

Monday, December 1, 2014

MEMORANDUM

To: Mark Gorman – CBS Administrator  
From: Garry White, Director  
Subject: Alaska Bulk Water Inc. Tidelands Lease

**Introduction**

Alaska Bulk Water Inc. (ABWI) is requesting a tidelands lease seaward of the CBS's bulk water pipeline to construct a mooring buoy loading station to facilitate the export of bulk water.

The Gary Paxton Industrial Park (GPIP) Board of Directors recommended approval of ABWI's request at their 9/24/2014 meeting, passing the following motion:

**MOTION:** **M/S Jones/Eisenbeisz** moved to recommend that the Assembly approve a tidelands lease to Alaska Bulk Water, Inc. for a temporary mooring station for the export of bulk water as described in the memo dated Monday, September 22, 2014 or to approve any other appropriate legal structure that provides Alaska Bulk Water, Inc. use of the tidelands for this purpose.

**Background**

ABWI (formerly True Alaska Bottling) entered into a water purchase agreement with the CBS in 2006 to export raw water. The term of the agreement is for 20 years and contains performance benchmarks ABWI must meet or the CBS can terminate the agreement. There have been 4 amendments to the agreement to allow ABWI additional time to meet performance benchmark goals of exporting bulk water. The most recent amendment allocates 27,773 acre-feet of raw water annually to ABWI and requires it to move 50 million gallons of water by 12/7/2015. Please see attached agreement and amendments.

ABWI is responsible for providing infrastructure to export water. Section 10.1 of the agreement states the following:

“The parties agree that ABWI shall be solely responsible for the cost of acquisition, construction and installation of any structure, facility or vessel which it determines to be required or convenient for the loading and transportation of bulk water delivered to it by Sitka, and for initiating and completing such acquisition, construction and installation. All structures and facilities and construction of all structures and facilities, must comply with all Federal, State, and local law, including zoning requirements, and must be reviewed by GPIP board for its recommendation to Assembly, subject to Assembly approval before construction.”

ABWI has been working towards the development of a marine infrastructure and loading station to allow water to be exported from Sitka via large tanker vessels. The tideland lease is needed to complete this process.

### **Proposal**

ABWI is proposing to lease approximately 18 acres of tidelands in Sawmill Cove directly in front of the GPIIP. Please see attached drawing.

Terms of the tideland lease will run concurrent with the water purchase agreement between CBS and ABWI, including performance benchmarks.

Pricing for the tidelands lease is as follows:

- 18 acres valued at  $\$0.15/\text{SF}^* = 117,612 @ 4.5\% = \$5,292.54$  annually.
- $\$0.15/\text{SF}$  is a value determined by a 2014 tideland appraisal by Alaska Appraisal Associates, Inc.
- Per SGC 18.16.210 (Tidelands leases), the CBS requires annual tidelands lease payment to the CBS to be 4.5% of the value of the tidelands.

### **Additional Information**

Attached is the proposed tidelands lease.

### **Action**

- Approval of attached tidelands lease between the CBS and ABWI.