

## Proposed Regional Wastewater Contract Provisions Summary – December 14, 2016

The Regional Wastewater Contract Team has reached consensus on 20 different contract issues. Those 20 issues are summarized in the table below. The table identifies what a new contract would include relative to each item and who benefits and how. The Team has not been able to reach consensus on capacity charge, however. After multiple discussions on the capacity charge that did not result in consensus, the Team requested that King County bring forward a proposal for the group to consider. King County has brought back to the group a proposal to keep the capacity charge status quo, plus offer a new local option that would allow a local entity to adjust the capacity charge within their jurisdiction.

Because we are nearing the end of the list of issues to address, the Team would like to get a sense from a larger group of contract agencies how they view the overall set of contract issues, knowing there is consensus on at least 20 issues, but not on capacity charge. And specifically, after seeing the set of issues as a whole, would agencies be inclined to support a new contract or not.

Issue	Goal of Guiding Principle	Existing Contract Provision(s)	New Contract Provisions Summary	Benefit(s) of This Change
<b>Asset Management</b>	The guiding principles are intended to assist in the development and utilization of Asset Management as part of the contract. This seeks to achieve regional benefits through the commonly shared goals of managing infrastructure capital assets in the most cost effective manner while operating and maintaining these assets at acceptable levels of service to improve operational and environmental performance.	None	The new contract would include a definition of asset management and why it's important. The provisions also define the roles and responsibilities of the Board in reviewing and advising on the capital program as well as the operations of the wastewater system, using the principles of Asset Management.	Regional partners benefit by having a stronger role via the new Board to ensure asset management is being used to optimize the region's investments in the capital program and to ensure that operations and maintenance activities are being conducted using asset management principles.

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<b>Audit</b>	Provides guidance on when and what would be audited by King County (audit of agencies). Provides guidance on when and what would be audited by Agencies (audit of King County).	The agencies have obligations under the provisions of Section 5 to provide specific data in support of billing. There is no language related to what happens with the information. KC WTD has to maintain permanent records.	<p>Audit of Agencies: Provisions for WTD record retention and content of audit applied to agencies, with a limitation that an audit will not drive the creation of new reports or data.</p> <p>Audit of WTD: Board may elect to contract for an audit no more frequently than once every 2 years regarding contract compliance issues, with the Board selecting and approving focus areas for the audit.</p>	Agencies benefit from transparency, consistency on what is being audited, and parameters around data that is requested as part of an audit. King County has reduced recordkeeping. King County benefits from getting explicit authority to conduct audits of local agencies. Contract agencies benefit from increased accountability of contract compliance by King County.
<b>Billing Methodology</b>	Consistency and transparency in the reporting of sewer consumption by the local sewer agencies. Board has input on billing methodology.	Provides many details for what, how, and when data will be submitted.	Revises a portion of the existing language related to submittal of data. Board can advise WTD on options for incorporating actual RCE data compared to the current method of rolling average, in addition to alternative reporting methodologies such as winter-summer averaging and school provisions.	Allows both the County and Agencies to adapt to changes in technology and reporting requirements.
<b>Capacity Charge</b>		Existing contract provides authority for King County to impose a capacity charge and specifies the revenues must be used for growth-related costs and debt service.	King County is proposing to keep the capacity charge status quo, plus offer a local option that would allow a local entity to adjust the capacity charge within their own jurisdiction.	

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<b>Capital Projects</b>	Capital program development, planning and projects shall be conducted with adequate opportunities for review and input by contract agencies in order to provide transparency and accountability in planning, policy setting and alternatives analysis.	None	Terms would define Board roles and identify specific points for Board input. For example, for long-range strategic planning documents, the Board will advise on assumptions and recommend to the Executive preferred alternatives or a project list. For large capital projects, the Board will recommend to the Executive additional alternatives and/or analyses of alternatives. For recycled water, the Board may evaluate the impact on water utilities as well as funding splits and pricing, as appropriate. Significant community impacts or other regional implications may influence what projects are considered by the Board.	Contract agencies receive certainty of input to King County's capital improvement program. King County receives a clear process for stakeholder input.
<b>Contract Amendments</b>	Provide language in the new contract establishing a clear and specific process by which contracts could be amended.	None	Proposed to use 90% of RCEs and 90% of contract agencies to amend the contract, along with an 18 month non-response clause.	Provides a definitive process for amending contracts recognizing their long term nature and the likelihood modifications may be required with the passage of time.
<b>Contracting Out WTD Operational Services</b>	WTD will be transparent with contract agencies when considering the contracting out of work currently performed within the Division. Regional partners will participate in the decision making process considering all options and identify potential impacts	None	Defines factors to be considered and the Boards role in making recommendation to the Division on this issue.	All parties will benefit from the transparency provided when WTD is considering modifications to existing practices.

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Issue	Goal of Guiding Principle	Existing Contract Provision(s)	New Contract Provisions Summary	Benefit(s) of This Change
<b>Conveyance Wheeling</b>	Provide guidance when local facilities may be beneficial to use for the region. These principles are intended to address conveyance only.	None	<p>The new Contract would include the following Board considerations: The local agency must have the ability to provide a reasonable level of service, maintain and operate the system, and meet the capacity needs both current and future. The local agency’s wheeling service combined with the deferred facility construction.</p> <p>The agreement between WTD and the local agency will include a consistent methodology that ensures the use of wheeling will be cost effective for the local jurisdiction and the regional system. The Board will advise WTD on final agreement.</p>	The new contract promotes what is best for the region. This would allow the local agency to utilize unused capacity in its system and it will benefit the region by not having to pay to build a new system. This would result in stabilizing the rates for the region as well as for the local agency. If the goals are met, a wheeling agreement can be initiated.
<b>Financial Emergency Contract Amendments</b>	Amends the basic contract language to recover unforeseen costs in the event of an extraordinary financial emergency. (e.g. 2001 Energy Market Deregulation/Enron, 2009 Municipal Bond Market Crash)	None	The provision requires the KC Executive declare the existence of a financial emergency and a two thirds vote of the KC Council affirming such an emergency exists. Additional charges could then be levied against contract agencies the first day of the fourth month following the declaration of a financial emergency. The charges would terminate in twelve months or be incorporated into the next rate cycle.	Provides clear contract language defining how costs would be recovered and rates adjusted in order to deal with an unforeseen financial emergency.

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Issue	Goal of Guiding Principle	Existing Contract Provision(s)	New Contract Provisions Summary	Benefit(s) of This Change
<b>Governance</b>	<p>Develop a governance structure that establishes more of a partnership approach between King County and component agencies on wastewater issues. The new Operating Board structure is intended to: provide a stronger voice for contract agencies; provide more clarity and transparency, including clearly defined roles on specific issues; create a more efficient way for the County to engage, consult with and partner with contract agencies; and create a mechanism for flexibility to deal collaboratively and transparently with future unplanned or unexpected issues.</p>	None	<p>Establishes a new Operating Board and commits jurisdictions to work together on state legislation that would enable the Operating Board to replace MWPAAC. Operating Board roles would be clearly defined and specific roles articulated for each issue. No change to Regional Water Quality Committee (RWQC) and its focus on policy issues. New contract would also specify how Operating Board members are selected and how voting occurs.</p>	<p>Contract Agencies benefit by having more clarity and transparency in the governance process, and have a stronger voice in how King County operates the County wastewater treatment system. King County benefits by having a clearer and more efficient process for engaging with customers and contract agency partners. Both Contract Agencies and King County benefit from a more partnership oriented approach.</p>
<b>Industrial Waste</b>	<p>King County will manage and update the KCIW program periodically to ensure cost recovery. Local agencies are responsible for providing timely information to King County on industrial users, including construction dewatering. This includes changes to volumes and concentrations for industrial waste customers.</p>	Additional charge can be applied to sewage requiring additional treatment.	Every 5 years, Board reviews and approves fee calculation methodology. Board may advise on issues related to industrial users that impact cost or performance of WTD facilities.	King County benefits from having a structured process. Agencies benefit from equitable allocation of costs between industrial and residential customers.

