased hereunder, payment based on 97.5% of the total quantity of LCFS Credits generated for such month.

"**LCFS Credit Index Price**" shall mean the average LCFS Credit price calculated on a [_____] basis for the applicable Month as listed on the [_____] Index (the "**LCFS Index**"), less any direct third-party expenses reasonably incurred by Buyer for the generation and verification of such LCFS Credits. Buyer will provide documentation for all expenses deducted and will minimize such expenses if commercially reasonable, as determined by Buyer in its discretion.

LCFS Credit Sales Price. Buyer shall pay Seller the LCFS Credit Sales Price for Seller's LCFS Credit Share.

"**Seller's LCFS Credit Share**" shall mean, for each Month in which LCFS Credits are generated and sold in connection with RNG sold and purchased hereunder, payment based on 97.5% of the total quantity of LCFS Credits generated for such month.

“**LCFS Credit Sales Price**” used to calculate the amounts due and payable by Buyer to Seller for a given Month shall equal one hundred percent (100%) of the cash revenue realized by Buyer during such Month from the sale of LCFS Credits associated with RNG delivered by Seller to Buyer under this TC less any direct third-party expenses reasonably incurred by Buyer for the generation, verification and sale of such LCFS Credits. Buyer will provide documentation for all expenses deducted and will minimize such expenses if commercially reasonable, as determined by Buyer in its discretion.

Payment of the Seller’s LCFS Credit Share is contingent upon Buyer being able to utilize Environmental Attributes purchased under this TC, coupled with Gas, as Transportation Fuel in the state of California, Oregon, Washington, British Columbia (or other state or jurisdiction that has in force any program allowing the generation of carbon credits from the production and use of low carbon fuels), and the production and sale of LCFS Credits from such Environmental Attributes.

D. Other RNG Credit Contract Price. For RNG sold hereunder for which any other RNG Credit(s) are generated in any Month, Buyer shall remit, in immediately available funds, the amount due to Seller for Seller’s RNG Credit Share within thirty (30) days after Buyer’s receipt of payment from the sale of RNG Credits generated from such RNG. Buyer shall make commercially reasonable efforts to monetize the RNG Credits within 45 days from the date of RNG Credit generation. For example, the standard Seller’s RNG Credit Share payment to Seller for Seller’s June gas production volume will be paid by Buyer on or before the 14th of August.

Fixed Price. Buyer shall pay Seller \$_____ per RNG Credit for Seller’s RNG Credit Share.

“**Seller’s RNG Credit Share**” shall mean, for each Month in which RNG Credits are generated and sold in connection with RNG sold and purchased hereunder, payment at the above price based on [_____] % of the total quantity of RNG Credits generated for such Month.

“**RNG Credits**” with respect to this TC shall mean renewable natural gas-related environmental attributes sold into markets that could include, but are not limited to: International Sustainability & Carbon Certification (ISCC) European Union system; maritime renewable natural gas or liquified natural gas; or any other renewable natural gas-related environmental attribute markets not included and/or that can be combined with the pricing structures as detailed in sections A., B., and C. of this section.

Delivery Period:

The “**Delivery Period**” shall begin on [July 1, 2026] (“**Start Date**”) and continue through [June 30, 2029]. This TC can be extended upon mutual agreement of the Parties, pursuant to the terms and conditions set forth in Section 12 Term of the Special Provisions to the Base Contract.

Contract Quantity: Seller shall sell and Buyer shall purchase the Contract Quantity on the following basis (select one):

Firm (Fixed Quantity): _____ MMBtu/day; or

Firm (Variable Quantity (MaxDQ and MinDQ)):

- **Maximum Daily Quantity.** Buyer shall have a Firm obligation to purchase and receive from Seller each Day of the Delivery Period up to [_____] MMBtu per day as established in each sale Transaction Confirmation (“**MaxDQ**”). MaxDQ does not include any **Retained Quantities**.
- **Minimum Daily Quantity.** Seller shall have a Firm obligation to sell and deliver to Buyer each Day of the Delivery Period no less than [_____] MMBtu per day as established in each sales Transaction Confirmation (“**MinDQ**”). For clarity, the MinDQ may be a quantity of zero at any one time and does not include any **Retained Quantities**.

Seller Retained RNG and Environmental Attributes. Notwithstanding anything in this Transaction Confirmation, Seller retains the right, during the term of this TC, to all RNG (including associated Environmental Attributes) produced at the Facility each month that are not sold and delivered from Seller to Buyer hereunder (the **Retained Quantities**). Seller may sell and deliver any or all of the Retained Quantities to one or more other buyers.

Contract Quantity Conditions

The Contract Quantity shall be governed by different Applicable Programs (select one): Yes No (default)

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

RINs corresponding to _____ of RNG

RTCs corresponding to _____ of RNG

LCFS Credits corresponding to _____ of RNG

or

Other: _____

Performance Obligation:

Sale and Purchase Obligation. Seller shall sell and deliver to Buyer, and Buyer shall purchase and receive from Seller the Contract Quantity. Through such delivery, Buyer shall maintain and have the firm claim and responsibility for the generation of all LCFS Credits and any other environmental credits or such equivalent associated with Environmental Attribute deliveries under this TC, with the exception of 45Z Federal Tax Credits and assigned RINs. Buyer shall pay the Environmental Attribute Contract Price as detailed in each future Transaction Confirmation to Seller.

Subject to Buyer’s obligations under Section 2 of the Special Provisions in this TC, the Parties acknowledge and agree that Environmental Attributes coupled with Gas must have an end-use for Transportation Fuel compliant with RFS2 (for RIN generation), or compliant with the LCFS or similar state- or regional-level program (for LCFS Credit generation) and the End-Use Location(s) location(s) must be in a state or jurisdiction that has in force any program allowing the generation of carbon credits from the production and use of low carbon fuels. The Contract Quantity of Environmental Attributes sold hereunder will be eligible and compliant with the requirements of the applicable program governing such Environmental Attributes.

Delivery Point:

The “**Delivery Point**” for Biogas delivered and received hereunder shall be at the interconnection point of the facility with the natural gas distribution system of Puget Sound Energy, identified as the South Seattle Gate Station.

- Meter# 8.

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, but not US EPA Renewable Fuel Standard AND Renewable Thermal Credit)

- US EPA Renewable Fuel Standard (RFS2)
- 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: _____

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: King County South Treatment Plant

Address: 1200 Monster Road SW, or Latitude/Longitude:

City: Renton

County or Parish: King County

State or Province: Washington

Country: United States

Generation Information System: The GIS of the Applicable Program:-(select parties' mutually agreed GIS and insert GIS name)

GIS: _____

Attestation: _____

or

Other: _____

Registration

Party responsible for percentage of initial registration costs and fees

Buyer Percentage at ___%

Seller Percentage at 100%

Party responsible for percentage of ongoing registration costs and fees

Buyer Percentage at 100%

Seller Percentage at ___%

Special Provisions:

1. Definitions.

“**Affected Party**” shall have the meaning set forth in Section 8(B) of the Special Provisions in this TC.

“**Affiliate**” means with respect to a person or entity, a person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such person; provided that with respect to Buyer, the term “**Affiliate**” refers exclusively to Karbone and the entities controlled by Karbone.

“**Alternative Fuel**” means any transportation fuel that is not California reformulated gasoline or a diesel fuel, including, but not limited to, those fuels specified in the California LCFS Regulations.

“**Biogas**” means a mixture of biomethane, inert gases, and impurities that meets all the following requirements:

A. It is produced through the anaerobic digestion of renewable biomass under an approved pathway.

B. Non-renewable components have not been added.

C. It requires removal of additional components to be suitable for its designated use (e.g., as a biointermediate, to produce RNG, or to produce biogas-derived renewable fuel).

“**Biogas Producer**” has the meaning given to such term under RFS2. As of the Effective Date, the applicable meaning is “any person who owns, leases, operates, controls, or supervises a biogas production facility”.

“**Biogas Production Facility**” means a facility producing Biogas from which the RNG purchased and sold hereunder is produced.

“**Biogas Token**” means a representation in EMTS of RNG production reported in EMTS by a Biogas Producer equal to 1 MMBtu of Biogas at HHV (high heating value).

“**CARB**” means the California Air Resources Board or its successor agency. If operating outside of California, any reference herein to CARB shall also be inclusive of any state entity equivalent in the relevant jurisdiction.

“**Carbon Intensity**” means the amount of Lifecycle Greenhouse Gas Emissions, per unit of energy of fuel delivered, expressed in grams of carbon dioxide equivalent per megajoule (gCO₂E/MJ) as calculated in the applicable version of the California GREET model and approved by CARB.

“**Cellulosic Biofuel**” means a renewable fuel derived from any cellulose, hemi-cellulose or lignin that has Lifecycle Greenhouse Gas Emissions that are at least sixty percent (60%) less than the Baseline Lifecycle Greenhouse Gas emissions (as set forth in the RFS2).

“**CNG**” means compressed natural gas.

“**D3 RIN**” means a D3 Cellulosic Biofuel RIN as established by the Federal Renewable Fuel Standard Program.

“**Delivery Period**” shall have the meaning set forth in the Section titled Delivery Period in this TC.

“**Disqualified RNG**” means Gas that was initially determined by the Parties upon delivery to be RNG but subsequently becomes disqualified as RNG and ineligible to generate RINs and/or LCFS Credits because it does not qualify as a renewable fuel under the EPA Renewable Fuel Standard or the LCFS, as applicable.

“**Documentation**” shall have the meaning of actual attribute sales price invoices or statements prior to Karbone’s marketing fees.

“**End-Use Location(s)**” means location(s) where Environmental Attributes purchased by Buyer under this TC are to be used for Transportation Fuel purposes, which will be listed on the applicable documentation provided by Buyer to EPA under the RFS2 in connection with generating RINs from such Environmental Attributes.

“**Environmental Attributes**” means 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 Lifecycle Greenhouse Gas 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 and sold herein. Environmental Attributes do not include: (i) tax credits; (ii) any Environmental Attributes specified as excluded in this TC; (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 permit.

“**Environmental Attribute Contract Price**” shall have the meaning set forth in the Section titled Contract Price in this TC.

“**EPA**” means the United States Environmental Protection Agency or its successor.

“**Gas**” shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.

“**K1 RIN**” means an ‘Assigned RIN’, as such term is defined under RFS2.

“**K2 RIN**” means a “Separated RIN”, as such term is defined under RFS2 pursuant to § 80.1428(b).

“**Law**” shall have the meaning set forth in Section 8(C) of the Special Provisions in this TC.

“**Lifecycle Greenhouse Gas Emissions**” means the aggregate quantity of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride, or any other substances or combination of substances that may become regulated as greenhouse gases under any federal, state or local laws, in each case measured in increments of one metric tonne of carbon dioxide equivalent (collectively, “**Greenhouse Gases**”), emissions, as determined by the EPA or another regulatory agency, related to the full fuel lifecycle, where mass values for all Greenhouse Gases are adjusted to account for their relative global warming potential.

“**Low Carbon Fuel Standard**” or “**LCFS**” means the California Air Resources Board Low Carbon Fuel Standard set forth in the California Code of Regulations at Title 17, Division 3, Chapter 1, Subchapter 10, Article 4, §§ 95480 – 95503, as amended from time to time (hereinafter the “**California LCFS Regulations**”). If operating outside of California, any reference herein to LCFS shall also be inclusive of any state entity equivalent in the relevant jurisdiction, including but not limited to the regulations, orders, decrees and standards issued by a governmental authority implementing or otherwise applicable to the Oregon Clean Fuels Program as set forth in OAR chapter 340, division 253 as defined in OAR 340-253-0060(4) and each successor regulation, as may be subsequently amended, modified, or restated from time to time (the “**CFP**”) and the Washington Clean Fuel Standard set forth in the Revised Code of Washington at Title 70A, Chapter 70A.535, as amended from time to time (the “**CFS**”).

“**Low Carbon Fuel Standard Credits**” or “**LCFS Credits**” means credits generated and traded under the Low Carbon Fuel Standard, with each credit equal to one metric tonne of carbon dioxide equivalent reductions as compared to the baseline carbon dioxide equivalent emissions under the Low Carbon Fuel Standard. If operating outside of California, any reference herein to LCFS Credits shall also be inclusive of any state entity equivalent in the relevant jurisdiction, including but not limited to any credits generated and traded under the CFP and the CFS.

“**LCFS Credit Value**” shall have the meaning set forth in Section 5(D) of the Special Provisions in this TC.

“**LNG**” means liquified natural gas.

“**MaxDQ**” shall have the meaning set forth in the Section titled Contract Quantity in this TC.

“**MinDQ**” shall have the meaning set forth in the Section titled Contract Quantity in this TC.

“**Non-Affected Party**” shall have the meaning set forth in Section 8(B) of the Special Provisions in this TC.

“**OPIS**” means the Oil Price Information Service, or successor thereto, and its publications and daily reports covering the physical spot market for renewable fuels and related environmental credit/carbon values across the United States.

“**Party(ies)**” means, singularly, Buyer or Seller and, plurally, both Buyer and Seller.

“**Product Transfer Document**” or “**PTD**” means a document or a set of documents that authenticates the transfer of ownership of fuel from a regulated party to the recipient of fuel. A PTD is created by a regulated party to contain information collectively supplied by other fuel transaction documents, including bills of lading, invoices, contracts, meter tickets, rail inventory sheets, etc. per 40 C.F.R. § 80.1453 of the RFS2 and as per Section 95491(c) of the California LCFS Regulations.

“**Project**” means the King County South Wastewater Treatment Plant, 1200 Monster Rd SW, Renton, WA 98057

“**Q-RIN**” means a RIN that has been reviewed and validated by an approved QAP provider.

“**Quality Assurance Plan**” or “**QAP**” means the voluntary RIN validation program implemented under 40 C.F.R. § 80.1469 to § 80.1473 whereby independent third parties audit the production of the renewable fuel and monitor on a monthly and quarterly basis to ensure that RINs have been validly generated, which as applies to RINs under the RFS2 was published on July 18, 2014 (at 79 Fed. Reg. 42078) and which became effective on September 16, 2014.

“**Regulatory Event**” shall have the meaning set forth in Section 8(B) of the Special Provisions in this TC

“**Renewable Identification Number**” or “**RIN**” “means a renewable identification number generated pursuant to RFS2. Unless specified or the context requires otherwise, references to “RIN” in this TC refer to K2 RINs (Separated RINs).

“**Renewable Natural Gas**” or “**RNG**” means a mixture of hydrocarbons that is a gas at 60 degrees Fahrenheit and 1 atmosphere of pressure from the Facility that is (i) produced from Biogas, (ii) upgraded to meet standards for injection to a natural gas commercial pipeline system without removal of additional components and (ii) transfers the equivalent quantity of Environmental Attributes to Buyer.

“**RIN Share**” shall have the meaning set forth in the Section titled Contract Price in this TC.

“**RFS2**” means the Renewable Fuel Standard Program under the Energy Policy Act of 2005, and the Energy Independence and Security Act of 2007 and implementing regulations, including, without limitation, 40 C.F.R. Subpart 80, Subparts A, E and M, as the same may be amended, supplemented or restated from time to time, including any successor program.

“**RNG**” means a product that (1) is produced from Biogas; (2) does not require removal of additional components to be suitable for injection into the natural gas commercial pipeline system and (3) is used to produce renewable fuel.

“**RNG Contract Price**” shall have the meaning set forth in the Section titled Contract Price in this TC.

“**RNG Credit(s)**” shall mean a credit, number or certificate generated from, attributable to, or representing RNG under an Applicable Program (as selected above), including without limitation: K1 RINs; Q-RIN; K2 RINs, LCFS; RTC; or other equivalent regulatory or voluntary credits.

“**RNG Producer**” has the meaning given to such term under RFS2. As of the Amendment Date, the applicable meaning is “any person who owns, leases, operates, controls, or supervises an RNG production facility”.

“**Sales Price**” shall mean the product of the Contract Price multiplied by the Contract Quantity for each Delivery under this TC.

“**Start Date**” shall have the meaning set forth in the Section titled Delivery Period in this TC.

“**Transportation Fuel**” has the meaning given to such term under RFS2. As of the Amendment Date, the applicable meaning is “fuel for use in motor vehicles, motor vehicle engines, nonroad vehicles or nonroad engines (except fuel for use in ocean-going vessels)”.

“**Transportation Fuel Producer**” or “**TFP**” means an entity with which Buyer or Buyer’s affiliate is contractually engaged to sell and deliver Environmental Attributes of RNG purchased from Seller under this TC to be combined with Gas and consumed as Transportation Fuel.

2. Buyer Commitments.

- A. Cause all RNG sold and purchased hereunder to be dispensed as Transportation Fuel in accordance with RFS2 and, as applicable, the LCFS;
- B. Act in good faith in the sale of RNG, Gas, and Environmental Attributes purchased by Buyer hereunder and the separation and sale of RINs and LCFS Credits therefrom, use commercially reasonable efforts to maximize the proceeds received by Buyer from such sales, and include all proceeds received by Buyer from such sales in the calculation of the Contract Price, if applicable;

3. Additional Terms and Conditions.

- A. **Nominations.** If “Firm (Variable Quantity)” is selected in Contract Quantity above, Seller will provide Buyer with its nominated daily quantity of RNG, based on the Project’s projected RNG production schedule and Seller’s projected deliveries at the Delivery

Point at no less than the MinDQ and up to the MaxDQ, unless otherwise accepted by Buyer and Seller, for each Month of the Delivery Period per the conditions as provided below:

- a No less than thirty (30) days prior to the end of any calendar year, Seller shall nominate daily expected quantities to Buyer for the subsequent year.
- b No less than ten (10) days prior to each delivery Month, Seller shall submit to Buyer changes to daily nominated quantities for said upcoming delivery month.
- c Mid-month changes to daily nominated quantities are due from Seller to Buyer by 8:00 a.m. Eastern Standard Time, one (1) day prior to each said daily delivery or weekend/holiday trading period.
- d Any material changes to expected deliveries above shall be reported from Seller to Buyer promptly following Seller identifying such changes.

B. Delivery and Use of RNG. For all Environmental Attributes sold and purchased under this TC between Seller and Buyer, Seller represents and warrants that:

- a it has the right and title to all Environmental Attributes transferred hereunder, which were produced from the Project, and will convey to Buyer all such Environmental Attributes in accordance with the requirements of RFS2 and, as applicable, the LCFS in order to preserve the ability to separate RINs and generate LCFS Credits, and it will not take any action that would result in the Environmental Attributes not satisfying the requirements of RFS2 and, as applicable, the LCFS;
- b Seller has not and will not generate RINs or LCFS Credits nor represent the fuel for sale as RNG with the ability to generate RINs to any other party;
- c Seller has not and will not generate RINs or LCFS Credits under any renewable energy or fuel program, including but not limited to any state Renewable Portfolio Standard, for any and all RNG sold to Buyer.
- d the Environmental Attributes have not been used by Seller other than for the generation of K1 RINs, or sold or transferred by Seller to any third party prior to transfer to Buyer;
- e the Environmental Attributes delivered to Buyer hereunder are from RNG of pipeline quality that, when dispensed as Transportation Fuel, meet the requirements of RFS2 and, as applicable, the LCFS; and
- f all information provided by Seller to Buyer relating to this TC shall be accurate and complete in all material respects.

C. Disqualified RNG. Each Party will promptly notify the other Party in the event that any RNG is determined to be Disqualified RNG. As applies to end-use as Transportation Fuel, Buyer and Seller acknowledge and agree that (a) Disqualified RNG may be eligible to generate LCFS Credits as a non-renewable Transportation Fuel via the applicable pathway under the LCFS, and (b) each Party will promptly provide any documentation or supporting information reasonably requested by Buyer related to the Disqualified RNG.

D. Regulatory Certifications. Seller shall provide to Buyer all documentation required by the EPA and/or CARB to (i) certify that the Environmental Attributes sold and purchased hereunder were from a Cellulosic Biofuel eligible to generate RINs or Q-RINs (with respect to RFS2) and, as applicable, create a low Carbon Intensity pathway (with respect to the LCFS) for generation of LCFS Credits, and (ii) assist with the certification of RINs, Q-RINs or LCFS Credits. This documentation will include, but is not limited to, all documentation required to certify that production of the RNG and transportation of the Environmental Attributes of RNG from its point of production to the Delivery Point is compliant with the transportation routing requirements (“pathing”) of the RFS2 and LCFS and any producer documentation required following delivery of Environmental Attributes of RNG to Buyer. Additional documentation may include any affidavits, reporting or attestations required by the EPA and/or CARB as applicable, such as documentation confirming Seller is (to the extent necessary and subject to Buyer’s obligations under Section 5 of the Special Provisions in this TC) registered under the California LCFS Regulations as a regulated party under the LCFS.

E. Records. Each Party shall maintain all records in its possession relevant to the purchase of RNG hereunder, including, as applicable, all records relevant to the production, purchase and sale, transportation, and delivery of RNG purchased hereunder and for end-use, including end-use as Transportation Fuel, and Seller shall maintain information as it applies to the creation and sale of RINs and/or Q-RINs in accordance with the requirements of RFS2. Seller shall maintain records related to RNG production process, feedstocks used, Project commissioning and registration, treatment of RNG to pipeline quality, RNG deliveries to the Delivery Point. Buyer shall maintain records related to RNG deliveries from the Delivery Point along the pathway, including use as Transportation Fuel and certifications, and the monetization of RINs and/or QRINs and LCFS Credits associated to RNG deliveries under this TC. As may be requested from time to time by Seller, Buyer will provide to Seller access and rights to audit (i) Buyer’s books and records to verify the accuracy of any accounting and reconciliation of the Contract Price and the performance of Buyer’s obligations under this TC, and (ii) the records related to end-use consumption at End-Use Location(s) associated with RNG deliveries under this TC upon Seller’s commercially reasonable request. For the avoidance of

doubt, Buyer shall apply reasonable commercial efforts to provide Seller with any records that were not originated or created by Buyer or that may require Buyer to request such records from another third-party.

- F. **Additional Acknowledgements.** Each Party will provide the other Party with such cooperation, additional documentation, certifications or other information as may be reasonably necessary to carry out the purposes of this TC. Buyer and Seller each acknowledge and agree that any and all obligations set forth in this TC of either Buyer or Seller, including, but not limited to, the obligation to provide information, data, documentation or other cooperation to the other Party shall also be applicable with respect to an agent or subcontractor of the other Party in the event such Party retains another party to perform any obligations under this TC. Such Party shall ultimately be responsible for its agent's or subcontractor's actions or inactions. Notwithstanding anything in this TC to the contrary, Seller acknowledges and understands that Buyer takes no responsibility for any action or inaction of Seller. Buyer acknowledges and understands that Seller takes no responsibility for any action or inaction of Buyer. As applies to end-use as Transportation Fuel, the Parties understand and agree that Buyer shall be solely responsible for the separation of or for causing the separation of K1 RINs into K2 (separated) RINs and generation of LCFS Credits and Seller is responsible for the generation of K1 RINs and transfer of K1 RINs to Buyer, including, but not limited to, all compliance responsibilities with respect thereto. Seller understands and agrees that Buyer will have firm claim and responsibility for all K1 RINs and verified LCFS Credits associated with RNG sold and purchased under this TC and agrees to not make any claims related to such RNG inconsistent with the creation and use of such Q-RINs and verified LCFS Credits.
- G. **Other Low Carbon Credits.** In the event that RNG sold and purchased hereunder are delivered to a state or jurisdiction other than California, and such state or jurisdiction has in force any program allowing the generation of carbon credits from the production and use of low carbon fuels, any credits generated under such program (or the value realized on the sale of such credits) from the RNG sold and purchased hereunder shall be allocated to Buyer and Seller according to the same terms and conditions as the LCFS Credits are allocated.

4. Registration and Generation of RINs; Marketing.

A. Registration under RFS2.

- i. Biogas Producer Registration. Buyer shall, upon request by Seller, provide Seller with such reasonable cooperation, additional documentation or other information as may be, in order for Seller to (i) register as a Biogas Producer under RFS2 and (ii) register each Biogas Production Facility under RFS2, provided that Seller acknowledges and understands that Buyer takes no responsibility for Seller and each Production Facility's registration hereunder;
- ii. RNG Producer Registration. Buyer shall, upon request by Seller, provide Seller with such reasonable cooperation, additional documentation or other information as may be, in order for Seller to, (i) register as an RNG Producer under RFS2 and (ii) register the Facility as an RNG production facility under RFS2, provided that Seller acknowledges and understands that Buyer takes no responsibility for Seller and each Production Facility's registration hereunder.
- iii. Provisional Registration. To the extent that the registration status of a Biogas Producer, Biogas Production Facility, RNG Producer or the Facility is deemed "provisional" by EPA, any K1 RINs generated while Biogas Producer or RNG Producer status is deemed "provisional" will be held by Buyer and will not be transferred for dispensing until the applicable registration is no longer provisional or it is determined by Buyer in its reasonable discretion that the nonprovisional registration will be issued without restrictions that would render the RNG Disqualified RNG.

B. Biogas Tokens; RIN Generation; Dispensing and RIN Sales.

- i. Biogas Tokens. Subject to registration of Seller as a Biogas Producer under RFS2, Seller shall (i) report Biogas batch production in EMTS, (ii) generate Biogas Tokens corresponding to Biogas production, and (iii) transfer (if necessary) the Biogas Tokens to the applicable account for K1 RIN generation. The foregoing includes, without limitation, preparation of any product transfer documents or other documentation required in connection with the applicable action.
- ii. K1 RINs. Subject to registration of Seller as an RNG producer under RFS2, Seller shall generate K1 RINs from Biogas Tokens transferred to Seller and transfer such K1 RINs to Buyer with respect to RNG delivered to Buyer during the applicable period. The foregoing includes, without limitation, preparation of any product transfer documents or other documentation required in connection with the applicable action.
- iii. Dispensing. Buyer will arrange for the RNG to be converted into and used as Transportation Fuel and transfer the K1 RINs to the applicable RIN separator, receive the K2 RINs associated with such RNG from the RIN separator and market and use commercially reasonable efforts to sell such K2 RINs.
- iv. Marketing. Buyer is the exclusive marketer of any RINs and Alternative Products generated from RNG purchased and sold hereunder.
- v. Annual Attestation/Audit. Buyer shall, upon request by Seller, provide Seller with such reasonable cooperation, additional documentation or other information as may be, in order for Seller to cause any required annual attestation engagement or audit under an applicable program to be completed as required under an Applicable Program.

- C. **QAP.** Each of Buyer and Seller agree that Biogas Tokens and K1 RINs generated in connection or with respect to RNG purchased and sold hereunder will be reviewed pursuant to an EPA-approved Quality Assurance Program (QAP) protocol absent mutual written agreement to the contrary. Seller shall (i) enter into a contract for QAP services with a registered QAP provider in accordance with RFS2 and (ii) authorize the contracted QAP provider to communicate with Buyer directly with respect to any review, report or other services provided by such QAP provider.
- D. **Maintenance of Eligibility for Use as Transportation Fuel.** Seller is responsible for compliance with any applicable requirements of the Applicable Programs pertaining to the RNG prior to and at the Delivery Point. Buyer is responsible for compliance with any applicable requirements of the Applicable Programs following acceptance of the RNG at the Delivery Point.
- E. **[Reserved].**
- F. **Seller's Warranty.** For purposes of this TC, Seller represents and warrants the following in addition to the representations and warranties set forth in _ of the Base Contract: "Seller represents and warrants that all Environmental Attributes associated with RNG delivered to Buyer hereunder (i) are unencumbered and held by Seller with good and marketable title upon transfer to Buyer, (ii) have not been altered in any respect or sold to any Party prior to delivery to Buyer and (iii) are attributable to gas produced from anaerobic digestion."
- G. **Seller Covenants.**
- i. Neither Seller nor any of its Affiliates shall, directly or indirectly, take any action or omit to take any action that, in either case, would or is likely to adversely impact the registration, verification, certification, quality assurance or continued eligibility of the RNG under the Applicable Program(s).
 - ii. Seller shall not, and shall not enter into any agreement that would, directly or indirectly, (i) claim, use, transfer or otherwise encumber any Environmental Attributes or (ii) generate, market or sell any environmental claim, benefit or credit arising from or associated with the RNG without Buyer's prior written consent, which shall not be unreasonably withheld, delayed or conditioned.
 - iii. Seller agrees to execute any documentation necessary to allow Buyer to act as Seller's agent with respect to any tracking or transaction account established with respect to Gas or RINs.
- H. **RIN Market and Trades.** For the avoidance of doubt, Seller acknowledges and agrees that (i) the market for RINs may lack liquidity, (ii) Buyer shall at all times retain control over the evaluation of potential sales of RINs and the ultimate sale of RINs into the market, and (iii) Seller shall have no right to participate in or direct the sales of RINs. EXCEPT AS EXPRESSLY SET FORTH IN THIS TC, BUYER DOES NOT MAKE, AND EXPRESSLY DISCLAIMS, ALL WARRANTIES AND REPRESENTATIONS WITH RESPECT TO THE MARKETING OF RINS OR Q-RINS.

5. LCFS Credits

- A. **LCFS Compliance.** The Parties understand and agree that Buyer shall be responsible for registering with CARB and complying with the relevant regulatory provisions of the LCFS solely with respect to the generation of LCFS Credits. Seller shall be responsible with respect to all other compliance requirements with the relevant regulatory provisions of the LCFS, including, but not limited to, responsibilities for quarterly progress reporting and quarterly and annual compliance reporting and all other registration, reporting and documentation responsibilities as are set forth in this TC.
- B. **LCFS Credit Generation.** The Parties understand and agree that, provided that Seller provides all data required under the terms of this TC, Buyer will determine the number of LCFS Credits eligible to be generated and will generate LCFS Credits, associated with RNG delivered under this TC, in accordance with the LCFS. For avoidance of doubt, Buyer and Seller acknowledge and agree that Buyer is generating and is taking title to LCFS Credits associated with RNG deliveries under this TC and Seller has no rights to LCFS Credits nor does Seller have any rights to LCFS Credits which may be generated by End-Use Location(s) associated with the consumption of Gas not delivered under this TC.
- C. **Regulated Party Status and Product Transfer Documents.** Pursuant to the California LCFS Regulations, Seller shall transfer its LCFS regulated party status to Buyer with respect to all Environmental Attributes sold by Seller to Buyer hereunder. As required under the California LCFS Regulations, Seller shall, on a quarterly basis, provide Buyer or its designee with a Product Transfer Document.
- D. **[Reserved].**
- E. **LCFS Market and Trades.** For the avoidance of doubt, Seller acknowledges and agrees that (i) the market for LCFS Credits may lack liquidity, (ii) Buyer shall at all times retain control over the evaluation of potential sales of LCFS Credits and the ultimate sale of LCFS Credits into the market, and (iii) Seller shall have no right to participate in or direct the sales of LCFS Credits. EXCEPT AS EXPRESSLY SET FORTH IN THIS TC, BUYER DOES NOT MAKE, AND EXPRESSLY DISCLAIMS, ALL WARRANTIES AND REPRESENTATIONS WITH RESPECT TO THE CREATION AND MARKETING OF LCFS CREDITS.

