



REQUEST FOR PROPOSALS/INTEREST BULK WATER SALES



**REQUEST FOR PROPOSALS
By the City and Borough of Sitka, Alaska and
The Gary Paxton Industrial Park Board of Directors
Selection of a private entity(s) to purchase and export raw water from Sitka.**

Proposals will be received at the Office of the Municipal Clerk, City Hall, City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835 until 2:00 P.M., May 5th, 2016. The time of receipt will be determined by the Municipal Clerk's time stamp. Proposals received after the time fixed for the receipt of the bids may not be considered.

For Proposal Specifications and Evaluation Criteria contact:

City and Borough of Sitka
Gary Paxton Industrial Park Director
329 Harbor Drive, Suite 212
100 Lincoln Street, Sitka, Alaska 99835
(907) 747-2660
garrywhite@gci.net

Additional information regarding this raw water asset is available upon request.

The City and Borough of Sitka reserves the right to accept or reject any and/or all proposals, to waive irregularities or informalities in the proposals, and to negotiate a contract with the respondent that best meets the selection criteria.

Dated this ____ day of _____, 2016.

CITY AND BOROUGH OF SITKA

Mark Gorman, Municipal Administrator

CITY & BOROUGH OF SITKA, ALASKA

Summary

The City and Borough of Sitka, Alaska (CBS) is requesting proposals and/or bids from companies or individuals wishing to purchase high quality fresh, raw water for bulk export. The annual amount of water available for bulk export is 23,938 acre feet (7,800,257,957 gallons). The source of the water is the Blue Lake Reservoir, a body of water fed by mountain spring, snowmelt and rain precipitation. Blue Lake water is nearly pure in its natural state, and Sitka is not required to filter the water prior to purification and distribution to the consumer. The water that we sell for bulk water export is in its raw, untreated state. A complete chemical analysis of the water is available upon request. In addition, 2,228 acre feet (725,996,028 gallons) of water has been set aside for potential bottled water businesses.



Blue Lake Reservoir – Sitka, Alaska

Introduction

Over the past decade, there has been increased interest in bulk water export. The City and Borough of Sitka is in a unique position to provide the right company(s) an opportunity to acquire high quality fresh water in bulk export volume. Sitka has secured rights to export its water and has a bulk water pipeline from the water source to the shoreline of Silver Bay already in place. The pipeline is located within an industrial park with its terminus next to an area of the Bay that is suitable for a deep water docking facility.

Background

In 1953, Alaska Pulp Corporation began construction on a paper mill at a location called Sawmill Creek on Silver Bay. The Blue Lake dam was constructed on Sawmill Creek to provide both process water and hydro-electricity. In 1993, the mill was closed and in 1999 the plant was demolished and the remaining land, buildings, dam and lake were donated to the City of Sitka. At the same time, the CBS established the Gary Paxton Industrial Park at the former mill site and appointed a five member Board of Directors.



Gary Paxton Industrial Park - 2010

Since taking ownership of the property, the CBS has received nearly \$10 million in federal grant money to replace the original water, sewer and electrical systems in the Park. In 2014, the Blue Lake dam was raised an additional 83' increasing hydro-electric capacity to an annual average of 98,000 Megawatt hours.