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Issue	Goal of Guiding Principle	Existing Contract Provision(s)	New Contract Provisions Summary	Benefit(s) of This Change
<p><b>Infiltration and Inflow</b></p>	<p>Partner to reduce the impacts from infiltration and inflow into the sewer system.</p>	<p>Existing contract has a specific provision that I&amp;I be limited to 1100 gallon per acre per day for all systems discharging to the King County System. The contract also has a provision that the County can impose a penalty for agencies that exceed this threshold. However, there is also a provision that exempts the volume of I&amp;I for any local agencies facilities installed prior to 1961.</p>	<p>The intent of the new contract language would be to create a system that encourages all contract agencies to work in partnership with King County to reduce I&amp;I overall in the system both through capital improvements (both King County and Local Agencies) as well as through increased attention to new installations, and an evaluation of how private systems are improved.</p>	<p>Both the local Agencies and King County benefit from this change through a process that has both groups work in partnership to reduce I&amp;I both cost effectively and equally across the entire service area.</p>
<p><b>Innovation (Future Scenarios: Innovation and Emerging Technologies)</b></p>	<p>Take advantage of future opportunities and emerging technologies in ways that maintain the financial and operational integrity of the regional system, weighing the short and long term costs and benefits to the region as a whole.</p>	<p>None</p>	<p>When considering a significant investment in building, maintaining, replacing or expanding a facility, explore the availability of new, alternative technologies and system options. In addition, new business models and partnerships should be evaluated. Innovative/emerging technology projects will go through capital improvement project process just as other projects do.</p>	<p>King County and contract agencies benefit from the opportunity to consider innovative alternatives that could benefit the region as a whole.</p>

## Proposed Regional Wastewater Contract Provisions Summary – December 14, 2016

Issue	Goal of Guiding Principle	Existing Contract Provision(s)	New Contract Provisions Summary	Benefit(s) of This Change
<p><b>Local vs. Regional Wastewater Facility Ownership</b></p>	<p>The guiding principles are intended to govern the transfer of facilities between WTD and local agencies, and to establish the role of the Board in such transfers.</p>	<p>Requirement for a 1000 minimum acre basin to be transferred to the County (in Definition section of contract).</p>	<p>New contract provisions include:</p> <ul style="list-style-type: none"> <li>• Definition of a regional facility</li> <li>• Stipulation that transfer of regional facilities, between WTD and local agencies are voluntary</li> <li>• Language about the role of the Board in transfer decisions, including what the Board should consider in evaluating and deciding upon such transfers</li> <li>• Description of the option for facility decommissioning for those facilities that no longer meet the definition of a regional facility (if a local agency does not agree to accept the facility).</li> </ul>	<p>The regional partners benefit from greater clarity about the transfer of facilities between WTD and local agencies. Involvement of board helps protect regional interests.</p>
<p><b>Rate Setting</b></p>	<p>Provide guidance on what will be included in rate setting and the process for Board involvement on rate proposal development.</p>	<p>Existing contract requires the rate to be set prior to July 1 each year and to include certain elements.</p>	<p>Board establishes process for rate review that allows review of supporting information as well as the rate proposal itself.</p> <p>Rate methodology will be specified in the contract.</p> <p>A regular true-up process for the capacity charge will be established once the capacity charge issue is settled.</p>	<p>Provide certainty and ensure transparency on rate setting.</p>

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<p><b>Recycled Water</b></p>	<p>Recognizes beneficial use of recycled water and identifies principles and process for consideration of recycled water.</p>	<p>None</p>	<p>Consideration of recycled water must be done in a transparent, collaborative and efficient process using specified factors for analysis, and allocating costs based on guidance provided, such as being based on full cost and allocated in proportion to benefits received. Provisions also include addressing concerns of retail and wholesale water utilities.</p> <p>Establishes Board role and management process in decisions about recycled water. Provisions provide Board engagement on alternatives, what is included in the analysis to show overall net benefits, and ensuring that consideration of the project meets the recycled water guiding principles.</p>	<p>Contract agencies and King County benefit by having a collaborative approach and specificity on how recycled water planning is conducted, and costs are allocated.</p>
<p><b>Regulatory Requirements and Legislation</b></p>	<p>Future obligations placed on WTD by regulatory agencies have the potential of having major impacts on how the facilities operate, the type of facilities, and the cost of the facilities. The Board shall take a proactive, advisory role when the new requirements are being drafted and take every opportunity to provide their input as to how the new requirements are drafted as well as implemented.</p>	<p>None</p>	<p>The Board will take an advisory role in two areas:</p> <ol style="list-style-type: none"> <li>1. Proposed, new or enhanced regulatory or legislative actions that impact our local or regional systems.</li> <li>2. The acquisition or renewing of permits and their requirements.</li> </ol>	<p>The new contract promotes what is best for the region in response to new and existing regulatory requirements.</p>

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<b>Residential Customer Equivalent (RCE)</b>	Develop contract language to provide a means for the RCE to be evaluated for change/update through a contract revision.	Existing contract provides for an RCE equivalent of 750 CF.	New contract provision would initiate, within 3 years of signing the new contract, the opportunity for a subcommittee of the Board to evaluate potential changes in methodology that may result in a revised RCE equivalent through a contract change.	Provides ability for the updated contract to be implemented in a timely manner while still addressing interest for evaluation of current RCE number and method.
<b>Service Area Expansion and Contraction</b>	Establish terms and conditions for any proposed expansion or contraction to the KC WTD service area.	No guidance for financial transaction in the event of expansion. All flows must go to the KC WTD regional treatment facilities. Does not allow for discontinuing wastewater flows to treatment facility.	Provides a new mechanism allowing contract agencies to reduce area served by regional treatment facilities and specific provisions to ensure all costs of expansion or contraction are accounted for as part of the transaction to protect the interests and investment of KC and the contract agencies. The board will have the role of approving adjustments to what is included in local jurisdiction benefits or costs associated with the addition of new service territory.	KC WTD- provides certainty of how costs are considered and prevents WTD from having to take on inappropriate expenses. Contract agencies- greater flexibility for local jurisdiction to add or remove service from regional system.
<b>Strategic Financing</b>	Provides a role for the Operating Board to review changes in financial policies.	None	Board will review and provide input on financial policies when specific conditions exist, but no less than every five years.	Contract agencies benefit from having a voice in financial strategies. KC WTD benefits from having the confidence of the contract agencies in how KC manages ratepayer dollars.

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Issue	Goal of Guiding Principle	Existing Contract Provision(s)	New Contract Provisions Summary	Benefit(s) of This Change
<p><b>Water Works</b></p>	<p>Development and ongoing management of the Water Works program shall be performed in a spirit and manner of true partnership between King County and MWWPAC agencies, so that the program provides benefit to all partners in the region and there is an assurance of value to the rate payers.</p> <p>The program shall include strong elements of community education and wastewater customer engagement. The goal is to create a water quality benefit to wastewater service area rate payers.</p>	<p>Currently not included in the contract.</p>	<p>The new contract will provide clarity and certainty regarding key elements of the Water Works (formerly Our Waters) Program and ensure consistency between the contract and King County code. Elements would include:</p> <ul style="list-style-type: none"> <li>• Program drivers and guidelines</li> <li>• Funding amounts and how they are derived</li> <li>• A fair and equitable process for project selection (that includes initial selection criteria in the contract and has a mechanism for how the criteria is revised by the Governance Board)</li> <li>• Program management process that provides regional representatives with a voice and that provides transparency and accountability for use of ratepayer funds.</li> </ul>	<p>WTD and the regional partners benefit because the new contract will provide clarity and certainty regarding key elements of the Water Works Program and ensure consistency between the contract and King County code.</p>

# **Completed to Date Guiding Principles Directory**

## **Regional Waste Water Treatment Agreement Negotiations – 12/14/16**

1. Asset Management Guiding Principles
2. Audit Guiding Principles for Contract
3. Billing Methodology
4. Capital Projects
5. Contract Amendments: Previously Proposed Contract Language
6. Contracting Out WTD Operational Services
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## **Guiding Principles for Asset Management Tentatively Approved 12/18/15**

### **Background and Definition**

Asset management for WTD is defined as delivering waste water service to customers' requirements (level of service) at the lowest life cycle cost. Lowest life cycle cost is achieved through managing infrastructure assets to maximize useful life through the best approaches for rehabilitating, repairing, and replacing assets.

WTD works through five components in the Asset Management Program:

1. Asset inventory and condition assessment –the current state of our Assets (ownership, location, remaining useful life, value)
2. Level of service – quality, quantity, reliability and environmental standards based on stakeholder needs, regulatory requirements, performance criteria, and resiliency including assessment of costs and risks.
3. Asset Criticality- prioritization and actions based on operational risks and provides maintenance at the most appropriate level of readiness.
4. Life-cycle cost- the lowest cost options that provide the appropriate level of service over time. This is a data-intensive, data-driven process that results in optimal balance of cost and performance through assessing preventative/predictive/corrective maintenance, run-to-failure, and replacement strategies.
- 5 Financial forecasting –the full economic costs and revenues prescribes long-term capital funding strategies.

### **Principles:**

The following principles are intended to assist in the development and utilization of Asset Management as part of the contract. This seeks to achieve regional benefits through the commonly shared goals of managing infrastructure capital assets in the most cost effective manner while operating and maintaining these assets at acceptable levels of service to improve operational and environmental performance.

- Asset management is important to WTD and the region for keeping assets productive; making investment decisions to optimize financial resources; addressing aging waste water infrastructure components; and providing data to support financial needs.
- Asset management requires the support and involvement of WTD's regional partners through the work of the Operating Board in its work reviewing and

advising on the capital program (see Capital Project Guiding Principles) as well as the operations of the waste water system.