6. Statements; Payments. Notwithstanding Section 7 of the Base Contract, for each Month during the Delivery Period Buyer shall deliver a statement to Seller within thirty (30) days after the end of the immediately following Month that details the following:

- i. the quantity of RNG sold hereunder during such Month and Buyer's calculation of the RNG Contract Price for such quantity, including an itemized list of all expenses deducted in the calculation thereof pursuant to this TC;
- ii. the quantity of RINs generated from such RNG, the quantity of RINs yet to be generated from such RNG, and Buyer's estimated calculation of the RIN Revenue, including an itemized list of all expenses deducted in the calculation thereof pursuant to this TC;
- iii. the quantity of LCFS Credits generated from such RNG (or associated Environmental Attributes), the quantity of LCFS Credits yet to be generated from such RNG (or associated Environmental Attributes), and Buyer's estimated calculation of the LCFS Share, including an itemized list of all expenses deducted in the calculation thereof pursuant to this TC; and
- iv. the quantities of RINs and LCFS Credits generated from RNG (or associated Environmental Attributes) sold hereunder in each prior Month during the Delivery Period and the quantities of such RINs and LCFS Credits that Buyer has not yet sold.

7. Breach.

A. In the event that, over any one hundred and twenty (120) day period, a Party breaches its obligation to deliver or receive, as applicable, RNG or other obligations that results in an inability or failure by Seller to generate K1 RINs and/or Buyer to generate LCFS Credits from delivered and received RNG, the RINs and LCFS Credits that would have been generated by Buyer shall be accounted for in the calculation of the Contract Price for purposes of Section 3.2 of the Base Contract with the amount due to the non-breaching party in connection with such RINs and LCFS Credits calculated as follows:

- i. For a breach by Buyer, an amount equal to the positive difference, if any, between (1) the sum of the RIN Share (with the RIN Value equal to the RIN Index Price multiplied by the Net Quantity) and the LCFS Credit Share (with the LCFS Credit Value equal to the LCFS Index Price multiplied by the Net Quantity), and (2) the net proceeds received by Seller from the sale of any RINs and LCFS Credits generated, if any, outside this TC from the RNG associated with Buyer's breach, less the additional reasonable costs Seller incurs in connection with generating and selling such RINs and LCFS Credits; and
- ii. For a breach by Seller, an amount equal to the sum of (1) RIN Value multiplied by the difference between 100% and the percentage of the RIN Value set forth in the Section titled Contract Price in this TC that Buyer would have been obligated to pay Seller (with the RIN Value equal to the RIN Index Price multiplied by the Net Quantity), and (2) the LCFS Credit Value multiplied by the difference between 100% and the percentage of the LCFS Credit Value set forth in the Section titled Contract Price in this TC that Buyer would have been obligated to pay Seller (with the LCFS Credit Value equal to the LCFS Index Price multiplied by the Net Quantity), where (a) "**Net Quantity**" means the number of RINs or LCFS Credits, as applicable, that would have been generated from the Biogas which either was not delivered or was not received pursuant to a breach, less the portion of such RINs or LCFS Credits associated with Buyer's obligation to compensate End-Use Location(s) in connection with the generation of such RINs or LCFS Credits, (b) "**RIN Index Price**" means the average D3 Q-RIN price for the applicable RIN year published by the RIN Index for all posting days of the Month in which RINs were not generated due to the breach, and (c) "**LCFS Index Price**" means the average LCFS Credit price published by the LCFS Index for all posting Days of the quarter in which LCFS Credits were not generated due to the breach.

B. Any amount owed under this Section 7 shall be deducted from the breaching Party's RIN Share and LCFS Credit Share. In the event that the non-breaching Party elects to terminate this TC pursuant to Section 7(E) below, then the breaching Party shall pay the non-breaching Party the remaining amount owed under this Section 7 within thirty (30) days of termination.

C. If a Party cannot cure a breach under this Section 7 within the cure period provided under Section 10.2 of the Base Contract, the non-breaching Party may terminate this TC immediately. For avoidance of doubt, if the Parties have elected to apply Early Termination Damages under the Base Contract, no early termination calculation would take place for a termination under this Section 7.

8. Term; Termination

- A. **Term.** This TC will become effective on the date upon which it is executed by each Party where indicated below and will terminate or expire concurrently with the Delivery Period.
- B. **Termination of this TC.** In addition to termination under the Base Contract, this TC may be terminated in its entirety under the following circumstances:
 - i. **Regulatory Event.** If the implementation of new, or changes to existing, Laws or other requirements or changes in administration or interpretation of Laws ("**Regulatory Event**") occurs and the affected party ("**Affected Party**") is unable, after using commercially reasonable efforts, to avoid nonperformance or negative material economic impacts, the Affected Party shall be entitled to terminate this TC, subject to the following conditions:
 - (a) The Affected Party must give the non-affected party ("**Non-Affected Party**") prior written notice of its intent to terminate this TC, and shall specify the Early Termination Date, which shall be not more than thirty (30) Business Days

after the date of the notice to terminate. On the Early Termination Date, the Affected Party shall determine the amounts owed (whether or not then due) by each Party with respect to all Biogas delivered and received between the Parties under this TC on and before the Early Termination Date (including, but not limited to, an estimate of the Environmental Attribute Contract Price for such RNG) and all other applicable charges relating to such deliveries and receipts, for which payment has not yet been made by the Party that owes such payment under this TC.

- (b) Nothing herein shall prevent the Non-Affected Party from disputing whether the Affected Party has the right to terminate this TC.
- (c) For avoidance of doubt, no early termination damage calculation would take place for a termination under this Section 8(B). “**Regulatory Events**” shall not include (1) the imposition of new Taxes, (2) any requirement to procure a new permit, license or other governmental authorizations (unless a Party is ineligible and cannot procure the same within a reasonable period of time using best efforts), (3) the imposition of regulatory requirements that increase the costs of one or both Parties’ performance of their obligations under this TC, (4) any EPA rulemaking relating to the setting of renewable fuel volume obligations or standards under the RFS2, including by way of a reset of renewable fuel volume obligations by EPA, (5) any delay of an EPA rulemaking relating to such setting of renewable fuel volume obligations or standards, (6) any revision to the pricing formula for cellulosic waiver credits under the RFS2, (7) any change in the point of obligation under the RFS2 program, (8) any EPA rulemaking relating to the rules for RIN carry forwards, and (9) any change in compliance procedures in respect of the generation, trading or retirement of RINs. Notwithstanding the foregoing, Regulatory Events shall include imposition of a requirement on Seller to deliver RNG to Buyer other than via displacement/exchange, “book and claim” or “in-kind gas swap”. “**Law**” means any law, rule, regulation, ordinance, statute, judicial decision, administrative order, Transporter business practices or protocol, Transporter tariff, or rule of any commission or agency with jurisdiction in the state in which the Project or Seller is located.).

- ii. **Force Majeure.** See Section 11 of the Base Contract. For avoidance of doubt, no early termination damage calculation would take place for a termination under this Section 8(C).

C. **Early Termination Payments.** Early termination of this TC will not affect either Party’s obligations accruing, due and owing hereunder on or prior to the effective date of the termination. Amount(s) owed as a result of early termination, as detailed this Section 8, shall be due for such amount(s) within fifteen (15) days upon receipt by the owing Party of an invoice for such amount due to the non-owing Party. The Parties acknowledge and agree that any termination payment under this TC constitutes a reasonable approximation of harm or loss and is not a penalty or punitive in any respect.

9. Limitation of Liability. Notwithstanding anything to the contrary contained in this TC:

- i. Neither Party shall be liable to the other Party or its directors, officers, employees or agents for any indirect, special, punitive or consequential damages, losses, expenses, or liabilities howsoever caused (including, without limitation, loss of profits).
- ii. Buyer’s liability under this TC shall not exceed the value of Buyer’s RIN Share plus Buyer’s LCFS Credit Share, as actually retained by Buyer pursuant to this TC.
- iii. Seller’s liability under this TC shall not exceed the value of the RIN Share plus LCFS Credit Share actually received by Seller pursuant to this TC.

10. Additional Indemnifications.

- A. Seller. Notwithstanding any other provisions in the Base Contract, Seller agrees to defend, indemnify and hold harmless Buyer and all its affiliates, and all of their respective officers, directors, shareholders, associates, employees, agents, representatives, successors and assigns from and against all losses, penalties, fines, charges or claims, arising out of any third party claim (collectively, “Claims”) arising from or out of (i) Seller-provided falsehoods, misrepresentations, material inaccuracies or misleading statements in any documentation (including, but not limited to, in claims of title, registrations, attestations and other representations and warranties concerning the RNG); (ii) personal injury (including death) or property damage from said RNG which attach before title passes to Buyer, (iii) other claims, liens, and encumbrances related to said RNG which attach before title passes to Buyer, (iv) Seller’s gross negligence or willful misconduct; (v) violation of any applicable law/regulation/ordinance, (including but not limited to, failure to comply with any applicable obligation or requirement of the EPA or CARB); or (vi) Seller’s breach of this Transaction Confirmation.
- B. Buyer. Notwithstanding any other provisions in the Base Contract, Buyer agrees to defend, indemnify and hold harmless Seller and all its affiliates, and all of their respective officers, directors, associates, employees, agents, representatives, successors and assigns from and against all third party Claims based on or arising from or out of (i) Buyer-provided falsehoods, misrepresentations, material inaccuracies or misleading statements in any documentation related to this Transaction Confirmation; (ii) personal injury (including death) or property damage from said Biogas that occurred after title passes to Buyer, (iii) other claims, liens, and encumbrances related to said Biogas that attach after title passes to Buyer, (iv) Buyer’s gross negligence or willful misconduct; (v) violation of any applicable law/regulation/ordinance (including but

not limited to, failure to comply with any applicable obligation or requirement of the EPA or CARB); or (vi) Buyer’s breach of this Transaction Confirmation.

11. Confidentiality.

Notwithstanding the parties election on the Base Contract not to make Section 15.10 of the Base Contract applicable, the parties acknowledge and agree that neither party shall disclose directly or indirectly without the prior written consent of the other party (i) the Contract Price of a transaction, nor (ii) any confidential information of such party disclosed pursuant to an audit, request for Documentation, or other arrangement hereunder (other than to the employees, lenders, counsel, accountants and other agents of the party), except in order to comply with any applicable law, order, regulation, exchange rule, or applicable program.

Please confirm the foregoing correctly sets forth the terms of our agreement with respect to this TC by signing in the space provided below and returning a copy of the executed confirmation by email to: david.broustis@kingcounty.gov; lhonaker@kingcounty.gov; jonathan.burnston@karbone.com; accounting@karbone.com; and legal@karbone.com

[Signature Box Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Transaction Confirmation to be executed as of the Effective Date.

<p>Seller: KING COUNTY, THROUGH ITS DEPARTMENT OF NATURAL RESOURCES AND PARKS – WASTEWATER TREATMENT DIVISION</p> <p>By: _____ Name: Kamuron Gurol Title: Director, Wastewater Treatment Division</p>	<p>Buyer: KARBONE ENERGY LLC</p> <p>By: _____ Name: Jonathan Burnston Title: Managing Director</p>
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T1

5.27.2026
Title Amendment

[J. Tracy]

Sponsor: Fain

Proposed No.: 2026-0116

1 **AMENDMENT TO PROPOSED MOTION 2026-0116, VERSION 1**

2 On page 1, beginning on line 1, strike lines 1 through 5 and insert:

3 "AN ORDINANCE relating to the sale of environmental
4 attributes held by the county; authorizing the county to
5 enter into an agreement for the sale of environmental
6 attributes related to biomethane produced at the South
7 Treatment Plant to Karbone Energy LLC."

8

9 **EFFECT prepared by *J. Tracy: Corrects the entity name of Karbone Energy LLC.***



Executive Girmay Zahilay

Chinook Building, CNK-EX-0800
 401 Fifth Avenue, Suite 800
 Seattle, WA 98104-2391

April 30, 2026

The Honorable Sarah Perry
 Chair, King County Council
 Room 1200
 COURTHOUSE

Dear Councilmember Perry:

This letter transmits a proposed Ordinance that would, if enacted, authorize the County to sell environmental attributes related to the biomethane that originates at the South Treatment Plant to Karbone, Inc.

Approval of this proposed legislation would authorize the execution of an Environmental Attribute Purchase and Sale Agreement (contract) between Karbone and the Wastewater Treatment Division (WTD) of the Department of Natural Resources and Parks (DNRP). The contract allows WTD to sell environmental attributes associated with the biomethane gas produced from the South Treatment Plant's biogas processing facility. Approving this proposed Ordinance will create a public benefit by supporting the beneficial use of biofuels, reducing the amount of wastewater digester gas that is flared into the atmosphere, and bring revenue to the County.

The South Treatment Plant biogas processing equipment can purify approximately 1,000 standard cubic feet per minute of digester biogas into pipeline-quality biomethane, also known as renewable natural gas. Converting the available wastewater biogas into renewable natural gas means that an equal amount of non-renewable fossil natural gas energy does not need to be extracted from the earth and consumed. This reduces greenhouse gas emissions.

Renewable natural gas is composed of two commodities that have financial value: gas molecules and the environmental attributes associated with those molecules that reflect the environmental benefit. This proposed Ordinance is specific to the sale of the environmental attributes, which can be sold to monetize the environmental benefits from renewable fuel. Selling environmental attributes associated with biomethane produced by the wastewater plant is anticipated to begin upon the approval of this proposed contract and will continue to generate revenue for the County into the future.

The Honorable Sarah Perry
April 30, 2025
Page 2

Thank you for your consideration of this important legislation. Approval of this proposed legislation would allow WTD to sell environmental attributes originating from the South Treatment Plant, thereby supporting the local clean energy economy and generating revenue for the County.

If your staff have questions, please contact Kamuron Gurol, Director of the Wastewater Treatment Division of the Department of Natural Resources and Parks, at 206-263-5767.

Sincerely,



for

Girmay Zahilay
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, Office of the Executive
 Jasmin Weaver, Chief of Staff, Office of the Executive
 Hyeok Kim, Chief Operating Officer, Office of the Executive
 Sierra Howlett Browne, Policy Director, Office of the Executive
 Garrett Holbrook, Council Relations Manager, Office of the Executive
 John Taylor, Director, Department of Natural Resources and Parks
 Kamuron Gurol, Director, Wastewater Treatment Division, DNRP



King County

**Metropolitan King County Council
Transportation, Economy, and Environment Committee**

STAFF REPORT

Agenda Item:	10	Name:	Jenny Giambattista and Andy Micklow
Proposed No.:	2026-0038	Date:	June 16, 2026

SUBJECT

Proposed Motion 2026-0038 would acknowledge receipt of the plan describing the proposed analysis to be completed for the policy questions identified in the RWSP Update.

SUMMARY

The Regional Wastewater Services Plan (RWSP) Update is a large planning project to update the RWSP, which was adopted by ordinance in 1999. The 2026-2027 budget includes an appropriation of an additional \$7.4 million for this project.

In 2025, the Regional Water Quality Committee (RWQC) adopted resolutions¹ in support of the scope and charter for the RWSP Update. At the request of the RWQC, both the scope and the charter include the same list of policy questions to be analyzed as part of the RWSP Update. To ensure the policy analysis is completed, the Council included a proviso² in the 2026-2027 Adopted Budget requesting that the Wastewater Treatment Division (WTD) develop a plan describing the proposed analysis for the policy questions identified in the RWSP Update. There is also an additional proviso³ restricting expenditures from the \$7.4 million appropriation for the RWSP Update until Council approves the motion required by the first proviso.

The plan transmitted by WTD describes a two-step analysis to be conducted over two years. Policy options for each question will be developed in Step 1, with cost information developed in Step 2. The proviso response details the timelines for the first group of policy questions in 2026, but notes that the schedule for 2027 will be planned in January 2027. The plan reports that the analyses of the major policy questions will intentionally guide and inform the development of RWSP policy options to be included in the Draft RWSP Update to be published in 2027.

The transmitted plan generally meets the requirements of the proviso.

¹ Resolution RWQC2025-01 and Resolution RWQC2025-02

² Ordinance 20023, Section 115, Proviso P1

³ Ordinance 20023, Section 132, Proviso P3

Proposed Motion 2026-0038 was briefed in RWQC on April 1, 2026. At the request of the Committee Chair, Council staff worked with WTD to review the list of policy memos that will be provided to RWQC to identify any opportunities to more efficiently address the policy questions included in the RWSP scope document. Staff identified policy questions which can be combined into a single memo and those questions which can be answered directly without including policy options. WTD intends to provide analysis for all the originally requested questions. The revised schedule of analysis is included in Attachment 3.

BACKGROUND

Regional Wastewater Services Plan Update. The Regional Wastewater Services Plan (RWSP) was adopted by Ordinance 13680 in November 1999 to ensure the continuation of high-quality wastewater treatment services through 2030. The RWSP outlines programs and projects through 2030 to increase wastewater system capacity and functionality, provides guidance on recovering and recycling beneficial resources from the wastewater treatment process, and provides direction on protecting and monitoring water quality and on meeting permit conditions. Many of the major projects outlined in the RWSP have been completed as the RWSP reaches the end of its intended planning period of 2030. The process to update the RWSP started in 2019 and was paused by WTD at the end of 2021 to consider the feedback it had received. WTD re-launched the planning effort in 2024 to update the RWSP.

As of November 2025, the Office of Performance, Strategy, and Budget reports the total estimated cost at completion for the RWSP Update is \$51.4 million. Total spending through December 2025 is \$24.7 million.

RWQC has been closely following the launch of the RWSP Update and has adopted resolutions in support of the RWSP's scope and charter.⁴ RWQC has expressed interest in addressing long-term policy questions for the regional wastewater system and included a set of policy questions in the scope and charter documents for analysis as part of the RWSP Update. Both the scope and charter have the same set of policy questions and are included in Table 1.

⁴ Resolution RWQC2025-01 and Resolution RWQC2025-02

**Table 1.
Major Policy Questions to be Analyzed in the RWSP Update**

Challenges and Opportunities – Topics/Themes	Major Policy Questions to be Analyzed in RWSP Update
<p>Regulatory Landscape</p> <p>CSO, nutrients, per- and polyfluoroalkyl substances (PFAS) and other contaminants of emerging concern (CECs), current and existing requirements, new and anticipated requirements, opportunities for larger regional partnerships to address water concerns, requirement to comply with future total maximum daily loads</p>	<p>Should the County evaluate costs and plan for levels of treatment beyond current legal requirements?</p> <p>How should the County anticipate, engage with, and plan for future nutrient permit requirements, regulations related to CECs such as PFAS, or other future regulatory changes?</p> <p>What upstream or source control actions should the region undertake to prevent contaminants and reduce costs?</p> <p>How should WTD efforts support the water quality of Puget Sound and applicable inland waterways?</p>
<p>Capacity Demands</p> <p>I/I, population growth, conveyance and treatment capacity demand, including on-site septic systems in urban areas</p>	<p>Given the uncertainties in future growth rates reported by Washington State and the Puget Sound Regional Council, how aggressively beyond legal requirements should WTD expand capacity to account for future population growth?</p> <p>To what extent should WTD prioritize use of existing facility sites vs. acquiring new property to accommodate future treatment needs (including capacity)?</p> <p>Should the region continue to provide a centralized approach for regional wastewater treatment, or should the region move towards a more decentralized approach?</p> <p>How should I/I be managed and how can costs be fairly apportioned? Should system capacity be expanded to account for increases in I/I? Should I/I policies change to support reducing the capacity needed for I/I?</p> <p>How should the conversion of on-site septic systems to sewers in the service area be managed and should WTD implement programs to encourage conversion within the service area?</p>
<p>Infrastructure Resiliency</p> <p>Asset management, maintenance, improvements, renewal, replacement, labor and supply chain disruptions, natural hazard resiliency</p>	<p>How proactive vs. reactive should WTD be when deciding to refurbish or replace aging infrastructure?</p> <p>What level of resiliency should WTD plan for regarding seismic and other natural hazards to avoid or minimize risks? What level of risk tolerance should WTD accept? How can these considerations be best informed by the long-term capital motion work in progress?</p> <p>What level of redundancy of critical systems should WTD have?</p>

Challenges and Opportunities – Topics/Themes	Major Policy Questions to be Analyzed in RWSP Update
<p>Equity and Social Justice</p> <p>Distributional equity, WTD role in safeguarding public health</p>	<p>What actions should WTD take to increase equity and social justice for the regional wastewater system?</p> <p>How will equity and social justice be interwoven in the update: community engagement, rate structure analysis, etc.?</p> <p>How should the regional wastewater system address environmental justice concerns as described in the 2021 Healthy Environment for All Act⁵, such as addressing the disproportionate environmental health impacts of vulnerable populations and overburdened communities?</p>
<p>Climate Change</p> <p>Mitigation – green building, eliminating/reducing fossil fuel use, energy and water efficiency, renewable energy, materials management, tree planting, etc. Adaptation – sea level rise, more extreme heat, increased storm intensities, wildfire smoke, increased river flooding, etc.</p>	<p>Should existing wastewater policy language (KCC 28.86) be revised to specifically call out planning for future climate conditions in addition to population growth and other environmental factors?</p> <p>How much should WTD reduce energy use and reduce greenhouse gas emissions?</p> <p>How should WTD prepare and adapt to climate impacts (e.g., precipitation/storm intensities, sea level rise, river flooding, etc.) in line with the Strategic Climate Action Plan? What level of climate impact risk tolerance should WTD plan for to avoid or minimize risks to the system?</p>
<p>Resource Recovery</p> <p>Recycled water, biosolids, energy capture</p>	<p>Energy production and heat recovery – Should WTD be expanding its efforts to capture energy and heat? If so, at what level of effort?</p> <p>Biosolids – Should WTD further expand its efforts to develop Class A biosolids? What changes are needed to biosolid recovery policies to get to Class A?</p> <p>Recycled water – Under what circumstances should the region expand the use of reclaimed water? Which uses (e.g., environmental benefits, groundwater recharge, industrial uses, irrigation) are most appropriate?</p> <p>How can WTD best support environmental benefits while instituting safeguards to protect against environmental risks of contamination? How should cost considerations be weighed?</p>
<p>Finance / Affordability</p> <p>Rate equity, fairness, and structure, capital financing and debt management, financial planning</p>	<p>How will WTD measure affordability for contract agencies and ratepayers?</p> <p>Is there a better rate structure for the sewer rate? (Note: WTD has identified a work plan to further evaluate the residential</p>

⁵ RCW 70.A.02

Challenges and Opportunities – Topics/Themes	Major Policy Questions to be Analyzed in RWSP Update
and revenue sufficiency	<p>customer equivalent conversion factor of 750 cubic feet per month.)</p> <p>Will WTD maintain a single uniform sewer rate per residential customer equivalent (Robinswood "one for all, all for one"), or consider alternative cost recovery rate structures to reflect other system impacts?</p> <p>Should WTD update the rate structure for the capacity charge to align with current industry standards? (Note: The capacity charge rate structure was updated in 2021. A capacity charge methodology study is in progress.)</p> <p>What other rate relief approaches should WTD implement to improve affordability for those who may struggle to pay their sewer bill?</p>
Relationship to Contracts	<p>Are major policy updates aligned with component agency contracts?</p> <p>How will WTD implement the RWSP Update consistent with direction and requirements expected of contract agencies?</p>

Budget actions. The 2026-2027 Adopted Budget includes a proviso⁶ requesting the Wastewater Treatment Division develop a plan describing the proposed analysis to be completed for the policy questions identified in the RWSP Update scope document, to be transmitted by March 1, 2026.

P1 PROVIDED THAT:

Of this appropriation, \$250,000 shall not be expended or encumbered until the executive transmits a plan describing the proposed analysis to be completed for the policy questions identified in the Regional Wastewater Services Plan Update scope document as adopted by regional water quality committee resolution 2025-01, and a motion acknowledging receipt of the plan, and motion acknowledging receipt of the plan is passed by the council. The motion should reference the subject matter, the proviso's ordinance, ordinance section, and proviso number in both the title and body of the motion.

A. The plan shall be developed with input from the regional water quality committee and describe how the policy questions identified in the Regional Water Services Plan Update Scope document as adopted by the regional water quality committee resolution 2025-01 will be analyzed, including but not limited to:

- 1. A framework for the analysis of the policy questions which identifies the topics that shall be addressed as part of policy analysis;*

⁶ Ordinance 20023, Section 115, Proviso P1

2. *The proposed format for reporting the analysis; specifying whether the analysis will be available as standalone reports presentations, or in other formats;*
3. *For each policy question, how the policy analysis will inform the RWSP Update;*
4. *Timelines for the analysis for each policy question;*
5. *A problem statement corresponding to each policy question; and*
6. *In instances where the analysis of a policy question is anticipated to occur in more than one section of the Regional Wastewater Services Plan Update, the plan required by this proviso shall identify how the complete analysis for the policy question will be addressed.*

B. The plan shall also include policy analysis for at least two policy questions from the RWSP scope document as adopted by the regional water quality committee resolution 2025-01. The analysis of these policy questions is intended to serve as a proof of concept for the level of analysis of the remaining policy questions.

C. The plan may also propose modifications to the list of policy questions identified in the Regional Water Services Plan scope document, and, if modifications are proposed, the topics in subsections A. and B. of this proviso shall be discussed in relation to the alternate proposal.

The executive should electronically file the plan and motion required by this proviso by March 1, 2026, with the clerk of the council, who shall retain an electronic copy and provide an electronic copy to all councilmembers, the council chief of staff, and the lead staff for the transportation, economy, and environment committee or its successor, and the lead staff for the regional water quality committee or its successor.

Additionally, the 2026-2027 Budget includes a proviso⁷ on the capital appropriation for the RWSP Update restricting expenditure of the appropriation until the Council passes the motion required by Proviso P1 listed above.

P3 PROVIDED FURTHER THAT:

Of the appropriation for capital project 1134066, Regional Wastewater Services Plan (RWSP) Update, \$7,382,000 shall not be expended or encumbered until the council passes the motion required by section 115, Proviso P1, of this ordinance.

ANALYSIS

The plan was transmitted on February 26, 2026. The transmitted report, which is included as Attachment A to Proposed Motion 2026-0038, generally addresses the issues required by the proviso, as described below.

A. The Plan shall be developed with input from the RWQC and describe how the policy questions identified in the RWSP Update Scope document as adopted by the RWQC Resolution 2025-01 will be analyzed, including but not limited to:

⁷ Ordinance 20023, Section 115, Proviso P3

WTD briefed RWQC at the December 2025 and January 2026 committee meetings to gather input from RWQC on the policy framework. The transmitted plan does describe how the policy questions identified in the RWSP Update Scope document will be analyzed.

1. A framework for the analysis of the policy questions which identifies the topics that shall be identified as part of the policy analysis.

The plan provides a framework for the analysis and identifies the topics to be addressed for each policy question. The initial list of topics was discussed with RWQC at the December 2025 RWQC meeting and is based on discussions with the committee in prior RWQC meetings. The plan reports that WTD will use a two-step approach to analyze the major policy questions.

Step 1 will include developing a memo addressing each of the following:

- a. Problem Statement
- b. Contextual and Baseline Information
 - i. What is known about the topic and current conditions
 - ii. Current policies in code, contract, or in practice
 - iii. The system "must-dos"
 - iv. Current and budgeted expenditures
 - v. Summary of science/data (if applicable)
- c. Example practices from other jurisdictions/industry
- d. Policy issues, challenges, and opportunities related to the policy question
- e. Range of policy options with associated actions and considerations (including qualitative description of costs)
- f. Interested and affected parties WTD will engage to gather input
- g. Rate structure considerations (where applicable)
- h. Relationship to contracts with local sewer agencies
- i. Equity and Social Justice (ESJ) impacts

As part of **Step 2**, WTD will develop planning-level cost estimates and an evaluation of the impacts of each option. The analysis conducted as part of Step 2 will be shared with RWQC on a rolling basis over 2026-2027, tentatively set to begin in October 2026. Step 2 will be incorporated into the Step 1 policy analysis memo after planning-level cost estimates and evaluations are completed.

2. The proposed format for reporting the analysis; specifying whether the analysis will be available as standalone reports presentations, or in other formats;

The plan specifies that the analysis will be provided as a policy memo along with PowerPoint slide decks for those specific analyses to be presented at the RWQC meetings. The plan anticipates seeking direction from RWQC on which policy questions will receive both a memo and a slide deck presentation.

3. For each policy question, how the policy analysis will inform the RWSP Update;

The plan specifies that WTD will ensure all policy issues associated with the major policy questions are included and addressed in the Draft RWSP Update. The analyses of the major policy questions will intentionally guide and specifically inform the development of RWSP policy options included in the Draft RWSP Update.

4. Timelines for the analysis for each policy question;

The analysis will cover two years. The proviso response details the timelines for the first group of policy questions in 2026, and provides tentative timelines for Step 2, but notes that the schedule for 2027 will be finalized in January 2027.

5. A problem statement corresponding to each policy question;

The plan does not include a problem statement for each policy question, but notes that one will be developed as the policy analysis is completed.

6. In instances where the analysis of a policy question is anticipated to occur in more than one section of the Regional Wastewater Services Plan Update, the plan required by this proviso shall identify how the complete analysis for the policy question will be addressed.

Some of the major policy questions need to be addressed through multiple topics in the RWSP Update. According to the plan, these questions will be evaluated holistically in the topic where they most naturally reside. However, for questions relevant to other topics, WTD will explicitly identify and explain the connection in the Step 1 analysis and will dedicate a section in the policy memo to address the relationship each question has with these other topics. Appendix B of the transmitted proviso plan identifies the questions that cover multiple topics and will be evaluated as described.

B. The plan shall also include policy analysis for at least two policy questions from the RWSP scope document as adopted by the regional water quality committee resolution 2025-01. The analysis of these policy questions is intended to serve as a proof of concept for the level of analysis of the remaining policy questions.

Two policy memos are included in the proviso response. Memo 1 focuses on the policy questions related to the Separated System Conveyance topic in the Regional Wastewater Services Plan Update. The policy questions analyzed in Memo 1 are:

- How should Infiltration/Inflow (I/I) be managed, and how can costs be fairly apportioned?
- Should system capacity be expanded to account for increases in I/I?
- Should I/I policies change to support reducing the capacity needed for I/I?

Memo 2 addresses the following policy question:

- Given the uncertainties in future growth rates reported by Washington State and the Puget Sound Regional Council, how aggressively beyond legal requirements should WTD expand capacity to account for future population

growth?

C. The plan may also propose modifications to the list of policy questions identified in the Regional Water Services Plan scope document, and, if modifications are proposed, the topics in subsections A. and B. of this proviso shall be discussed in relation to the alternate proposal.

The list of policy questions in the RWSP scope document was developed prior to the proviso request to develop options for the questions, so the proviso allows WTD to propose modifications to the list of policy questions to ensure they are appropriate for the planned level of analysis. The plan does not propose changes to the questions, but it does recategorize some of the questions and suggests three additional questions listed in Table 2.

Grouping Questions. The questions included in the RWSP Update scope document were grouped into eight categories. Some of the questions are very similar and were intended as sub-questions to provide further clarification.

WTD's proposed approach regroups some policy questions into new groups, resulting in eleven rather than eight categories. Some categories in the RWSP Update Scope document have been changed to reflect the existing workgroups WTD established as part of the RWSP Update process. Generally, these categories provide greater specificity, for example, by addressing policy issues for the combined and separated systems in separate memos.

With the addition of WTD's three questions, there are now 32 questions. To avoid duplicative analysis and options, the plan proposes grouping related policy questions into memos for each broader topic. For questions that are very similar and discussed in the same memo, it may be duplicative to provide a separate listing of options and analysis for each question. In discussions with Council staff, WTD reports that it supports the need to reduce redundancy and will evaluate the questions further to see if there are opportunities to combine the analysis for similar questions.