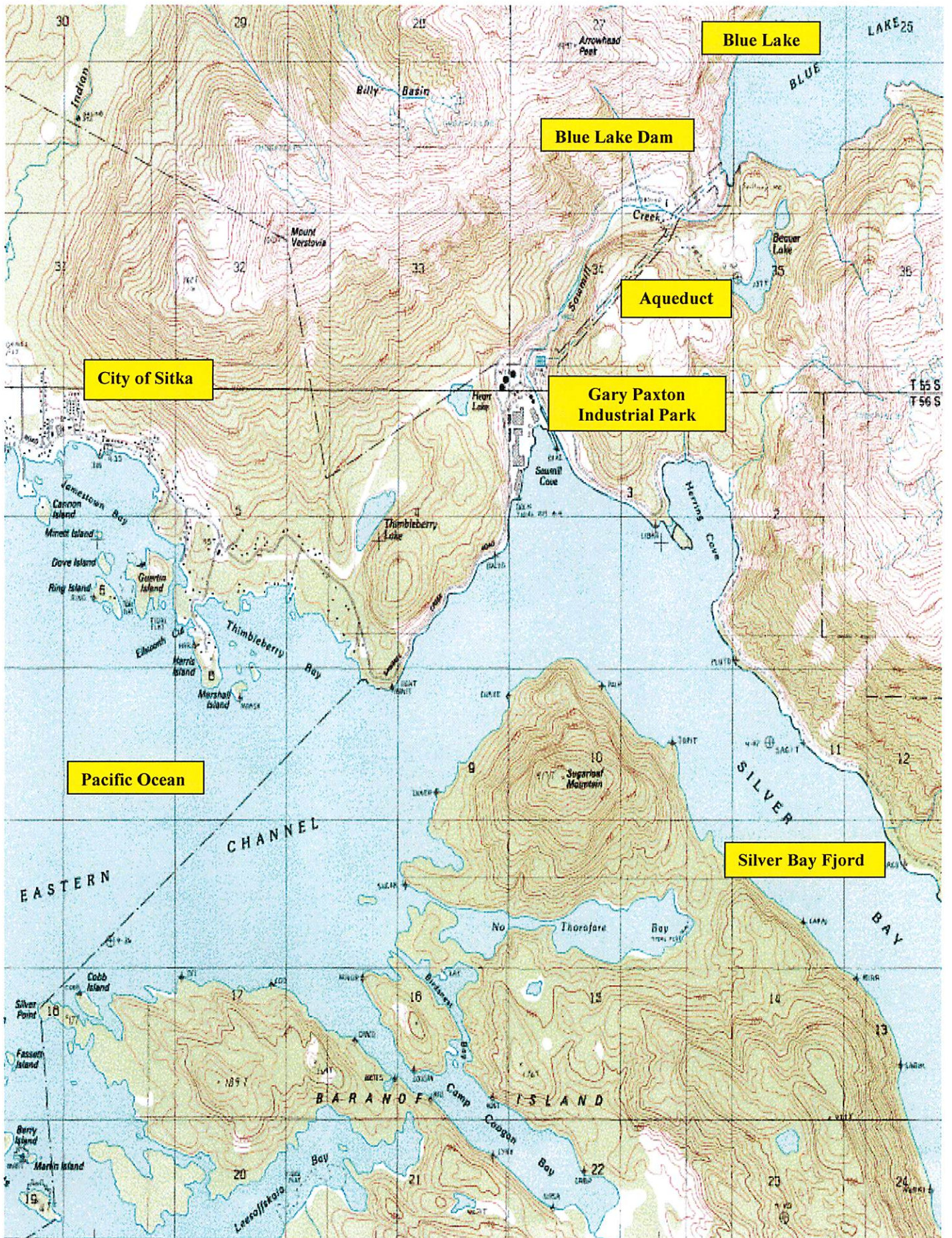
Silver Bay is a large ocean bay where the Park is located. The water depth is sufficient to accommodate a deep-water bulk tanker ship or barge. Currently there is no dock or moorage for a ship. However, the CBS is considering acquisition and installation of a floating pontoon dock that would be able to accommodate a small Panamax sized vessel. Limited moorage for a barge is available now. An amount of waterfront land to support a dock has been set aside at the Park for this purpose and is available for long-term lease.

The Park is a suitable site for development of an ice-free deep-water port, with access to the Great Circle Trade route and Pacific Rim markets.

Location of Sitka, Alaska

Sitka is located on the Pacific Rim, in Alaska's Alexander Archipelago on the outside of Baranof Island (Latitude 57.053N Longitude 135.330W), just 237 nautical miles from the Port of Prince Rupert.