**Role of the Board:**

- Review information and updates on WTD condition assessments;
- Review, advise and recommend changes to existing or proposed levels of service.
- Advise and recommend on project prioritization, design, and implementation based on asset management principles for the projects to be reviewed by the board in accordance with the capital projects guidelines;
- Review and advise regarding financial forecasting through the rate process (should cover this under the board's role in "rate-setting/finance" section).

DRAFT - 12/14/16

## **Audit Guiding Principles for Contract - Tentatively Approved 5/6/16**

1. Audit of individual agencies
  - a. Equitable – perform the same level of audit across all local agencies and WTD.
    - i. Apply the same level of scrutiny to each audit.
    - ii. Select a focus area every three years and audit each agency on that topic.
  - b. Focus on consistency and quality of data – ensure all agencies using same methodology for reporting sewer consumption in the quarterly sewage reports, and new connections for purposes of the capacity charge.
  - c. Agencies to retain reporting data for six years or the Washington State records retention requirements, whichever is greater.
  - d. Audit will not drive the creation of new reports or data.
  - e. Agencies will supply sufficient information to show that the local agency complies with the terms of the contract.
  - f. Agencies to supply timely information (e.g., side sewer permits) to support the reporting of new connections.
  - g. WTD to maintain a current and continuing audit archive with data collected and audit findings.
  - h. Summary of audit findings from all local agency audits will be presented to the Board. Report to include the number of residential customers and RCEs for each local agency and dollars collected from customers.
2. Audit of WTD by Agencies
  - a. In addition to the annual audit of WTD by an independent auditor as required by our bond covenants, the Board may elect to contract for an audit no more frequently than once every 2 years regarding contract compliance issues by an independent third party that is selected by the Board.
  - b. The Board will approve the scope for the audit.
  - c. Cost of the audit will be treated as an operating cost by WTD.
  - d. Audit will consist of existing data or standardized reports. Audit will not drive the creation of new reports or data.
  - e. Audit findings will be presented to the Board.

**PARKING LOT: Revisit audit guiding principles when we have finished the other guiding principles, especially rates.**

## Sewer Rate Billing Methodology Guiding Principles –TA'd 8/12/16, 12/2/16

### *Billing Local Agencies for the Wholesale Sewer Rate*

#### **Proposed Goal for Future:**

1. Consistency and transparency in the reporting of sewer consumption by the local sewer agencies.
2. An agency will have the option to make direct payment as part of the quarterly reporting or an agency can wait to receive an invoice from the county.
3. Billing from King County Industrial Waste that is consistent with the timing of local agencies billing their industrial customers.

#### **Existing Billing Process:**

WTD receives quarterly sewer consumption reports from each of the local agencies. WTD then bills the local sewer agencies on a quarterly basis based on the actual number of single family residences reported during the last quarter and the average number of residential customer equivalents (RCEs) from the last four quarters ending with the next to last preceding quarter. The resulting billing from WTD to the local sewer agencies occurs as follows:

A	B	C	D	E
Quarter	Quarter Ending	Report Due	Consist on Reporting Months	Invoices Generated
1st	3/31	5/10	January, February, March	July, August, September
2nd	6/30	8/10	April, May, June	October, November, December
3rd	9/30	11/10	July, August, September	January, February, March
4th	12/31	2/10	October, November, December	April, May, June

Note: the reports submitted to WTD are based on a four-quarter rolling average for residential customer equivalents.

#### **Adjustments to the Quarterly Sewer Consumption Reports under the Existing Billing Process:**

When submitting quarterly reports to WTD, local agencies may also use “winter-summer averaging”, meaning the average monthly water consumption for a commercial or multi-family property based a four-month period any time from November through May to calculate water consumption for the summer months (June, July, August and September). Some local agencies also utilize an alternate reporting method for schools during the summer months.

1. WTD should ensure a consistent and equitable method across all local sewer agencies for reporting quarterly consumption and WTD billing the wholesale sewer rate to the local agencies.
2. The Board will review and decide the use of alternative reporting methodologies such as winter-summer averaging, schools provision, etc.
3. The Board will decide any changes for reporting procedures for billing, and any changes to the billing process such as incorporating actual commercial consumption data (rolling average) after consultation with WTD Finance.

## Capital Project Guiding Principles, TA'd 6/17/16, 12/2/16

1. Capital program development, capital project planning (both new and replacement), and project delivery work shall be conducted with adequate and appropriate opportunities for review and input by contract agencies in order to provide transparency and accountability in planning, policy setting and alternatives analysis. The level of involvement should be proportionate to the scale of the project.
2. The contract should define the governing body's role for regional capital program planning (see board role matrix for more details)
3. The Board will review RWSP projects, major capital projects (not Project Work Request projects) and other projects that the board selects for review, including those with significant community impacts, regional implications and/or large dollar value. The Board role for projects will vary based on project size and/or scale and will include the following types of involvement:
  - Selection of which projects will go through Board review
  - Provision of alternatives for WTD to analyze
  - Analysis and recommendations on project alternatives, including how alternatives address regulatory requirements
  - Recommendations on a preferred alternative
  - Review, advice and recommendations on project implementation, including design, value engineering, change management, and construction
4. Capital program development will occur in a manner that will ensure appropriate investments for current and future system needs that are in the best interests of the ratepayers and will support the inclusion of innovation to meet objectives for efficiency as outlined in the Guiding Principles for Innovation.
5. All agencies will cooperate to optimize operational effectiveness and capital investments through improved coordination.
6. Apply value engineering principles where appropriate.
7. Apply asset management principles where appropriate as outlined in the Guiding Principles for Asset Management. The Board shall advise and recommend on project prioritization, alternatives analysis and selection, design, and implementation based on these asset management principles for the projects to be reviewed by the board.

8. The agencies will commit to close working relationships to ensure consideration of local impacts from regional projects.
9. WTD and the agencies recognize that the most cost-effective, efficient way to provide regional service may be to enter into an agreement to jointly participate in a project where there are avoided capital, operations and maintenance costs for the regional system.
10. Where a shared or joint capital project, or a local facility, has potential benefit for the regional system the agencies will seek an agreement that results in an equitable cost-share between WTD and the local agency (or agencies) through consideration of factors such as capital costs, operation and maintenance costs, operational efficiencies, and other benefits accruing to each agency.

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**CONTRACT AMENDMENTS - Sewage Disposal Contract Issues #10, #11, #15, #16 - -**  
**Last Review 8/7/15**

**The following amendment changes are proposed to be included in the new contract:**

Section 1. Amendment of Basic Agreement. Section 5.3 of the Basic Agreement is amended by adding the following new subparagraph (d). The additional charge described in this subparagraph 5.3(d) shall not be made until and unless this new subparagraph (d) is included within the sewage disposal agreements of all other Participants.

*“(d) An additional charge may be made to recover **unforeseen costs** to operate and maintain the metropolitan sewerage system or meet debt requirements if the County Executive declares and the County Council by a supermajority vote (two thirds of members) finds that an **emergency** exists and the system cannot be **adequately maintained**, and debt requirements or debt policies met, without such additional charge. The additional charge shall then be effective no earlier than the first day of the fourth month following the emergency declaration described in this subparagraph 3(d) and shall be billed and collected in the same manner as the monthly rate referenced in subparagraph 3(c). The additional charge described in this subparagraph 3(d) may be incorporated into the next rate setting cycle but will otherwise terminate within twelve months of the effective date.” (Agreed to in principle, attorneys will address the highlighted concepts above)*

Section 2. Amendment of Basic Agreement. Section 5.4 of the Basic Agreement is amended by deleting the section and replacing it with the following:

*“4. (a) The County shall impose a charge or charges (hereinafter the capacity charge) directly on the future customers of a Participant for purposes of paying for capacity in Metropolitan Sewerage Facilities. The proceeds of the capacity charge shall be used only for capital expenditures or defeasance of outstanding revenue bonds prior to maturity. The capacity charge shall be set at a level to ensure that, in combination with the monthly sewer rate*

*described in subsection 3 above, 95 percent of the costs incurred to provide the waste water conveyance, treatment, and biosolids capacity to serve new customers are recovered from new customers, to the fullest extent permitted by applicable law.”*

*(b) The (Contract Agency to be named later) shall, at the County’s request, provide such information regarding new*

*Residential Customers and Residential Customer Equivalents as may be reasonable and appropriate for purposes of implementing the capacity charge.” (Parking lot - revisit after capacity charge discussions)*

Section 3. Amendment of Basic Agreement. The Basic Agreement is amended by deleting Section 18 and replacing it with a new Section 18 as follows:

*“Section 18. Amendments. The (Contract Agency to be named later) agrees to amend and hereby concurs in any amendment to this agreement which incorporates any changes in the terms for sewage disposal and payment therefore as may be proposed by the County and agreed to by at least 90 percent of the Participants and by those Participants that represent, in total, at least 90 percent of the residential customers and residential customer equivalents then served by the Metropolitan Sewerage System.” (Tentatively agreed to 7/24/15)*