**Table 2.
Proposed New Policy Questions**

Proposed New Policy Question	Rationale
What approach should WTD use to fund asset renewal and replacement projects?	This question guides analysis on the different tools available to fund asset renewal and replacement projects, as proposed by the Asset Management Steering Committee, in coordination with the RWSP Working Group.
How should WTD best upgrade the combined system to address regulatory requirements, regional water quality, and West Point operations? How can combined system costs be fairly apportioned?	These questions introduce discussion on the combined system and the associated regulatory requirements.
How should WTD maximize recovery of new resources? How should WTD prioritize and monetize environmental and other co-benefits	These questions encompass the potential for WTD to expand into new resource recovery areas.

when considering cost of recovering new resources?	
--	--

Issues Considered by RWQC. The RWQC considered the following issues at its May 1, 2026 meeting.

- *How Will RWQC's Feedback in Step 1 be Incorporated into the Step 2 Memo?*
The proposed process includes opportunities for RWQC to provide comments during both Step 1 and Step 2. However, the plan does not specify how RWQC's specific comments will be tracked and addressed throughout the process. It should be noted that the proviso does not require WTD to report on how they will track and incorporate feedback. In response to Council staff questions, WTD requests that feedback on the Step 1 policy memos be received by/before the end of the month it was presented to RWQC and that all feedback be identified as 'member feedback' or 'staff feedback.' WTD will address feedback in the Step 2 part of the analysis. The Step 2 analysis will provide an updated and amended policy memo reflecting: (1) feedback received, (2) costing information for policy options included in the Step 1 memo and other viable policy options proposed in the feedback, and (3) evaluation of outcomes, impacts, and tradeoffs of the various policy options. WTD reports the Step 2 updated memo will include RWQC feedback in an appendix.
- *Cost Information.* As previously discussed with RWQC, WTD proposes to provide cost information in Step 2 of the analysis, so limited cost information is provided in the proof-of-concept memos. Additionally, there is no information provided on the approach WTD will take to identify costs for each policy option and how the cost of options will be compared. For some policy issues, such as I&I, cost calculations depend upon various assumptions. For status quo options, WTD will need to decide whether actual costs should be used or projected costs in cases when existing policies are not fully implemented. Council staff asked WTD for additional information on the approach to costing and the division reports it will develop an approach once the project consultant begins work. Given the interest of members in costs, the committee may wish to ask WTD to report back their approach to costing prior to completing the cost analysis in order to ensure that any such analysis provides sufficient information to committee members.
- *Timing of Stakeholder Engagement.* The proviso response notes that engagement with stakeholders for the policy questions in Issue 1 will occur as part of implementation planning. Council staff asked WTD for clarification on when implementation planning will occur during the process and whether it will inform option development as part of Step 1. WTD reports the division is developing an Engagement Plan for the RWSP Update; this will not be finalized until our RWSP consultant team officially starts in April. As such, WTD will be starting external engagement (beyond MWPAAC and RWQC) later this spring and it will run through Step 1 and Step 2 processes. WTD reports it is keen to

gather input on policy options for the various RWSP topics/questions from a wide range of stakeholders and voices, as indicated in the memos.

- *Consider Requesting Outcomes in Step 1.* WTD reports that it will describe anticipated impacts and outcomes of each option in Step 2 of the analysis. While specific quantitative outcomes may be difficult to identify now, identifying what will be measured could inform the options considered and how they are evaluated. For example, for the I/I policy question, potential beneficial outcomes could include, but are not limited to, reduced I/I, reduced flow to the treatment plant, or a lower sewer rate. If those outcomes are not presented during Step 1, the Committee will not have the opportunity to evaluate whether it supports the outcomes.
- *Clarify Committee Expectations for Responding to Each Policy Question.* Based on Council staff's review of the proof-of-concept memos, the Committee may wish to consider whether the proof-of-concept memos are structured to ensure the information presented addresses the policy questions. Additionally, given that several questions are very similar and other policy questions may not require multiple options, the Committee may wish to request WTD staff work with committee staff to identify any questions which may not benefit from multiple options. Any such list could be shared with RWQC for consideration.

AMENDMENT

None.

INVITED

- Darren Greve, Government Affairs, Wastewater Treatment Division

ATTACHMENTS

1. Proposed Motion 2026-0038 (and its attachment(s))
2. Transmittal letter
3. Updated RWSP Policy Analysis Schedule



KING COUNTY

Signature Report

ATTACHMENT 1

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Motion

Proposed No. 2026-0038.1

Sponsors Balducci

1 A MOTION acknowledging receipt of a plan describing the
2 analysis to be completed for the policy questions identified
3 in the Regional Wastewater Services Plan Update scope
4 document as adopted by regional water quality committee
5 resolution 2025-01, prepared in accordance with the 2026-
6 2027 Budget Ordinance, Ordinance 20023, Section 115,
7 Proviso P1.

8 WHEREAS, the King County 2026-2027 Budget Ordinance, Ordinance 20023,
9 Section 115, Proviso P1 states that \$250,000 shall not be expended or encumbered until
10 the executive transmits a plan describing the proposed analysis to be completed for the
11 policy questions identified in the Regional Wastewater Services Plan Update scope
12 document as adopted by regional water quality committee resolution 2025-01, and a
13 motion acknowledging receipt of the plan, and motion acknowledging receipt of the plan
14 is passed by the council, and

15 WHEREAS, the executive has transmitted to the council the requested plan
16 entitled Analysis for Regional Wastewater Services Plan Policy Questions along with a
17 motion acknowledging the receipt thereof by March 1, 2026;

18 NOW, THEREFORE, BE IT MOVED by the Council of King County:

19 Receipt of the Analysis for Regional Wastewater Services Plan Policy Questions,
20 Attachment A to this motion, is hereby acknowledged.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Sarah Perry, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this ____ day of _____, ____.

Girmay Zahilay, County Executive

Attachments: A. Analysis for Regional Wastewater Services Plan Policy Questions, March, 2026

Analysis for Regional Wastewater Services Plan Policy Questions

March 1, 2026



King County

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I. Proviso Text

[Ordinance 20023](#), Sections 115 and 132, Department of Natural Resources and Parks, pp. 146, 183.¹

SECTION 115. WASTEWATER TREATMENT

P1 PROVIDED THAT:

Of this appropriation, \$250,000 shall not be expended or encumbered until the executive transmits a plan describing the proposed analysis to be completed for the policy questions identified in the Regional Wastewater Services Plan Update scope document as adopted by regional water quality committee resolution 2025-01, and a motion acknowledging receipt of the plan, and motion acknowledging receipt of the plan is passed by the council. The motion should reference the subject matter, the proviso's ordinance, ordinance section, and proviso number in both the title and body of the motion.

- A. The plan shall be developed with input from the regional water quality committee and describe how the policy questions identified in the Regional Water Services Plan Update Scope document as adopted by the regional water quality committee resolution 2025-01 will be analyzed, including but not limited to:
 1. A framework for the analysis of the policy questions which identifies the topics that shall be addressed as part of policy analysis;
 2. The proposed format for reporting the analysis; specifying whether the analysis will be available as standalone reports presentations, or in other formats;
 3. For each policy question, how the policy analysis will inform the RWSP Update;
 4. Timelines for the analysis for each policy question;
 5. A problem statement corresponding to each policy question; and
 6. In instances where the analysis of a policy question is anticipated to occur in more than one section of the Regional Wastewater Services Plan Update, the plan required by this proviso shall identify how the complete analysis for the policy question will be addressed.
- B. The plan shall also include policy analysis for at least two policy questions from the RWSP scope document as adopted by the regional water quality committee resolution 2025-01. The analysis of these policy questions is intended to serve as a proof of concept for the level of analysis of the remaining policy questions.
- C. The plan may also propose modifications to the list of policy questions identified in the Regional Water Services Plan scope document, and, if modifications are proposed, the topics in subsections A. and B. of this proviso shall be discussed in relation to the alternate proposal.

The executive should electronically file the plan and motion required by this proviso by March 1, 2026, with the clerk of the council, who shall retain an electronic copy and provide an electronic copy to all councilmembers, the council chief of staff, and the lead staff for the transportation, economy, and environment committee or its successor, and the lead staff for the regional water quality committee or its successor.

¹ [Link to Ordinance 20023](#)

SECTION 132. CAPITAL IMPROVEMENT PROGRAM

P3 PROVIDED FURTHER THAT:

Of the appropriation for capital project 1134066, Regional Wastewater Services Plan (RWSP) Update, \$7,382,000 shall not be expended or encumbered until the council passes the motion required by section 115, Proviso P1, of this ordinance.

II. Executive Summary

The Regional Wastewater Services Plan (RWSP) serves as King County’s comprehensive wastewater plan, providing policy and operational direction for capital improvements and future development of King County’s wastewater system across the service area. The RWSP was adopted in 1999 and planned through 2030, with the foundational Robinswood Agreement establishing core financing principles that guided capital project funding.² In 2024, King County’s Wastewater Treatment Division (WTD) began the effort to update the RWSP to prepare for the future and to plan for new and emerging challenges, a process called the RWSP Update.

The RWSP Update process began with the adoption of the RWSP Scoping Document in early 2025 by the Regional Water Quality Committee (RWQC), which outlines the overall approach and highlights 29 “Major Policy Questions” requiring analysis. Throughout 2025, WTD began the first phase of work for the update, which focused on current conditions and brainstorming early actions and policy options in response to the Major Policy Questions, setting the foundation for future planning.

WTD will prepare policy memos for each Major Policy Question requiring analysis; WTD will also prepare presentations summarizing the policy analyses for certain Major Policy Questions to be discussed at RWQC meetings. WTD will work with the RWQC Chair and RWQC staff to determine which policy analyses are most important to present and discuss during RWQC meetings. Policy memos and Major Policy Questions will be grouped into topics and brought to RWQC on a rolling basis. Questions that overlap with multiple topics will have multiple touchpoints and will be considered holistically near the end of each step in the process.

WTD will use a two-step approach to provide analyses of the 29 Major Policy Questions:

Step 1 will include:

- a. Problem Statement
- b. Contextual and Baseline Information
 - i. What is known about the topic and current conditions
 - ii. Current policies in policies in code, contract, or in practice
 - iii. The system “must-dos”
 - iv. Current and budgeted expenditures
 - v. Summary of science/data (if applicable)
- c. Example practices from other jurisdictions/industry
- d. Policy issues, challenges and opportunities related to the policy question
- e. Range of policy options with associated actions and considerations (including qualitative description of costs)

² [“Robinswood Agreement” Letter](#)

- f. Interested and affected parties WTD will engage to gather input
- g. Rate structure considerations (if applicable)
- h. Relationship to contracts with local sewer agencies
- i. Equity and Social Justice (ESJ) impacts

Step 2 will include:

- j. Planning-level cost estimates
- k. Evaluation of outcomes: identify impacts and outcomes of each option

The responses to the Major Policy Questions will form the foundation of the Draft RWSP Update, which will contain a full suite of options to consider without recommendations, before the Executive-Proposed RWSP Update is put forward. The plan put together in this report will help ensure that King County fully considers and addresses each Major Policy Question, in addition to supplemental technical work, for a successful RWSP Update process.

III. Background

A. Department Overview

The Department of Natural Resources and Parks (DNRP) includes the Parks, Solid Waste, Wastewater Treatment, and Water and Land Resources divisions. The Wastewater Treatment Division (WTD) protects water quality and public health in the central Puget Sound region by providing high-quality and effective treatment to wastewater collected from 34 local sewer agencies in King, Pierce, and Snohomish counties.

WTD serves about two million people within a 424-square-mile service area, which includes most urban areas of King County and parts of south Snohomish County and northeast Pierce County. WTD seeks to protect public health and the environment by conveying, treating, and reclaiming wastewater and by-products; operating and maintaining wastewater facilities; and planning to meet future wastewater needs.

B. Historical Context

The Regional Wastewater Services Plan (RWSP) is King County's comprehensive plan for wastewater. RWSP policies provide direction for the operation and further development of the wastewater system, its capital improvement program, and, as necessary, the development of subsequent policies.³ The RWSP and its related components form King County's General Sewer Plan, which was approved by the Department of Ecology.

The current RWSP is a supplement to the original Comprehensive Water Pollution Abatement Plan, which was adopted in 1959 by the Metropolitan Council. The Municipality of Metropolitan Seattle (Metro) was formed by public vote in 1958 to address water quality concerns in Lake Washington and Metro later drafted the Comprehensive Water Pollution Abatement Plan. Until the formation of Metro, effluent was discharged into Lake Washington by 10 treatment plants operated by different sewage

³ RWSP policies are set forth in King County Code 28.86.010 and 28.86.040 through 28.86.150.

districts.⁴ This discharge led to poor water quality that was unsafe for fishing or swimming. After the formation of Metro to address these concerns as a region, the first comprehensive sewage plan was published.

The Comprehensive Water Pollution Abatement Plan was the region’s first of its kind and led to the construction of new treatment plants at West Point, Renton (South Plant), Carkeek Park, and Richmond Beach, as well as new tunnels and pipelines that carried sewage to these new facilities. Many of the capital assets that were created during this time are still operational.

The plan proposed that a central agency be established for financing, constructing, operating, maintaining, and administering the proposed sewerage projects. It also covered a wide variety of topics, including increasing population, sewage overflow concerns, discharges of untreated sewage, and capacity concerns, among others.

In 1994, Metro and King County merged in response to a 1990 Federal District Court ruling.⁵ As a result, King County assumed the responsibility for treating wastewater from 34 jurisdictions and local sewage agencies. A few years before this, in 1991, Metro had begun planning efforts to update the Comprehensive Water Pollution Abatement Plan, which was adopted in 1999 as the RWSP, amending the original plan and codifying RWSP policies in King County Code.

The Robinswood Agreement was foundational to the approval of the RWSP by King County Council. In October 1998, the King County Executive and the Regional Water Quality Committee (RWQC) held a retreat at Robinswood House in Bellevue to discuss financing the implementation of the RWSP. This resulted in the creation of the Robinswood Agreement that guided the funding of RWSP capital projects. At this retreat, the core principles of “all for one and one for all” and “growth pays for growth” were established, forming the basis of the financial policies for the RWSP.

The RWSP’s planning horizon covered capital plans and projects through 2030. WTD began planning efforts in 2019 to update the RWSP, then called the Clean Water Plan. In 2021, the Clean Water Plan process was paused to consider feedback and regulatory uncertainty. Planning restarted in 2024 as the Regional Wastewater Services Plan Update (RWSP Update).

C. Current Context

In January 2025, the RWQC adopted a resolution in support of the RWSP Update Scoping Document.⁶ This scoping document describes the overall approach that will be used and some of the major policy issues and questions that will be analyzed to update King County’s RWSP. The document incorporates input and feedback from members of the RWQC and Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) on the scope of the RWSP Update.

⁴ Effluent is used water from homes, industries or stormwater that flows out from a treatment plant or system into the environment after undergoing treatment.

⁵ [Cunningham v. Municipality of Metropolitan Seattle, 751 F.Supp. 885 \(W.D. Wash. 1990\)](#)

⁶ [RWSP Update Scoping Document](#)

In February 2025, the RWQC adopted a resolution in support of the RWSP Update Charter.⁷ This Charter is similar to a Memorandum of Understanding and is an agreement representing the shared goals, roles and responsibilities, and agreed-upon process between WTD and MWPAAC for the RWSP Update. It describes the intent of the parties but does not create any legally binding obligations. The Charter resulted in the formation of an RWSP Working Group as a forum for MWPAAC and RWQC member staff to collaborate with WTD’s RWSP Update project team.

Throughout 2025, WTD began preliminary work on the RWSP Update. This preliminary work has been referred to as “Module 1,” with the primary goal of understanding current conditions of the regional system and initial brainstorming of alternatives for long-range planning. This was the first phase of RWSP Update planning work in a series of modules to be presented to the RWSP Working Group, MWPAAC, and RWQC. WTD began to develop presentations on current conditions and to brainstorm potential actions to respond to the 29 Major Policy Questions in the Scoping Document. The Major Policy Questions are the focus of the Proviso P1 in Ordinance 20023, and subsequently the focus of this report.

D. Report Methodology

This report was prepared by the comprehensive planning group at WTD, alongside members of the Government Relations Team within the Director’s Office at WTD. The two proof of concepts were prepared by subject matter experts in the Separated System Conveyance team within the planning group at WTD. The materials for the proof of concepts include previously completed work for the RWSP Working Group in 2025 and are supplemented by work completed to address the contents of the policy analyses specifically.

On December 3, 2025, RWQC provided input on the initial approach for this report. Further input from RWQC was received on January 7, 2026, on the timeline and schedule of the delivery of the policy analyses for the 29 Major Policy Questions. WTD received feedback from councilmembers that they preferred to receive policy analyses as a written document, or policy memo, and as a PowerPoint presentation used at the RWQC meeting. RWQC also confirmed that a two-step approach for each policy question and analysis is sufficient and that it is appropriate to group the policy questions by topic. RWQC suggested using the RWSP Working Group to help with the grouping and sorting of questions by topic.

IV. Report Requirements

A. Framework for Policy Question Analysis, including Identifying Topics Addressed

The Major Policy Questions are clustered by common topics, and WTD will schedule these groupings and sequence RWQC briefings to ensure a Draft RWSP Update is produced by 2027.

Information for the Major Policy Questions will be developed, and the questions will be analyzed, in consultation with the RWSP Working Group and MWPAAC, in the following two-step process:

⁷ [RWSP Update Charter](#)

Step 1:

- a. Problem Statement
- b. Contextual and Baseline Information
 - i. What is known about the topic and current conditions
 - ii. Current policies in code, contract, or in practice
 - iii. The system “must-dos”
 - iv. Current and budgeted expenditures
 - v. Summary of science/data (if applicable)
- c. Example practices from other jurisdictions/industry
- d. Policy issues, challenges and opportunities related to the policy question
- e. Range of policy options with associated actions and considerations (including qualitative description of costs)
- f. Interested and affected parties WTD will engage to gather input
- g. Rate structure considerations (where applicable)
- h. Relationship to contracts with local sewer agencies
- i. Equity and Social Justice (ESJ) impacts

The analysis conducted as part of Step 1 will be brought to RWQC on a rolling basis over the course of 2026, beginning in March 2026. A detailed template for Step 1 is available in the attached Appendix A: Policy Memo Template. The template includes a short description of each section within Step 1, including estimated lengths and sources of information.

Analyses for ESJ Impacts and Relationship to Contracts policy questions will be integrated into each group of questions brought to RWQC.

Step 2:

- j. Planning-level cost estimates
- k. Evaluation of outcomes: identify impacts and outcomes of each option

The analysis conducted as part of Step 2 will be brought to RWQC on a rolling basis over the course of 2026-2027, tentatively set to begin in October 2026. Step 2 will be amended to the Step 1 policy analysis memo after planning-level cost estimates and evaluations are completed.

B. Proposed Reporting Format

WTD will use two different formats for reporting the analyses on all Major Policy Questions: a policy memo and a PowerPoint slide deck for those specific analyses to be presented at RWQC meetings.

WTD will prepare a policy memo using the template in Appendix A for the Major Policy Questions that is grouped and brought to RWQC.

WTD will prepare a PowerPoint for the policy question(s) brought to RWQC to be shared prior to the meeting. The PowerPoint slide deck will be consistent with the current WTD Visual Design Style Guide.

C. How Policy Analysis Will Inform RWSP Update for Each Question

WTD will ensure all policy issues associated with the Major Policy Questions are included and addressed in the Draft RWSP Update. The analyses of the Major Policy Questions will intentionally guide and specifically inform development of RWSP policy options included in the Draft RWSP Update. RWQC can use analyses to identify any additional policy options for further analysis, which WTD will include in the Draft RWSP Update. Policy Options that do not meet legal requirements will be identified and reviewed by legal counsel before being included in the Draft RWSP Update.

WTD will begin a three-step process with RWQC to evaluate and consider the policy analyses, and for RWQC to provide feedback to influence WTD's development of the Draft RWSP Update in the planning and development stages of the work:

Step 1: RWQC can share its initial and general preferences with WTD during and after Committee discussion on parts "a" to "i" of the policy analysis for a given policy question, particularly the proposed policy options.

Step 2: Upon completion of cost estimates for the policy options, WTD will provide follow-up analyses to include costs and evaluation of impacts and outcomes as parts "j" and "k" for all policy options, inclusive of those RWQC expressed desire to see evaluated. Equipped with this additional information, RWQC will have a second opportunity to identify its policy option preferences, and WTD will include those policy options in the Draft Plan.

Step 3: WTD will integrate RWQC's policy option preferences into development of a full range of policy options that will be included in the Draft RWSP Update for a State Environmental Policy Act (SEPA) process.⁸

The completed policy analyses will be used following the Draft Plan SEPA process for development of the Executive's Preferred Plan. The analyses may also be used in decision-making by RWQC members and King County Council members for the Council-adopted Plan following transmittal of the Executive's Preferred Plan to the County Council, which is scheduled for 2029.

A parallel effort outside the RWSP Update process will explore alternate regulatory strategies to achieve positive water quality outcomes. This process requires approval from the Washington State Department of Ecology and United States Environmental Protection Agency. If a change results from this effort, policy options and actions will be revised or added as appropriate.

D. Timelines for Analysis for Each Policy Question

The Major Policy Questions are grouped by category of capital investment as described in the RWSP Charter supported by RWQC via Resolution RWQC2025-02. The analyses of these questions will be brought to RWQC on a monthly cadence. See the attached Appendix B: Schedule for Policy Analyses for the planned schedule for 2026. This schedule includes groupings of policy questions and the order in which each grouping will be presented to RWQC in 2026. The schedule for 2027 will be planned in January 2027 in conjunction with RWQC.

⁸ SEPA stands for the Washington State Environmental Protection Act

E. Problem Statement Corresponding to Each Policy Question

Problem statements will be written for each Major Policy Question as the policy analyses are completed. These problem statements will help frame the answers or policy solutions that each policy question raises. The problem statements will help policymakers consider the adequacy of policy options in answering each policy question. For more information, see Section A. Framework for Policy Question Analysis, including Identifying Topics Addressed.

F. How Complete Analysis will be Addressed for Questions Falling under Multiple Sections of RWSP Update

Some of the Major Policy Questions need to be addressed through multiple topics in the RWSP Update. These questions will be evaluated holistically in the topic where they most naturally reside. However, for these questions that have relevance to other topics, WTD will explicitly identify and explain the connection in the Step 1 analysis of a related topic and will dedicate a section in the policy memo to address the relationship a given question has with these other topics.

For example, Questions 25 and 26 in Appendix B, having to do with sewer rate structure, will be holistically addressed in the Group #9 policy analyses focused on Finance. However, these two rate structure questions also have relevance to Question 1, related to Inflow and Infiltration (Group #1), Question 6, related to Asset Renewal and Replacement (Group #3), Question 15 related to the Combined System (Group #6), and Question 18, related to Treatment (Group #7). Therefore, in the policy analyses for these related questions, WTD will dedicate a section in each policy memo to address the rate structure questions through the lens of Inflow and Infiltration, Asset Renewal and Replacement, Combined System, and Treatment, respectively.

In Appendix B, the questions that cover multiple topics, which will be evaluated in the manner described above, are shown in italics.

G. Two “Proof of Concept” Policy Question Analyses

Two of the Major Policy Questions from the RWSP Scoping Document have been analyzed as part of this report. These policy memos serve as a “proof of concept” for the level of analysis of the remaining policy questions.

Proof of Concept 1

See attached Appendix C: Policy Memo Proof of Concept 1, which is a policy memo that addresses the policy question:

How should I/I be managed and how can costs be fairly apportioned? Should system capacity be expanded to account for increases in I/I? Should I/I policies change to support reducing the capacity needed for I/I?

Proof of Concept 2

See attached Appendix D: Policy Memo Proof of Concept 2, which is a policy memo that addresses the policy question:

Given the uncertainties in future growth rates reported by Washington State and the Puget Sound Regional Council, how aggressively beyond legal requirements should WTD expand capacity to account for future population growth?

H. Proposed Modifications to List of Policy Questions

WTD is proposing modifications to the Major Policy Questions identified in the RWSP Scoping Document in accordance with the proviso requirements. WTD does not propose modifications to the 29 Major Policy Questions outlined by the RWSP Scoping Document. However, WTD does propose adding three additional questions to cover important topics that were not fully captured by the existing questions.

Below are three additional policy questions that WTD proposes to be analyzed and discussed with RWQC.

Proposed New Policy Questions	Rationale
What approach should WTD use to fund asset renewal and replacement projects?	This question guides analysis on the different tools available to fund asset renewal and replacement projects, as proposed by the Asset Management Steering Committee, in coordination with the RWSP Working Group.
How should WTD best upgrade the combined system to address regulatory requirements, regional water quality, and West Point operations? How can combined system costs be fairly apportioned?	These questions introduce discussion on the combined system and the associated regulatory requirements.
How should WTD maximize recovery of new resources? How should WTD prioritize and monetize environmental and other co-benefits when considering cost of recovering new resources?	These questions encompass the potential for WTD to expand into new resource recovery areas.

Table A: Proposed Additions to Major Policy Questions

Appendix E: Major Policy Questions List shows the complete list of Major Policy Questions with proposed modifications included.

Given the large volume of policy memos WTD plans to deliver to RWQC (25 in total) and the time constraints placed upon RWQC members to evaluate all the policy memos, WTD will consult with the

Chair of RWQC if, and when, appropriate to consider prioritizing or deprioritizing certain policy memos listed in Appendix E for delivery to RWQC.

V. Conclusion and Next Steps

This report summarizes the plan to address the requirements of the Proviso. The plan will be implemented beginning in March 2026 until all policy analyses have been completed. Policy analyses for the Major Policy Question will be conducted in a two-step analysis, beginning with Step 1, which includes a problem statement, background context, policy options, and more, followed by Step 2, which includes an analysis of planning-level costs and outcomes. These questions will be grouped into categories and sequenced with RWQC throughout 2026 and 2027, leading to the production of a Draft RWSP Update, currently scheduled to be published in 2027. The Draft RWSP Update will present a full suite of policy options to consider before the Executive's Proposed RWSP Update is put forward, currently scheduled to occur in 2028.

VI. Appendices

- Appendix A: Policy Memo Template
- Appendix B: Schedule for Policy Analyses
- Appendix C: Policy Memo Proof of Concept 1
- Appendix D: Policy Memo Proof of Concept 2
- Appendix E: Major Policy Questions List

RWSP Update - [Topic]

A. Policy Question

This memo is focused on the policy questions related to the [Topic] topic of the Regional Wastewater Services Plan (RWSP) Update. The policy question[s] explored in this memo [is/are]:

- i. [Insert Policy Question(s)]

B. Problem Statement

[~100-200 words to summarize the current challenges identified by the policy question]

C. Contextual and Baseline Information

- i. **What is known about the topic and current conditions**

Subheading

[Information based on previously completed “101” materials for MWPAAC Engineering and Planning Subcommittee. Subheadings should break down into key themes or concepts, (e.g., *Separated Sewer Systems and Infiltration and Inflow in the Regional System*).]

- ii. **Current policies in policies in code, contract, or in practice**

[Insert King County policy reference number and/or source(s) into the table below. May also include policies from outside King County Code, including the County’s Comprehensive Plan, as needed.]

Relevant Policies in K.C.C.	Description
[Policy Number]	[Copy and paste from K.C.C. or other sources.]
[Policy Number]	[Copy and paste from K.C.C. or other sources.]

[For each Policy Number, include a brief summary (~50-100 words) and current implementation as paragraphs below the policy table.]

- iii. **The system “must-dos”**

[Describe any regulatory or legal requirements related to the question. E.g., sanitary sewer overflows, combined sewer overflows, NPDES permits, other permits, etc.]

iv. Current and budgeted expenditures

[Include a short introduction to the current and budgeted expenditures table, highlighting key information from the table. Include a table with project names and 2025-2035 cost estimates included in the CIP.]

v. Summary of science/data (if applicable)

[As needed, describe any science or data related to the policy question.]

D. Example Practices from Other Jurisdictions/Industry

Subheading

[~100-200 words per example. Highlight key tools, strategies, or programs as relevant to the policy question and proposed policy options or actions. Include where these examples are found.]

E. Policy Issues, Challenges, and Opportunities

[Use numbered list, with brief title and description (<100 words) for each policy issue, challenge or opportunity that may be related]

F. Range of policy options with associated actions and considerations (including qualitative description of costs)

[Include policy question again. Include high-level bullet preview of policy options. Include a summary table with the following format for each policy option related to the policy question. After the table, include a write-up for each policy option, including justification, considerations, and a qualitative description of costs.]

Summary of Policy Options

	Goal	Description	[Category] Actions	Examples
#1	[Goal of the policy option]	[Description of the policy option]	<ul style="list-style-type: none"> [List Relevant Actions] 	<ul style="list-style-type: none"> [~25-50 word example(s)]
#2			<ul style="list-style-type: none"> 	<ul style="list-style-type: none">
Etc.			<ul style="list-style-type: none"> 	<ul style="list-style-type: none">

*Columns may be added or deleted for the topic, as appropriate

Policy Option #1 – [Description]

Justification

[A more detailed description of the policy option]

Considerations

[]

Policy Option #2 – [Description]

Justification

Considerations

[Etc.]

G. Interested and affected parties WTD will engage to gather input

[A sentence or short paragraph describing all groups that will be engaged to gather input]

H. Rate structure considerations (if applicable)

[Description of the potential relationship with these Policy Options and financial policy questions]

I. Relationship to contracts

According to the current sewer contracts, [Example text: WTD must accept all sewage and waste delivered for treatment and disposal from the component agencies]. The sewer contracts also state that the contracts may be modified from time to time through changes to King County Code.

[~100-200 words describing the potential different contract changes that would be required for each Policy Option]

J. Equity and Social Justice (ESJ) impacts

K. Planning-level cost estimates

This section will be added into the policy memo as the “Step 2” analysis later.

L. Evaluation of outcomes: identify impacts and outcomes of each option

This section will be added into the policy memo as the “Step 2” analysis later.