Blue Lake

Blue Lake Dam

Aqueduct

City of Sitka

Gary Paxton Industrial Park

Pacific Ocean

Silver Bay Fjord

Water Rights

Sitka has a unique water right that allows the exportation of bulk water. The water being offered is controlled by the following certificates of appropriation granted by the State of Alaska:

| Original # | Transfer, if Any | Owner of Right | Water Use |
|-------------------|-------------------------|-----------------------|----------------------|
| ADL 43826 | LAS 19669 | City of Sitka | Available for Export |
| ADL 43826 | ADL 43826 | City of Sitka | Available for Export |

Under conditions set forth in the water rights certificates listed above, maximum water delivery per 24-hour period has been set at 33.6 million gallons for both bulk-water and bottled water uses.

Water Quality

Blue Lake is a remote lake with absolutely no development, ranching or farming on its shores or in the water shed. The lake is fed by mountain spring, snowmelt, rain (95” per year) and glacier-melt. The water is unusually pure and of good taste. The City supplies drinking water to its citizens meeting surface water treatment rules without filtration. A complete chemical analysis of the water is available. The water being offered for bulk export is raw, un-treated water.

Bulk Water Pipeline

The City and Borough of Sitka has completed the construction of a high volume, large diameter water line that is specifically designed to serve bulk water exports. The pipeline delivers untreated fresh water to the ocean shoreline at Gary Paxton Industrial Park.

The pipeline has been constructed to drinking water standards in order to make it available as an alternate water transmission main for the community of Sitka in case of failure of the Blue Lake water treatment plant. The line also supplies water to the NSRAA hatchery located within the Industrial Park.

Loading of Water

There is no existing dock currently suitable for holding a ship for the purpose of loading water. The Gary Paxton Industrial Park has both uplands and submerged lands suitable for the construction of a deep-water dock or berth, and the CBS is drafting an RFP for the acquisition and installation of a floating pontoon dock that would accommodate a Panamax sized vessel. However, there is no guarantee this project will be completed, and a suitable dock may have to be constructed at the water exporter’s cost.

Transportation

Sitka is served by two tug and barge lines that transport freight. In addition, other marine transportation lines based in Alaska and Seattle, Washington frequent Alaska waters with marine transportation equipment. Silver Bay is deep enough to accommodate the draft of a barge, bulk-carrier ship or tanker ship. It is up to the business interested in exporting bulk water from Sitka to determine the best method of transportation.

Proposal Guidelines

1. **Closing(s)**: This request for proposals/interest shall remain open until 2:00 pm Alaska time, May 5, 2016.
2. **Pre-Purchased Water Credits**: In order to execute a water purchase contract, a deposit toward non-refundable, pre-purchased water credits must be made to the City of Sitka. The proposal should include the US dollar amount of deposit. There is no minimum deposit amount, but the offered deposit will become an important point for consideration and negotiations by the City. Funds deposited are non-refundable, but shall be applied as credits toward water purchases as long as the water purchase contract remains in effect. If, for any reason, the contract is terminated any remaining water credits shall be retained by the CBS.
3. **Water Price**: The proposal should include a proposed US dollar amount per gallon purchased. There is no minimum amount per gallon but the offered price will become an important point for consideration and negotiations by the City. Historically, the water purchase price has been set at \$0.01 per gallon based on delivery to the end of the bulk water pipeline.
4. **Water Quality**: The City makes no warranty as to the quality of water sold. The City has no control and thus no responsibility as to handling of the water once it is delivered from the end of the bulk water pipeline.
5. **Volume**: Proposals can be for any volume of water desired within the water rights listed above. The City has a total of 23,938 acre feet of water available for bulk export per year.
6. **Contract Term**: The term of the proposal can include option contracts for up to three years or purchase agreements for up to 20 years. Purchase agreements will require the first shipment of water, in a volume of not less than 50 million gallons, to occur within 12-36 months of the contract commencement date. Proposer should provide a timeframe of when the first shipment of water will occur. If no water is shipped, unless otherwise agreed by the City, the deposit for pre-paid water credits will be forfeited and the contract made null and void.
7. **Water Volumes Guaranteed**: In order to ensure the contract is held by a viable business and not for speculation purposes, an elastic schedule of water volumes guaranteed under the contract shall be in place and shall be based upon performance with the volume of water guaranteed for annual availability increasing when specific annual export volumes are met.
8. **Delivery, Loading and Transportation of Water in Bulk**: The parties agree that the bulk water export company shall be solely responsible for the costs of acquisition, construction and installation of any structure, facility or vessel beyond the point of delivery which it determines to be required or convenient for the loading and transportation of bulk water delivered to it the CBS, and for initiating and completing such acquisition, construction and installation. All structures and facilities must comply with all Federal, State, and local law, including zoning requirements.
9. **Facilities**:

