

# *Alaska Bulk Water Inc.*

*2211 Elliott Ave, Seattle, Washington Suite 200 98121*

April 29, 2016

City and Borough of Sitka and  
Mr. Garry White/GPIP Board  
329 Harbor Drive, Suite 212  
Sitka, Alaska 99835

Dear Garry/Board Members

Please find enclosed 6 copies of Alaska Bulk Water Inc.'s response to the RFP for bulk water sales. While this response is for ABWI and an allocation of 1 billion gallons of water annually, the deposit payment for this amount will be made by Artic Blue Waters, Inc. who is seeking the remainder of the available water. Artic Blue will submit their own response to the RFP. ABWI and Artic Blue are seeking separate bulk water contracts from the CBS and will operate independently of each other. ABWI has agreed to use its loading station to load bulk water into Artic Blues ships. Artic Blue has agreed to pay the loading fee of \$.002 per gallon that ABWI will charge for this service.

We ask that the CBS award both ABWI and Artic Blue Water Inc. long term bulk water contracts in consideration for the respective proposals and offered amounts.

Yours truly,

***Terry Trapp***

Terry Trapp  
CEO ABWI

Copy to:

Fred Paley  
President Artic Blue Waters Inc.

*Supplying the purest water on earth...*

Alaska Bulk Water Inc. proposal To City and Borough of Sitka  
For Bulk Water  
April 29, 2016  
Prepared by T. J. Trapp

## **Company Description**

### Overview/Background

Alaska Bulk Water Inc. has had a relationship with the city of Sitka since 2003. In January 2003 the company operated as True Alaska Bottling Inc. ( TAB ) and produced bottled water in the Sawmill Cove Park for six years. TAB was unable to compete with the low cost providers of bottled water and suspended operations in 2009. In 2006, TAB worked with the City of Sitka to develop a contract for exporting bulk water. TAB signed a contract with the CBS for bulk water and has maintained a bulk water contract with the CBS for the past 10 ten years. TAB acquired a new investor and established Alaska Bulk Water Inc. ( ABWI ) in 2012 for the sole purpose of selling bulk water. Over the last 10 years, TAB/ABWI has paid the CBS \$1,350,000 for the purchase of bulk water. ABWI has a solid 10 years of experience in the development of prospective markets and the requirements to successfully ship water to other countries as well as the USA. The company has learned a great deal about all the potential markets for bulk water through direct contacts with potential users as well as agents that have unique relationships with the water stressed countries.

The company has spent considerable time and effort in developing relationships with shipping companies such as Hellespont Shipping in Germany and Prisma Shipping which has US headquarters. Shipping of bulk water is unique in that it requires food grade hulls, pumps, and piping. While smaller vessels exist for shipping food products such as juices and palm oils, larger vessels will have to be built or converted to meet the needs of potable bulk water. Prisma Shipping has committed to build the necessary bulk water transport ships for ABWI's customers and has obtained funding to meet this need.

Also, ABWI has invested significant resources to assist potential customers develop the necessary infrastructure to be able to accept the discharge of tanker vessels and store the water for eventual use. To this end, ABWI has a customer in Mexico who is developing offloading and storage facilities on Mexico's West Coast for 18 million gallons of storage. Similar plans have been proposed and are under consideration in the Middle East.

The company obtained sufficient customers and prospects that encouraged it to acquire the necessary permits and leases to construct a bulk water loading station in at the GPIIP which connects to the City's bulk water pipeline. This construction was completed last year and was completed at a cost of over \$ 1,000,000. The plans for this bulk water loading station were done with the approval of the CBS and with consideration for integration with the City's plans for a multi-use dock at the GPIIP. ABWI hopes to utilize



## **Business Plan Concept**

### **Overall Business Plan**

ABWI's bulk water business strategy is a continuation of the plans that have been put in place over the last 10 years. ABWI has developed both direct contacts for the marketing of bulk water domestically and internationally. The Company has developed agent contracts and relationships with 10 companies worldwide which cover all the water stressed areas of the world. These companies were ready to sign customer contracts until ABWI's contract became in default with the City of Sitka in December, 2015. ABWI believes that this business is still available and will pursue all of these opportunities as soon as the company has a bulk water agreement that it once again can use to contract with customers. ABWI plans on using its loading station to supply its bulk water customers as well as any other customers that may require loading of bulk water in Sitka.