RWSP Update Schedule for Policy Analysis

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Question Number	Major Policy Questions from Scoping Document	Major Policy Question Topic
<p><u>Group #1</u></p> <p>Separated System Conveyance</p> <p>Step #1: March 2026 Step #2: Nov 2026 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	1	1	How should I/I be managed and how can costs be fairly apportioned? Should system capacity be expanded to account for increases in I/I? Should I/I policies change to support reducing the capacity needed for I/I?	Separated System Conveyance (including infiltration/inflow)
		25	<i>Is there a better rate structure for the sewer rate?</i>	<i>Finance/Affordability</i>
		26	<i>Will WTD maintain a single uniform sewer rate per residential customer equivalent (Robinswood “one for all, all for one”), or consider alternative cost recovery rate structures to reflect other system impacts?</i>	<i>Finance/Affordability</i>
	2	2	Given the uncertainties in future growth rates reported by Washington State and the Puget Sound Regional Council, how aggressively beyond legal requirements should WTD expand capacity to account for future population growth?	Separated System Conveyance (including infiltration/inflow) <i>(see also: Treatment Group #7)</i>
	3	3	How should the conversion of on-site septic systems to sewers in the service area be managed and should WTD implement programs to encourage conversion within the service area?	Separated System Conveyance (including infiltration/inflow)

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Question Number	Major Policy Questions from Scoping Document	Major Policy Question Topic
<p><u>Group #2</u></p> <p>Pollution (Source Control and Legacy)</p> <p>Step #1: April 2026 Step #2: Dec 2026 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	4	4	What upstream or source control actions should the region undertake to prevent contaminants and reduce costs?	Pollution (Source Control and Legacy)
	5	5	How can WTD best support environmental benefits while instituting safeguards to protect against environmental risks of contamination? How should cost considerations be weighed?	Pollution (Source Control and Legacy) <i>(see also: Treatment Group 7 and Resource Recovery Group 8)</i>
<p><u>Group #3</u></p> <p>Asset Renewal and Replacement</p> <p>Step #1: May 2026 Step #2: Jan 2027 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	6	6	How proactive vs. reactive should WTD be when deciding to refurbish or replace aging infrastructure?	Asset Renewal and Replacement
		7	What level of redundancy of critical systems should WTD have? What level of risk tolerance should WTD accept?	Asset Renewal and Replacement <i>(see also: Climate Impact Preparedness and Natural Hazard Resiliency Group 4)</i>
		8 (added question)	What approach should WTD use to fund Asset R&R projects?	Asset Renewal and Replacement <i>(see also: Finance/Affordability Group 9)</i>
		25	<i>Is there a better rate structure for the sewer rate?</i>	Finance

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Question Number	Major Policy Questions from Scoping Document	Major Policy Question Topic
		26	<i>Will WTD maintain a single uniform sewer rate per residential customer equivalent (Robinswood “one for all, all for one”), or consider alternative cost recovery rate structures to reflect other system impacts?</i>	Finance
<p><u>Group #4</u></p> <p>Climate Impact Preparedness and Natural Hazard Resiliency</p> <p>Step #1: June 2026 Step #2: Feb 2027 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	7	9	What level of resiliency should WTD plan for regarding seismic and other natural hazards to avoid or minimize risks? What level of risk tolerance should WTD accept? How can these considerations be best informed by the long-term capital motion work in progress?	Climate Impact Preparedness and Natural Hazard Resiliency
		7	<i>What level of redundancy of critical systems should WTD have?</i>	Climate Impact Preparedness and Natural Hazard Resiliency <i>(see also: Asset Renewal and Replacement Group 3)</i>
	8	10	Should existing wastewater policy language (KCC 28.86) be revised to specifically call out planning for future climate conditions in addition to population growth and other environmental factors?	Climate Impact Preparedness and Natural Hazard Resiliency
		11	How should WTD prepare and adapt to climate impacts (e.g., precipitation/storm intensities, sea level rise, river flooding, etc.) in line	Climate Impact Preparedness and Natural Hazard Resiliency

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Question Number	Major Policy Questions from Scoping Document	Major Policy Question Topic
			with the Strategic Climate Action Plan? What level of climate impact risk tolerance should WTD plan for to avoid or minimize risks to the system?	
	9	12	How much should WTD reduce energy use and reduce greenhouse gas emissions?	Climate Impact Preparedness and Natural Hazard Resiliency
<p><u>Group #5</u></p> <p>Finance/Affordability</p> <p>July 2026</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	10	13	How will WTD measure customer affordability for contract agencies and ratepayers?	Finance/Affordability
	11	14	What other rate relief approaches should WTD implement to improve affordability for those who may struggle to pay their sewer bill?	Finance/Affordability
<p><u>Group #6</u></p> <p>Combined System Management</p> <p>Step #1: August 2026 Step #2: March 2027 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each</p>	12	15 (added question)	How should WTD best upgrade the combined system to address regulatory requirements, regional water quality, and West Point operations? How can combined system costs be fairly apportioned?	Combined System Management
		25	<i>Is there a better rate structure for the sewer rate?</i>	<i>Finance/Affordability</i>
		26	<i>Will WTD maintain a single uniform sewer rate per residential customer equivalent (Robinswood “one for all,</i>	<i>Finance/Affordability</i>

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Question Number	Major Policy Questions from Scoping Document	Major Policy Question Topic
policy memo. See Group #10 and Group #11 for details.			<i>all for one”), or consider alternative cost recovery rate structures to reflect other system impacts?</i>	
<p><u>Group #7</u></p> <p>Treatment</p> <p>Step #1: September 2026 Step #2: April 2027 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	13	16	Should the County evaluate costs and plan for levels of treatment beyond current legal requirements?	Treatment
		17	How should the County anticipate, engage with, and plan for future nutrient permit requirements, regulations related to CECs such as PFAS, or other future regulatory changes?	Treatment
		5	<i>How can WTD best support environmental benefits while instituting safeguards to protect against environmental risks of contamination? How should cost considerations be weighed?</i>	Treatment <i>(see also: Pollution and Resource Recovery Group 2)</i>
	14	2	<i>Given the uncertainties in future growth rates reported by Washington State and the Puget Sound Regional Council, how aggressively beyond legal requirements should WTD expand capacity to account for future population growth?</i>	Treatment <i>(see also: Separated System Conveyance Group 1)</i>
15	18	To what extent should WTD prioritize use of existing facility sites vs. acquiring new property to accommodate future treatment needs (including capacity)?	Treatment	

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Question Number	Major Policy Questions from Scoping Document	Major Policy Question Topic
		25	<i>Is there a better rate structure for the sewer rate?</i>	Finance/Affordability
		26	<i>Will WTD maintain a single uniform sewer rate per residential customer equivalent (Robinswood “one for all, all for one”), or consider alternative cost recovery rate structures to reflect other system impacts?</i>	Finance/Affordability
	16	19	Should the region continue to provide a centralized approach for regional wastewater treatment, or should the region move towards a more decentralized approach?	Treatment
<p><u>Group #8</u></p> <p>Resource Recovery (Biosolids, Energy, Recycled Water)</p> <p>Step #1: October 2026 Step #2: May 2027 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	17	20	Energy production and heat recovery – Should WTD be expanding its efforts to capture energy and heat? If so, at what level of effort?	Resource Recovery
	18	21	Biosolids – Should WTD further expand its efforts to develop Class A biosolids? What changes are needed to biosolid recovery policies to get to Class A?	Resource Recovery (Biosolids, Energy, Recycled Water)
		5	<i>How can WTD best support environmental benefits while instituting safeguards to protect against environmental risks of contamination? How should cost considerations be weighed?</i>	Resource Recovery <i>(see also: Pollution Group 2 and Treatment Group 7)</i>

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Question Number	Major Policy Questions from Scoping Document	Major Policy Question Topic
	19	22	Recycled Water – Under what circumstances should the region expand the use of reclaimed water? Which uses (e.g., environmental benefits, groundwater recharge, industrial uses, irrigation) are most appropriate?	Resource Recovery
		5	<i>How can WTD best support environmental benefits while instituting safeguards to protect against environmental risks of contamination? How should cost considerations be weighed?</i>	Resource Recovery <i>(see also: Pollution Group 2 and Treatment 7)</i>
	20	23 (added question)	How should WTD maximize recovery of new resources? How should WTD prioritize and monetize environmental and other co-benefits when considering cost of recovering new resources?	Resource Recovery
<u>Group #9</u> Finance	21	24	Should WTD update the rate structure for the capacity charge to align with current industry standards? (Note: The capacity charge rate structure was updated in 2021. A capacity charge methodology study is in progress.)	Finance/Affordability

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Question Number	Major Policy Questions from Scoping Document	Major Policy Question Topic
<p>Q4 2026: Full analysis of the rate structure policy questions 21, 22, 23 (both Capacity Charge and RCE) & March, May, Aug, Sep. 2026: WTD will begin to address the rate structure question sequentially where relevant as we move through Policy Question Groups 1, 3, 6, 7. This will allow RWQC members to see how the rate structure issue relates to various topics. Each relevant analysis would include a specific section dedicated to addressing “rate structure considerations” alongside the policy options.</p> <p>e.g. the policy memo 2 analysis will introduce and begin to address the rate structure question as it relates to the I/I issue.</p> <p>RWQC may choose to form a subcommittee focused on the rate structure question and/or WTD may propose a consultant-separate track for this discussion.</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	22	25	<p>Is there a better rate structure for the sewer rate? (Note: WTD has identified a work plan to further evaluate the residential customer equivalent conversion factor of 750 cubic feet per month)</p>	<p>Finance/Affordability <i>(see also: Separated System Group 1, Asset Renewal and Replacement Group 2, Combined System Management Group 6, and Treatment Group 7)</i></p>
	23	26	<p>Will WTD maintain a single uniform sewer rate per residential customer equivalent (Robinswood “one for all, all for one”), or consider alternative cost recovery rate structures to reflect other system impacts?</p>	<p>Finance/Affordability <i>(see also: Separated System, Asset Renewal and Replacement, Combined System Management, and Treatment)</i></p>

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Question Number	Major Policy Questions from Scoping Document	Major Policy Question Topic
<p><u>Group #10</u></p> <p>Equity and Social Justice</p> <p>Analyses for these questions will be integrated into each of the analyses for Groups 1 through 9.</p> <p>May 2027: A comprehensive ESJ analysis for these questions across all topics/groups will be completed.</p>	24	27	What actions should WTD take to increase equity and social justice for the regional wastewater system?	Equity and Social Justice
		28	How will equity and social justice be interwoven in the update: community engagement, rate structure analysis, etc.?	Equity and Social Justice
		29	How should the regional wastewater system address environmental justice concerns as described in the 2021 Healthy Environmental for All Act, such as addressing the disproportionate environmental health impacts of vulnerable populations and overburdened communities?	Equity and Social Justice
<p><u>Group #11</u></p> <p>Relationship to Contracts</p> <p>Analyses for these questions will be integrated into each of the analyses for Groups 1 through 9.</p> <p>June 2027 tentative (following completion of step #2 for all Groups of questions)</p>	25	30	Are major policy updates aligned with component agency contracts?	Relationship to Contracts
		31	How will WTD implement the RWSP Update consistent with direction and requirements expected of contract agencies?	Relationship to Contracts

Appendix B: Schedule for Policy Analysis

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Question Number	Major Policy Questions from Scoping Document	Major Policy Question Topic
Will be addressed across all 25 policy memos	NA	32	How should WTD efforts support the water quality of Puget Sound and applicable inland waterways?	All topics

RWSP Update – Separated System Conveyance

Policy Memo #1

A. Policy Question

This memo is focused on the policy questions related to the Separated System Conveyance topic of the Regional Wastewater Services Plan (RWSP) Update. The policy questions analyzed in this memo are:

- i. How should Infiltration/Inflow (I/I) be managed and how can costs be fairly apportioned?
- ii. Should system capacity be expanded to account for increases in I/I?
- iii. Should I/I policies change to support reducing the capacity needed for I/I?

B. Problem Statement

I/I currently drives the need to increase the capacity of King County Wastewater Treatment Division's (WTD) separated system conveyance facilities. The majority of conveyance facilities have capacity to convey base flows and flow from future population growth, but require upgrades due to the amount of I/I entering the system during rain events. I/I makes up the majority of flow entering the separated system during wet weather events. Though it is impossible to remove all I/I, removing excessive I/I can significantly decrease the need for conveyance capacity capital upgrades. In the 2017 Conveyance System Improvement Plan, approximately \$1.7B (2016 dollars) in conveyance capacity upgrades were projected to be needed over the next 40 years, and one of the major drivers for these upgrades is increases in I/I. As conveyance facilities are upgraded with larger pipes and pumps, more I/I is also being conveyed to the treatment plants increasing the need for capacity upgrades at the treatment plants.

I/I is not distributed evenly. I/I levels vary throughout the region and by component agency based on numerous factors, including condition of existing infrastructure, groundwater levels, soil conditions, and other hydrologic factors. It is also estimated that up to 75% of I/I in the region originates from side sewers that connect private property residences and businesses to the separated sewer system. When WTD upgrades infrastructure due to I/I, agencies pay for projects equally through WTD's region-wide sewer rate, regardless of the amount of I/I the agency contributes to the regional separated system.

C. Contextual and Baseline Information

i. What is known about the topic and current conditions

Separated Sewer Systems

Separated sewer systems consist of sewers designed to convey sanitary sewage but not stormwater. In the urban landscape, the separated sewer system works in concert with separate stormwater collection systems to manage sanitary and wet weather flows, respectively. Separated sewer systems comprise an interconnected system of pipes, pump stations, and other infrastructure that convey wastewater from homes and businesses to local wastewater collection systems and then to the regional wastewater treatment facilities. Despite the intended separation between wastewater and stormwater, separated sewer systems are vulnerable to wet weather infiltration and inflow (I/I).

Typically, sewers built after the 1950s do not combine sanitary and stormwater into a single sewer system. WTD owns and maintains about 250 miles of separated sewer system conveyance, which represents about 65% of WTD's pipe system. Wastewater from homes and businesses within all the cities and sewer agencies within the WTD service area, except most of Seattle, is collected through around 5,900 miles of locally managed pipes, which then are connected to the regional separated system.

WTD's separated sewers convey flow primarily to South Treatment Plant and Brightwater Treatment Plant for treatment. West Point Treatment Plant treats flow primarily from combined sewers but also serves a portion of the separated sewer system in Kenmore, parts of Kirkland, Lake Forest Park, Shoreline, and parts of North Seattle.

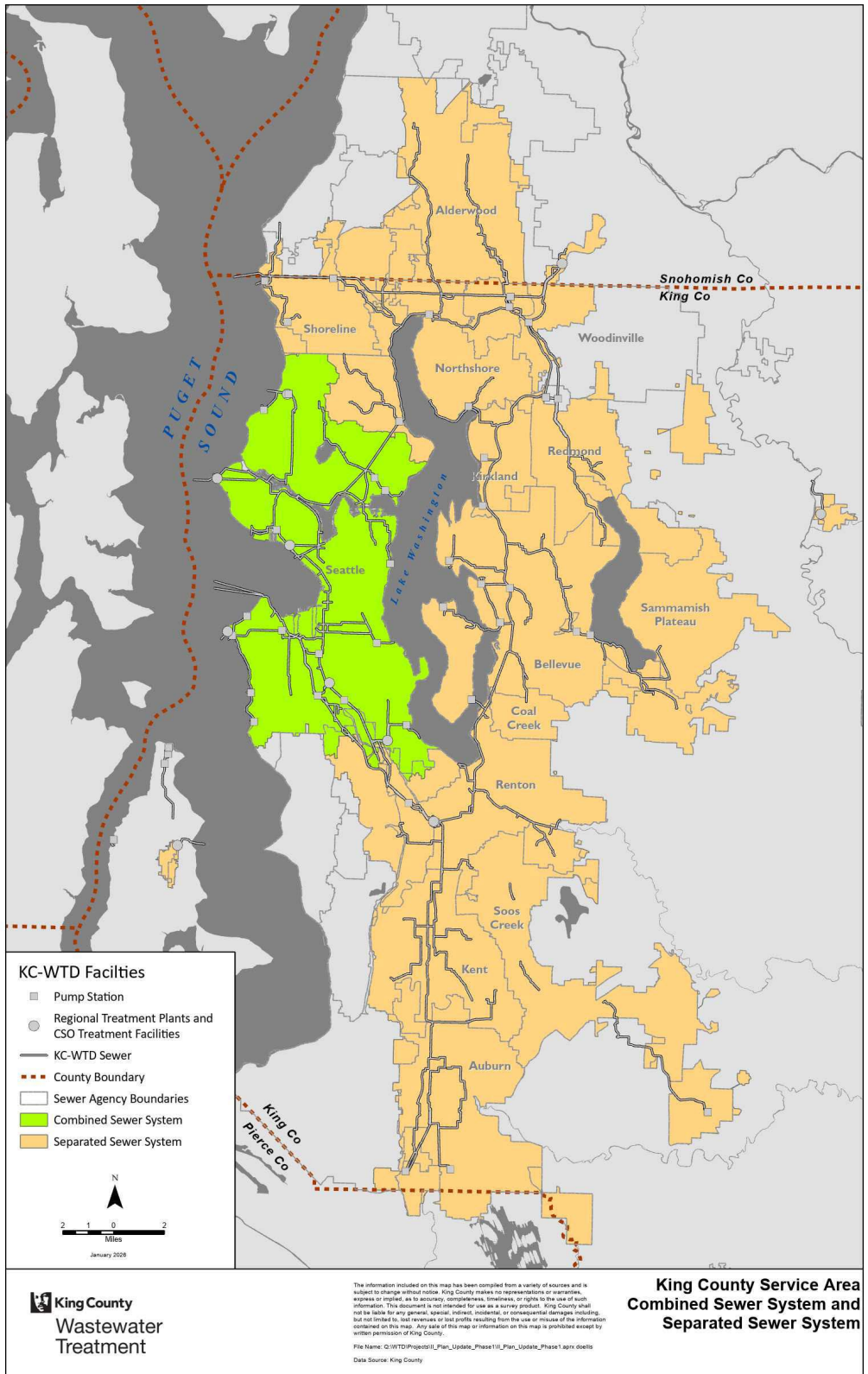


Figure 1. King County Service Area Combined and Separated Sewer Systems

Infiltration and Inflow in the Regional System

I/I is the unwanted entry of extraneous water into the sanitary sewer system. Infiltration occurs when groundwater seeps into sewer pipes through cracks, leaky pipe joints, root intrusion, and/or deteriorated maintenance holes. Inflow is stormwater that enters the sewer system through sump pumps, roof or foundation drains illegally connected to the sewer system, uncapped cleanouts, and/or faulty maintenance hole covers. Together, inflow and infiltration place a burden of additional flow on the regional separated system and treatment plants.

I/I in the regional system not only contributes heavily to sanitary sewer overflows (SSOs) but also drives most conveyance capacity and flow-based treatment needs. On average, as much as 75% of peak flows in the regional separated system are comprised of I/I and approximately 25% of the annual flow treated at Brightwater and South Plant is I/I. While I/I levels currently vary throughout the regional system, as infrastructure ages, I/I levels are expected to increase.

Based on flow monitoring conducted in the early 2000’s, where WTD deployed over 800 flow meters in both local and regional pipes, WTD estimates that up to 75% of I/I originates from private properties. Although a majority of I/I is believed to originate at private properties, I/I is diffuse and addressing only private properties is not expected to significantly reduce or eliminate I/I in the area as I/I can enter other parts of the system where defects or illicit connections have not yet been addressed.

ii. Current policies in code, contract, or in practice

King County Code (K.C.C. 28.86, Wastewater Treatment) guides WTD’s work in the separated conveyance system regarding I/I. The policies relevant to this memo are:

Relevant Policies in K.C.C.	Description
I/IP – 1	King County is committed to controlling I/I within its regional conveyance system and shall rehabilitate portions of its regional conveyance system to reduce I/I whenever the cost of rehabilitation is less than the costs of conveying and treating that flow or when rehabilitation provides significant environmental benefits to water quantity, water quality, stream flows, wetlands or habitat for species listed under the ESA.

<p>I/IP – 2</p>	<p>King County shall work cooperatively with component agencies to reduce I/I in local conveyance systems utilizing and evaluating I/I pilot rehabilitation projects, and developing draft local conveyance systems' design guidelines, procedures and policies, including inspection and enforcement standards. Evaluations of the pilot rehabilitation projects and a regional needs assessment of the conveyance system and assessments of I/I levels in each of the local sewer systems will form the basis for identifying and reporting on the options and the associated cost of removing I/I and preventing future increases. The executive shall submit to the council a report on the options, capital costs and environmental costs and benefits including but not limited to those related to water quality, groundwater inception, stream flows and wetlands, and habitat of species listed under the ESA. No later than December 31, 2005, utilizing the prior assessments and reports the executive shall recommend target levels for I/I reduction in local collection systems and propose long-term measures to meet the targets. These measures shall include, but not be limited to, establishing new local conveyance systems design standards, implementing an enforcement program, developing an incentive-based cost sharing program and establishing a surcharge program. The overall goal for peak I/I reduction in the service area should be thirty percent from the peak twenty-year level identified in the report. The county shall pay one hundred percent of the cost of the assessments and pilot projects.</p>
<p>I/IP – 3</p>	<p>King County shall consider an I/I surcharge, no later than June 30, 2006, on component agencies that do not meet the adopted target levels for I/I reduction in local collection systems. The I/I surcharge should be specifically designed to ensure the component agencies' compliance with the adopted target levels. King County shall pursue changes to component agency contracts if necessary or implement other strategies in order to levy an I/I surcharge</p>
<p>CP – 3 (2)</p>	<p>King County shall periodically evaluate population and employment growth assumptions and development pattern assumptions used to size conveyance facilities to allow for flexibility to convey future flows that may differ from previous estimates. The following activities shall take place to confirm assumptions and conveyance improvement needs:</p> <ol style="list-style-type: none"> 1. Field verification of wastewater flows and conveyance component conditions prior to implementation of regional conveyance capital projects that are intended to expand capacity of the system; and

	<p>2. Decennial flow monitoring to correspond with the Federal Census conducted every ten years.</p>
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I/I Policy 1 (I/IP-1) requires WTD to evaluate every conveyance capacity project to determine if I/I reduction would be more cost effective than the cost of conveying and treating the flow. Typically, a desktop analysis is sufficient to determine the cost effectiveness of I/I reduction. Through these analyses, WTD has found that conveyance upgrades are almost always less expensive to complete than I/I reduction. Sometimes projects require additional analysis to confirm the cost effectiveness of I/I reduction. The most recent I/I reduction analysis was completed for the Thornton Creek Trunk. The project included development of I/I reduction alternatives to address the conveyance capacity need. After extensive evaluation, it was determined that I/I reduction would be significantly more expensive for WTD to complete than upgrading the existing trunk line.

I/I Policy 2 (I/IP-2) was meant to support the development of the original I/I Control Program in the early 2000's. This policy requires WTD to:

- Work cooperatively with component agencies to complete I/I reduction pilot projects
- Develop voluntary draft local conveyance systems' design guidelines, procedures and policies, including inspection and enforcement standards
- Identify levels and sources of I/I in each local agency system through flow monitoring
- Develop a cost-benefit methodology to identify cost-effective I/I reduction projects
- Develop a recommended long-term I/I control plan

The work culminated in the 2005 Executive's recommended I/I Control Program Plan. The plan directed WTD to identify and complete demonstration scale projects to confirm the effectiveness of the I/I reduction techniques used in the I/I pilot projects on a larger scale. WTD identified the Skyway I/I Reduction project which was completed in early 2014. This project was the first attempt at completing I/I reduction in lieu of constructing a conveyance capacity capital project – the Bryn Mawr Storage Tank. The results of the Skyway I/I Reduction project showed that though there was a significant amount of flow reduction at the local level, there was considerably less flow reduction downstream in the regional system, and the Bryn Mawr Storage Tank project was subsequently not deferred.

I/I Policy 3 (I/IP-3) directed WTD to consider implementation of a surcharge, a monetary fine, for exceeding adopted levels of flow. The surcharge was considered as part of the development of the I/I Control Program's development but was ultimately not

implemented. The County and component agencies found that implementing a surcharge, as contemplated in the King County Code, would be costly to administer and would pose difficulties in verifying violations. Component agencies were also concerned that a surcharge would be pointless because WTD had agreed to pay for cost-effective I/I reduction. There were additional concerns regarding WTD taking a regulatory role that would expend ratepayer dollars on enforcement and monitoring activities. Instead, component agencies preferred to own the decision to complete I/I reduction based on their system needs.

Conveyance Policy 3 (2) (CP-3 (2)) requires WTD to conduct Decennial Flow Monitoring (DFM) alongside the United State (U.S.) Census. DFM consists of installing additional flow meters, to be used alongside the existing 130 permanent flow meters in the separated portions of the regional conveyance system, to provide a more comprehensive review of flow for conveyance improvement planning. DFM data is also used to identify levels of I/I in each model basin. The most recent DFM project took place between 2019 and 2022 and collected data to coincide with the 2020 U.S. Census.

iii. The system “must-dos”

WTD must meet Washington State requirements, which are derived from and expand upon U.S. Law and Code (Clean Water Act, Pub. L. 92-500; 33 U.S.C. § 1251 et seq.).

The Washington Administrative Code (173-220-020):

“No pollutants shall be discharged to any surface water of the state from a point source, except as authorized by an individual permit issued pursuant to this chapter or as authorized by a general permit issued pursuant to chapter 173-226 WAC.”

The separated sewer system must be built to convey all expected flows, to prevent sanitary sewer overflows (SSOs), which may occur due to improperly maintained or sized sewer collection systems. Due to WTD’s position as a wholesale provider of sewerage services, WTD must properly maintain and operate the regional system, while sizing its facilities large enough to accept base flow as well as I/I from component agencies to prevent SSOs.

WTD is not permitted for SSOs under the National Pollutant Discharge Elimination System (NPDES) permits issued by the Washington Department of Ecology. Even discharges that do not reach waters of the U.S. can be violations of the federal Clean Water Act permit requirements under some circumstances.

iv. Current and budgeted expenditures

In July 2025, WTD provided a list of conveyance capacity projects to the Regional Water Quality Committee (RWQC). 11 are related to conveyance capacity upgrades, totaling \$736M or approximately 6.5% of WTD’s total capital improvement program (CIP) between 2025 and 2035. The conveyance capacity projects and the costs included in the CIP include:

Project Name	2025-2035 Cost Estimates	
North Mercer Island and Enatai Interceptors Upgrade	\$	38,415,620
Richmond Beach PS Upgrade		28,789,079
Richmond Beach Edmonds Interceptor Parallel		10,513,782
Black Diamond Trunk Capacity Upgrade		164,391,988
Garrison Creek Interceptor Replacement, Realignment, and Diversion		14,173,165
Lake Hills and NW Lake Sammamish Interceptor Upgrade		152,451,573
Boeing Creek Trunk Replacement and Parallel		835,661
Coal Creek Siphon and Trunk Parallel		153,671,044
Medina Pump Station Upgrade		43,618,526
Sammamish Plateau Diversion (Phase 1)		112,165,420
Soos Creek Cascade Relief Interceptor No. 2 Upgrade		16,796,707
	\$	735,822,565

** The cost estimates described here are what were presented in July 2025 and may be updated as capital projects are advanced and further defined.

v. Summary of science/data

The figure below shows the peak I/I flow rate for each of the 181 model basins in the regional separated sewer system in WTD’s service area. This figure was developed using flow monitoring information from the 2010 Decennial Flow Monitoring effort. During development of the 2005 Executive’s Recommended I/I Control Program, Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) and WTD identified 3,500 GPAD (Gallons Per Acre Day) based on the peak 20-year hourly flow as an agreed-upon target limit that could be reached through I/I rehabilitation. Currently 108 out of 181 model basins exceed that limit.

D. Example Practices from Other Jurisdictions/Industry

On multiple occasions since the early 2000's, WTD has interviewed other regional sewerage agencies across the United States to investigate how the organizations are approaching I/I mitigation efforts, including the inspection and rehabilitation methods they are using, I/I reduction effectiveness, and the successes and challenges they have encountered. Some agencies conduct I/I mitigation work in their region due to regulatory actions, such as consent decrees, that require them to reduce I/I or prevent SSO's. Other agencies conduct I/I mitigation because it is more cost-effective than upgrading conveyance facilities.

Rehabilitation/Replacement of Sewer System Components

Many agencies focus on targeted or comprehensive rehabilitation or replacement of sewer system components, similar to WTD's work in Skyway. This work typically involves systematic rehabilitation, replacement, or upgrade of public and private sewer system components to reduce I/I. The approach can be targeted based on measured or predicted I/I rates, needed downstream infrastructure improvements, or other location-specific factors. This type of action is typically highly effective at reducing I/I in areas with high I/I severity, known defects, and appropriate stormwater conveyance system availability. Work is usually only completed when it is considered to be more cost effective than upgrading conveyance capacity. Some agencies who have used this approach to I/I mitigation include Clackamas County, Northeast Ohio Regional Sewer District, Hampton Roads Sanitation District, and Miami Dade County.

Private Side Sewer Inspection and/or Certification Programs

East Bay Municipal Utility District and Pinellas County are two agencies that have implemented a private side sewer inspection and certification program. This action includes systematic assessment and/or improvement of the condition of private side sewers, which can be a significant source of I/I, as is assumed in WTD's service area. Through inspection and/or certification, defects can be identified and repairs required. Side sewer inspection and certification can be required at the time of property sale or triggered when certain types of building permits are submitted (e.g., demolition, change to occupancy content, etc.). I/I reduction effectiveness can be difficult to quantify unless all properties in an area have been inspected and rehabilitated, but noticeable decreases in I/I are expected over time. East Bay Municipal Utility District has had success with this action in their service area.

Peak Flow Limitation Program

Other regional agencies use enforceable flow thresholds for local agencies to control peak I/I flows. Under this action, when peak flow rates exceed defined limits, agencies are required to initiate investigations, flow monitoring, or mitigation planning. This action may also impose a surcharge, restrict new connections, or invoke other governmental consequences. By establishing flow limits as triggers for action or accountability, this action creates strong incentives for I/I reduction and aligns wastewater planning with system capacity constraints. Under this action, a gradual reduction of peak I/I flows are anticipated over many years. Agencies that WTD has interviewed that have implemented a peak flow limitation program include Northeast Ohio Regional Sewer District, Miami Dade County, and Metropolitan Council Environmental Services (MCES).

MCES has a flow-based policy to compel component agency I/I control. MCES sets a peak flow limit by taking the 10-year average and applying standard peaking factors specific to each component agency to establish a threshold for peak hourly flow. When a component agency exceeds the peak flow, they receive notification from MCES. MCES currently charges component agencies \$461,000 per million gallon per day (mgd) of flow exceedance. Instead of paying the surcharge, component agencies are able to spend an equivalent amount on work to investigate and mitigate excess I/I sources. Component agencies are given four years to complete the work, but MCES allows for extensions, if needed. The component agencies are required to report on the status of work annually to MCES. Work is complete once all money from the surcharge has been expended or when the sources of I/I are found and mitigated.

E. Policy Issues, Challenges, and Opportunities Related to the Policy Question

Addressing I/I presents a set of unique challenges, as well as potential opportunities for the region.

1. WTD's authority as a wholesaler is limited

WTD lacks authority to mandate actions for private property owners. WTD's ability to compel I/I reduction work extends only to the component agencies that it serves. Cities have authority to mandate I/I reduction on private property where a significant portion of I/I originates from. Additionally, sewer districts that have contracts with WTD do not have the same legal authority as cities, limiting their ability to mandate I/I reduction.

2. Sources of I/I are diffuse

There is not a quick fix to removing I/I from the system because sources of I/I are diffuse and spread across the WTD service area. I/I reduction requires multiple approaches that rehabilitate both private side sewers and public sewer systems.

3. The benefits of I/I reduction are sometimes difficult to see downstream

The benefits of I/I rehabilitation work are most apparent close to where the work is performed in the local system. Benefits are sometimes more difficult to see downstream in the regional system, as evidenced from the Skyway Demonstration Project. As a regional provider at the downstream end of the sewer system, WTD accepts and ratepayers pay the costs of all I/I from local agencies and their customers. If the benefits of reductions in I/I are not seen at the regional level, then the cost-savings from I/I reduction work are not realized at the regional level as conveyance capacity will still need to be expanded.

4. Effectively reducing I/I may benefit the treatment plants as well as the conveyance system

Reducing influent flow through I&I control could positively benefit WTD's ability to meet future treatment needs, including nitrogen management, by reducing flow capacity-driven sizing of treatment improvements. It could also provide operational cost savings associated with running treatment processes at lower flows. Reducing flow capacity-driven improvements could contribute to the ability of WTD to meet forecasted population growth within the footprint of our existing treatment plants, which may be constrained due to nitrogen reduction-related requirements further into the future.

F. Range of Policy Options with Associated Actions and Considerations (including qualitative description of costs)

The policy options presented below describe potential choices and Separated System Actions that could be implemented to address the following policy questions:

- How should I/I be managed and how can costs be fairly apportioned?
- Should system capacity be expanded to account for increases in I/I?
- Should I/I policies change to support reducing the capacity needed for I/I?