- a. **Design & Construction:** The water handling and docking facilities must be designed and constructed in accordance with good engineering practice, able to meet all building codes and have the approval of the City before and after construction.
- b. **Location:** The City must approve the actual location of the berthing facility.
- c. **Land Lease:** The City may lease uplands and submerged lands for a dock or any other required infrastructure either to the bulk water purchaser or an agent for the bulk water purchaser, such as a stevedoring or shipping company.

10. **Qualifications:** The bidder should submit a statement of qualifications with the proposal. The statement must include a brief description of:

- a. Qualifications and financial ability to complete the necessary infrastructure required for loading bulk water.
- b. A business plan to include proposed markets and status of contractual commitment with others for sale and marketing of bulk water.
- c. Experience in the water business of the company and key principals of the bidder.
- d. Other information that will lend credence to the ability of the proposer to carry forward as intended.

11. **Water Supply Obligation:** Sitka's obligations to supply water are subject to the following limitations:

- a) Notwithstanding any other provision of a contract for the export of raw water in bulk, the CBS shall retain first right and priority to water required for its municipal drinking water supply system and its municipal hydroelectric system, and it may suspend or limit raw water deliveries in bulk in order to meet the requirements of its municipal drinking water and hydroelectric systems.
- b) The CBS will abide by the 1992 Blue Lake Watershed Control Plan as approved by the U.S. Environmental Protection Agency and described in City and Borough of Sitka Ordinance No. 92-1091.
- c) The CBS may temporarily suspend raw water deliveries in bulk in order to perform routine maintenance on its municipal drinking water, hydroelectric and/or water delivery systems, provided that the CBS shall give not less than 60 days prior notice of any such planned suspensions.
- d) The CBS shall be relieved of its obligation to deliver raw water in bulk in the event of an interruption in water supply due to Force Majeure, or due to unforeseen circumstances that require repairs to or reconstruction of the municipal drinking water, hydroelectric systems, water delivery system, or other of Sitka's facilities, to the extent that the availability of raw water in bulk for delivery per any contract is adversely affected, and for so long as is required to effect such repairs or reconstruction, for such time as is necessary to address such circumstances.
- e) The volumes of CBS's raw water deliveries in bulk for export are subject to the CBS's overriding obligation to comply with all of the conditions contained in Water Appropriation Certificates ADL 43826, LAS 19669, and LAS 20526, including compliance with the rule curve and the support of spawning, incubation, and rearing of certain species of fish in Sawmill Creek and Blue Lake. Interpretation of applicable

requirements and the means used to achieve compliance with such requirements shall be in the CBS Administrator's sole discretion.

- f) In the event the CBS is relieved of its obligation to make agreed quantities of water available to a bulk water exporter for reasons noted in this paragraph or due to Force Majeure or due to unforeseen circumstances, then any bulk water export company's obligation to take delivery of and to export water shall be reduced to the volumes actually delivered by the CBS during that period of time and the time for any bulk water export company's performance shall be extended for a period equal to the period of time that the CBS has been so relieved of its obligation.

