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Wednesday, June 02, 2010

MEMORANDUM

To: Jim Dinley, Administrator
From: Garry White – Director – Sawmill Cove Industrial Park (SCIP)
Subject: Water rates for commercial bottling operations

Introduction

Currently the Sitka General Code (SGC) does not contain a rate for water to be used for commercial bottling operations. The purpose of this memo is to request the inclusion of such a rate into SGC 15.05.625.

Background

Two separate entities have operated water bottling businesses at the Sawmill Cove Industrial Park. Both entities entered into purchase agreements to purchase raw water for bottling from the CBS. Both entities required a guaranteed allocation of water in their purchase agreement (400,000,000 gallons). The water rate set in the purchase agreement was \$5.00 per thousand gallons with a clause to increase over time to \$12.50 per thousand gallons. Both entities were not able to make their business models work and went out of business.

Cove Parters LLC

Cove Partners LLC (Cove) is the new owner of the water bottling plant located at the Sawmill Cove Industrial Park. Cove took over the business after True Alaska Bottling (TAB) went out of business in the fall of 2008. They are in the process of development a new business model to attempt to make the bottling operation profitable. Cove has requested a lower rate for purchasing raw water for bottling based off what other municipal water users are being charged. Cove does not require having a guaranteed allocation of water. They wish to be treated like any other municipal user of water.

The Sawmill Cove Industrial Park (SCIP) Board of Directors met with Cove representatives on May 25, 2010 to discuss water rates for bottling operations. Cove uses raw water for their bottling operation. The SCIP Board believed that the current rate set by SGC 15.05.625 for “raw

water for industrial processing” was too low to be used for a bottling operation as Cove will be reselling the water for a profit and not using the water for an ancillary purpose.

The SCIP Board recommended that a new subsection be added to SGC 15.05.625 to account for raw water to be used for commercial bottling. The SCIP Board recommends that the rate be based off the same rate used for “metered treated water” in SGC 15.05.625. That current rate is \$1.14 per thousand gallons with a \$57 monthly minimum and is set to adjust to \$1.30 per thousand gallons with a \$65 monthly minimum by the pending ordinance.

The proposed 14% increase in the water rates over the next few years was discussed with Cove. If future Assembly action approves the 14% increase annually, the rate for bottling operations would look as follows:

2012 – Min cost \$74 or \$1.48 per thousand gallons
2013 – Min cost \$85 or \$1.70 per thousand gallons
2014 – min cost \$96 or \$1.92 per thousand gallons
2015 – min cost \$110 or \$2.20 per thousand gallons

Additional Information

Comparable municipal commercial water rates:

Juneau

Large Commercial - Based on 500,000 gallons per month allowance

Base rate for service \$303.45 per month

\$0.61 per thousand gallons

Bulk Water – no monthly allowance

Base rate for service is \$15.78

\$2.12 per thousand gallons

Olympia, WA

Commercial Rate

\$15.10 per thousand gallons – winter

\$31.40 per thousand gallons - summer

Milwaukee, WI (MillerCoors, Coca-Cola)

\$1.791 per thousand gallons – First 75,000 gallons

\$1.671 per thousand gallons – next 3,675 gallons

\$1.043 per thousand gallons – next 11,250 gallons

\$0.976 per thousand gallons – over 15,000 gallons

Macon County, GA (Nestle bottling plant)

\$2.16563 per thousand gallons