The policy options include:

- Maintaining the current policies, including expanding conveyance and treatment capacity and removing I/I when cost-effective

- Amend or add new policies to either focus on incentivizing I/I reduction in areas of greatest I/I, or implementing flow limits systemwide and administering penalties if flow limits are exceeded due to I/I

Summary of Policy Options

	Goal	Description	Separated System Actions	Cost Burden
#1	<p>Expand conveyance and treatment capacity to accommodate I/I and remove I/I when cost effective</p>	<p>Maintain current I/I policies and continue to accept all component agency flows and complete I/I reduction when the cost of rehabilitation is less than the cost of constructing a project to convey and treat the flow on a project-by-project basis</p>	<p>Capacity Management – WTD conducts I/I reduction when cost-effective; component agencies conduct I/I reduction according to internal policies and procedures</p> <p>Flow Monitoring – Conduct extensive regional flow monitoring every decade to correspond with the U.S. Census to supplement permanent flow monitoring</p>	<p>The region will pay for conveyance and treatment capacity projects to accept I/I unless it is cost-effective to remove</p> <p>The region will benefit from having expanded conveyance and treatment capacity in the regional separated system</p> <p>Component agencies contributing excessive I/I will disproportionately benefit by having the region pay to accept excessive I/I that is contributed from their systems</p>

	Goal	Description	Separated System Actions	Cost Burden
#2	Incentivize I/I reduction in areas of high I/I to defer conveyance capacity projects and potentially reduce treatment capacity needs	Provide financial support to component agencies and private property owners to reduce I/I in areas with high I/I	<p>Capacity Management – Targeted regional I/I reduction strategies addressing areas of high I/I to defer the need for capacity upgrades.</p> <p>Flow Monitoring – Expanded permanent flow monitoring throughout the separated system to quantify levels of I/I in the local agencies’ systems.</p>	<p>The region will pay for I/I reduction in areas of high I/I.</p> <p>The region will benefit from the cost-savings of I/I reduction when conveyance capacity projects are deferred.</p> <p>Component agencies and communities in areas with high I/I will benefit disproportionately from having I/I reduction subsidized.</p>
#3	Maximize I/I reduction system-wide to eliminate conveyance and treatment capacity projects	Implement I/I limits on component agencies system-wide and enforce penalties if limits are exceeded	<p>Capacity Management – Service area wide required I/I reduction to eliminate need for capacity upgrades and reduce costs to convey and treat flows</p> <p>Flow Monitoring – Expanded permanent flow monitoring throughout the separated system to quantify levels of I/I in the local agencies systems.</p>	<p>Component agencies contributing I/I will pay for the cost of I/I and/or the cost of I/I reduction</p> <p>The region will benefit from the elimination of the need for conveyance and treatment capacity projects due to I/I</p>

Policy Option #1 – Maintain current I/I policies and continue to accept all component agency flows and complete I/I reduction when the cost of rehabilitation is less than the cost of constructing a project to convey and treat the flow on a project-by-project basis

Justification

This policy option would maintain the current I/I policies with WTD continuing to accept all component agency flows as described in the current sewer contracts. This policy option would also allow component agencies to prioritize and conduct I/I reduction on their systems when it makes sense based on their capital portfolio priorities.

Considerations

The continued implementation of these actions could result in no I/I reduction being completed at the regional or local level, as I/I reduction has not proven to be less expensive than the cost of constructing a project to convey and treat I/I using the current cost-benefit ratio. The cost-benefit ratio would need to be updated to be more comprehensive of cost-savings for I/I reduction to be deemed cheaper than constructing a capital project. Additionally, if component agencies are left with the choice to complete I/I reduction on their systems, component agencies would be less incentivized to complete I/I reduction as WTD is required to accept all component agency flows as part of the sewer contracts.

WTD would continue implementation of ongoing permanent flow monitoring as well as expanded regional flow monitoring concurrent with the U.S. Census to identify conveyance capacity needs in the separated sewer system.

This cost would be borne by the region and the benefits of expanded treatment and conveyance capacity in the system would be experienced by the region, but the agencies who contribute excessive I/I would benefit disproportionately as they could defer I/I rehabilitation on their systems.

Policy Option #1 would have lower near-term costs compared to Policy Options #2 and #3 as WTD and the component agencies would need to invest in I/I reduction only when it is cost-effective. But Policy Option #1 would have higher long-term costs as I/I is the most significant contributor of conveyance capacity needs and not addressing it would require the region to continue to build conveyance capacity projects to accommodate I/I into the future.

Policy Option #2 – Provide financial support to component agencies and private property owners to reduce I/I in areas with high I/I

Justification

This policy option would amend the current I/I policies to allow WTD to provide financial support to certain component agencies and private property owners to complete I/I reduction in areas with high levels of I/I. This policy option would incentivize component agency rehabilitation of local infrastructure to reduce I/I and incentivize private property owners to rehabilitate their side sewers, where a large portion of I/I enters the system by off-setting some or all the costs of rehabilitation. This policy option would reduce the amount of peak wet weather flow entering the regional sewer system and offer component agencies or private property owners the opportunity to improve the local public or private sewer system at lower or no cost. If enough flow is removed, then conveyance capacity projects could be deferred.

This policy option in action could include:

- Matching grants for I/I rehabilitation projects that component agencies could apply for
- Side sewer inspection rebate program
- Low-interest loan program for private property owners to get their side sewers inspected or repaired

Considerations

This policy option would provide regional funds to component agencies and private property owners in areas with high I/I, and the cost of I/I reduction would be borne by the region, as opposed to being borne by the agencies who are contributing the I/I. Conversely, areas with high levels of I/I are generally areas with lower average income, older systems, areas with higher groundwater tables, or are located in lower lying areas near bodies of water making their systems more vulnerable to I/I. These conditions present an equity opportunity, as this policy option could help more socially vulnerable communities improve their systems, as well as acknowledging conditions that the component agencies serving those communities do not have control over, such as geographical conditions.

Additionally, to implement this policy option, a net benefit must be demonstrated when providing funds to component agencies or private citizens. Analysis must demonstrate that funding I/I reduction would defer a capacity capital project or reduce operation and

maintenance needs that are equal or greater to the cost of the reduction. Any funds distributed through this policy option would need to be evaluated on a case-by-case basis.

WTD would need to implement enhanced ongoing permanent flow monitoring and continue with expanded regional flow monitoring concurrent with the U.S. Census to identify and confirm conveyance capacity needs and areas with high levels of I/I.

The costs would be borne by the region. The benefit of deferring conveyance capacity capital projects and reducing treatment capacity needs also would be experienced by the region. Agencies who are contributing excessive I/I would benefit disproportionately, as they would also have I/I rehabilitation subsidized by the region.

In the near-term Policy Option #2 would cost more than Policy Option #1 but would likely realize cost-savings long-term as Option #2 would defer capacity projects as excessive I/I is removed.

Policy Option #3 – Implement I/I limits on component agencies systemwide and enforce penalties if limits are exceeded

Justification

This policy option in action would set peak I/I limits from component agencies to reduce the amount of peak wet weather flow entering the regional sewer system. This policy option compels I/I reduction by administering penalties to component agencies who contribute flows that exceed the limit. It could also enforce penalties on component agencies that do not complete required I/I reduction work. If enough flow is removed, then conveyance and treatment capacity projects could be eliminated. This policy option in action could look like:

- A surcharge fee that is calculated based on the amount of flow exceeded
- Requirements to develop an I/I reduction plan for agencies that exceed limits

Considerations

This policy option would require I/I reduction by administering penalties on component agencies contributing excessive flow to the regional system. Flow monitoring in the past has shown that areas with high I/I are generally areas that have lower average income and older systems and this policy could impose excessive financial burden on those agencies and their ratepayers. Supplemental programs could be implemented to mitigate this, such as offering component agencies who serve more socially vulnerable communities a “grace period” to reduce the amount of flow they are contributing before administering surcharge fees. Component agencies can also be offered the option to invest the dollar amount of the

fine that is administered into rehabilitation of their systems and submit a report of what rehabilitation was implemented, instead of paying the amount of the fine to WTD.

Policy Option #3 would create significant costs to launch the program. A considerable amount of resources would need to be dedicated to increase permanent flow monitoring, research and identify flow targets, and validate any flow exceedances before penalties could be administered.

The costs would be borne by component agencies contributing excessive I/I to the regional system, as they would be required to either pay fines or invest in rehabilitating their sewer systems. The region would benefit from the elimination of the need for conveyance and treatment capacity projects due to I/I.

Policy Option #3 would likely be the more expensive to implement both in the near-term and the long-term compared to Policy Option #2. Option #3 would require more resources to launch a program that involves enforcing fines or surcharges on component agencies, and there would be more scrutiny on the flow monitoring required to enforce penalties.

Relative to Option #2, Policy Option #3 would have higher long-term costs as managing an enforcement program would be more resource intensive than managing an incentive program. Relative to Option #1, Policy Option #3 would likely cost less in the long-term as capacity projects would be eliminated due to removal of excessive I/I.

G. Interested and Affected Parties WTD will Engage to Gather Input

MWPAAC and the component agencies that WTD provides sewerage services to are the primary audiences that need to be engaged on the I/I policy options. Additional engagement with tribes, community based organizations (CBOs), and environmental non-governmental organizations (NGOs) may be conducted during implementation planning.

H. Rate Structure Considerations (if applicable)

All three of the forementioned policy options could have potential impacts to WTD's overall rate structure. The 1999 'Robinswood' agreement focused on a regional 'all for one and one for all' approach where all member jurisdictions would contribute equally to dealing with I/I, and a uniform rate structure would be in place throughout WTD's service area. Policy Options #1 and #2 both maintain this approach, with WTD providing financial support for upstream projects that reduce the overall cost of I/I to WTD. Any financial benefits or costs to WTD would thus be shared proportionately throughout the service area.

Policy Option #3, which could create an I/I surcharge rate class, would be a departure from this previous approach. WTD currently has only one customer class outside of the general sewer rate (high-strength dischargers), who pay the marginal operating cost of treating high-strength wastewater. If WTD were to implement a surcharge for I/I and apply the revenue to existing and planned obligations, the general sewer rate would be lower than it otherwise would be. This situation would result in Local Sewer Agencies (LSAs) with a high I/I flow paying more, and LSAs with low I/I flow paying less. Any I/I surcharge would need to be calculated in accordance with cost-of-service principles and is unlikely to substantially reduce the general sewer rate.

However, I/I is not the only cost driver within WTD's service area that is concentrated within a specific geographic zone. Because the combined conveyance system (roughly approximate to the City of Seattle) is designed to convey stormwater, it would not be charged through a potential I/I surcharge. However, it is possible that an I/I surcharge would need to be paired with a CSO surcharge that assesses all or some of the impacts of the Combined Sewer Overflow program on LSAs within the combined system area. Any detailed discussion of moving away from the Robinswood agreement's 'all for one and one for all' approach will likely not be constrained to only an I/I surcharge.

There are also potential impacts to the general sewer rate structure. If surcharges were implemented, the general sewer rate would need to recover less revenue than it otherwise would. WTD's general sewer rate currently consists of a uniform rate structure, where all single-family residences (SFR) are assumed to equal one Residential Capacity Equivalent (RCE). Non-SFR customers are measured based on flow, and a conversion factor of 750 cubic feet per month is equal to one RCE. There is evidence that a lower conversion factor would be more appropriate and reflect real world conditions. WTD has identified a work plan to evaluate the conversion factor, in line with Financial Policy 15.4, "*King County shall periodically review the appropriateness of this factor to ensure that all accounts pay their fair share of the cost of the wastewater system...*".

Any I/I based surcharge would likely be flow-based, which could have 'knock-on' effects in terms of measuring the number of flow-based RCEs in each LSA. In addition, I/I based surcharges would be more variable than WTD's existing rate structure and likely result in greater fluctuation in month-to-month revenues. If WTD were to adopt a more variable rate structure, some financial policies may need to be reexamined as well.

I. Relationship to contracts

According to the current sewer contracts, WTD must accept all sewage and waste delivered for treatment and disposal from the component agencies. The sewer contracts

also state that the contracts may be modified from time to time through changes to King County Code.

Policy Option #1 would not pose a change to the sewer contracts, as WTD would continue to accept flow from the component agencies as detailed in the contracts, and complete I/I reduction when cost effective. Implementing a flow limit, as with Policy Option #3, would require an update to the sewer contracts, or an update to King County Code. Modifying the sewer contracts presents unique challenges as there are two sets of expiration dates for the contracts - 25 contracts run through July 2036 and nine contracts run through July 2056.

Providing incentivizes, such as grants and loans for I/I reduction as with Policy Option #2 is allowed as long as a net benefit to the regional system can be demonstrated according to the Attorney General's Opinion 2009 No.5, and does not directly conflict with language in the sewer contracts.

J. Equity and Social Justice (ESJ) impacts (if applicable)

The policy options described have the potential to have positive or adverse ESJ impacts if selected. Generally, portions of the WTD service area that have the highest levels of I/I also have higher Social Vulnerability Index (SVI) scores.

SVI is a metric used by the Center for Disease Control (CDC) that assesses each census tract's vulnerability to disasters and public health threats. Many of those factors overlap with equity considerations, such as poverty, age, disability, and housing. SVI scores are assigned from 0 (least vulnerable) up to 1.0 (most vulnerable). Areas in the WTD service area that have a peak I/I rate of 3,500 GPAD or more have an average SVI score of 0.43 compared to the WTD Service Area average of 0.38 and the King County average of 0.40.

Policy Option #1 proposes the least amount of I/I reduction across the region, and the costs of constructing treatment and conveyance capacity projects in lieu of conducting I/I reduction are distributed across the service area through the sewer rate. Socially vulnerable populations across the region will continue to experience a higher sewer rate to pay for the construction of capacity projects to accept the increased I/I.

Policy Option #2 could provide opportunities for positive ESJ impacts. Ratepayers who live in high I/I areas would have opportunities to participate in programs to get their side sewers inspected for low or no cost. Additional programs could be implemented to increase the amount that the ratepayers may be eligible for if they are low-income.

In contrast, Policy Option #3 compels I/I reduction through penalties and could have adverse ESJ impacts on socially vulnerable populations – especially if the costs of the I/I

reduction or the penalties from contributing excessive flows are passed down from the component agencies to the ratepayers. If the policy includes programs that directly impact ratepayers like a private side sewer inspection program, then additional programs could be delivered in unison to mitigate the adverse ESJ impacts, such as exemptions, subsidies, or grants for low-income ratepayers.

K. Planning-level cost estimates

This section will be added into the policy memo as the “Step 2” analysis later.

L. Evaluation of outcomes: identify impacts and outcomes of each option

This section will be added into the policy memo as the “Step 2” analysis later.

RWSP Update - Separated System Conveyance

Policy Memo #2

A. Policy Question

This memo is focused on policy questions related to the Separated System Conveyance topic of the Regional Wastewater Services Plan (RWSP) Update. The policy question analyzed in this memo is:

- i. Given the uncertainties in future growth rates reported by Washington State and the Puget Sound Regional Council, how aggressively beyond legal requirements should WTD expand capacity to account for future population growth?

For the purposes of this memo, this capacity question is analyzed through the lens of separated system conveyance, particularly focusing on project sizing and project timing. This capacity-related question will also be analyzed in a policy memo dedicated to treatment capacity scheduled for completion in September 2026.

B. Problem Statement

King County's Wastewater Treatment Division (WTD) uses a set of planning assumptions to estimate the need for infrastructure expansion to meet future conveyance capacity needs. The need for increased capacity is due to population growth (i.e., a need for more pipe reaches and greater pipe volume) and an increase in infiltration and inflow (I/I) that results both from expansion of the system (more pipe surface area that can harbor leaks or illicit connections) and degradation of existing pipes. Over a 50-year planning horizon, most of the volume expansion needed in a planned capacity improvement is due to increasing levels of I/I.

After assessing capacity needs, conveyance infrastructure improvements are then sized conservatively to ensure that new infrastructure can support capacity well into the future. Due to capital funding constraints, these improvements are often installed just before the old structure reaches full capacity.

Building infrastructure to meet larger—and perhaps unnecessary—capacity requirements is more costly than building smaller infrastructure. Similarly, installing capacity improvements before they are needed ties up capital that could be used for other improvements. However, building undersized infrastructure risks needing additional capacity upgrades more quickly, while delaying a project until its need is imminent could precipitate construction cost risks.

C. Contextual and Baseline Information

ii. What is known about the topic and current conditions

WTD's Separated Sewer System

Typically, sewers built after the 1950s do not combine sanitary and stormwater flows into a single sewer system. In the urban landscape, the separated sewer system works in concert with distinct stormwater collection systems to manage sanitary and wet weather flows, respectively. Separated sewer systems comprise an interconnected system of pipes, pump stations, and other infrastructure that convey wastewater from homes and businesses to local wastewater collection systems and then to the regional wastewater treatment facilities.

WTD owns and maintains about 250 miles of separated sewer system conveyance, which represents about 65% of WTD's pipe system. Wastewater from homes and businesses within all the cities and sewer agencies within the WTD service area, except most of Seattle, is collected through around 5,900 miles of locally managed pipes, which then are connected to the regional separated system.

WTD's Separated Sewer Planning Process

WTD plans for capacity upgrades to the separated sewer system through updates to the Conveyance System Improvement (CSI) Plan. Each decade, with the start coinciding with U.S. Census years, WTD undertakes an extensive Decennial Flow Monitoring effort to document flows throughout its conveyance system. This large decennial flow monitoring effort temporarily augments a system of permanent flow monitors that WTD continuously maintains. This flow data and a set of planning assumptions are used to model future flows in each segment of conveyance. The planning assumptions include estimates of population growth, water usage, and expected infiltration and inflow (I/I) across the planning horizon. Increases in I/I are the largest contribution to increasing conveyance capacity needs.

Through this process, WTD can determine which segments of conveyance have inadequate capacity to manage future flows. Once these conveyance capacity needs are identified, WTD then develops conceptual projects to meet future capacity needs. Current practice for how this process is implemented is described below.

iii. Current policies in code, contract, or in practice

King County Code (K.C.C. 28.86, Wastewater Treatment) guides WTD's work in the separated conveyance system. The policies relevant to this memo are:

Relevant Policies in K.C.C.	Description
CP-1(1)	The twenty-year peak flow storm shall be used as the design standard.
CP-2	King County shall construct the necessary wastewater conveyance facilities to convey wastewater from component agencies to the treatment plants.
CP-3	King County shall periodically evaluate population and employment growth assumptions.

Current Practice—Developing Capacity Improvement Projects

The process used to develop capacity improvement projects first determines whether conveyance facilities can convey a 20-year peak flow without surcharging (filling and backing up through the pipe) under current conditions. Pipes that surcharge are at risk of overflowing. Facilities that can convey this estimated peak flow are assigned a level of service (LOS) of greater than 20. Facilities that cannot convey a peak flow are assigned a LOS of less than 20; for example, a LOS below 5 means there is a one-in-five chance that surcharging will occur in any given year.

Conceptual projects to increase capacity are then developed for infrastructure with a LOS of less than 20. These conceptual projects are sized to accommodate the 20-year peak flow projected for 50 years from the year of the last major flow monitoring effort; these peak flows include both increased flow due to projected PSRC population growth and increased I/I. For example, in the 2017 CSI report, based on flow monitoring that began in 2010, the 20-year peak flow expected in 2060 was used as the basis for sizing new pipe.

Although the project planning process begins for all conveyance needs once they are identified as being below a 20-year LOS, the conceptual projects are not advanced through WTD’s project development pipeline until later. Capacity improvements are generally implemented when the capacity-limited infrastructure reaches a 2-year LOS.

Current Practice—Estimating Population Growth

WTD currently updates population and employment growth assumptions every decade using Puget Sound Regional Council (PSRC) forecasts, which correspond with decadal

updates to the U.S. Census. These PSRC forecasts are aggregated from the parcel level to match WTD's service area. PSRC does not extend its forecasts to the time horizon that WTD considers for conveyance planning, so WTD's planning and modeling teams extend the PSRC data using simple extrapolation methods.

iv. The system “must-dos”

WTD must meet Washington State requirements, which are derived from and expand upon U.S. Law and Code (Clean Water Act, Pub. L. 92-500; 33 U.S.C. § 1251 et seq.). WTD must also abide by the growth management policies of Washington State by providing services to the local urban growth area, and WTD must account for projected population growth in its General Sewer Plan.

Essentially, the separated sewer system must not be underbuilt for the projected population growth. The system must be built to convey all expected flows from the population, with no sanitary sewer overflows (SSOs). Even overflows that do not reach waters of the U.S. can be violations of the federal Clean Water Act permit requirements under some circumstances. WTD's National Pollutant Discharge Elimination System (NPDES) permits, issued by the Department of Ecology, do not allow for SSOs in the separated conveyance system.

The Revised Code of Washington (RCW 36.70A.110) states:

“(2) Based upon the growth management population projection made for the county by the office of financial management, the county and each city within the county shall include areas and densities sufficient to permit the urban growth that is projected to occur in the county or city for the succeeding twenty-year period [...] As part of this planning process, each city within the county must include areas sufficient to accommodate the broad range of needs and uses that will accompany the projected urban growth including, as appropriate, medical, governmental, institutional, commercial, service, retail and other nonresidential uses.”

The Washington Administrative Code (WAC 173-240-050) states:

“(3) The general sewer plan shall include the following information [...]

(e) The population trend as indicated by available records, and the estimated future population for the stated design period.”

v. Current and budgeted expenditures

In July 2025, WTD provided a list of conveyance capacity projects to the Regional Water Committee (RWQC). 11 projects are related to conveyance capacity upgrades, totaling \$736M or approximately 6.5% of WTD’s total Capital Improvement Plan (CIP) between 2025 and 2035. The conveyance capacity projects and the costs included in the CIP include:

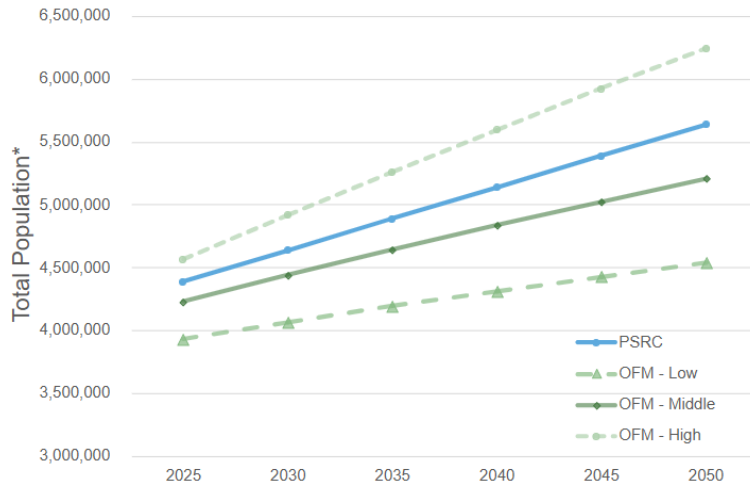
Project Name	2025-2035 Cost Estimates
North Mercer Island and Enatai Interceptors Upgrade	\$ 38,415,620
Richmond Beach PS Upgrade	28,789,079
Richmond Beach Edmonds Interceptor Parallel	10,513,782
Black Diamond Trunk Capacity Upgrade	164,391,988
Garrison Creek Interceptor Replacement, Realignment, and Diversion	14,173,165
Lake Hills and NW Lake Sammamish Interceptor Upgrade	152,451,573
Boeing Creek Trunk Replacement and Parallel	835,661
Coal Creek Siphon and Trunk Parallel	153,671,044
Medina Pump Station Upgrade	43,618,526
Sammamish Plateau Diversion (Phase 1)	112,165,420
Soos Creek Cascade Relief Interceptor No. 2 Upgrade	16,796,707
	\$ 735,822,565

** The cost estimates shown above were presented to RWQC in July 2025 and may be updated as capital projects are advanced and further defined.

vi. Summary of science/data (if applicable)

Population Growth

The Washington Office of Financial Management (OFM) provides ranges of possible population growth scenarios for Washington counties, from low to high. The PSRC forecast through 2050, included in the graph below, falls within this range. Note that WTD’s service area is not the entirety of these three counties; this data is provided to show consistency across agencies that issue the raw data WTD uses to develop service-area estimates.



*Based on total population for King, Pierce, and Snohomish Counties

Sanitary Sewer Overflows

WTD’s system modeling strategy focuses on surcharging (the backing-up of flow within a pipe) rather than SSOs because (1) surcharging is much easier to predict and detect, and (2) surcharging is a more conservative standard. Surcharging is a necessary precondition to overflow, but pipes that surcharge do not necessarily overflow.

Understanding WTD’s experience with SSOs can provide context for the region’s risk tolerance in relation to determining how large and how quickly conveyance capacity projects are constructed.

Sanitary sewer overflows are relatively rare across WTD’s system. SSOs attributable to capacity limitations tend to be concentrated in specific problematic locations.

Between 2019-2024, WTD experienced six SSOs that can be attributed to capacity limitations. Three were at Medina pump station. Some improvements to the Medina pump station have since been made, and further improvement projects for the Medina conveyance and the Medina pump station are in the CIP.

Over the same time period, WTD experienced another 26 SSOs that were attributed to asset or operational failure or another non-capacity-related cause.

D. Example Practices from Other Jurisdictions/Industry

Wastewater utilities across the country use different standards for designing for future capacity. Following King County Code, WTD designs conveyance capacity to a 20-year peak flow standard, using a 50-year planning horizon.

This 20-year peak flow standard is a conservative standard nationwide. For example, East Bay Municipal Utilities District, which provides sewage treatment services for the communities east of San Francisco Bay in California, uses a 5-year design storm standard that accounts for elevated groundwater.

E. Policy Issues, Challenges, and Opportunities

There are a few challenges to consider when considering population growth as it relates to conveyance system capacity.

1. Population growth is a relatively small component of projected future flows.

Infiltration and inflow (I/I) are much larger factors in sizing new conveyance facilities. Because the planning process to determine conveyance size and improvement installation timing accounts for total flows, including both population changes and I/I, the policy question here overlaps with policy questions for I/I. That is, risks and opportunities associated with project sizing and timing could be impacted by policy decisions to reduce I/I.

2. WTD accepts all flows sent to the regional system from its component agencies, and component agencies are required to provide sewer services within the Urban Growth Area. WTD cannot refuse to accept these flows.

F. Range of policy options with associated actions and considerations (including qualitative description of costs)

The policy options presented below describe potential choices and Separated System Actions that could be implemented to address the policy question:

- How aggressively beyond legal requirements should WTD expand capacity to account for future population growth?

WTD expects the need for increased sewer conveyance capacity to extend well into the future. Most of this conveyance capacity need is driven by increasing I/I; options for reducing that need are provided in a separate policy memo dedicated to the I/I topic. Given increasing capacity needs and the mandated prevention of SSOs, several policy options to answer this question include:

1. Maintain current policies and practice
2. Take a less aggressive approach to expanding conveyance capacity by reducing pipe sizing design standard and applying a less conservative guideline for identifying new capacity needs.

3. Take a more aggressive approach to expanding conveyance capacity by installing planned capacity improvement projects more quickly.

Summary of Policy Options

	Goal	Description	Separated System Actions
#1	Maintain current policies and practice in conveyance capacity planning for population growth	Continue to identify needs and develop conceptual projects based on the 20-year design standard but take on risk in implementation timelines to allow for flexibility in capital allocation.	Develop conceptual projects when conveyance capacity falls below a 20-year LOS; prioritize installation when conveyance capacity is at or below a 2-year LOS. Design conveyance capacity improvements to accommodate 20-year peak flows at the 50-year time horizon.
#2	Take a less aggressive approach to conveyance capacity planning due to population growth	Reduce short-term construction costs by reducing pipe sizing design standard and applying a less conservative guideline for identifying new capacity needs.	Identify needs and develop conceptual projects when conveyance capacity falls below a 5-year LOS (depending on chosen I/I Policy Options); prioritize installation when conveyance capacity is at or below a 2-year LOS. Design conveyance capacity improvements to accommodate 5-year peak flows at the 50-year time horizon.
#3	Take a more aggressive approach to conveyance capacity planning due to population growth	Better protect against risk of SSO by installing planned capacity improvement projects more quickly.	Develop conceptual projects when conveyance capacity falls below a 20-year LOS; prioritize installation when conveyance capacity is at or below a 5-year LOS.

Policy Option #1 – Maintain current policies and practice in conveyance capacity planning for population growth.

Justification

This policy option would maintain the current approach to managing separated system conveyance capacity due to population growth. It maintains a conservative design standard but allows WTD more flexibility in allocating the capital budget to different projects as needed.

Considerations

This policy option would result in the continued implementation of current practice, meaning that sizing requirements for the separated conveyance system would not change, and WTD would implement projects as capital funding is available but before severe risk of SSO. In practice, this means that projects are sized conservatively, but that their installation is deprioritized for other system-wide capital needs that are driven by more stringent regulatory requirements.

Policy Option #2 – Take a less aggressive approach to conveyance capacity planning due to population growth.

A less aggressive approach would reduce the design standard specified in King County Code to be less than the 20-year peak flow at the planning horizon. By choosing a reduced design standard, such as a 5-year peak flow instead of a 20-year peak flow, WTD would design slightly smaller conveyance projects. Note that the design standard would still be applied to the extent of the 50-year planning time horizon; e.g., the estimated 5-year peak flow in 2070 based on flow monitoring from 2020.

Justification

The current 20-year peak flow design standard is very conservative compared to other design standards used by other utilities nationally. Lowering the standard would decrease the number of conveyance capacity projects included within the 50-year planning horizon of the Conveyance System Improvement Plan (as WTD would only plan upgrades for sections of conveyance that are at the 5-year design capacity).

Considerations

In the short term, with Option #2 conveyance capacity projects would require fewer resources overall since there would be fewer capacity projects in the 50-year planning

horizon. Those projects constructed would have smaller pipe sizes and, thus, often be less expensive to build. So, in the short term, individual conveyance projects and the overall cost of all conveyance capacity projects under Option #2 may be less costly than Option #1. Note though, that the majority of the costs of major conveyance projects are not in the size of pipes, but in other construction costs.

Long-term, by using a reduced design standard, WTD may need to construct conveyance capacity projects more frequently, as the full capacity of the pipe could be reached more quickly. More conveyance capacity projects more frequently could result in higher total costs for conveyance capacity over the longer term.

Determining capacity needs in the planning process as pipe capacity falls below a 5-year LOS rather than a 20-year LOS would have the effect of postponing projects from the CIP, potentially allowing for more flexibility in capital allocations across the agency.

Additionally, when pipes are built to a 5-year design standard, larger storms would result in a higher risk of SSOs, due to less volume in the pipe to accommodate large amounts of I/I.

Overlap with I/I Policy Options:

If more aggressive approaches to reducing I/I are chosen as part of this update to the Regional Wastewater Services Plan (see Policy Memo #1), potential conveyance capacity needs would still need to be identified well in advance to have enough time for an I/I reduction project to reduce or eliminate the need for a capacity improvement. Identifying projects according to the 5-year standard suggested here would not provide enough time; however, a 20-year standard could still be used to identify needs and develop projects, while the design standard is set at 5 years.

Policy Option #3 – Take a more aggressive approach to conveyance capacity planning due to population growth.

A more aggressive approach to conveyance capacity would prioritize installing capacity improvement projects more rapidly, when a 5-year LOS is reached rather than a 2-year LOS.

Justification

By prioritizing capacity improvements at a 5-year LOS, WTD could better protect against risk of SSO.

Considerations

Earlier construction of conveyance capacity projects may result in projects from other categories of WTD’s capital program being deferred. This could result in further exacerbating the backlog of WTD capital projects that would need to be built in the near term to reach compliance. Compared to Options #1 and #2, this would result in more spending on capacity improvement upgrades in the separated system in the short-term.

G. Interested and affected parties WTD will engage to gather input

WTD’s component agencies and MWPAAC are the primary audiences that need to be engaged on separated sewer capacity population growth policy options.