Section 4. Amendment of Basic Agreement. The Basic Agreement is amended by adding a new Section 19 as follows:

*“Section 19. Option to Accept Other Amendments. If the Basic Agreements with any other Participants are amended or otherwise modified to include terms, conditions, or provisions not included in the Basic Agreement or this amendment, the (Contract Agency to be named later) shall have the option of incorporating said terms, conditions or provisions into its Basic Agreement. The County shall then expedite and approve any amendments to the Basic Agreement as may be necessary and appropriate for such purpose.” (Tentatively agreed to 7/24/15)*

Section 5. Extension of Basic Agreement. The Agreement for Sewage Disposal between the King County and (Contract Agency to be named later) of \_\_\_\_\_ dated \_\_\_\_\_, as amended, is hereby extended for a period of \_\_\_\_\_ years and shall continue in full force and effect until \_\_\_\_\_. The agreement dated \_\_\_\_\_, as subsequently amended and extended shall constitute the entire Agreement for Sewage Disposal between the parties. (*Parking lot - is it an extension or a new contract?*)

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## **GUIDING PRINCIPLES - TA'd 5/20/16**

### **Contracting Out WTD Operational Services**

When considering the contracting out of work directly or indirectly supporting the operation of WTD facilities a Business Case Evaluation will be prepared and reviewed. The side by side evaluation will fairly compare alternatives against current practices considering a broad array of factors.

#### **Guiding Principles:**

- WTD will be transparent in airing their desire to consider contracting out work currently performed within the Division and will seek Board input from regional partners before proceeding.
- The regional partners shall participate in the decision-making process to ensure full consideration of a range of options and a robust understanding of the impacts of any decision.

Any decision by the Wastewater Treatment Division to procure goods and services from outside sources may profoundly change operational efficiency and effectiveness. Recognizing this potential the Business Case Analysis should considered a broad array of factors including but not limited to:

- WTD staff resources and expertise
- WTD's ability to secure additional FTEs or resources
- Alignment with regional water quality goals and objectives
- Risk allocation and tolerance
- Performance expectations
- Alignment with WTD's vision, mission, values and goals
- Maturity and operability of the technologies proposed
- Required technical staff capabilities and their availability
- Time and schedule constraints
- Labor relations issues
- Small and disadvantaged business participation opportunities
- Alignment with social and environmental initiatives (sustainability, Equity and Social Justice, carbon neutrality)
- Safety compliance and accident prevention record
- Past work performance of similar scope and complexity
- Conformance with State or federal contracting laws and regulations

#### **Role of the Board:**

- The board will recommend on WTD's consideration of contracting versus self-performance to achieve program or operational objectives
- Where no FTE change is required, WTD may, at its discretion, bring forth proposals for the Board's review and advice.

**Conveyance Wheeling Guiding Principles**  
**Tentatively Approved 2/5/16**

There are times when the region may benefit from utilizing the facilities of a local agency to convey sewage in order for the regional system to meet its obligation. These principles are intended to address conveyance only. When wheeling has met the Board's regional definition, and has been determined to be in the best interest of the regional system in lieu of other system improvements, the Board will consider the following when reviewing a wheeling agreement with a local jurisdiction:

- A. The ability of the local agency to meet the regional level of service (LOS);
- B. The ability of the local agency to maintain and operate facilities in a manner that minimizes any disruption of conveyance;
- C. The local agency's financial ability to maintain the system;
- D. The local agency's capacity to meet the regional needs;
- E. The local agency's wheeling service, combined with deferred facility construction, can be provided at a lower cost versus the immediate construction of a regional facility to meet the needs.

The agreement between WTD and the local agency will include a consistent methodology that ensures the use of wheeling will be cost effective for the local jurisdiction and the regional system.

The Board will advise WTD on final agreement.

**Future Scenarios: Innovation and Emerging Technologies**  
**Guiding Principles - MWPAAC Subcommittee revision 6/2/16, TA'd 6/3/16**

We all want an effective and efficient system of conveying and treating the region's waste water. We also want to take advantage of future opportunities and emerging technologies in ways that maintain the financial and operational integrity of the regional system, weighing the short- and long-term costs and benefits for the region as a whole. Examples of future scenarios that bring opportunities and challenges may include system decentralization, eco-districts, zero-discharge systems, innovative raw material extraction, heat recovery, and more. Consider opportunities to conduct studies and pilot programs to further our understanding of technologies and alternative approaches

Therefore, King County and its partner agencies agree to:

1. Encourage innovation and emerging technologies at both the planning and project phases by exploring the availability of new, alternative technologies and improved options for system facilities when facing a significant investment in building, maintaining, replacing, or expanding a facility.
  - a. Undertake a comprehensive evaluation of the new emerging technologies to evaluate operational efficiency, cost savings to our rate payers, and/or a reduction of impacts to the environment
  - b. Ensure that the proposal would result in acceptable risks
  - c. Ensure that the proposal results in a triple bottom line benefit (environmental, social, and financial lifecycle benefits)
2. Evaluate new business models and partnerships to leverage new technologies and innovative approaches
  - a. To improve the waste water conveyance and treatment system
  - b. To enable other beneficial uses, such as heat capture from conveyance pipes
  - c. To respond to new market conditions
  - d. To reduce capital or operational costs to WTD, to regional partner agencies and to our ratepayers
  - e. To create new revenue sources
3. Consider options to change rate structures (both monthly rate and capacity charge) to accommodate future scenarios. This may necessitate new rate categories, new customer classifications, and King County code changes.
4. Any proposed capital project that results from the evaluation of emerging technologies must go through the capital improvement process. See guiding principles for capital projects.

**The Board Role:**

- When brought forward by WTD or the Board, the Board will review and advise on approaches and new opportunities, including consideration of financial and operational implications of the future scenarios and opportunities in evolving markets
- The Board will recommend whether to move forward with new technology or innovation proposals for capital and operational investments (overlaps with the Capital board role)

DRAFT - 12/14/16

## Regional Wastewater Treatment Contract Team

### Guiding Principles King County Industrial Waste Program TENTATIVELY APPROVED - 5/6/16

#### BACKGROUND

- The purpose of the King County Industrial Waste (KCIW) program is to prevent businesses from discharging industrial and non-domestic wastes that can degrade the wastewater treatment process, harm workers, the public and facilities, or impact water quality.
- KCIW program staff work with companies to make sure the wastewater they generate meets specific criteria prior to discharge to the sanitary sewers.
- Since 1969, the KCIW program has required many industries to pretreat wastewater before discharging it into the sewer.
- The purpose of KCIW fees is to recover costs for administering and implementing the program and for the costs associated with the treatment of high strength waste.
- King County Code authorizes the director of WTD to **recalculate and adjust IW fees** on an annual basis.
- King County periodically reviews and modifies the **fee calculation methodology**. King County will review the fee calculation methodology on a five year basis.

#### PRINCIPLES

- King County and contract agencies mutually recognize that agencies have industries that generate industrial and high strength wastes, and we strive to ensure that these wastes are managed in an efficient and effective manner to avoid costs and negative environmental impacts.
- King County will manage fees associated with the KCIW program to ensure cost recovery, thereby creating fair and reasonable cost allocation between residential rate payers and commercial/industrial users in the service area.
- Local agencies shall be responsible for providing current information to King County regarding new industrial users and both short and long term changes in industrial wastewater flows, including construction dewatering and other changes in volume and concentrations.
- Industrial waste generators are currently categorized for purposes of assessment and collection of fees. These categories shall be periodically reviewed to ensure they are reasonable and appropriate and shall be modified if necessary.

- Standardized procedures for operating the program shall be developed, used and periodically assessed to maximum efficiency and effectiveness of the program.

**Role of Board:**

- The board will review and approve the fee calculation methodology at least every 5 years, in concert with King County's calculation methodology review process.
- The board will recommend the implementation process when fees change. For example, the board can consider immediate implementation after a new fee amount is calculated, or provide for step increase (or decreases) when there are substantial changes to the costs to affected industries.
- The board will review and recommend methods and timing of billing for KCIW fees.
- The board may advise on other issues related to industrial users that impact the cost (operating and/or capital) or performance of WTD facilities as a result of regulatory/rule changes and matters related to specific industrial users or classes thereof.

DRAFT - 12/1/16

## TENTATIVELY FINALIZED 5/20/16

### Guiding Principles for Inflow/Infiltration

The following principles are intended to assist in the development of contract language regarding Inflow and Infiltration (I/I) between WTD and the local agencies and the role that a Board would have as part of implementation of the contract language.