### **Markets /Customers**

ABWI will focus its efforts on industrial customers with which it has direct business relationships with through its sister company, Alare Inc. Through its relationships with customers who own or service oil platforms in the Gulf of Mexico, ABWI will bring bulk water through the Panama Canal in Panamax or smaller vessels supplied by Prisma Shipping. The vessels will be destined for centralized oil platforms in the Gulf which require fresh water for drilling operations and for the crews that live on the platforms. ABWI has identified over 800 platforms as potential customers for bulk water. ABWI believes this is a very viable business because the bulk water ships can tie up to the oil platforms themselves and there are already water storage tanks on these platforms. Smaller vessels can also be offloaded from the bulk water carrier ship and deployed to other platforms. All of this infrastructure is in place and has been in use for many years. The unique relationships of ABWI's sister company, Alare Inc. is what will make this happen. This solves one of the biggest barriers to entry in the bulk water business, namely infrastructure on the receiving customers side to be able to accept the water and both store it and use it immediately. The company is looking at other potential industrial users that have infrastructure that can accept a bulk water vessel.

ABWI has some industrial prospects on the domestic side in California that may become very viable customers as well. The main requirement that ABWI is seeking is the ability to accept the discharge of water and put it to immediate beneficial use.

For some years, ABWI has been marketing bulk water in Mexico. At the present time, one of ABWI's customers, Gnternational Financial Consulting is in the process of joining efforts with another company to develop a large storage facility on the West coast of Mexico and install pipelines for use by bottlers and Mexican Beer companies. The facility they have chosen has a deep water port and land is available for the tank farm

being loaded. The system can be re-deployed in about week and readied for use. The company desires to purchase a tug and barge to serve at the seaward side for loading. The manifold to breakdown the 24 inch pipeline into 4 smaller lines with individual hoses is ready, but the company must acquire a barge to be used as a permanent platform for the manifold and a workplace to perform the actual loading. This is for safety reasons as well as operational considerations. ABWI has identified potential equipment for a tug and barge but cannot proceed until a new bulk water contract and tidelands lease is secured. ABWI estimates this will be an additional capital outlay of about \$ 700,000. The company is prepared to fund this equipment contingent on long term bulk water and tidelands lease contracts. ABWI suggests that the same rate apply to a new tidelands lease as ABWI paid the CBS in 2015.

## **Rates Bid**

ABWI proposes to purchase bulk water from the CBS at the rate of \$.01 per gallon. ABWI is joint bidding the bulk water in the following fashion. ABWI is seeking a long term contract of 1 billion gallons per year. Arctic Blue is seeking the balance of the available water for its own use. ABWI and Arctic Blue have an agreement for these respective amounts. Arctic Blue will pay the city of Sitka \$ 1,000,000 for the benefit of both ABWI and Arctic Blue. Each company would receive its respective water credit. Each company seeks a long term contract ( 20 years ) with the CBS. The requirement to ship 50,000 million gallons in the first 12-36 months will be satisfied by the collective shipments of both companies. That is, if both companies ship a total of 50 million gallons in 36 months, then this requirement is satisfied. The prepayment will be proportionately divided as water credits for the benefit of each company. ABWI asks that the money it has spent on water credits to CBS of \$ 1,350,000 be carried forward in its new contract.

ABWI and Arctic Blue are operating at arms length and not as a joint entity. Both companies will pursue their own bulk water opportunities. Arctic Blue and ABWI have agreed that ABWI will load Arctic Blues water vessels at the rate of \$.002 per gallon.

## **Summary**

ABWI and Arctic Blue have more experience with the bulk water business than anyone else in the world. Both companies understand what is required to market, ship and ensure that that bulk water can be unloaded and used on a continuous basis. ABWI has agreed to load the Arctic Blue vessels at a rate that is acceptable to Arctic Blue. That both companies would have a separate allocation of water meets the desires of the CBS for diversity of suppliers. The offered rate of \$.01 per gallon is consistent with past purchases. Competition from other water sources in the world reveal rates much lower than \$.01 per gallon. However, both ABWI and Arctic Blue feel they can obtain customers at this rate for the benefit of the CBS. The offered deposit of \$ 1,000,000 is commensurate with past bids for the water. Both ABWI and Arctic Blue request that this offer be accepted so that the shipment of bulk water from Sitka can become a reality.