H. Rate structure considerations (if applicable)

There are no known rate structure considerations for this policy question.

I. Relationship to contracts

There are no known contract implications for this policy question.

J. Equity and Social Justice (ESJ) impacts

Based on the definition of equity and social justice in the King County Equity and Social Justice Plan 2016-2022, there are no known equity and social justice impacts for this question.

K. Planning-level cost estimates

This section will be added into the policy memo as the “Step 2” analysis later.

L. Evaluation of outcomes: identify impacts and outcomes of each option

This section will be added into the policy memo as the “Step 2” analysis later.

Policy Questions for the RWSP Update

Below are 32 policy questions to be analyzed as part of the RWSP Update process. 29 policy questions were identified in the RWSP Update Scoping Document. WTD is proposing to add three new questions (question 8, 15, and 23), which are italicized below, to address additional topics or areas that WTD wants to analyze for policy implications.

1. Given the uncertainties in future growth rates reported by Washington State and the Puget Sound Regional Council, how aggressively beyond legal requirements should WTD expand capacity to account for future population growth?
2. How should I/I be managed and how can costs be fairly apportioned? Should system capacity be expanded to account for increases in I/I? Should I/I policies change to support reducing the capacity needed for I/I?
3. How should the conversion of on-site septic systems to sewers in the service area be managed and should WTD implement programs to encourage conversion within the service area?
4. What upstream or source control actions should the region undertake to prevent contaminants and reduce costs?
5. How can WTD best support environmental benefits while instituting safeguards to protect against environmental risks of contamination? How should cost considerations be weighed?
6. How proactive vs. reactive should WTD be when deciding to refurbish or replace aging infrastructure?
7. What level of redundancy of critical systems should WTD have? What level of risk tolerance should WTD accept?
8. *What approach should WTD use to fund Asset R&R projects?*
9. What level of resiliency should WTD plan for regarding seismic and other natural hazards to avoid or minimize risks? What level of risk tolerance should WTD accept? How can these considerations be best informed by the long-term capital motion work in progress?
10. Should existing wastewater policy language (KCC 28.86) be revised to specifically call out planning for future climate conditions in addition to population growth and other environmental factors?
11. How should WTD prepare and adapt to climate impacts (e.g., precipitation/storm intensities, sea level rise, river flooding, etc.) in line with the Strategic Climate Action Plan? What level of climate impact risk tolerance should WTD plan for to avoid or minimize risks to the system?
12. How much should WTD reduce energy use and reduce greenhouse gas emissions?
13. How will WTD measure customer affordability for contract agencies and ratepayers?

14. What other rate relief approaches should WTD implement to improve affordability for those who may struggle to pay their sewer bill?
15. *How should WTD best upgrade the combined system to address regulatory requirements, regional water quality, and West Point operations? How can combined system costs be fairly apportioned?*
16. Should the County evaluate costs and plan for levels of treatment beyond current legal requirements?
17. How should the County anticipate, engage with, and plan for future nutrient permit requirements, regulations related to CECs such as PFAS, or other future regulatory changes?
18. To what extent should WTD prioritize use of existing facility sites vs. acquiring new property to accommodate future treatment needs (including capacity)?
19. Should the region continue to provide a centralized approach for regional wastewater treatment, or should the region move towards a more decentralized approach?
20. Energy production and heat recovery – Should WTD be expanding its efforts to capture energy and heat? If so, at what level of effort?
21. Biosolids – Should WTD further expand its efforts to develop Class A biosolids? What changes are needed to biosolid recovery policies to get to Class A?
22. Recycled water – Under what circumstances should the region expand the use of reclaimed water? Which uses (e.g., environmental benefits, groundwater recharge, industrial uses, irrigation) are most appropriate?
23. *How should WTD maximize recovery of new resources? How should WTD prioritize and monetize environmental and other co-benefits when considering cost of recovering new resources?*
24. Should WTD update the rate structure for the capacity charge to align with current industry standards? (Note: The capacity charge rate structure was updated in 2021. A capacity charge methodology study is in progress.)
25. Is there a better rate structure for the sewer rate? (Note: WTD has identified a work plan to further evaluate the residential customer equivalent conversion factor of 750 cubic feet per month.)
26. Will WTD maintain a single uniform sewer rate per residential customer equivalent (Robinswood “one for all, all for one”), or consider alternative cost recovery rate structures to reflect other system impacts?
27. What actions should WTD take to increase equity and social justice for the regional wastewater system?
28. How will equity and social justice be interwoven in the update: community engagement, rate structure analysis, etc.?

29. How should the regional wastewater system address environmental justice concerns as described in the 2021 Healthy Environmental for All Act, such as addressing the disproportionate environmental health impacts of vulnerable populations and overburdened communities?
30. Are major policy updates aligned with component agency contracts?
31. How will WTD implement the RWSP Update consistent with direction and requirements expected of contract agencies?
32. How should WTD efforts support the water quality of Puget Sound and applicable inland waterways?



King County

Girmay Zahilay

King County Executive

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February 25, 2026

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

Dear Councilmember Perry

This letter transmits a report and proposed Motion as called for in Ordinance 20023 outlining how the King County Wastewater Treatment Division (WTD) plans to analyze policy questions identified during the Regional Wastewater Services Plan (RWSP) Update. The policy question analysis will be shared with the Regional Water Quality Committee (RWQC) as they discuss the RWSP Update.

The RWSP serves as King County's comprehensive wastewater plan, providing policy and operational direction for capital improvements and future development of King County's wastewater system. The RWSP Update process began with the adoption of the RWSP Scoping Document in early 2025 by the RWQC, which includes 29 major policy questions that will require analysis. This report explains how WTD will share its analysis and includes two examples in Appendices C and D, as well as appendices showing the policy memo template, schedule, and list of major policy questions.

The completed policy analyses will form the foundation of the Draft RWSP Update, currently scheduled to be published in 2027, that will precede the development of the Executive's Preferred Plan scheduled to occur in 2028. The analyses may also be used in decision-making by RWQC members and King County Council members following transmittal of the Executive's Preferred Plan to the County Council, which is scheduled for 2029.

Thank you for your consideration of this report and proposed motion. The policy analysis highlighted in this report will help the RWSP Update that will guide the County's stewardship of the regional wastewater system for years to come.

The Honorable Sarah Perry

February 25, 2026

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If your staff have questions, please contact Kamuron Gurol, Director, Department of Natural Resources and Parks Wastewater Treatment Division, at 206-549-1190.

Sincerely,



for

Girmay Zahilay

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, Office of the Executive

Jasmin Weaver, Chief of Staff, Office of the Executive

Sierra Howlett-Brown, Policy Director, Office of the Executive

Garrett Holbrook, Council Relations Director, Office of the Executive

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

Kamuron Gurol, Director, Wastewater Treatment Division, DNRP

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Questions from Scoping Document	Will Options be provided?
<p><u>Group #2</u> (Memo 3)</p> <p>Pollution (Source Control and Legacy)</p> <p>Step #1: April 2026 Step #2: Dec 2026 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	<p>3</p>	<p>What upstream or source control actions should the region undertake to prevent contaminants and reduce costs?</p>	<p>Options Provided</p>
<p><u>Group #3</u> (Memo 4)</p> <p>Asset Renewal and Replacement</p> <p>Step #1: May 2026 Step #2: Jan 2027 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	<p>4</p>	<p>How proactive vs. reactive should WTD be when deciding to refurbish or replace aging infrastructure?</p> <p>What level of redundancy of critical systems should WTD have? What level of risk tolerance should WTD accept?</p> <p>What approach should WTD use to fund Asset R&R projects?</p> <p><i>Redundancy is discussed in memos 4 and 5.</i></p>	<p>Options Provided</p> <p>Options Provided</p> <p>Options Provided</p>

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Questions from Scoping Document	Will Options be provided?
<p><u>Group #4</u> (Memos 5, 6, 7)</p> <p>Climate Impact Preparedness and Natural Hazard Resiliency</p> <p>Step #1: June 2026 Step #2: Feb 2027 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	5	<p>What level of resiliency should WTD plan for regarding seismic and other natural hazards to avoid or minimize risks? What level of risk tolerance should WTD accept? How can these considerations be best informed by the long-term capital motion work in progress?</p> <p><i>Redundancy is discussed in memo 4 and 5.</i></p>	Options will be provided
	6	<p>Should existing wastewater policy language (KCC 28.86) be revised to specifically call out planning for future climate conditions in addition to population growth and other environmental factors?</p> <p>How should WTD prepare and adapt to climate impacts (e.g., precipitation/storm intensities, sea level rise, river flooding, etc.) in line with the Strategic Climate Action Plan? What level of climate impact risk tolerance should WTD plan for to avoid or minimize risks to the system?</p>	<p>Response will be provided without options</p> <p>Options will be provided</p>
	7	<p>How much should WTD reduce energy use and reduce greenhouse gas emissions?</p>	Options will be provided

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Questions from Scoping Document	Will Options be provided?
<p><u>Group #5</u> (Memo 8)</p> <p>Finance/Affordability</p> <p>July 2026</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	<p>8</p>	<p>How will WTD measure customer affordability for contract agencies and ratepayers?</p> <p>What other rate relief approaches should WTD implement to improve affordability for those who may struggle to pay their sewer bill?</p>	<p>Response will provide the range of industry used metrics and WTD's recommended metrics</p> <p>Options will be Provided</p>
<p><u>Group #6</u> (Memo 9)</p> <p>Combined System Management</p> <p>Step #1: August 2026 Step #2: March 2027 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	<p>9</p>	<p>How should WTD best upgrade the combined system to address regulatory requirements, regional water quality, and West Point operations? How can combined system costs be fairly apportioned?</p> <p><i>(cost apportionment will also be addressed in Group 9 Rate Structure Memo)</i></p>	<p>Options will be provided</p>

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Questions from Scoping Document	Will Options be provided?
<p><u>Group #7</u> (Memos 10,11,12)</p> <p>Treatment Levels</p> <p>Step #1: September 2026 Step #2: April 2027 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	10	<p>Should the County evaluate costs and plan for levels of treatment beyond current legal requirements?</p> <p>How should the County anticipate, engage with, and plan for future nutrient permit requirements, regulations related to CECs such as PFAS, or other future regulatory changes?</p>	<p>Options will be provided</p> <p>Response will be provided without options</p>
	11	<p>Given the uncertainties in future growth rates reported by Washington State and the Puget Sound Regional Council, how aggressively beyond legal requirements should WTD expand [treatment plant] capacity to account for future population growth?</p> <p>To what extent should WTD prioritize use of existing facility sites vs. acquiring new property to accommodate future treatment needs (including capacity)?</p>	<p>Response will be provided without options (similar to I/I memo)</p> <p>Options will be provided</p>
	12	Should the region continue to provide a centralized approach for regional wastewater treatment, or should the region move towards a more decentralized approach?	Response will be provided without options

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Questions from Scoping Document	Will Options be Provided
<p><u>Group #8</u> (Memos 13,14,15,16)</p> <p>Resource Recovery (Energy, Biosolids, Recycled Water, New Sources)</p> <p>Step #1: October 2026 Step #2: May 2027 (tentative)</p> <p>Elements that relate to the Relationship to Contracts and Equity and Social Justice policy questions will be addressed as part of each policy memo. See Group #10 and Group #11 for details.</p>	13	<p>Energy production and heat recovery – Should WTD be expanding its efforts to capture energy and heat? If so, at what level of effort?</p>	Options will be provided
	14	<p>Biosolids – Should WTD further expand its efforts to develop Class A biosolids? What changes are needed to biosolid recovery policies to get to Class A?</p> <p>How can WTD best support environmental benefits while instituting safeguards to protect against environmental risks of contamination? How should cost considerations be weighed?</p>	Options will be provided
	15	<p>Recycled Water – Under what circumstances should the region expand the use of reclaimed water? Which uses (e.g., environmental benefits, groundwater recharge, industrial uses, irrigation) are most appropriate?</p> <p>How can WTD best support environmental benefits while instituting safeguards to protect against environmental risks of contamination? How should cost considerations be weighed?</p>	Options will be provided
	16	<p>How should WTD maximize recovery of new resources? How should WTD prioritize and monetize environmental and other co-benefits when considering cost of recovering new resources?</p>	Options will be provided

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Questions from Scoping Document	Will Options be Provided
<p><u>Group #9</u> (Memo 17)</p> <p>Finance/Affordability</p> <p>Q4 2026: Full analysis of the rate structure policy question 18</p> <p>Also in March, May, Aug, Sep. 2026: WTD will begin to address the rate structure question sequentially where relevant as we move through Policy Question Groups 1, 3, 6, 7. This will allow RWQC members to see how the rate structure issue relates to various topics. Each relevant analysis would include a specific section dedicated to addressing “rate structure considerations”</p> <p>e.g. the policy memo 2 analysis will introduce and begin to address the rate structure question as it relates to the I/I issue.</p> <p>RWQC may choose to form a subcommittee focused on the rate structure question and/or WTD may propose a consultant-separate track for this discussion.</p> <p>Elements that relate to the Relationship to Contracts and ESJ policy questions will be addressed as part of each policy memo.</p>		<p>Should WTD update the rate structure for the capacity charge to align with current industry standards? (Note: The capacity charge rate structure was updated in 2021. A capacity charge methodology study is in progress.)</p>	<p>WTD proposed a new capacity charge methodology (see ordinance 2026-0066). In Rate Structure memo #17 WTD will address issues related to the capacity charge.</p>
	17	<p>Is there a better rate structure for the sewer rate? (Note: WTD has identified a work plan to further evaluate the residential customer equivalent conversion factor of 750 cubic feet per month)</p> <p>Will WTD maintain a single uniform sewer rate per residential customer equivalent (Robinswood “one for all, all for one”), or consider alternative cost recovery rate structures to reflect other system impacts?</p>	<p>Options will be provided</p> <p>Options will be provided</p>

Timeline (RWQC Discussion)	Policy Memo Number	Major Policy Questions from Scoping Document	Will Options be Provided
<p><u>Group #10</u> (Memo 18)</p> <p>Equity and Social Justice</p> <p>Analyses for these questions will be integrated into each of the analyses for Groups 1 through 9.</p> <p>May 2027: A comprehensive ESJ analysis for these questions across all topics/groups will be completed.</p>	18	<p>How will equity and social justice be interwoven in the update: community engagement, rate structure analysis, etc.?</p> <p>What actions should WTD take to increase equity and social justice for the regional wastewater system?</p> <p>How should the regional wastewater system address environmental justice concerns as described in the 2021 Healthy Environmental for All Act, such as addressing the disproportionate environmental health impacts of vulnerable populations and overburdened communities?</p>	<p>Response will be provided without options</p> <p>Options will be provided (this memo will identify options with high equity impact that were described in earlier memos)</p>
<p><u>Group #11</u> (Memo 19)</p> <p>Relationship to Contracts</p> <p>Analyses for these questions will be integrated into each of the analyses for Groups 1 through 9.</p> <p>June 2027 tentative (following completion of step #2 for all Groups of questions)</p>	19	<p>Are major policy updates aligned with component agency contracts?</p> <p>How will WTD implement the RWSP Update consistent with direction and requirements expected of contract agencies?</p>	Response will be provided without options
Will be addressed across all 25 policy memos	NA	How should WTD efforts support the water quality of Puget Sound and applicable inland waterways?	All topics



King County

**Metropolitan King County Council
Transportation, Economy & Environment Committee**

STAFF REPORT

Agenda Item:	11	Name:	Mary Bourguignon
Proposed No.:	2026-B0079	Date:	June 16, 2026

SUBJECT

During today’s briefing, Metro staff will share information about fare enforcement based on Metro’s annual required Bus Fare Enforcement and Fare Violation Program report.¹

SUMMARY

In 2018, following a report by the King County Auditor, the Executive and Council made changes to Metro’s fare enforcement process, including making fare non-payment a civil rather than criminal infraction. As part of those changes, the Council asked Metro to transmit a Bus Fare Enforcement and Fare Violation Program report each year.

In March 2020, Metro suspended fare collection and fare enforcement. Although fare collection resumed in October 2020, enforcement remained suspended until May 2025.

Metro’s 2025 Bus Fare Enforcement and Fare Violation Program report, which was transmitted April 1, 2026, is the first report since 2020 to summarize the results of active fare enforcement efforts. The report, which appears to meet the requirements in the Code, states that:

- Beginning in May 2025, Metro deployed Fare Enforcement Officers (who are a subset of Metro’s 275 contracted Transit Security Officers) to 10 bus routes with high ridership and high rates of fare evasion: RapidRide lines A, B, C, D, E, and F, as well as routes 7, 36, 40, and 106.
- Between May and December of 2025, Metro’s Fare Enforcement Officers issued a total of 2,186 warnings, eight citations, and zero suspensions. No citations were resolved and no criminal trespasses were issued.
- Passenger education, including helping passengers obtain reduced-fare ORCA cards, was the focus of Metro’s fare enforcement effort during 2025.

Metro staff will provide more information on fare enforcement efforts at today’s meeting.

¹ Report 2026-RPT0033 ([link](#)) (K.C.C. 2.16.142)

BACKGROUND

2018 changes to fare enforcement. Prior to 2010, Metro did not have a separate fare enforcement function. Passengers were expected to pay as they boarded the bus, with bus operators responsible for enforcing fare payment. Because this could pose a risk to operators' safety in some cases, operators were generally instructed not to challenge passengers who refused to pay.

With the launch of the first RapidRide bus line in 2010 and the ability for passengers to pay off board at ORCA readers mounted at many RapidRide bus stops, Metro began a separate fare enforcement program. As of 2018, Metro estimated that one out of every six weekday boardings occurred on the RapidRide routes that were in operation at that time, and that the fare enforcement program Metro had in place at the time enabled approximately 1.8% of RapidRide trips to be inspected for fare payment.

A 2018 report by the King County Auditor about fare evasion and enforcement on RapidRide² found that Metro could not determine whether its model of fare enforcement was effective in terms of costs and outcomes and that it disproportionately affected passengers experiencing homelessness or housing instability, who received nearly 25% of citations between 2015 and 2017.

In response, the Council requested changes and the Executive responded with a proposal that the Council adopted through Ordinance 18789, which:

- Made fare non-payment a civil rather than criminal infraction,³
- Established a new decriminalized fare enforcement process,⁴ and
- Required Metro to transmit an annual fare enforcement report.⁵

Suspension of fare enforcement and changes since 2020. In March 2020, at the onset of the pandemic, Metro suspended fare collection to avoid having passengers near the bus operator. Fare collection resumed in October 2020, but fare enforcement did not.

During 2021 and 2022, Metro developed the SaFE Reform initiative,⁶ with the goal of managing safety and security functions, and resuming fare enforcement functions, in a more equitable and accessible manner, with a focus on behavioral health support.

During 2025, Metro participated with County and regional leaders in the King County Regional Transit Safety Task Force,⁷ to identify and implement actions to improve transit worker and passenger safety and security, including through fare enforcement.

² King County Auditor, RapidRide Fare Enforcement: Efforts Needed to Ensure Efficiency and Address Equity Issues, April 4, 2018 ([link](#))

³ K.C.C. 28.96.010

⁴ K.C.C. 28.96.500

⁵ K.C.C. 2.16.142

⁶ Metro SaFE Reform Initiative ([link](#)), see Motion 15878

⁷ King County Regional Transit Safety Task Force ([link](#))

During the years following 2020, Metro also implemented policy and technological changes that affect who pays fares and how they can be paid:

- Youth now ride free on transit,⁸ and are not required to tap to board, following the Legislature’s 2022 Move Ahead Washington transportation investment program.
- The ORCA LIFT low-income fare for people at or below 200% of the federal poverty level was reduced from \$1.50 to \$1.00.⁹
- Metro mounted ORCA readers at all bus doors, allowing for all-door boarding.¹⁰
- Metro and other transit agencies introduced Tap to Pay, allowing passengers without an ORCA card to use a credit card to pay their fare.¹¹
- Metro is moving forward with a plan to eliminate the use of cash on board buses and will report to Council on this initiative via a proviso report due July 30.¹²

Resumption of fare enforcement. Metro resumed fare enforcement in May 2025, deploying Fare Enforcement Officers to 10 bus routes, which, as Table 1 shows, accounted for just over 26% of average weekday boardings on all Metro bus routes as of March 2026.

Table 1. Ridership on enforced routes, March 2026¹³

Route	Average Weekday Boardings	Percent
A	7,028	2.38%
B	4,465	1.51%
C	7,617	2.58%
D	9,551	3.23%
E	12,229	4.14%
F	4,752	1.61%
7	11,076	3.75%
36	7,240	2.45%
40	8,310	2.81%
106	5,012	1.70%
ALL BUS	295,454	

Note that, although Metro operates Link light rail and ST Express bus under contract to Sound Transit, Sound Transit is responsible for its own transit security and fare enforcement. Sound Transit has implemented a Fare Ambassador program for light rail fare enforcement and is considering installing fare gates at light rail stations. Metro’s fare enforcement program, therefore, covers only Metro-branded bus routes.

⁸ Ordinance 19474

⁹ Ordinances 19532, 19852, 19858

¹⁰ “King County Metro expands bus service and launches systemwide all-door boarding starting March 28,” Metro Matters, King County Metro, March 12, 2026 ([link](#))

¹¹ Tap to Pay, Metro Transit Department ([link](#))

¹² Ordinance 2023, Section 116, Proviso P10

¹³ Data is for March 2026 average weekday boardings from Metro's Rider Dashboard ([link](#))

ANALYSIS

Metro's 2025 Bus Fare Enforcement and Fare Violation Program report,¹⁴ which was transmitted April 1, 2026, as required, is the first Fare Enforcement report since 2020 to summarize the results of active fare enforcement efforts.

The report as transmitted appears to meet the requirements in the Code.

The report states that:

- Beginning in May 2025, Metro deployed Fare Enforcement Officers (who are a subset of Metro's 275 contracted Transit Security Officers) to 10 bus routes with high ridership and high rates of fare evasion: RapidRide lines A, B, C, D, E, and F, as well as routes 7, 36, 40, and 106.
- Between May and December of 2025, Metro's Fare Enforcement Officers issued a total of 2,186 warnings, eight citations, and zero suspensions. No citations were resolved and no criminal trespasses were issued.
- Passenger education, including helping passengers obtain reduced-fare ORCA cards, was the focus of its fare enforcement effort during 2025.

Council action on the 2025 Fare Enforcement report is not required, as the Code provisions are satisfied simply by the transmittal of the annual report.

During today's meeting, Metro staff will provide more information on the Fare Enforcement report and Metro's fare enforcement efforts in general.

INVITED

- DeAnna Martin, Chief of Staff, Metro Transit Department
- Michelle Allison, General Manager, Metro Transit Department

ATTACHMENTS

1. Report 2026-RPT0033 (2025 Fare Enforcement Report)
2. Metro presentation on fare enforcement

¹⁴ Report 2026-RPT0033 ([link](#)) (K.C.C. 2.16.142)

2025 Bus Fare Enforcement and Fare Violation Program

April 1, 2026



King County

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II. King County Code

The applicable portion of King County Code pertaining to this report requirement is as follows:

2.16.142 Report – Metro bus fare enforcement and new fare enforcement system.

The executive shall develop a reporting system for all Metro bus fare enforcement activities and the new fare enforcement system. The executive shall use the data from the reporting system to develop a report by April 1, 2019, and annually thereafter, that contains the following information:

A. For each RapidRide bus route, all other regular bus routes, and for total bus service the executive shall provide data on the following:

1. The number of warnings issued for fare evasion and the number of people that have received warnings by bus route.
2. The number of fare evasion citations issued and the number of those people that have received these citations by bus route, this should include identifying the number of individuals that receive multiple citations during the reporting period and how many citations they received;
3. The number of citations resolved, showing the method used to resolve the citations;
4. The number of people suspended as a result of fare evasion;
5. The number of criminal trespass charges issued to individuals as a result of fare evasion violations;
6. The report should also include data showing the demographics of persons issued citations, including but not limited to race, age, gender, income and housing status as available; and,
7. The report should also include performance measures showing the activities and effectiveness of the program outreach manager.

B. The executive must file the report required by this section by April 1 of each year, starting in 2019, in the form of a paper original and an electronic copy with the clerk of the council, who shall retain the original and provide an electronic copy to all councilmembers, the council chief of staff, the policy staff director and the lead staff for the mobility committee, or its successor. (Ord. 18789 § 2, 2018).

III. Executive Summary

This report provides background on the history and relaunch of bus fare enforcement in King County. Since 2010, fare enforcement has been in place to encourage and remind riders about the requirement to pay a fare to ride Metro services, especially with the onset of bus rapid transit service, also known as RapidRide, through the Third Avenue corridor. RapidRide lines, while efficient and customer-oriented, did not require customers to pay upon entry as all doors opened to allow passengers to enter and exit with fewer barriers and off-board fare payment was available at RapidRide stops and stations. Fare Enforcement Officers were hired through contracted security to bring awareness to riders and hold them accountable with citations for fare nonpayment.

In April 2018, Metro received an internal audit around fare enforcement's efficiency and equitable practices on the six RapidRide lines. The audit highlighted the need to address systemic inequities around some of King County's most vulnerable populations, including the unhoused. Metro convened a Fare Enforcement Workgroup comprised of community-based advocates and stakeholders to help develop more equitable ways of addressing fare nonpayment that would not perpetuate harm to historically, negatively impacted individuals. With collaboration from King County Council, Metro was able to remove citations for fare nonpayment from the court system and bring all citations into Metro's administrative system.

The role of Fare Enforcement Officers has always been to check fares and educate the public about fares, while providing a safety presence and excellent customer service to all. As such, Fare Enforcement Officers undergo extensive training to serve King County customers, including but not limited to de-escalation, bias awareness, and customer service. To become a Fare Enforcement Officer, Transit Security Officers must complete and pass an additional 80 hours of training. Fare Enforcement Officers must balance their many roles while assessing what any given situation requires.

In March 2020, Metro suspended fare collection and fare enforcement functions due to the COVID-19 global pandemic. While fare collection resumed in October 2020, fare enforcement remained paused. Concurrently, Metro was launching the Safety, Security, and Fare Enforcement (SaFE) Reform Initiative, an enterprise-wide initiative that set out to reexamine and reimagine safety and security functions at Metro. Fare enforcement became part of the SaFE Reform effort that centers community voices to help guide Metro and Metro's safety and security programs.

In 2022, Metro convened the SaFE Equity Workgroup, a workgroup comprised of nine community members, two coach operators, and one former fare enforcement officer supervisor. In June 2024, Metro received recommendations from this workgroup about how to bring back fare enforcement with community-centered actions. In January 2025, Fare Enforcement Officers were hired through a new security contract with PalAmerican, switching from the previous vendor, Securitas, after ten years. Fare Enforcement Officers were trained and began to inspect passengers for proof of fares in March 2025, on ten high ridership routes as well as Seattle Streetcar. During this period, Fare Enforcement Officers were educating passengers about how to pay fare, where to pay, and what was considered valid proof of payment. Starting in May 2025, Fare Enforcement Officers began to enforce their inspections with warnings and citations should passengers be unable to show valid proof of payment.

As required in King County Code, KCC 2.16.142, this report summarizes data for fare enforcement and fare violations for each RapidRide bus route, all other regular bus routes, and for total bus service by King County Metro. Fare enforcement and fare citations fully resumed in May 2025. **Between May and December of 2025, a total of 2,186 warnings, eight citations, and zero suspensions were issued on buses.** No citations were resolved and no criminal trespasses were issued. The overall demographics of riders who were unable to pay were non-specific to any trends.

Looking ahead, fare enforcement operations will continue to adjust deployment to high ridership routes with high rates of fare evasion to educate and encourage fare payment.

IV. Background

King County Metro is the Puget Sound region's largest public transportation agency. Metro provides bus, paratransit, vanpool, and water taxi services, and operates Seattle Streetcar, Sound Transit Link light rail, and Sound Transit Express bus service. Metro is committed to providing safe, clean, and reliable transportation for all, as mobility is a human right. Metro works with regional partners to create and promote access to support livable communities, a thriving economy, and a sustainable environment.

In 2010, King County Metro began its Fare Enforcement Program when it established its first branded RapidRide bus route called the A Line. Metro's rapid bus service initially utilized off-board fare payment to allow riders to board using any door on the bus, optimizing speed and reliability of service by reducing passenger boarding times at the curb. While off-board fare payment decreased the time buses spent loading and unloading passengers, it also increased the likelihood of riders boarding without paying fare. Metro began using fare enforcement to minimize fare nonpayment and increase fare payment awareness on RapidRide lines and on routes servicing the transit corridor through downtown Seattle along Third Avenue.

When fare enforcement began in the region, the utilization of law enforcement or uniformed security personnel to perform fare enforcement functions had become standard practice across the transit industry, consistent with authority outlined in the Revised Code of Washington (RCW).¹ **Transit Police personnel performed fare enforcement duties until 2012, at which time Metro transitioned to a private security contractor model to staff Fare Enforcement Officers.** Pursuant to the same RCW authority permitting uniformed security personnel to conduct fare enforcement activities, Metro is authorized to refer fare evasion violations to the criminal legal system as civil infractions with a penalty of \$124.² Under this model, three or more civil infractions could amount to a misdemeanor charge to individuals, meaning that they would be subject to paying a large fine or serve jail time for up to 90 days.³

In April 2018, the King County Auditor's Office evaluated fare enforcement practices on RapidRide Lines A, B, C, D, E, and F. The audit found Metro had opportunities to improve and develop a more

¹ Revised Code of Washington, 81.112.210, Fare payment – Fines and penalties established – Fare enforcement system – Enforcement, <https://app.leg.wa.gov/rcw/default.aspx?cite=81.112.210>.

² Revised Code of Washington, 7.80.120, Monetary penalties – Restitution, <https://app.leg.wa.gov/RCW/default.aspx?cite=7.80.120>.

³ RCW, Chapter 9A.20, Classification of Crimes, <https://app.leg.wa.gov/RCW/default.aspx?cite=9A.20.010>.

robust performance management framework for fare enforcement that could improve equitable outcomes for individuals experiencing homelessness, who were also disproportionately people of color. One of the findings found that one in four citations were issued to someone experiencing homelessness.⁴ The audit also found a lack of consistency or standardization in issuing warnings, citations, and misdemeanors, resulting in inequitable enforcement of fare penalties from one person to another. Based on these findings, Metro committed to realigning its fare enforcement practices to address systemic inequities with help from internal and external partners.

After receiving the audit findings in April 2018, Metro convened a Fare Enforcement Workgroup comprised of community-based advocates and stakeholders, including Transportation Choices Coalition, Transit Riders Union, Puget Sound Sage, Seattle/ King County Coalition on Homelessness, and OneAmerica, to develop a work plan to amend the existing rider suspension and violation resolution processes. The workgroup developed recommendations aimed to increase access to public transportation for underserved communities and to address disparate fare evasion impacts on low-income riders and riders experiencing homelessness.

From this work, Metro staff developed alternative resolution options to administer in lieu of penalty fees for fare evasion citations. To support and empower this work, King County Executive Constantine proposed an amendment to the King County Code that would allow Metro to utilize the alternative resolution system in replacement of the criminal legal system for administering fare evasion citations. In October 2018, the King County Council passed Ordinance 18789, authorizing Metro to administer these violations within Metro's administration rather than through the criminal legal system, through a variety of resolution options. This action led to the launch of the Fare Violation Program in January 2019.