Proposal Format and Content

- A. Letter of Transmittal
- B. Narrative
1. Brief description of the company including its experience, the experience of its key individuals, and its ability to finance this project. Brief resumes of the Developer(s), managers and operational personnel.
 2. Provide a concept level business plan to include proposed markets and status of contractual commitment with others for the sale and marketing of bulk water
 3. Provide a concept level description of any required uplands facilities and/or submerged tidelands that includes the square footage required and proposed use(s).
 4. Provide your proposed purchase price for the water and the amount of your proposed pre-purchase water credit deposit.

Submit six (6) copies of the completed Proposal in an opaque envelope marked as follows:

Municipal Administrator
City & Borough of Sitka
Office of the Municipal Clerk
City and Borough of Sitka
100 Lincoln Street; Sitka, Alaska 99835

Evaluation Criteria and Selection Process

A selection committee consisting of the Gary Paxton Industrial Park Board of Directors and the Municipal Administrator for the CBS will evaluate the proposals and make a recommendation to the Borough Assembly.

The committee will use the following criteria in deriving a numerical score for each proposal:

1. Qualifications, Financial Ability & Experience. From the proposal and from your own knowledge of this firm, give from 1 to 20 points with the best score as 20.
2. Concept Plan. Does the concept plan express an understanding of the requirements of the proposal and the basic business model for exporting bulk water? Score from 1 to 15 points.

3. Rates Bid. What is the offered non-refundable deposit for pre-purchased water credits? And what is the per gallon price bid for the purchase of raw water in bulk. Score from 1 to 25 points
4. Uplands/Tidelands Required. Does the proposal define the size of uplands and/or tidelands that are required and at what rate the Developer(s) is willing to lease both submerged and uplands? Score from 1 to 10 points.
5. Confidence in Developer(s). This is a judgement call based upon the subjective experience of the evaluator. Score from 1 to 20 points.
6. Ability to Meet Project Schedule. Does the proposal clearly reflect that the Developer(s) can meet a contract deadline that requires export of at least 50 million gallons of raw water within the initial 36 months of an executed contract? Score from 1 to 10 points.