1. A typical attribute of underground waste water pipes is the existence of I/I in all portions of the sanitary sewer system, including adjoining connections within the private side sewer portion of businesses and residences, WTD's regional system, and the local agency's collection system. It is also understood that I/I has impacts to both the local and regional systems.
2. Solutions for I/I should address all portions of the system and be evaluated as part of a "one system" perspective:
  - a. Because system studies have shown that the vast majority of I/I (up to 90%) resides within the private portion of the sewer system, WTD and local agencies commit to developing long-term solutions to reduce I/I from the private portion of the system, that may include:
    - i. Code changes
    - ii. Requirement to replace existing, aged side sewers as a condition of reconstruction/significant remodel of an existing residence or business. Inspection and testing of both the structural condition and the water tightness of a side sewer may be allowed to determine need for replacement.
    - iii. Requirement to provide inspection of private side sewers at point of sale of all residential and commercial facilities to ensure structural sufficiency and water tightness of the existing private sewer system associated with that residence or commercial facility.
    - iv. Develop inspection and construction practices and standards to be used by WTD and Contract Agencies for all new construction both of agency owned systems as well as private portions of the system.
  - b. Program/rate incentives/grant funding programs may include:
    - i. Developing a "Private Side Sewer Repair Program" outside of point of sale that includes incentives for property owners to repair/replace their aged side sewer.

- ii. Leverage WTD/Contract Agency ability to partner to obtain grant funding for such programs.
  - c. I/I removal within the local and regional systems may include the following types of improvements:
    - i. Relining/rehabilitation/replacement of existing main lines.
    - ii. Manhole rehabilitation including improvements to prevent both infiltration from groundwater as well as inflow through the lid.
    - iii. Grouting of manholes and main lines.
  - d. All WTD CSI projects should be evaluated to determine if I/I project work could result in a cost effective project. Once the appropriate analysis is completed and cost effectiveness is determined, the I/I project should proceed.
- 3. The solution for I/I must be cost effective to the region before using regional dollars. Cost effectiveness can be achieved when local agencies participate in a regional project that then provides for a cost effective project.
- 4. When a local agency performs I/I work that benefits the regional system, participation by WTD up to the level of the region's benefit would be anticipated.
- 5. The I/I program needs to be developed in a way that its implementation will not result in local agencies deciding not to invest in their local I/I programs, waiting for the regional program to solve their issues.
- 6. Flow forecasting, especially the I/I element, needs to be reviewed periodically to ensure that there is a validation of forecast numbers through actual flow monitoring. Assumptions made shall be adjusted as we continue to add additional data to our forecasting.
- 7. As part of development of I/I projects, adverse impacts that may result from the implementation of the I/I project, i.e., storm drainage, shall be addressed and mitigated as part of the project. Costs associated with this mitigation must be included in the determination of cost effectiveness.
- 8. In order to assist the regional effort in determining cost effectiveness for I/I, WTD shall perform flow monitoring down to the mini basin level every other decade as part of their decennial flow monitoring to establish baseline I/I levels and to determine high I/I levels throughout the service area. A mini basin is defined as a service area of approximately 20,000 lineal feet of sewer mains.
- 9. An I/I Reduction Program will be developed with the intent to provide funding for long-term removal of I/I in the regional system. The Board will determine as

part of capital improvement program which projects provide the best overall benefit to the region.

### **Role of the Board:**

1. The Board shall review and make recommendations to the Executive on I/I regional programs that will benefit the regional system as a whole. The Board will review all WTD Capital Projects proposed to resolve capacity issues through I/I reduction for both cost effectiveness and for validation of capacity reduction through I/I.
2. Board shall review and recommend requests by Local Agencies asking for WTD participation for regional benefits in their local I/I removal project to verify level of benefit to regional system.
3. Board shall participate in the development and review of flow forecasting on a regular basis to update flow information as new data can be used to improve forecasting.
4. Board shall adopt best management practices for sewer construction to guide WTD and Local Agencies.

**TENTATIVELY FINALIZED 6/26/15**  
**Guiding Principles for**  
**Local vs. Regional Waste Water Facility Ownership**

The following principles are intended to govern the transfer of facilities between WTD and local agencies, and to establish the role of the Board in such transfers.

1. A facility is defined as a regional facility if it meets the following criteria:
  - a. At the point of connection to the local system, the facility serves a basin of 1000 acres or more, or
  - b. At the point of connection to the local system the facility serves a basin of less than 1000 acres, AND the Board decides the facility is regional by other criteria (such as flow/volume, size of pipe, # connections, geographic features, # agencies served).
2. Transfers from local agencies to the regional system are voluntary, meaning a local agency may opt to retain ownership of facilities that meet the regional definition. Likewise, transfers from WTD to a local agency for facilities that no longer meet the regional definition are voluntary, meaning WTD may opt to retain ownership of these facilities.
3. Approval by the Board shall be required on financial agreements between a local agency and WTD, when a local agency desires financial contribution by the County for design, construction or operation of a facility that is built and owned by the local agency and that meets the definition of a regional facility.
4. Approval of the Board shall be required for the transfer of facilities between WTD and local agencies. Such transfers can be either when a Local Agency desires WTD acquire ownership of a facility that meets the regional definition OR when WTD desires that a Local Agency acquire ownership of a facility that no longer meets a regional definition. In the case of a facility transfer from WTD to a local agency, mutual agreement of the transfer between WTD and the local agency is required. In the case of a facility transfer from a local agency to WTD, WTD is required to accept the facility upon Board approval.
  - a. Facility Transfer Assessment: The Board shall assess the conditions of the proposed facility transfer, using the guidelines for evaluation of capital projects contained in the “Capital Projects Guiding Principles”. This assessment shall be used by the Board to determine whether the facility transfer is acceptable from a

regional perspective and therefore whether the receiving agency shall accept the facility and if so under what conditions. These conditions shall include an appropriate reimbursement amount, if applicable, and this amount shall be based on the value and cost to the receiving agency. The Board will consider upgrade costs to the receiving agency's standards and/or the cost of operating the facility to meet the receiving agency's needs. The following factors shall be used in this evaluation:

- Facility age (remaining useful life);
- Level of past asset management (O&M) over the life of asset to date;
- Capacity to serve, including future growth,
- Design issues
- Operational impacts
- Financial impacts
- Any previous payment for the facility by the region if being transferred from local facility to regional facility, and
- Other elements deemed appropriate for consideration by the Board.

Requirement for an agreement: The terms of a facility transfer shall be formalized in an agreement, developed by WTD and the local agency. This agreement shall be reviewed and approved by the Board prior to Board approval of the transfer.

- b. Option for facility decommissioning by WTD: If a regional facility is proposed by WTD for transfer to a local agency and there is not mutual agreement to this transfer, then the Board will evaluate whether the proposed terms of the transfer are reasonable, using the guidelines for evaluating capital projects contained in the "Capital Projects Guiding Principles". If the Board decides that the proposed terms for transfer of the facility are reasonable and the local agency disagrees with the transfer, WTD may exercise the option of decommissioning the facility no longer needed for the regional system with two years notice to the local agency.

**GUIDING PRINCIPLES**  
**Regional Waste Water Treatment Agreement Negotiations**  
**TA'd April 18, 2014**

**PURPOSE:** The purpose of these Guiding Principles is to lay a foundation for a new, long-term regional waste water treatment agreement and to develop strong, highly constructive and long-lasting working partnerships between King County and waste water contract agencies. These Guiding Principles work in concert and context together. They are not meant to stand alone, nor does one principle take priority over another. We, the regional partners will:

1. Develop contract language that is clear so that both the intent and meaning are understood by all parties.
2. Develop a contract that supports a stronger, more transparent partnership that fosters openness, timely review and participation in decision making, and clarity of roles and processes.
3. Recognize that we strive to be good environmental stewards and protect environmental quality and public health.
4. Be accountable to our ratepayers and be good financial stewards by providing regional waste water services, practices, operations, financing, and capital investments in a cost-effective manner for current and future ratepayers.
5. Strive to meet regulatory compliance.
6. Endeavor to meet level of service expectations of customers.
7. Recognize the constraints and obligations of one another's regulatory framework, consent decrees, permits, and agency needs.
8. Understand that there is an interrelationship between our respective systems and agencies and that all parties will work to optimize operational effectiveness and investments through improved coordination to reduce costs and better serve ratepayers.
9. Seek to understand each other's issues and work proactively and collaboratively to maximize benefits and avoid or address adverse impacts to the operation of our respective systems.
10. Provide for certainty and build in capacity to be flexible for future and unforeseen needs and opportunities.
11. Develop a contract that is viewed as fair by all the regional partners.

## Operating Board Guiding Principles – Draft Revised 5-31-16

Develop a governance structure that establishes and formalizes a partnership between King county and component agencies to address regional waste water issues. To achieve this, the following interests are offered to guide discussion about contract terms for a new model for providing input and regional decisions on waste water treatment services.