In March 2020, Metro suspended fare enforcement operations due to the COVID-19 global pandemic, where they remained suspended until May 2025. No fare warnings, violations, or suspensions were issued by Metro from February 2020 to May 2025. During this time, Metro repurposed fare enforcement teams to transit security functions to help maintain safety on routes that were experiencing the highest number of reports for assistance from operators. No additional training was required to do this as all Fare Enforcement Officers are given the same training as Transit Security Officers, in addition to Fare Enforcement Officer training.

Metro worked alongside several community-based organizations (CBOs) to communicate the resumption of fare enforcement in culturally and linguistically diverse ways. Metro began a phased reintroduction of fare enforcement in January 2025 with a public education campaign to inform riders about upcoming changes. In March 2025, Metro resumed partial fare enforcement operations, with Fare Enforcement Officers inspecting riders for valid proof of payment on ten routes and the Seattle Streetcar. From March through May, riders received fare education during inspections, providing a two-month acclimation period to become familiar with Fare Enforcement Officers and payment expectations. In May 2025, fare enforcement operations fully resumed with the issuance of warnings and citations. The phased approach was designed to reflect community recommendations and prioritize rider education during the reinstatement process.

⁴ King County, RapidRide Fare Enforcement: Efforts Needed to Ensure Efficiency and Address Equity Issues (Seattle: King County Auditor's Office, 2018), <https://www.documentcloud.org/documents/6426594-King-County-audit-of-Metro-Rapid-Ride-fare/>.

A. Fare Enforcement Officers' Role and Responsibilities

Fare Enforcement Officers are contracted King County employees. They are managed through a vendor identified through a competitive Request for Proposal (RFP) procurement process. From 2012 to 2024, Metro contracted with Securitas USA, Inc. to provide staffing for Transit Security Officers and Fare Enforcement Officers. A 2024 RFP resulted in a new contract with PalAmerican for staffing TSOs and FEOs effective in 2025.

Fare Enforcement Officers are responsible for fare enforcement through a standardized process designed to minimize bias. Their training, developed in collaboration with King County, includes cultural awareness, bias awareness, and fare enforcement protocols aligned with King County's True North principles and values. Officers are equipped to educate riders on proper fare payment, access to reduced fare programs, and safe navigation of the transit system. While officers primarily inspect fare payments, they also provide customer service and actively engage with Metro's diverse community. As unarmed, uniformed personnel, they play a vital role in maintaining safety and fostering positive interactions on coaches, at terminals, and at bus stops.

While many riders are aware of bus fares and the role of Fare Enforcement Officers, some customers may react negatively when approached about fare payment. Fare Enforcement Officers are trained to manage conflict, such as verbal de-escalation techniques instead of requesting assistance from law enforcement, allowing law enforcement to focus on more serious incidents across the transit system. Fare Enforcement Officers are also certified in cardiopulmonary resuscitation (CPR), the use of automated external defibrillators (AEDs), and First Aid, which includes identifying opioid overdoses and administering Naloxone, commonly known as Narcan. This comprehensive training underscores their role as safety personnel for both riders and Metro employees, enhancing accountability and support for the transit system.

In 2019, Metro incorporated equity and social justice principles into the fare enforcement team's operations and added three new trainings to support these principles. The trainings focused on three key areas: youth, individuals experiencing mental health crises, and recognizing human trafficking. Specifically, officers were required to complete the following:

- **Strategies4Youth:** Training aimed at enhancing law enforcement interactions with youth.
- **Mental Health 101:** Instruction on identifying and appropriately engaging individuals in mental health crises.
- **Quarterly Equity and Social Justice Training:** Sessions led by various experts and facilitated by King County Metro's Equal Employment Opportunity (EEO) office.

These training courses were made mandatory for all officers as part of their onboarding process when joining Metro's contract. In addition, officers must annually refresh and update their certification courses on de-escalation techniques, building on their initial de-escalation training.

With the new PalAmerican contract, the additional trainings listed above have been halted, as they've not yet been integrated into mandatory coursework due to operational constraints and need for reassessment. For example, Fare Enforcement Officers currently have limited interactions with youth riders since free transit for all youth 18 and younger was instituted on Metro in 2022, following

the adoption of legislation by the passing of Washington State Legislature through the Transit Support Grant Program via the Climate Commitment Act and ultimately, King County Council.⁵

Free youth transit is one of many new processes while fare enforcement operations were paused. By making youth transit free, Fare Enforcement Officers no longer needed to inspect youth for proof of payment which impacted training and resumption in 2025. This shift marked a transition from maintaining historical fare enforcement practices toward intentionally reassessing how fare enforcement functions within Metro's broader safety, customer experience, and equity goals. As part of the SaFE Reform initiative, Metro has evaluated practices and training models that were in place prior to the enforcement pause and has worked to identify approaches that better reflect current operating conditions and community expectations.

B. Safety, Security, and Fare Enforcement (SaFE) Reform Initiative and Fare Inspection

As part of the ongoing SaFE Reform initiative, fare enforcement practices are re-examined by internal and external stakeholders. The SaFE Reform team, comprised of two project managers and a community engagement specialist, collaborates with and is guided by the SaFE Equity Workgroup. The Equity Workgroup members represent Villa Comunitaria, White Center Community Development Association, Young Women Empowered, and Metro's SaFE Reform Committee, the initial group of community members who helped define the SaFE Reform body of work.

In June 2024, the SaFE Equity Workgroup provided Metro with recommendations for fare enforcement policy and procedure, as well as the design and communications for the return of fare inspection and enforcement. While crafting these recommendations, the SaFE Equity Workgroup reviewed information on the previously instated Fare Violation Program and its past resolution processes. The overarching recommendation stated that the new iteration of fare inspection should closely align with the pre-pandemic policy while prioritizing fare education to foster positive interactions between riders and fare enforcement officers. Fare education would emphasize the various reduced fares products available through Metro, as well as information about where to get these products, how to resolve a fare nonpayment when issued a citation, and other pertinent information.

Finally, the SaFE Equity Workgroup recommended updates to the previously instated Fare Violation Program as per the following:

- A. Fine amounts should be reduced from the overarching \$50 to \$40 within 90 days, as well as reducing from \$25 to \$20 within 30 days of citation receipt.
- B. For second encounters within a 12-month span, flagged riders should be walked through the designated fine amount, with a focus on potential fine reductions and fine alternatives such as the following:
 1. Pay the administrative fine of \$40, reduced to \$20 if paid within 30 days. (See prior point noting fine adjustment)
 2. Load \$20 to an existing One Regional Card for All (ORCA) card or \$10 to an existing reduced fare program card.

⁵ <https://lawfilesexternal.wa.gov/biennium/2021-22/Pdf/Bills/Session%20Laws/Senate/5974-S.SL.pdf?q=20230711152724#page=95>

3. Enroll in one of Metro’s reduced fare programs, such as ORCA LIFT or Reduced Regional Fare Product (RRFP) or register for and obtain a free Youth ORCA card. Load a minimum of \$5 onto the new card with the exception of the Youth card.
4. Perform two (2) hours of community service.
5. Appeal the circumstances of the nonpayment to the Fare Adjudicator or request customized resolution.

For the design and communication recommendations, the SaFE Equity Workgroup recommended that Metro prioritize education to inform riders and encourage fare payment. These recommendations emphasize leading with community values, such as by framing fare payment within the broader concept of community, service frequency, and expanding bus access. The recommendations also highlighted the importance of accessible signage on bus doors, using images when possible so riders could rely less on language-driven information. Community engagement was also a key focus of the recommendations, with a call for Metro to work with community members and community-based organizations in messaging campaigns to promote fare inspection awareness and encourage fare payment.

In reinstating fare enforcement, the SaFE Reform team created an additional taskforce made up of members from both the SaFE Equity Workgroup and the Fares Cabinet, another Metro community workgroup brought in to speak on behalf of community about Metro’s fares initiative. The taskforce was intended to walk alongside and guide Metro in better understanding how to ensure community was centered in the fare enforcement reinstatement process, which Metro called the SaFE Fare Enforcement and Fare Education taskforce.

SaFE Fare Enforcement and Fare Education taskforce members met every two weeks to guide Metro on several actions:

- Public campaign for riders featured on buses, at transit centers, and at transit stops
- Fare Enforcement Officer-related work details, including:
 - Employee titles and uniforms
 - Deployment strategy and operational processes, such as which routes to deploy to and how to handle repeat, unpaid citations.

The SaFE Fare Enforcement and Fare Education taskforce’s feedback was submitted to Metro’s Leadership Team (MLT) for final approval, which, once made, was operationalized by the fare enforcement operations team.

Additionally, SaFE Reform formed a Partner Review Board upon the recommendation of the SaFE Equity Workgroup. The Partner Review Board is comprised of six community-based organizations (CBOs) who have worked with Metro in other capacities. The six CBOs include the Muslim American Youth Foundation, Freedom Project, Move Redmond, Kandelina, Meals Partnership Coalition, and Elizabeth Gregory House. The SaFE Equity Workgroup asked that Metro be updated through CBOs to ensure that the work was received by community the way it was intended.

From March 2025, the SaFE Reform team met with the Partner Review Board organizations every month to collect feedback and information on the campaign, rider feedback, and what was still needed from Metro. During this time, Metro established a toolkit for the CBOs and their members, including examples of the warnings and citations, brochures on how fare enforcement works in

specific languages, updated brochure on transit security and law enforcement personnel, how to report, and where to get ORCA cards.

Once fare enforcement was reinstated with the community recommendations and guidance, SaFE Reform continued to update the SaFE Equity Workgroup members at the three-month and six-month marks. The same updates were given to the Partner Review Board and other Metro community workgroups, such as the Transit Advisory Commission (TAC) and the Equity Cabinet. The fare adjudication program manager also began attending community events, creating accessibility to riders who needed in-person information.

C. Fare enforcement operations

Community feedback and guidance were central to decisions about fare enforcement operations and how the program was reinstated. For the public campaign, the SaFE Fare Enforcement and Fare Education taskforce members were asked to review and guide Metro’s public campaign for tone and clarity. In the past, community members have asked Metro to rely less on language to convey messages and utilize imagery. In the public campaign, SaFE Fare Enforcement and Fare Education taskforce members proposed alternative images and wording to help riders better understand fare enforcement and what was expected of riders. Taskforce members were asked for preferences on Metro’s Fare Enforcement Officer uniforms, as well as their formal title. SaFE Fare Enforcement and Fare Education taskforce members gave Metro helpful feedback around colors and labels that could help riders identify officers and better understand how they could assist riders.

In 2025, 30 Fare Enforcement Officers were deployed to ten routes with high ridership and high rates of fare evasion, including RapidRide lines A, B, C, D, E, and F, as well as routes 7, 36, 40, and 106. Below is a table that shows routes and their corresponding area served. Additionally, Metro’s Research and Innovation team conducted an onboard survey in October 2024, which included observation of fare payment behavior. The survey provided additional qualitative data and helped to shape fare enforcement redeployment based on observation of fare enforcement behavior.

Table 1: Routes and areas served by fare enforcement

Bus Route	Destinations	Regional King County
A Line	Tukwila to Federal Way	South King County
B Line	Downtown Redmond to Downtown Bellevue	East King County
C Line	White Center to Downtown	South King County/Central King County
D Line	Ballard to Downtown	Central King County
E Line	Shoreline to Downtown	North King County/ Central King County
F Line	Renton to Burien	South King County
7	Rainier Beach to Downtown	South King County/Central King County
36	Rainier Valley to Downtown	South King County/Central King County
40	Northgate to Downtown	North King County/ Central King County
106	Renton to Downtown	South King County/ Central King County

Metro relied on previous standard operating procedures to inform processes for fare enforcement going forward. Metro took several of these protocols to the taskforce members to engage them in the equity impacts of certain actions, such as how to create systems of accountability for riders who repeatedly were found to not have proof of payment. While many of the taskforce members understood the difficulty for many to be able to pay their fares, they also understood the need for accountability, especially for those who could pay for their fares and were not doing so.

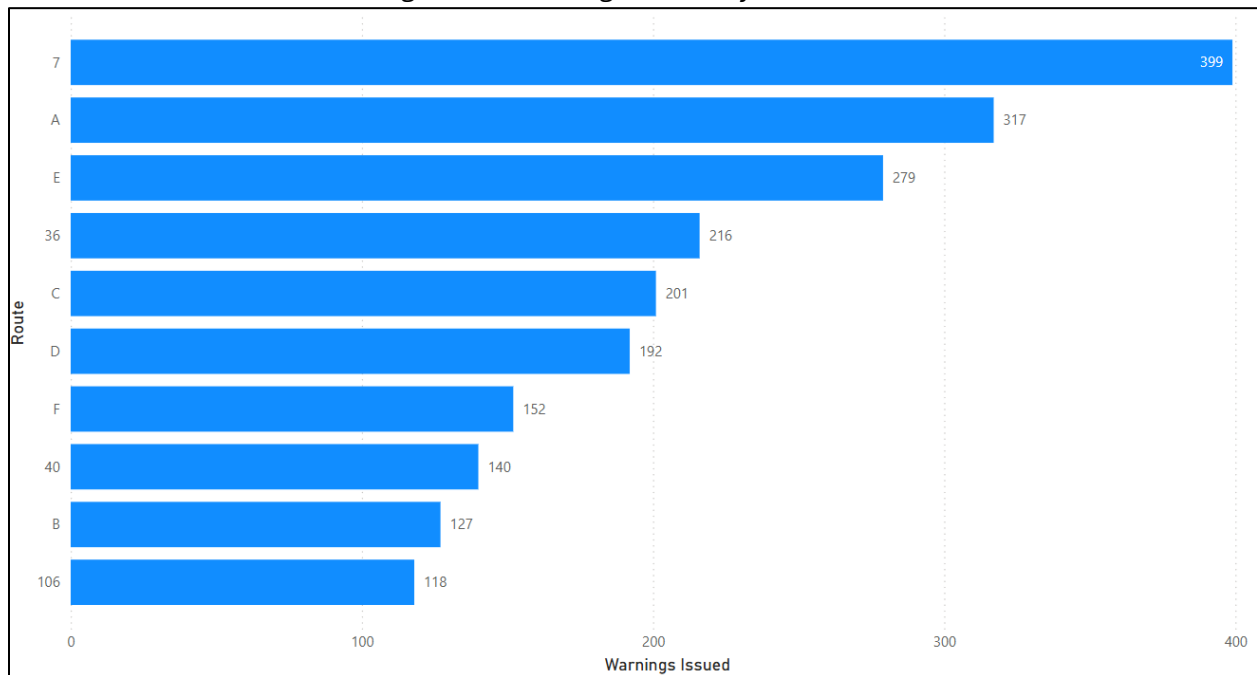
Once Metro relaunched fare enforcement operations, they also began partnering closely with regional transportation agencies to bring awareness to fare inspection and enforcement efforts. This partnership and alignment with Sound Transit and Community Transit specifically, was critical in aligning contactless payment and will be key when the region hosts the FIFA Men’s World Cup in 2026.

V. Report Requirements

A. Number of warnings issued for fare evasion

During May to December of 2025, a total of 2,186 warnings were issued across Metro buses to 2,103 riders. Figure 1 illustrates the distribution of warnings across each route during 2025. Routes 7, A, and E had the highest number of warnings issued while the 40, B, and 106 routes had the least number of warnings issued.

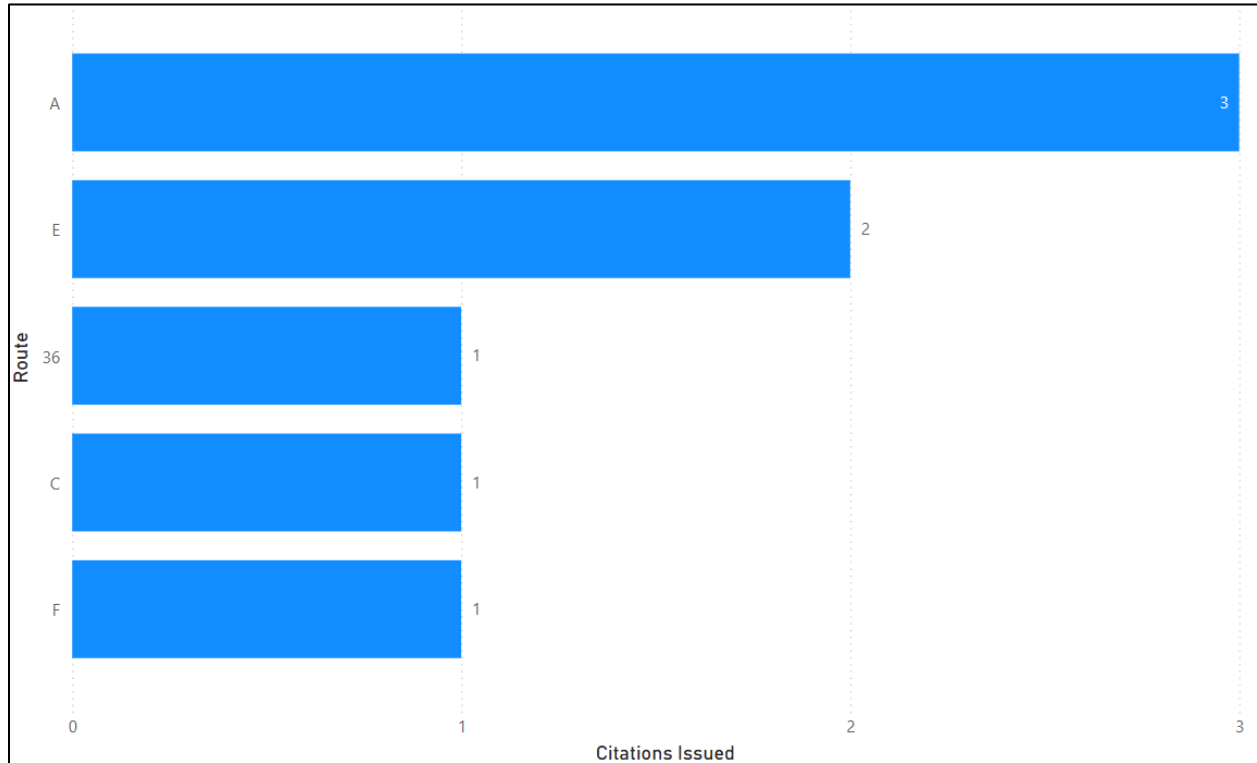
Figure 1:1 Warnings issued by bus route



B. Number of citations issued for fare evasion

Metro issued eight citations to seven riders across 10 of Metro’s high ridership routes. One rider received two citations. Figure 3 shows citations issued across the routes, where the highest number of citations issued were on the A and E lines.

Figure 2: 2 Citations issued by bus route



C. Number of citations resolved

In 2025, no citations were resolved. This is largely due to unreliable methods of communication, such as a rider giving an unspecific address, no phone number, or the address of a known shelter. Of the eight citations distributed, there were seven unique riders who received the citations. Of the seven riders who received these citations, four did not give a phone number and two gave a shelter address as their means of contact. Often, riders experiencing housing instability do not have reliable means of contact. This information suggests that several of the riders who received a citation in 2025 may have been experiencing housing instability.

D. Number of suspensions

In 2025, no suspensions were issued as a result of fare evasion.

E. Number of criminal trespass charges issued

In 2025, no individuals were charged with criminal trespass as a result of fare violation.

F. Demographic data

Figures 4 through 6 show the demographics of persons issued citations, approximating race, age, and gender. This information is largely collected through the riders' state-issued identification if available and photo-identification when warnings and citations are issued. Fare Enforcement Officers collect age information from riders when possible, however, they will not ask someone for their racial identity. Fare Enforcement Officers will identify race through photos taken of the rider if available, which is standard operating procedure if no state-issued identification is presented. Photos taken help the Fare Adjudicator and Fare Enforcement Officers to identify riders who may

be unable to present state-issued identification in the event of multiple engagements without valid proof of payment to ensure that warnings and citations are issued correctly. Income and housing status were not collected during this initial relaunch of fare enforcement, however, will be collected in 2026.

In Figure 3, this is information gathered by Fare enforcement officers through photo-identification. No specific trends were found in the first year of fare enforcement operations across seven months of operations.

Figure 3: Race of riders issued citations

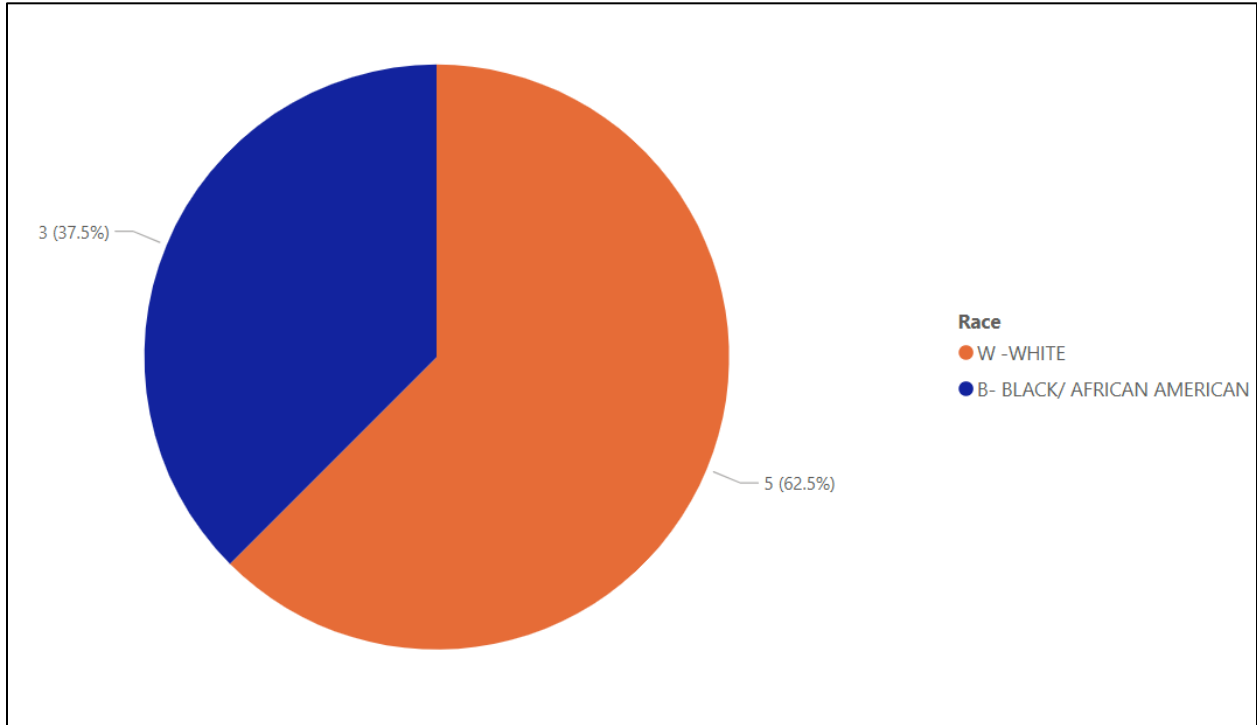


Figure 4 illustrates age of riders cited gathered through state-issued identification or photographic identification. Riders 18 and younger ride for free and therefore are not part of this data collection effort. Figure 5 shows the genders of the riders who received citations in 2025.

Figure 4:4 Age of Riders Issued Citations

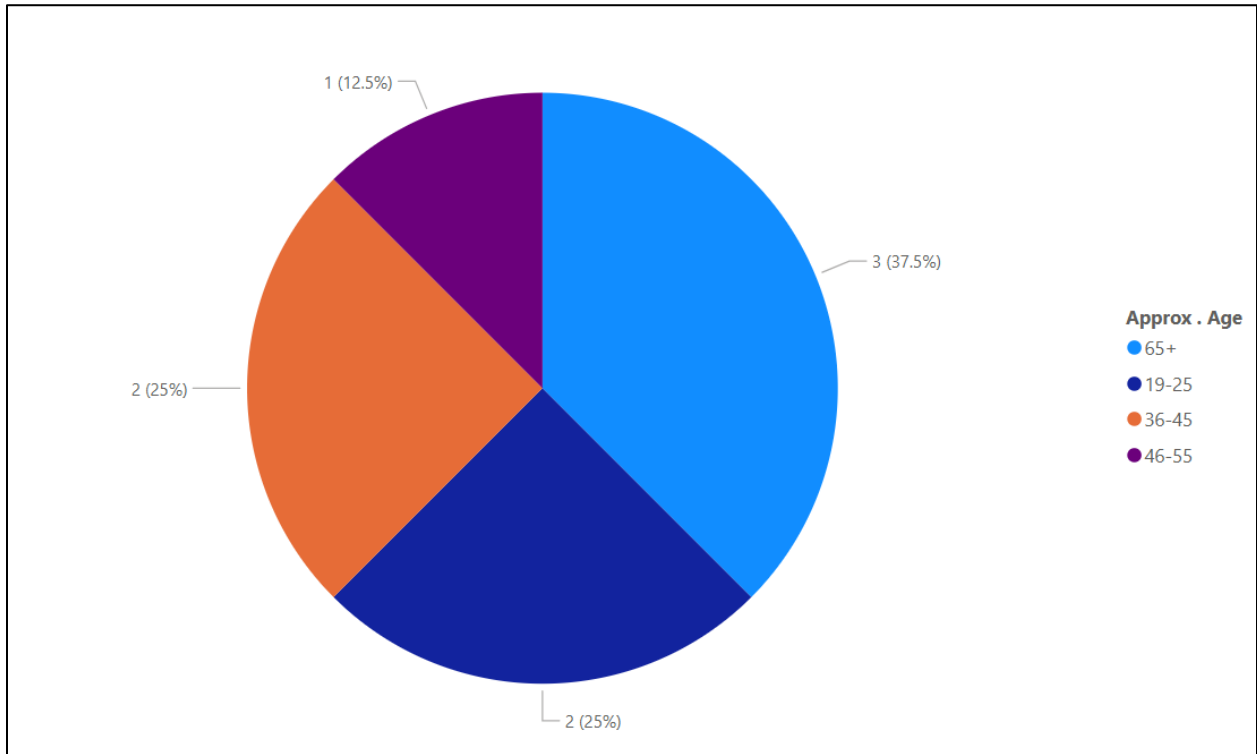
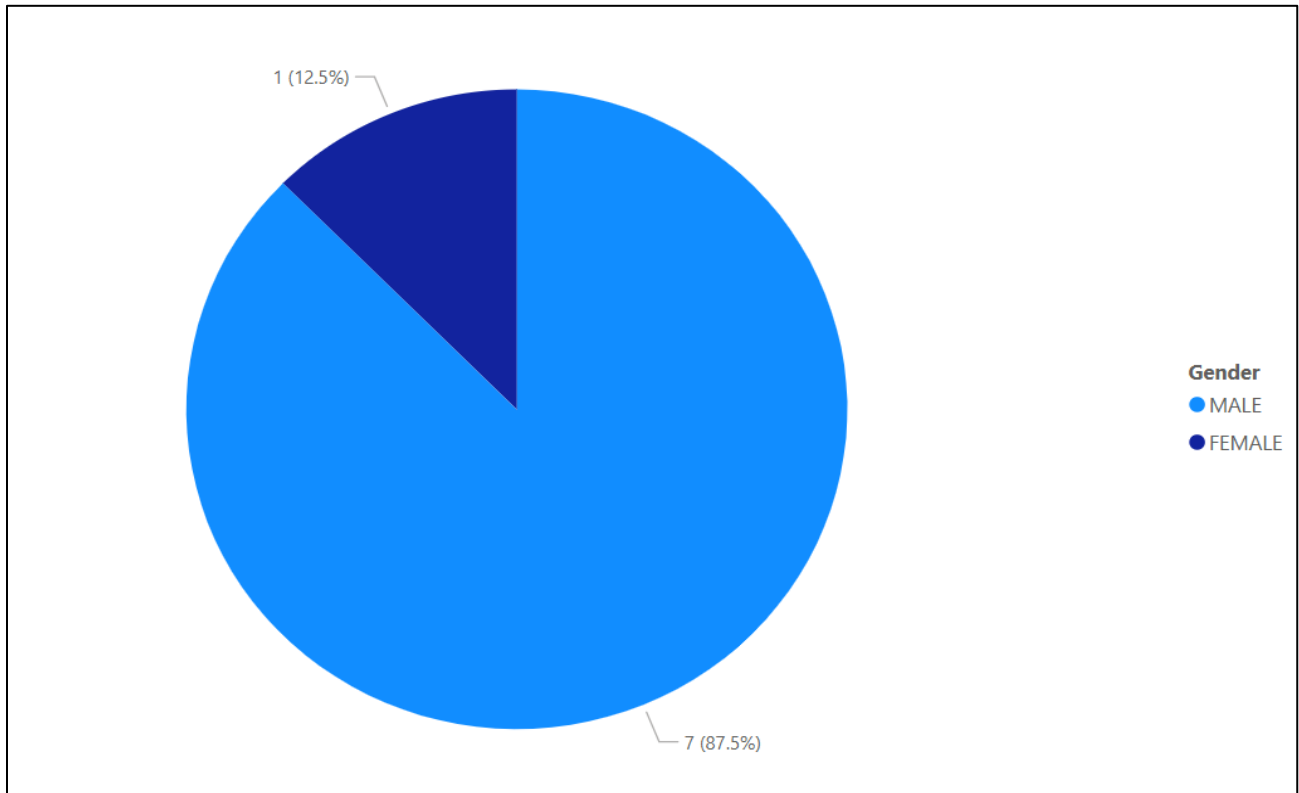


Figure 5:5 Gender of Riders Issued Citations



G. Activities and effectiveness of the program outreach manager

The Fare Adjudication Program, formerly known as the Fare Violation Program, was relaunched in March 2025. Program outreach includes the fare violation phone line, email, and website in addition to event facilitation. The website has an updated online payment portal. Metro staff attended two events hosted by Kandelia and have been working with two additional community-based organizations, Elizabeth Gregory House and Compass Housing. These events were meant to help connect riders to reduced fares information and enroll them in ORCA Lift and Youth rider programs. Outreach included, but was not limited to, referrals to Metro’s Pass Sales Office (PSO) to purchase and load ORCA cards with money; referrals to Department of Public Health for ORCA LIFT registrations (no current registrations from this channel); and the distribution of human service bus tickets (100 tickets distributed to community members).

VI. Conclusion/Next Steps

After a five-year pause of fare enforcement operations, Metro worked alongside several community members to ensure that it was brought back intentionally and with historically marginalized communities in mind. From the initial recommendations of a strong communications plan to walking alongside community in the process of relaunching, Metro is committed to addressing institutional harm that has been perpetuated towards vulnerable populations. Through the SaFE Reform effort, Metro continues to build upon its Mobility Framework to ensure safety and engage deliberately and transparently.

As Metro continues to build systems that support the safety of customers and employees in an equitable way in alignment with Metro's Strategic Plan for Public Transportation, fare enforcement operations will continue to monitor its operations to ensure focus on the customer. Given that Metro relaunched fare enforcement operations after five years with a new security staffing contract, there are several operational opportunities for Metro to improve, such as better capturing customer demographic information and continuing to adapt training based on trends observed. In 2026, the Fare Enforcement team will also plan for an onboard survey to better understand the reasons for fare nonpayment by customers. Traditionally, this survey is used for this report and will serve as additional information for fare education concerning reduced fares and different fare products.

Metro brought back Fare Enforcement in 2025 and looking ahead to 2026, there are several business decisions that will impact the program. In early 2026, contactless payment for physical payment cards and mobile wallets launched as Tap to Pay. The technology to inspect the contactless payment types is limited and requires Fare Enforcement Officers to ask riders for the last four digits of the contactless payment type used. The One Regional Card for All (ORCA) organization is working with INIT, the company that owns the ORCA and payment card reader technology, to update the inspection application for the needs of regional transportation agencies. During this time, all-door boarding will also launch on all buses and at their discretion, operators will be able to open all doors to allow passengers to board.