TOTAL POSSIBLE POINTS = 100

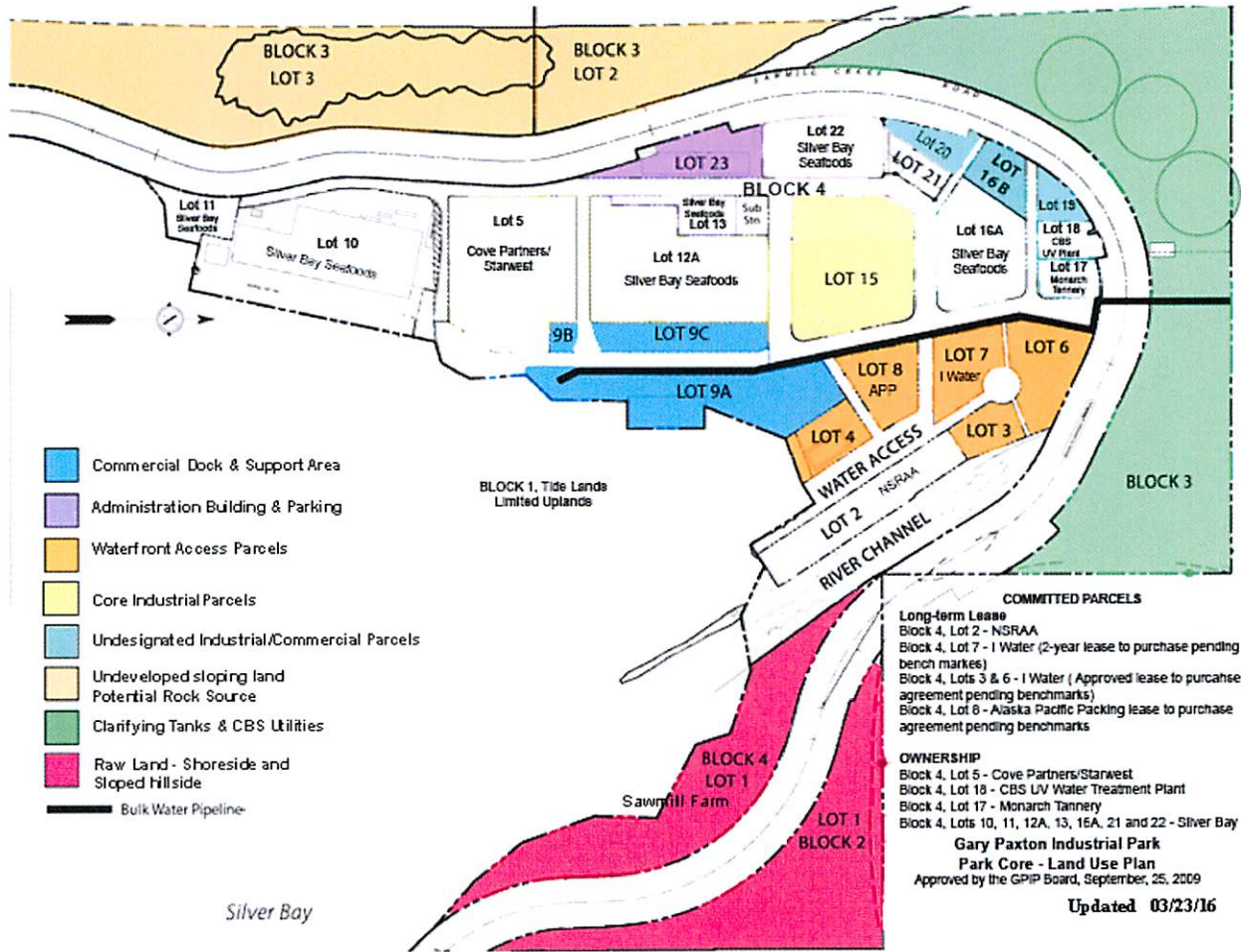
SCHEDULE

GARY PAXTON INDUSTRIAL PARK

- Proposals due 2:00 PM (Alaska Time) Date: May 5th, 2016
- Gary Paxton Board Selection May, 2016
- Assembly Approval of Water Purchase Agreement May-June, 2016

For more information about this proposal, Blue Lake, the City and Borough of Sitka or the Gary Paxton Industrial Park, please find the following web sites: www.sawmillcove.com and www.sitka.net You may also wish to call:

Garry White, Executive Director
Gary Paxton Industrial Park
329 Harbor Drive #212
Sitka, Alaska USA 99835
(907) 747-2660



- Commercial Dock & Support Area
- Administration Building & Parking
- Waterfront Access Parcels
- Core Industrial Parcels
- Undesignated Industrial/Commercial Parcels
- Undeveloped sloping land
Potential Rock Source
- Clarifying Tanks & CBS Utilities
- Raw Land - Shoreside and
Sloped Hillside
- Bulk Water Pipeline

COMMITTED PARCELS

Long-term Lease
 Block 4, Lot 2 - NSRAA
 Block 4, Lot 7 - I Water (2-year lease to purchase pending bench marks)
 Block 4, Lots 3 & 6 - I Water (Approved lease to purchase agreement pending benchmarks)
 Block 4, Lot 8 - Alaska Pacific Packing lease to purchase agreement pending benchmarks

OWNERSHIP
 Block 4, Lot 5 - Cove Partners/Starwest
 Block 4, Lot 18 - CBS UV Water Treatment Plant
 Block 4, Lot 17 - Monarch Tannery
 Block 4, Lots 10, 11, 12A, 13, 16A, 21 and 22 - Silver Bay

**Gary Paxton Industrial Park
 Park Core - Land Use Plan**
 Approved by the GPIP Board, September, 25, 2009

Updated 03/23/16