

Exhibit A

Scope of Work for HDR on Source Exchange

Background

The purpose of the Source Exchange Committee (SEC) is to consider relevant issues and to develop strategies to facilitate the substitution of water sources for existing municipal water withdrawals when tributary streams may benefit from a temporary, seasonal, or longer term reduction in water withdrawal. The SEC was provided with a prioritized list of tributaries in the Cedar-Sammamish Basin (WRIA 8) and the Duwamish-Green Basin (WRIA 9) that may benefit from source substitution.

Two water utilities, one each in WRIA 8 and WRIA 9, will be selected with their concurrence, to represent utilities withdrawing water that may impact tributary streams on the priority list. These utilities will assist the consultants by providing information and data on their water management systems. Participation of the utilities to explore the social, environmental, and economic factors related to implementation of a source exchange program does not imply they will implement such a program. These two utilities, when finally selected, will remain anonymous to the public and are to be considered as representative case studies for the purpose of providing examples of the types of issues faced in creating and implementing a source exchange program.

The SEC is examining financial, legal, social, environmental, and managerial issues involved in developing strategies that could be applied to help temporarily or permanently replace existing water supply sources that may affect salmon runs by creating low stream flow situations.

Purpose

The purpose of the consultant's work is to explore the economic issues surrounding source exchange, to explore how source exchange strategies can successfully deal with those issues, and to provide an economic framework that can help in developing a subsequent pilot source exchange project.

More specifically, the consultant will help develop an economic framework (methodology) to evaluate the benefits and costs of a potential source exchange project, identifying which groups would be affected by the project, and analyzing how the project's benefits and costs could be distributed among different interest groups. The framework is intended to be a decision-making tool to inform potential source exchange projects.

Task 1: Literature Search

Purpose:

Learn how other jurisdictions have approached source exchange issues. The search should focus specifically on funding multi-jurisdictional projects and include an examination of alternative funding strategies.

HDR Services:

- 1.1 Literature search: Look nationwide in academic and trade publications for instances of source exchange at the local scale (e.g. within a county or adjacent counties), operating under western water law. Focus on how costs and benefits were determined and distributed, as well as alternative funding strategies. Costs and benefits should include environmental and social as well as financial. Identify funding strategies that could be applied in Task 3.
- 1.2 Contacts: Contact jurisdictions operating under western water law that have considered or preferably undertaken multi-jurisdictional source exchanges. Target no more than five examples, with the objective of finding at least two that have been actually implemented. Gather information on how the jurisdictions determined who benefited and who paid as well as how the costs were distributed. If available from these examples, also collect information on alternative funding strategies.
- 1.3 Describe legal, social, environmental, and managerial issues uncovered in the course of Task 1.1. To the extent permitted by the project budget, include information on how these other issues were addressed in the source exchange examples.

Assumptions:

Contacts will be responsive within the time frame established for this task.

County Responsibilities:

Deliver report to SEC and provide one set of compiled County/SEC comments to HDR within three weeks of report receipt.

Deliverables: A report, per sub-tasks in Task 1, describing the literature search results, contacts with other jurisdictions, and how other jurisdictions have structured funding of the identified examples of multi-jurisdictional projects, including an examination of alternative funding strategies (one draft and one final report).

Local HDR staff will attend a kick-off meeting with the committee.

Task 2: Develop and Apply Cost/Benefit Framework

Purpose:

Develop a cost/benefit analysis framework that can be applied to source exchange projects in King County. Identify and quantify the benefits and costs of up to two representative case studies as identified by the SEC. Benefits and costs should include environmental and social as well as financial considerations.

HDR Services:

- 2.1 Identify types of potential benefits and costs for a range of source exchange projects that are applicable to the water supply conditions of King County. These should include environmental and social as well as financial costs and benefits. Consider costs and benefits from different perspectives (e.g., utility, tribe, ratepayer, environmentalist). Include relevant information gathered in Task 1.
- 2.2 Create an approach that establishes values for costs and benefits, including how to account for and display non-quantifiable or qualitative values.
- 2.3 Meet with the committee to review and enhance the list of benefits and costs from Sub-task 2.1. Review, discuss, and seek buy-off from the committee on the approach developed in Sub-task 2.2.
- 2.4 Work with the one or two participating utilities individually to identify financial, social, and environmental costs and benefits specific to the project case studies. Participating utilities will be requested to provide as much information as possible.
- 2.5 Send the committee a working draft of quantified and non-quantifiable costs and benefits based on Sub-tasks 2.1, 2.2, 2.3, and 2.4 that will be discussed at the meeting in Sub-task 2.6.
- 2.6 Meet with the committee to apply the approach to calculate quantified and non-quantifiable benefits and costs (i.e., environmental and social as well as financial) of case studies, keeping in mind that the purpose is for the committee to understand the approach through the exercise, not to come to any actual decisions on the case study projects. Document differences of opinion and the basis of these differences, where they occur.