With both operational changes, Metro will be ready to welcome global visitors to the FIFA Men's World Cup games that the region will host for 45 days. During this time, it will be critical for Fare Enforcement Officers to provide fares information to global visitors and assist them with their wayfinding and fares information in a digestible, transparent manner.

Fare Enforcement Briefing

Transportation, Economy, and
Environment (TrEE) Committee

June 16, 2026



Introduction to Metro Fares

Metro Fares by the Numbers

Metro collects fares to help fund transit service.

\$78M

2025 Metro fare revenue

63%

Share of Metro fare revenue from business customers

20%

Share of Metro boardings made by reduced fare riders

10-15%

Share of operating costs Metro aims to recover with fares

8.5%

Share of operating costs Metro recovered with fares in 2025

1 in 11

Share of bus service hours covered by fare revenue

Policy Framework

Community –

- Invest upstream, where needs are greatest
- Prioritize awareness, access, and ease of use

Regional Fare Forum –

Regionally prioritized outcomes:

- 1) Alignment
- 2) Improvements to reduced fare enrollment and verification
- 3) Affordability

KC Council –

- Take an income-based approach to fares, and prioritize equitable access, meeting revenue targets, and regional alignment
- Prepare for a future without on-board cash fare payment

KC Executive –

- Breaking the cycle
- Building for affordability
- Be in community
- Better government

Other considerations -

- Tap-to-pay
- ORCA card virtualization
- FIFAs
- Regional system expansion

Metro envisions a fares system that is:

**EASY
FAIR &
AFFORDABLE**

Income-Based Approach to Fares

Metro takes an income-based approach to fares. Prioritizing revenue from business customers and full fare riders allows Metro to offer reduced fares to riders who need them.

Full Fare - \$3.00

Available for:

- Adult riders (aged 19-64)

Reduced Fare - \$1.00

Available for:

- Low-income riders (via ORCA LIFT for riders earning <200% federal poverty level)
- Riders with disabilities
- Senior riders (age 65 and up)

Fully Subsidized Fare - \$0.00

Available for:

- Youth riders (age 18 and under)
- Some very low-income riders (via Subsidized Annual Pass for participants in 6 state benefit programs and earning <80% FPL)

2026-2027 Focus Areas



Fare collection

Operating and maintaining systems that collect fares, coordinating with frontline work groups, labor, and others.

Customer experience

Delivering more fare access and options, with a focus on riders with barriers.



Regional coordination

Supporting rider access to the regional transit system, and implementation of Regional Fare Forum priorities of alignment, improved enrollment and verification, and affordability.

Financial stewardship

Increasing fare revenue, reducing fare evasion, strategically deploying fare enforcement, and using data to drive fare strategy and policies.



Fare Enforcement Overview

Shifting Landscape

Perceptions of safety, rider expectations, and fare revenue and compliance shifted considerably during the pandemic. Beginning in 2020, Metro launched several initiatives to stabilize the system and welcome riders, rebuild ridership, and reshape approaches to safety, security, and fare enforcement.



Key Activities

- Resume fare collection
- Ridership recovery initiatives
- Expand business programs
- Reassess traditional safety and security practices (SaFE Reform Initiative)
- Increase rate for adult fares and align reduced fares
- Launch Regional Transit Safety Task Force

Community Approach to Fare Enforcement

Metro re-launched Fare Enforcement in May 2025 with an updated approach informed by 2018 audit findings and community members from the SaFE Equity Workgroup and Fare Enforcement and Fare Education Taskforce.

2018 Audit Findings:

- Address systemic inequities around vulnerable populations, including the unhoused
- Unresolved citations led to increased costs in the District Courts that challenged financial stability

2024 Community Recommendations:

- Lead with fare education to foster positive interactions
- Emphasize reduced fare options and how to access them
- Provide information about resolving a fare non-payment when issued a citation
- Work with riders to find the resolution that's right for them through Fare Adjudication

Outcomes-based Change

Building a fare enforcement program that:

- Leads with education and resources
- Concentrates officers where they are needed
- Equally inspects riders for proof of payment and offers a range of resolution options

Leads to:

- A stronger culture of 'riding right'
- Greater access to fare information and resources
- More fare revenue to invest in transit service

Evaluating Implementation

Metro re-launched fare inspection on the system on 3/31/2025, resuming full fare enforcement with warnings and citations on 5/31/2025.

Lead with Education & Resources

- Systemwide fare education campaign
- First two months of fare inspection focused on education and resources

Concentrate officers where they are needed

- Average 8 teams of Fare Enforcement Officers (FEOs) conducting fare enforcement between 5:30am-11:30pm daily.
- 10 routes with high ridership and incident reports (A, C, D, E, F, H, 7, 36, 40, 106)

Conduct fare enforcement, offer resolution options

- From 5/31/2025-3/31/2026 FEOs completed 119K inspections, issued 5K warnings and 30 citations

Citation Resolution

- **Pay the fine**
 - \$20 within 30 days
 - \$40 within 90 days
- **Perform 2 hours of Community Service**
 - any King County nonprofit
- **Load ORCA Card**
 - \$20 on ORCA LIFT
 - \$10 on Reduced Fare Card
- **Enroll in a Fare Program**
 - ORCA LIFT for income-qualified riders
 - Reduced Fare Program for disabled riders
 - Medicare card holders
 - Seniors (65+)

Evaluating Impact

Metro is tracking rider behavior and perception, access and information, and fare revenue after re-implementing Fare Enforcement.

Strengthen culture of 'riding right'

- Systemwide fare evasion decreased by 1%.
- Share of riders who feel safe on system increased by 12% per RNR Survey from 2024 to 2025.

Expand access to fare information and resources

- Reduced fare boardings increased by 16% systemwide.
- ORCA utilization increased by 1% systemwide and 3-5% on inspected routes.

Increase fare revenue to invest in transit service

- Total fare revenue increased by 7% systemwide from \$73M in 2024 to \$78M in 2025.

Fare Enforcement Costs

	Program Cost (2016)	Program Cost (2017-18)	Program Cost (2019-20)	Program Cost (2025)	Program Cost (2026-2027)
Fare Enforcement Operations	\$1.3M	\$2.5M	\$6.0M*	\$1.6M	\$3.4M
Administrative Costs	\$0.35M**	\$0.01M***	\$0.7M	\$0.2M	\$0.4M

* Fare enforcement operations were expanded when tunnel closed

** Administrative costs are an estimate in 2016 because costs went through the District Courts, not Metro

***This cost is low due to 2018 being the first year that Fare Adjudication was implemented (after Aug 2018)

****Note that 2021-2024, Metro didn't incur costs due to pause in Fare Enforcement



Key Takeaways from Year 1 of Fare Enforcement

Metro relaunched fare enforcement in 2025

with 30 officers deployed on ten routes.

- Community recommendations were integrated into operations
- Fare Enforcement Officers lead with fare education through inspections, teaching riders how to use the system

Since fare enforcement returned, Metro measured improvements systemwide and on inspected routes where data is available.

- On inspected routes, ORCA taps increased by 3-5%, as compared to the 1% increase systemwide



Questions



King County

**Metropolitan King County Council
Transportation, Economy & Environment Committee**

STAFF REPORT

Agenda Item:	12	Name:	Mary Bourguignon
Proposed No.:	2026-B0080	Date:	June 16, 2026

SUBJECT

During today’s briefing, Metro staff will brief on transit funding needs as a preliminary response to a budget proviso.¹

SUMMARY

Metro’s long-range plan, Metro Connects,² which was adopted in 2021, estimated a funding gap of \$18 billion for transit capital investments and \$724 million a year for service investments by 2050.³ Metro Connects indicated that additional funding would be necessary to achieve the planned transit service network.

Metro’s 2025 budget⁴ estimated that, due to expenditures outpacing revenues in the years following the pandemic, Metro would experience a \$500 million shortfall in reserves by the 2028-2029 biennium.

Metro’s 2026-2027 budget⁵ estimated that, after significant cutbacks (including canceling the construction of South Annex Base, delaying the transition to a zero-emission fleet, reducing the scope of future RapidRide lines, and planning for a smaller bus fleet), Metro would face a \$1 million reserve shortfall by 2030-2031 and a \$755 million reserve shortfall by 2032-2033. This shortfall could require service cuts by 2030.

In response, the 2026-2027 budget asked Metro to prepare preliminary and final reports on its funding needs that would estimate projected reserve shortfalls, describe operating and capital funding needs, and identify possible funding sources to address Metro’s funding needs.

Metro staff will brief on its funding needs at today’s meeting as a preliminary response to the proviso request.

¹ Ordinance 20023, Section 116, Proviso P7, as proposed to be amended by Proposed Ordinance 2026-0071, Section 76, Proviso P7

² Ordinance 19367, Attachment C

³ Motion 16155

⁴ Ordinance 19861

⁵ Ordinance 20023

BACKGROUND

Metro Connects funding gap. Metro Connects,⁶ which was last updated in 2021, is Metro's adopted vision for the future. It described future transit service through an Interim Network (mid-to-late 2030s) and a 2050 Network. For the 2050 Network, Metro Connects envisioned a transit system with:

- Seven million annual transit service hours, up from four million in 2019
- 200 million annual riders, up from 121 million in 2019
- 19-23 RapidRide lines, up from six in 2019
- \$28.3 billion in associated capital improvements

Metro Connects, as adopted, was not fully funded. At the time it was adopted, Metro projected a funding gap of \$18 billion for transit capital investments and \$724 million a year for service investments to achieve the 2050 Network.

In 2022, at the Council's request, Metro analyzed⁷ potential funding sources to implement Metro Connects, including those available through the King County Transportation District (KCTD), King County's transportation benefit district. The KCTD Board has discussed Metro's funding needs in the years since but has not taken action.

Metro's reserve requirements. Metro currently depends on a dedicated 0.9% sales tax for nearly 60% of its operating revenues. Because of the volatility of the sales tax, the Council adopted fund management policies for Metro⁸ that:

- **Set general financial practices**, specifically the order in which Metro can spend:
 1. Debt service
 2. Operation of current transit system levels
 3. Maintenance and replenishment of reserves
 4. New transit service and capital investments
- **Set requirements for financial planning**, including:
 - Financial plan and cash flow projection of six years for all subfunds
 - Rolling 10-year capital improvement plan
- **Set targets for farebox recovery**
 - Should recover at least 10% of passenger related operating costs from farebox revenues for bus service
 - Target is 15% of passenger related operating costs from farebox revenues for bus service⁹
- **Set a fund structure** with five subfunds and targets for reserve levels

Figure 1 below shows Metro's five subfunds, as well as the interrelated requirements for reserves within the subfunds, specifically how the Operating Subfund and Revenue Stabilization Subfund have individual reserve requirements that combine to create an overarching Recession, Risk, and Cash Flow Reserve.

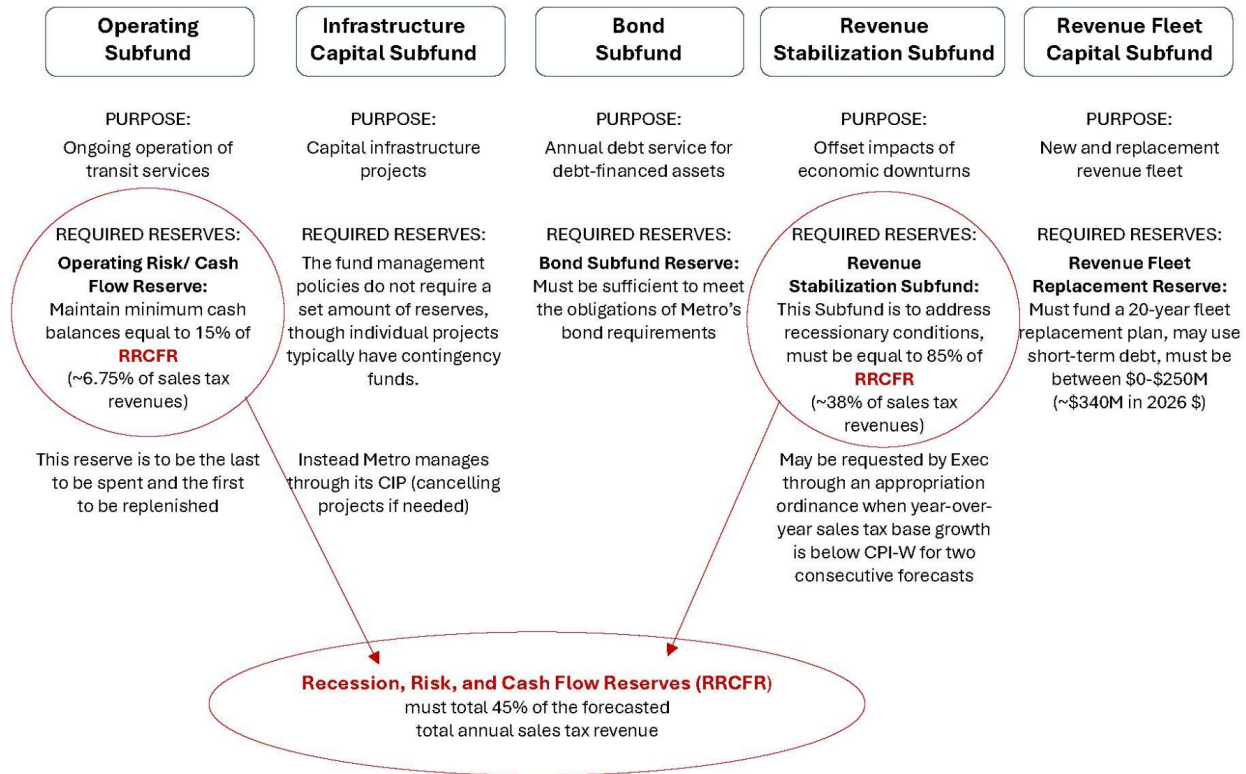
⁶ Ordinance 19367, Attachment C ([link](#))

⁷ Motion 16155

⁸ Ordinance 18321, as amended by Ordinances 19206, 19531, and 19863

⁹ These targets were reduced from 30% and 25% to 15% and 10% following the pandemic.

Figure 1. Metro Fund Structure and Reserve Requirements



Projected reserve shortfall. Metro’s 2025 budget¹⁰ estimated that, due to expenditures outpacing revenues in the years following the pandemic, Metro would experience a \$500 million shortfall in reserves by the 2028-2029 biennium.

Metro’s 2026-2027 budget¹¹ of \$3.9 billion combined operating and capital estimated that, after significant cutbacks (including canceling the construction of South Annex Base, delaying the transition to a zero-emission fleet, reducing the scope of future RapidRide lines, and planning for a smaller bus fleet), Metro would face a \$1 million reserve shortfall by 2030-2031 and a \$755 million reserve shortfall by 2032-2033. This shortfall could require service cuts by 2030.

Proviso request. In response to Metro’s upcoming estimated reserve shortfall, the Council included a proviso¹² in the 2026-2027 budget asking Metro to prepare a preliminary and final Funding Needs Report to estimate its projected future reserve shortfalls, describe operating and capital funding needs, and identify possible funding sources that could be used to address Metro’s funding needs.

¹⁰ Ordinance 19861

¹¹ Ordinance 20023

¹² Ordinance 20023, Section 116, Proviso P7, as proposed to be amended by Proposed Ordinance 2026-0071, Section 76, Proviso P7

P7 PROVIDED FURTHER THAT:

Of this appropriation, \$100,000 shall not be expended or encumbered until the executive transmits a ~~((preliminary and a final transit))~~ funding needs report and motion~~((s))~~ that should acknowledge receipt of the ~~((preliminary and final))~~ report~~((s))~~, and motions acknowledging receipt of the ~~((preliminary and final))~~ report~~((s))~~ are passed by the council. Each motion should reference the subject matter, the proviso's ordinance, ordinance section, and proviso number in both the title and body of the motion. The \$100,000 shall not be released until~~((both motions are))~~ the motion is passed by the council.

The ~~((preliminary and final))~~ transit funding needs report~~((s))~~ shall include, but not be limited to:

A. An estimate of the Metro transit department's 2028-2029, 2030-2031, and 2032-2033 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 King County comprehensive fund management policies adopted through Motion 15250 and the fund management policies for the public transportation fund adopted through Ordinance 19863, including, but not limited to, information on:

1. Potential impacts to the Metro transit department's operating budget, including, but not limited to, transit service, staffing, or operating procedures; and
2. Potential impacts to the Metro transit department's infrastructure capital fund or revenue fleet fund, including, but not limited to, reducing, reprioritizing, modifying, or delaying planned capital investments or planned fleet purchases;

B. A description of the Metro transit department's operational and capital funding needs, including, but not limited, to the funding needed to:

1. Provide transit service in accordance with the King County Metro Service Guidelines adopted through Ordinance 19367;
2. Strengthen the Metro transit department's operational capacity through efforts to recruit, train, and retain employees;
3. Implement the Metro Connects long-range plan adopted through Ordinance 19367;
4. Reduce greenhouse gas emissions through transit use and by continuing the transition to a zero-emission revenue bus fleet; and
5. Implement the recommendations of the King County regional transit safety task force in coordination with regional partners to ensure the safety and security of Metro transit department employees and passengers; and

C. A description of the possible funding sources that could be used to address the funding needs identified in subsection B. of this proviso, with annual estimates of the amount of revenue that could be generated, from King County, from the King County transportation district

either through councilmanic or voter-approved funding sources, from debt financing, and from other sources.

The executive should give a briefing to the transit, economy, and environment committee or its successor by May 31, 2026. The executive should electronically file the ((~~preliminary report and motion required by this proviso by April 16, 2026, and the final~~)) report and motion required by this proviso by September 3, 2026, with the clerk of the council, who shall retain an electronic copy and provide an electronic copy to all councilmembers, the council chief of staff, and the lead staff for the transit, economy, and environment committee or its successor.

The original proviso requested two written reports. In the first budget omnibus ordinance,¹³ which is undergoing Council review as of this writing, the Executive proposed that the first report be replaced with a briefing to the TrEE Committee.

Today's briefing will be Metro's preliminary response to the proviso, with a report to be transmitted by September 3, 2026.

INVITED

- Jennifer Lehman, Enterprise Financial Planning & Analysis Lead, Metro Transit Department
- DeAnna Martin, Chief of Staff, Metro Transit Department
- Michelle Allison, General Manager, Metro Transit Department

ATTACHMENTS

1. Metro transit funding needs presentation

¹³ Proposed Ordinance 2026-0071

Transit Funding Needs Proviso Report Preliminary Briefing

Transportation, Economy, and
Environment Committee (TrEE) Committee
June 16, 2026



Metro's Financial Reserves

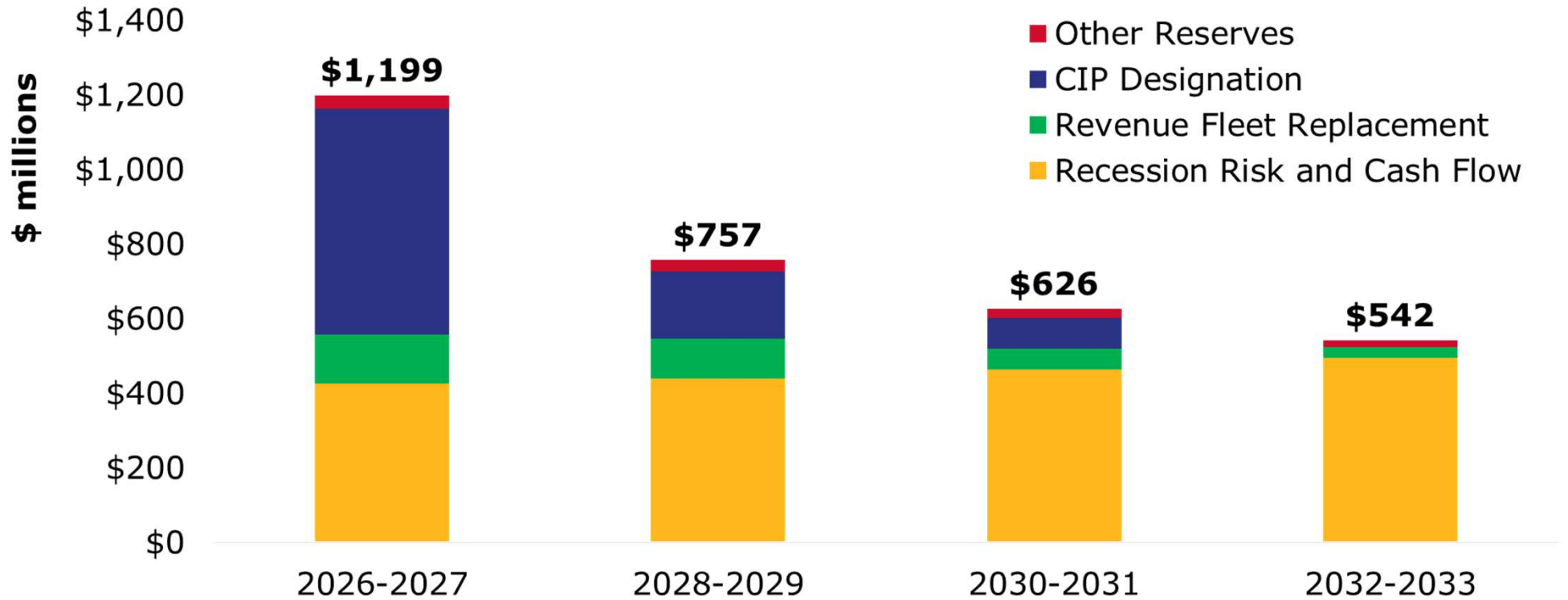
Reserves mandated by Ordinance 19863

- Recession, Risk, and Cash Flow Reserves
 - Maintain at levels equivalent to 45% of annual sales tax revenue
- Revenue Fleet Replacement Reserve
 - Funds a 20-year fleet replacement plan
- Bond Subfund Reserve

Other reserves and designations

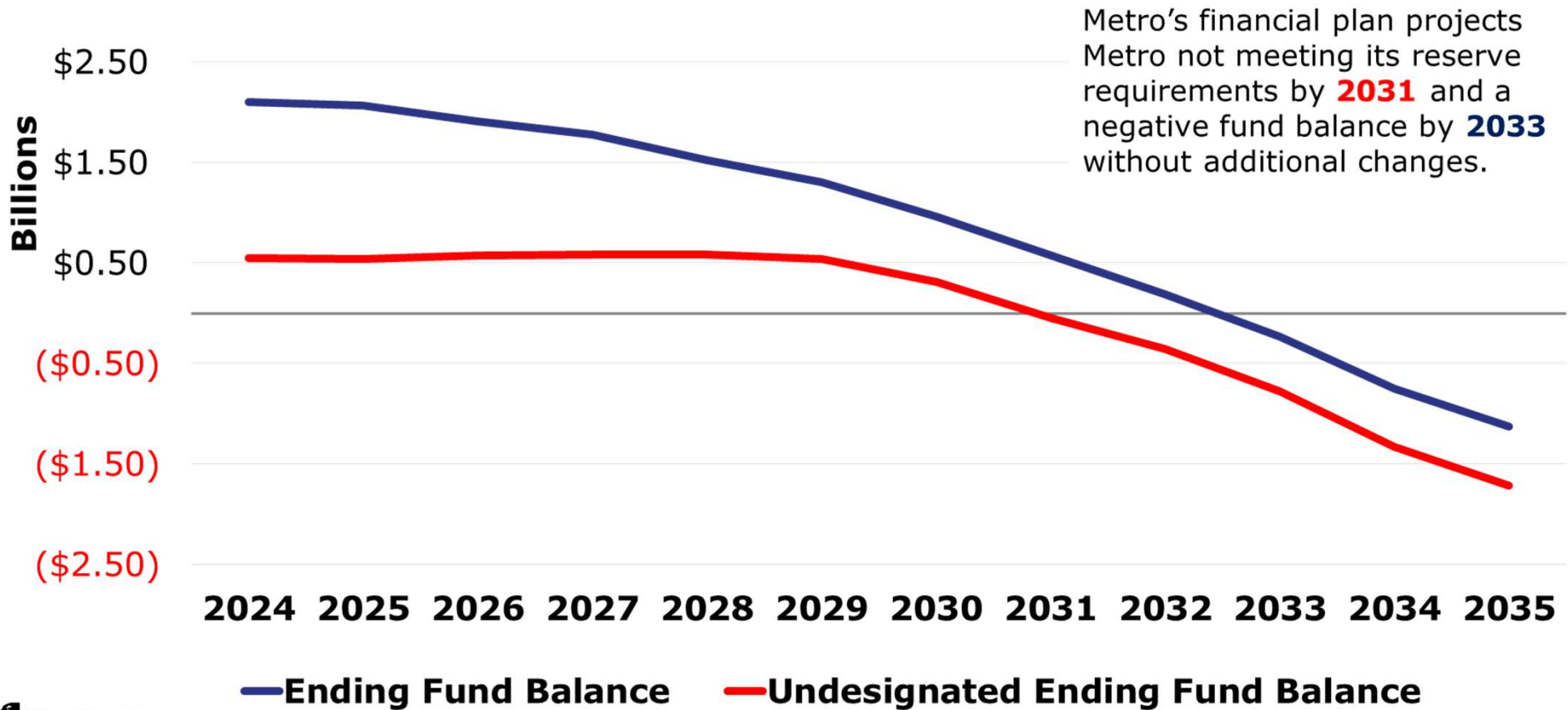
- Guided by Motion 16041 - Comprehensive Financial Management Policies
- Funds designated for projects in six-year Capital Improvement Program (CIP)
- Monitoring restricted revenue sources (Marine Division)

Reserve Requirements, March 16, 2026



The CIP Designation represents funding allocated to Metro’s CIP in prior years. Total reserves are projected to decrease as the CIP Designation is spent on budgeted capital projects.

Financial Plan Projections, March 16, 2026



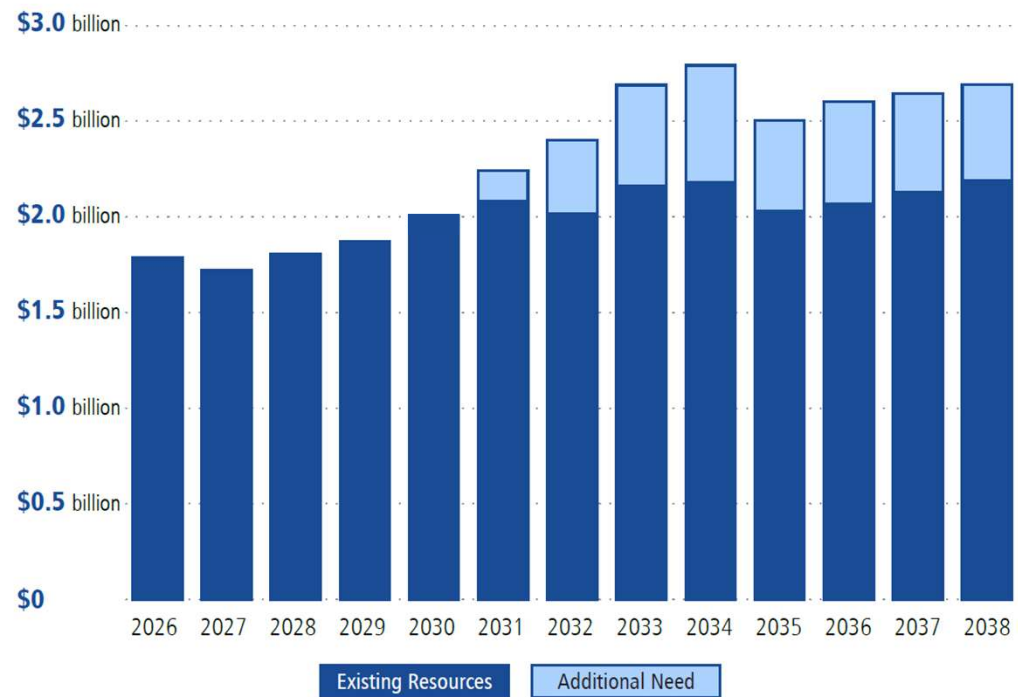
Difficult choices lie ahead for the 2028-2029 budget

Metro will propose additional changes in the 2028-2029 biennial budget

This could mean one or more of the following:

- Further reduction or slow down of capital program:
 - Planned RapidRide
 - Electrification of the next bus base
- Delay or cancel planned service growth
- Future service reductions

Metro will need to continue planning for service and/or other reductions in 2030 and beyond unless there is action for additional funding by 2028.



Description of Metro's funding needs

- Metro worked with riders, community partners, cities, and employers to shape **Metro's Next Stop**, the agency's roadmap to 2038.
- Community helped shape Metro's Next Stop through public meetings, advisory groups, surveys, focus groups, and interviews
- Metro's Equity Cabinet helped identify priorities and guide investments
- Built on existing adopted policies and budget

TOP PRIORITIES IDENTIFIED BY OUR ENGAGEMENT



Adding new bus service that runs more often.

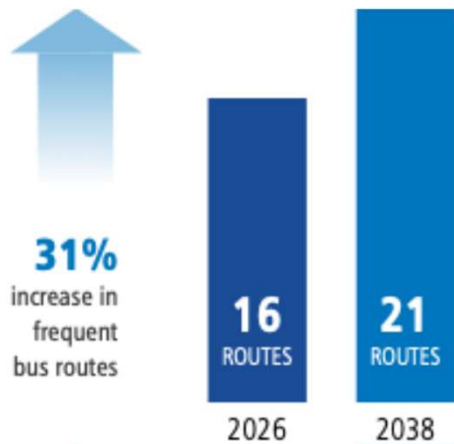
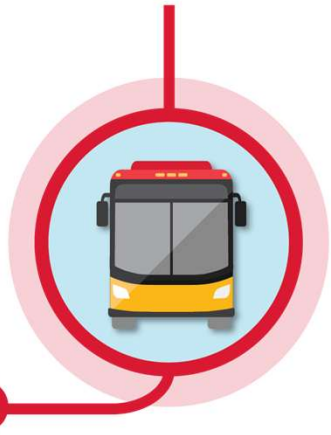


Making trips **faster** and **more reliable**.



Improving safety and **security** on all parts of our system.

Promised service investments and more...



- 9 new bus routes and 4 new RapidRide lines
- 5 more routes running every 15 minutes or better
- 12% overall service increase by 2038
- More midday and weekend service
- Improved transit access, with up to 90% of jobs and 71% of King County residents within a quarter mile of transit.

Description of the possible funding sources



King County Transportation District

Potential revenue
\$\$\$

Options include sales tax, property tax and vehicle license fees



Unlock Flexibility from Existing or New Sources

Potential revenue
\$-\$\$

Working with state legislature on local government funding



More Partnerships

Potential revenue
\$-\$\$

Examples include direct payment for expanded service, alternative capital delivery models

Description of the possible funding sources, continued



More State and Federal Grants

Potential revenue
\$\$

Maintaining and growing state and federal grant revenue for transit



Fares, Fees, and Fines

Potential revenue
\$-\$\$

- Fares continue to be an important revenue source
- King County Code authorizes other fees and fines within certain parameters



Debt Financing

Potential revenue
-

Can fund major infrastructure projects like base electrification and can mitigate spikes in fleet purchases

Next Steps - Transit Funding Needs Report

- Final report is due to the King County Council on September 3, 2026
- Until then, Metro will:
 - Update financial estimates for the July 2026 forecast from the Office of Economic and Financial Analysis
 - Roll-out Metro's Next Stop, a roadmap for what Metro can deliver by 2038 and a financial plan to achieve it
 - Continue to be responsive to King County Transportation District and other requests for information



Closing and questions