### A. Interests in new governance structure

1. Establish partnership between King County and contract holders for guiding regional regulatory and financial decisions related to our regional waste water treatment system.
2. Provide a formal voice for contract agencies.
3. Increase DNRP efficiency for consulting with contract agencies.
4. Recognize that DNRP and contract holders share the same goals of protecting public health and environmental quality, and assuring regulatory compliance.
5. Achieve the most cost effective solutions for all rate payers.
6. Provide a structure that enables each contract agency to be represented through a manageable (fewer) number of voting members.
7. Clearly define roles for DNRP and contract agencies in planning, establishing policies, deciding on the CIP program, determining budget and rates, developing and approving contract amendments, and directing regional operations.
8. Build in mechanisms for flexibility to deal with future unplanned or unexpected issues.
9. Create a structure that achieves the interests above and includes the following features:
  - a. Composition of Board
    - i. The Board would be comprised of King County and Non-King County members. The Board will include 3 King County members and 7 non-King County members—Seattle, plus 3 other cities, plus 3 districts. The rationale for the 7 non-King County members is as follows:
      - a. Seattle is approximately 40% of the RCEs to the regional system. Seattle would get 1 rep, with 40% of the non-County vote.
      - b. Non-Seattle cities comprise approximately 35% of the RCEs to the regional system. The cities would be divided into three groups, each representing approximately 12% of the non-county vote. The table on page 3 illustrates how this would work.
      - c. The districts comprise approximately 25% of the flow to the regional system. The districts would be divided into three groups, each representing approximately 8% of the non-county vote. The table on page 3 illustrates how this would work.
    - ii. RCE percentages would be updated every six years. Any changes would be reflected in the groupings of district and/or non-Seattle Cities, and amount of % vote of each group.
    - iii. How members are selected
      - a. Each subgroup (King County, Seattle, Non-Seattle Cities, Districts) will be responsible for selecting their representatives
      - b. King County will initiate the process by sending a letter to all jurisdictions asking them to vote by group within a certain timeframe
      - c. The agencies within each subgroup shall notify the County of their selection by letter (either one letter or letters from each agency in the group)
      - d. If any of the three non-Seattle City groups, or any of the three District groups fail to elect a representative, the other two non-Seattle City of District groups get to elect an at large representative and alternate for the 3 year term

- iv. Alternate members selection and role
  - a. Alternatives for each member shall be elected at the same time as members, as part of the same process identified in section iii above. Terms for alternates shall coincide with the term of their member.
- v. Terms of members
  - a. Terms are for three years. A member can serve two successive, three-year terms.
  - b. At the onset of the Board, the Board will randomly select 2 of the 6 non Seattle, non-King County members and alternates to have 3 year terms, 2 of the 6 members and alternates to have 2 year terms, and 2 of the 6 members and alternates to have 1 year terms initially. After that, all terms will be 3 years.

B. Administration

1. Voting

- a. King County's vote adds up to 1.0, non-County board member votes add up to 1.0.
- b. No one jurisdiction/voting member plus King County can either stop something everyone else wants or approve something nobody else wants.
- c. All effort and good faith will be put forth to reach agreement on issues.
- d. The Operating Board should rarely end on an issue in disagreement.
- e. In the event that agreement is not reached, both the County position and the non-County position will be articulated, with rationale, and sent to the appropriate decision makers. The intent is to clearly and thoroughly articulate the various positions on the issue to inform the decision maker(s).
- f. Voting is proposed to work as follows:
  - i. Voting by non-county Board members will take place by a weighted majority vote. A weighted majority vote could be any one of these combinations:
    - A. At least 50% of RCEs and at least 1 district and 1 non-Seattle city (small, medium, or large)
    - B. OR any combination of members that represent 60% or more of RCEs
    - C. OR any 50% or more of the RCEs and 5 of 7 votes

2. Operating procedures of Board

- a. The Board will develop a charter, bylaws and procedures for operating
- b. To be determined:
  - i. Role of Chair and how elected
  - ii. Staffing
  - iii. Reporting
  - iv. Review of Board
    - a. Purpose
    - b. Frequency
    - c. Limitations

3. Determine relationship to, or actions to take related to, existing governance structure

- a. MWPAAC
  - i. The Operating Board will replace MCPAAC
  - ii. King County and the contract agencies will partner in developing legislation reflecting this change.
  - iii. King County and the contract agencies will partner in working in Olympia to successfully pass this legislation.
- b. RWQC – Not addressed at this time.

Table 1. Board Composition – 7 member Scenario

**SEATTLE – 1 REP (40% vote)**

Seattle 40.19%

**CITY LARGE – 1 REP (12% vote)**

Bellevue 8.86%

Kent 4.98%

**CITY MEDIUM – 1 REP(12% vote)**

Auburn 4.12%

Redmond 4.12%

Renton 3.95%

**CITY SMALL – 1 REP (12% vote)**

Kirkland 2.06%

Issaquah 1.49%

Mercer Island 1.19%

Tukwila 1.09%

Bothell 0.96%

Lake Forest Park 0.54%

Pacific 0.35%

Brier 0.24%

Algona 0.18%

Black Diamond 0.14%

Carnation 0.12%

**DISTRICT LARGE – 1 REP (8% vote)**

Alderwood 5.9%

Soos Creek 4.83%

**DISTRICT MEDIUM – 1 REP (8% vote)**

Northshore 4.01%

Ronald 2.67%

Valley View 2.0%

**DISTRICT SMALL – 1 REP (8% vote)**

Sammamish Plateau 1.87%

Cedar River 0.73%

Skyway 0.72%

Woodinville 0.68%

NE Sammamish 0.65%

Coal Creek 0.52%

Lakehaven 0.12%

Vashon 0.12%

Muckleshoot 0.05%

Cross Valley 0.04%

Olympic View 0.03%

Highlands 0.01%

**2015 Raw data, arranged from largest to smallest %**

Seattle	40.19%
Bellevue	8.86%
Alderwood	5.9%
Kent	4.98%
Soos Creek	4.83%
Auburn	4.12%
Redmond	4.12%
Northshore	4.01%
Renton	3.95%
Ronald	2.67%
Kirkland	2.06%
Valley View	2.0%
Sammamish Plateau	1.87%
Issaquah	1.49%
Mercer Island	1.19%
Tukwila	1.09%
Bothell	0.96%
Cedar River	0.73%
Skyway	0.72%
Woodinville	0.68%
NE Sammamish	0.65%
Lake Forest Park	0.54%
Coal Creek	0.52%
Pacific	0.35%
Brier	0.24%
Algona	0.18%
Black Diamond	0.14%
Carnation	0.12%
Lakehaven	0.12%
Vashon	0.12%
Muckleshoot	0.05%
Cross Valley	0.04%
Olympic View	0.03%
Highlands	0.01%

## Rate Setting Guiding Principles, TA'd 8/5/16

### Process

1. There will be transparency in King County's rate development such that information is sufficient to support review of the following, included but not limited to:
  - a. Demand
  - b. Flow
  - c. RCE
  - d. Projects and capital costs
  - e. Capital financing
  - f. Changes in system operation and management costs (O&M)
2. WTD and the Board will work together to develop a schedule that allows for inclusive Board review of the rates proposals and their development. This includes the Board, or a committee appointed by the Board, reviewing the rate proposals during the development stage, prior to WTD presenting the rate proposal to the Executive.

### Content

1. To avoid major or protracted disputes over interpretation, the rate methodology will be specified in the contract.
2. Rate assumptions will be consistent with other regional forecasts (e.g. PSRC and regional water) and between units driving capital plans and those used to calculate the rate.
3. There will be a true-up process depending on the resolution of the capacity charge issue.

# Guiding Principles for Recycled Water<sup>1</sup>

## Tentatively Finalized on October 8, 2014

King County WTD and its contract partners support recycled water to be used for addressing environmental or water supply goals, consistent with the following principles and process. These principles are also intended to provide flexibility for possible future scenarios.

- A. When capital or O&M project costs involved waste water ratepayer funding, the following principles apply as well as the principles in Sections B (if impact to purveyor) and C of this document.
  - 1) The process to consider a proposed recycled water project or collection of projects will be transparent, collaborative and efficient;
    - a. There will be opportunity for thorough input and discussion;
    - b. Identification of reasonable alternatives, including “no action,” and subsequent analysis of the costs and benefits of alternatives shall be completed within a reasonable time frame
  - 2) The Board will review recycled water programmatic and project planning to ensure the analysis includes the following:
    - a. The objectives and potential benefits and costs of the project as defined by King County WTD in collaboration with the governance board
    - b. All good faith, reasonable alternatives identified by WTD and others will be considered including those that can be implemented by WTD or by others
    - c. The analysis will include financial, social, and environmental costs, risks and benefits to determine whether projects or programs demonstrate overall net benefits.
  - 3) Decisions to determine cost share allocation of recycled water projects will be guided by the principle that the full cost of constructing, maintaining and operating a recycled water project shall be allocated, to the extent possible, among groups in proportion to the benefits received.
    - a. Waste water ratepayers shall only contribute to recycled water projects to the extent the project benefits the waste water system.
    - b. Costs associated with a project that benefits only one or a subset of contract customers will be allocated to those customers specifically.
- B. In considering recycled water programs and projects that offset current or future demands for potable water, the following principles apply:
  - 1) Where recycled water is proposed for use in lieu of potable water supply WTD will coordinate with affected retail and wholesale water utilities such that their concerns, including stranded costs, are adequately addressed.