Assumptions:

- The framework of the economic analysis is more important than the specific quantified values of costs and benefits calculated for the case studies. Therefore, HDR will focus more on illustrating the method and discussing results and less on identifying highly case-specific cost and impact data.
- Quantified values may be expressed as ranges, rather than single values, to illustrate how uncertainty and variability can be incorporated in the economic analysis framework.
- Not all costs and benefits will be suitable for quantification. Those that cannot be readily quantified will be described in qualitative terms and will receive equal prominence in the report as quantified costs and benefits.

County Responsibilities:

Forward working draft of costs and benefits to SEC prior to the meeting identified under Sub-task 2.6.

Deliverables:

The written deliverable for this Task will be combined with the deliverable described for Task 3.

HDR's lead economist and additional key staff will attend two meetings with the SEC and participate in one conference call under this task. Some sub-tasks from Task 3 will be covered in these meetings and conference call as well.

Task 3: Assess Distribution of Costs and Benefits

Purpose:

Conduct an assessment of how the benefits and costs of a project are distributed among different groups. These groups may include direct beneficiaries, the providing water supply agency, the receiving water supply agency, ratepayers, the county, the region, and society as a whole. This "perspectives analysis" will use the information collected from the two representative case studies identified in Task 2. The purpose is to assist the Committee in determining how funding formulas might be developed for source exchange projects.

Note: the assessment of how benefits and costs are distributed should include consideration of financial, environmental and social benefits and costs.

HDR Services:

- 3.1 Identify perspectives to be considered with the committee.
- 3.2 Define factors or criteria relevant for proposing who should pay for source exchange projects.
- 3.3 Review and discuss the perspectives identified in Sub-tasks 3.1 and the factors or criteria defined in Sub-task 3.2 with the committee at the second meeting conducted under Task 2.
- 3.4 Apply these factors or criteria to define options for distributing the financial costs of source exchange projects. The intent is to provide the SEC with information the committee can use in proposing funding formulas for source exchange projects.
- 3.5 Apply this approach to the same one or two case studies used in Task 2.

3.6 Write up approach and results, both generally and in context of the two case studies.

3.7 Meet with the committee to review and discuss Sub-tasks 3.4 and 3.5 and the draft report.

Assumptions:

Outreach to stakeholder groups outside the SEC will not be required.

County Responsibilities:

Forward report to SEC and provide one set of compiled County/SEC comments to HDR within three weeks of report receipt.

Deliverables:

Provide a report describing the cost/benefit analysis framework at the general (county-wide) level and results from its application to the two case studies per sub-tasks in Tasks 2 and 3 (one draft and one final report).

HDR's lead economist and additional key staff will attend one meeting with the SEC under this Subtask. Some subtasks from Task 3 will be covered in the two meetings and conference call under Task 2.

Task 4: Project Management

Purpose:

Provide for effective management of the project and clear communication between HDR and King County regarding objectives, schedule, expenditures and deliverables.

HDR Services:

The HDR Project Manager will communicate with the King County Project Manager regularly to provide progress reports and manage circumstances that could compromise the project schedule or expected results.

Internal management of HDR staff, including project meetings.

Assumptions:

Project management activities, and associated costs, are budgeted only for the duration of the schedule as defined at the initial contracting stage.

County Responsibilities:

Communicate to HDR Project Manager any circumstances that may affect information provided or ability to meet the planned schedule.

Schedule and arrange all SEC meetings and manage communications with the SEC.

Deliverables:

Monthly brief progress reports.

Activity	Month/Week (2007)																																							
	April				May				June				July				August				Sept.				Oct.				Nov.				Dec.							
Contracting	█																																							
Project Startup					█																																			
Task 1: Literature Search					M																																			
Meet with Committee to Launch Project					█																																			
1.1 Literature Search					█																																			
1.2 Contacts					█																																			
1.3 Other Issues from Contacts					█																																			
Task 1 Report (draft & final)					D																																			
Task 2: Cost/Benefit Framework																																								
2.1 Identify Costs & Benefits					█																																			
2.2 Create Valuation Approach					█																																			
2.3 Meet Committee to Discuss Approach					M																																			
2.4 Work with Case Study Utilities																																								
2.5 Prepare Draft Cost/Benefit Values for Case Studies ¹																																								
2.6 Workshop Applying Framework to Case Studies																																								
Task 3: Assess Distribution of Costs and Benefits																																								
3.1 Identify Perspectives																																								
3.2 Define Factors/Criteria																																								
3.3 Meet with Committee ²																																								
3.4 Define Options for Distributing Costs																																								
3.5 Apply Distribution Approach to Case Studies																																								
3.6 Prepare Overall Project Report (draft & final)																																								
3.7 Meet with Committee																																								

¹ Revisions to draft will be incorporated in final project report under Subtask 3.6.

² The meeting under Subtask 3.3 is the same as the meeting under Subtask 2.6.