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<sup>1</sup> Guiding Principles were previously entitled “Reclaimed Water”

- 2) During the consideration of the recycled water project, the project shall go before the board for its determination of whether it meets the Recycled Water Guiding Principles.
- C. Ensure recycled water planning and projects are incorporated into capital planning and capital projects decision-making matrix.

DRAFT - 12/14/16

**TENTATIVELY FINALIZED 5-15-15**  
**Guiding Principles for Board Role on**  
**Regulatory Requirements and /Legislation**

Future obligations placed on WTD by regulatory agencies have the potential of having major impacts on how the facilities operate, the type of facilities, and the cost of the facilities. As a result of these concerns, the Board will take an advisory role in the following:

- A. Proposed, new or enhanced regulatory or legislative actions that impact our local or regional systems
- B. The acquisition or renewing of permits and their requirements

The Board shall take a proactive, advisory role when the new requirements are being drafted and take every opportunity to provide their input as to how the new requirements are drafted as well as implemented.

This could be implemented by involving a sub-committee of the Board.

## **Guiding Principles for Residential Customer Equivalents (RCE), TA'd 8/12/16, 12/2/16**

The following principles are intended to assist in the development of contract language to allow for evaluating the existing RCE and determining if a new RCE should be implemented by contract revision.

### **History:**

The original RCE adopted as part of the formation of METRO in the early 1960's was 900 CF. This number was lowered to 750 CF in 1990 when Metro and the component agencies entered into a contract amendment. Over the past decade, MWPAAC along with KC WTD have discussed the possibility of reassessing the RCE value. Recent discussions have explored including factors such as BOD, I&I, and combined system flow in determining a possible change to the residential customer equivalent.

Creating a formula and/or method for incorporating the many considerations that could go into defining the RCE would be very complex and will take significant effort and time. As such, in order to move forward on an updated contract it is felt that the best solution would be for the contract to include provision that initiates an evaluation of the RCE equivalent within three years of signing the new contract.

The Board will consider the following:

1. Consider makeup of a subcommittee that, at a minimum, will include KCWTD Staff, and Component Agency Staff from both Cities and Districts to help provide guidance.
2. Study other major treatment system agencies across the country to determine how they calculate an RCE equivalent.
3. Conduct an evaluation that may include, but is not limited to, water consumption, BOD, I&I, combined flows, average single family lot size, and average household size.
4. Any alternative to the current RCE will preserve the single rate structure and uniform RCE conversion factor.
5. If a generally supported alternative is identified by the Board that is different than the current RCE equivalent, it would then go through the process as defined by the newly adopted contract.

# **DRAFT GUIDING PRINCIPLES**

## **Service Area Contraction and Expansion**

**Tentatively Finalized Revised 6/3/16**

KC WTD and its contract partners desire to establish Terms and Conditions for any proposed expansion or contraction to the KC WTD service area. The principles are intended to guide detailed terms and conditions for inclusion in the contract.

### **Definitions:**

Expansion: Any additional RCE count to KC WTD that is associated with a modification to the service area.

Contraction: Any reduction of RCE count to KCWTD that results from a modification to the service area.

### **Goal/Objective**

The goal of these guidelines is to assure that any proposed expansion or contraction to the KC WTD system is done in such a way as to ensure all costs of expansion or contraction are accounted for as part of the transaction and to protect the interests and investment of the partnership that is the King County WTD and the Component/Contract agencies.

The objective of these guidelines is to provide an overview of items to be included in the contract to assure the overall goal is achieved.

Note: Items such as Zero Discharge systems and related uses that utilize new technology will be addressed in the Innovations topic of discussion.

- A. When an existing contract agency or an outside agency requests KC WTD service to areas not in the current KC WTD service area or areas not currently under contract with KC WTD, conditions for such an expansion shall at a minimum include the following:
- 1) Determine if any existing sewer system facilities are to be turned over to WTD as part of the expansion. If so, then criteria developed as part of Local/Regional turnover of a facility shall apply.
  - 2) If the requesting agency is not already under contract or not at current maximum contract, that agency shall agree to and execute current service contract.

- 3) A determination of value to buy in shall be required. A calculation of system equity per RCE shall be developed. Items shall include assumption of debt, operation costs, and participation in capacity charge.
    - a. The new agency, or the existing agency customer with expanded service territory, shall make such payment as is determined necessary to establish, in conjunction with subsequent monthly sewer rate and capacity charge payments, an equitable contribution to the cost of building, operating and maintaining the KC WTD regional system.
    - b. The need for and size of such payment shall be determined based on a comparison of the projected incremental revenues from the new area customers and the incremental costs of serving them over the then-current RWSP planning period.
      - i. The incremental revenues in this comparison will include the projected KC WTD monthly sewer rate revenues and capacity charge payments from the new customers.
      - ii. The incremental costs will include the costs of any expansion or acceleration of the KC WTD capital plan along with the associated increases in operating and maintenance costs of extending service to the new area.
    - c. Where the present value of the incremental system costs exceed the incremental revenues, a "buy-in" contribution will be assessed to the new agency equal to the difference.
    - d. The Board may approve the inclusion of other benefits or costs associated with the addition of the new service territory, which could result in an adjustment to the buy-in contribution.
- B. When an existing contract agency desires to remove either a portion of its current service area or its entire service area from the WTD system, the following minimum conditions shall be met:
- 1) The contract agency shall be solely responsible for all costs associated with disconnecting flows from the KC WTD system and for any improvements needed to facilitate other flows that operate through their system to KCWTD, including system flexibility.
  - 2) Prior to conducting analysis and consideration of disconnecting from the KC WTD system, the contract agency shall demonstrate viability to either discharge to another treatment agency or for their own agency to provide permitted treatment for the flows.
  - 3) The agency shall make payment to KC WTD as is necessary to prevent increases in cost responsibility to the other agencies remaining under contract to KC WTD.

- a. Calculation of that payment shall be determined on a case-specific basis by KC WTD, and shall account for projected lost KC WTD revenue over the remaining contract period associated with the reduction in RCEs due to the agency's departure, offset by credits for the projected avoided KC WTD operating costs and deferred future capital cost associated with the agency's departure.
- b. All projections used for such calculations will be consistent with the most recent KC WTD wastewater services plan and the flow and RCE forecasts underlying that plan.
- c. Consideration shall also be given to the potential impact on KC WTD regarding current and future bonding ability, rating, and standing as it may apply to KC WTD's ability to execute long-term debt and the cost of such long-term debt.

DRAFT - 12/14/15

## Guiding Principles

### Strategic Financing - TENTATIVELY APPROVED 8/7/15

The Board will review financial policies when there are major drivers such as a new or updated major capital plan, change in economic conditions, or changes in financial regulations, but no less than every five years, and recommend updates to financial policies based upon that review.

DRAFT - 12/14/16

**DRAFT GUIDING**  
**WaterWorks**  
**Tentatively Finalized on July 18, 2014**

1. Development and ongoing management of the “WaterWorks” program shall be performed in a spirit and manner of true partnership between King County and MWWPAC agencies, so that the program provides benefit to all partners in the region and there is an assurance of value to the rate payers.
2. The contract will provide clarity, consistency and certainty regarding key elements of the WaterWorks Program, such as:
  - Program drivers and guidelines
  - Funding amounts and how they are derived
  - A fair and equitable process for project selection (that includes initial selection criteria in the contract and has a mechanism for how the criteria is revised by the Governance Board)
  - Program management process that provides regional representatives with a voice and that provides transparency and accountability for use of ratepayer funds.
3. The WaterWorks Program shall include strong elements of:
  - community education
  - waste water customer engagementcreating a water quality benefit to waste water service area and rate payers

**Board Roles Recommended by Regional Waste Water Treatment Agreement Negotiation Team  
Presented to MWPAAC – December 14, 2016**

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|--|--|
| <ol style="list-style-type: none"> <li>1. Asset management</li> <li>2. Audit</li> <li>3. Billing Methodology</li> <li>4. Capital Projects and Planning</li> <li>5. Contracting Out WTD Operational Services</li> <li>6. Conveyance Wheeling</li> <li>7. Future Scenarios: Innovation and Emerging Technology</li> <li>8. Industrial Waste</li> </ol> | <ol style="list-style-type: none"> <li>9. Infiltration and Inflow (I&amp;I)</li> <li>10. Local versus Regional</li> <li>11. Rate Setting</li> <li>12. Recycled Water (see Capital Projects - B.3.b.)</li> <li>13. Regulatory Requirements and Legislation</li> <li>14. Residential Customer Equivalents (RCE)</li> <li>15. Service Area Expansion and Contraction</li> <li>16. Strategic Finance</li> <li>17. Water Works</li> </ol> |
|--|--|

**Board Role Definitions:**

1. **Recommends to Executive:** Board-approved action is forwarded directly to Executive for decision or proposal to Council; voting required.\*
2. **Decides:** For those items that WTD has decision authority on and are identified below, WTD will implement the Board’s decision. The contract will specify which items the Board will be eligible to decide. Voting required.
3. **Advises WTD:** The Board provides guidance to WTD; voting required.
4. **Reviews:** The Board receives information and provides feedback; feedback is optional; no voting needed.

**\*PLACEHOLDER: When board doesn’t reach consensus on an item recommended to Executive, the board shall provide a recommendation package showing both opinions and rationale.**

Board Role Matrix:	1. Recommends to Executive	2. Decides	3. Advises WTD	4. Reviews	5. Set in Contract

<b>Asset Management, TA'd 3/18/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
Review information and updates on WTD condition assessments;				Board	
Review, advise and recommend changes to existing or proposed levels of service.			Board		

<b>Audit, TA'd 5/6/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
Select focus area for agency audits.			Board		
Audit of individual agencies (GPs 3/4/16) Summary of audit findings from all local agency audits will be presented to the Board.				Board	
Audit of WTD by Agencies (GPs 3/4/16) Determine when an audit by an independent third party regarding contract compliance issues will be conducted, no more frequently than once every 2 years.		Board			
Select independent third party for audit of WTD regarding compliance issues.		Board			
Audit of WTD by Agencies (GPs 3/4/16) Approval for the scope for the audit of WTD regarding contract compliance issues.		Board			
Audit of WTD by Agencies (GPs 3/4/16) Audit findings will be presented to the Board.				Board	

<b>Billing Methodology, TA'd 6/17/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD Board</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
1. The Board will review and approve the use of alternative reporting methodologies such as winter-summer averaging, schools provision, etc.			<b>Board</b>		
2. The Board will advise WTD on options for incorporating actual RCE data, as compared to a rolling average, into the billing cycle.			<b>Board</b>		
3. The Board will review and recommend to WTD any changes to the billing processes for wholesale sewer service.				<b>Board</b>	

### **Capital Planning and Projects - TA'd 4/29/16**

<b>A. Strategic Planning (Large, long-range planning documents such as RWSP, CSI, CSO, reclaimed water, I&amp;I, asset management)</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD Board</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
1. Data used to support strategic planning, including planning assumptions (objective, benefits, costs, timing, demand projections) and data collection			<b>Board</b>		
2. Prepare needs assessment				<b>Board</b>	
3. Develop plan alternatives, including potential funding sources and potential joint project opportunities where appropriate			<b>Board</b>		
4. Recommend preferred alternatives and prioritized project list	<b>Board</b>				
5. Prepare plan report and financial plan including cost-share opportunities and/or joint projects, where appropriate	<b>Board</b>				

<b>B. Capital projects – RWSP projects, Major Capital Improvement Projects plus other projects selected by the board</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
1. Select which projects** go through this level of review		<b>Board</b>			
2. Provide alternatives for WTD to analyze in addition to any alternatives proposed by WTD, Executive, or County Council 2a. requires no additional budget 2b. requires additional budget	<b>2b. Board</b>	<b>2a. board</b>			
3. 3. Analysis of alternatives  3a. For joint projects, consideration of equity between agencies in Capital Projects Guiding Principles #10 and 11 dated 1/16/15  3 b. For recycled water projects consideration of impact on retail and wholesale water utilities, determination of funding splits on projects, and pricing where applicable as referenced in Reclaimed Water Guiding Principles #A3 and B, dated 10/8/14 -	<b>3 Board</b>  <b>3a. Board</b>  <b>3b. Board</b>				
4. Selection of preferred alternatives	<b>Board</b>				
5. Design of preferred alternative				<b>Board</b>	
6. Independent value engineering...yes/no?			<b>Board</b>		
7. Implementation (construction phase)				<b>Board</b>	
8. Discussion and potential reconsideration based on changes in cost and scope (change review board)			<b>Board</b>		

\*\*Major capital projects are currently defined as major capital improvement projects as opposed to Project Work Requests (PWR) which are used for small capital projects, generally less than \$1 million. Over time, this \$1 million threshold may change based on WTD's definition of PRWs.

\*\*Major projects are projects over \$1 million and that threshold may change in the future.

\*\*“Other projects” that go through this process could include those that meet one or more of the following criteria:

- Significant community impacts
- Regional implications
- Large dollar value

**C. For small projects, the Board or WTD will identify which projects and which aspects of the project will be reviewed by the board**

Draft 12/14/16

<b>Contracting Out WTD Operational Services, TA'd 5/20/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
The Board will recommend on WTD's consideration of contracting versus self-performance to achieve program or operational objectives.	Board				
Where no FTE change is required, WTD may, at its discretion, bring forth proposals for the Board's review and advice.				Board	

<b>Conveyance Wheeling, TA'd 2/5/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
Wheeling agreement development			Board		

<b>Future Scenarios: Innovation and Emerging Technology – TA'd 2/5/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
When brought forward by WTD or the Board, the Board will review approaches and new opportunities, including consideration of financial and operational implications of the future scenarios and opportunities in evolving markets.				Board	

<b>Industrial Waste - TA'd 5/6/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
Fee calculation methodology		Board			
Fee	Board				
Implementation of new or updated fees, billing strategy, methods, and timing of billing for KCIW fees or policy considerations			Board		
Guidelines for qualifying industries or industry categories and classifications			Board		
Regulatory/rule changes and specific industrial users.				Board	

<b>Infiltration and Inflow, TA'd 5/20/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
Review and determine those I/I regional programs that will benefit the regional system as a whole. The Board will review all WTD Capital Projects proposed to resolve capacity issues through I/I reduction for both cost effectiveness and for validation of capacity reduction through I/I.	Board				
Review and recommend requests by Local Agencies asking for WTD participation for regional benefits in their local I/I removal project to verify level of benefit to regional system.	Board				
Development and review of flow forecasting on a regular basis to update flow information as new data can be used to improve forecasting and support planning.				Board	
Adoption of best management practices for sewer construction to guide WTD and Local Agencies.		Board			

<b>Local versus Regional Waste Water Facility Ownership, TA'd 6/17/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
a. Determine whether facilities meet criteria of regional or local		<b>Board</b>			
b. Approval for financial agreements between a local agency and WTD, when a local agency desires financial contribution by the County for a facility owned by the local agency and that meets the definition of a regional facility (see Guiding Principle #3 – Local vs. Regional Waste Water Facility Ownership)		<b>Board</b>			
c. Approval for transfer of facilities between WTD and a local agency. This includes: <ul style="list-style-type: none"> <li>• Board assessment of facility conditions and other factors (as outlined in Guiding Principle #4 - Local vs. Regional Waste Water Facility Ownership) to determine acceptability of the transfer and appropriate monetary reimbursements, if any.</li> <li>• Board approval of the agreement between WTD and the local agenda, outlining the terms of the facility transfer</li> </ul>		<b>Board</b>			

Draft 2/24/16

<b>Rate Setting, TA'd 8/12/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
Develop elements and a schedule for reviewing rate proposals as they are developed.		<b>Board</b>			
Review assumptions ( e.g. demand, flow, RCE), financial performance, O & M and CIP, and other elements identified by the Board.			<b>Board</b>		
Review rate proposal prior to transmittal to Executive	<b>Board</b>				
Review proposal prior to Council approval	<b>Board</b>				

**Recycled (Reclaimed) Water – See Capital Projects B.3.b**

<b>Regulatory Requirements and Legislative Issues - TA'd 2/5/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
Proposed, new or enhanced regulatory or legislative actions that impact our local or regional systems				Board	
The acquisition or renewing of permits and their requirements			Board		

<b>Residential Customer Equivalents (RCE), TA'd 8/15/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
If a generally supported alternative is identified by the Board that is different than the current RCE equivalent, it would then go through the process as defined by the newly adopted contract.					Set in contract

<b>Service Expansion/Contraction, TA'd, 6/17/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
<b>Service Area Expansion:</b> When an existing contract agency or an outside agency requests KC WTD service to areas not in the current KC WTD service area or areas not currently under contract with KC WTD.			<b>Board</b>		
The Board may approve the inclusion of other benefits or costs associated with the addition of the new service territory, which could result in an adjustment to the buy-in contribution.		<b>Board</b>			

<b>Strategic Financing - TA'd 3/18/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
Updates to financial policies			Board		

<b>WaterWorks, TA'd 3/4/16</b>	<b>1. Recommends to Executive</b>	<b>2. Decides</b>	<b>3. Advises WTD</b>	<b>4. Reviews</b>	<b>5. Set in contract</b>
Define purpose, criteria and process for full program					Set in contract
Scoring guidelines and focus areas for annual grant spending	Board				
Set up-to amount					Set in contract
Surplus					Set in contract