

POSSIBLE MOTION

I MOVE TO approve a 20-year purchase agreement between the City and Borough of Sitka and Arctic Blue Waters (Canada) Inc. for raw water in bulk for export as recommended by the Gary Paxton Industrial Park Board and authorize the Municipal Administrator to execute the document.



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Monday, June 6, 2016

MEMORANDUM

To: Mark Gorman – CBS Administrator
From: Garry White, Director
Subject: Arctic Blue Waters Inc. (Arctic) Bulk Water Agreement

Introduction

The Gary Paxton Industrial Park (GPIP) Board of Directors is recommending that the CBS enter into a water purchase agreement with Arctic Bulk Waters Inc. (Arctic) for the export of bulk water.

MOTION: **M/S Horan/McConnell** moved to recommend the CBS Assembly enter into a 20-year bulk water purchase agreement with Arctic Blue Waters for the purchase of 6.8B gallons of raw water with similar terms set forth in the revised purchase agreement developed in the fall of 2015 and the following specific terms:

1. Arctic Blue Waters make a non-refundable payment of \$871,795 dollars to the City and Borough of Sitka(CBS).

ACTION: **Motion PASSED** 4/0 on a roll call vote
Yeas: Dan Jones, Ptarmica McConnell, Charles Horan, Scott Wagner (teleconference)
Nays: None Absent: Grant Miller

Background

The City and Borough of Sitka (CBS) has permits to export 29,235 Acre-feet (~9.5 billion gallons) of raw water annually.

The CBS has entered into multiple water purchase agreements with multiple entities for bulk export since 1996.

Most recently, the CBS had a water purchase agreement with ABWI, formerly True Alaska Bottling Company to export bulk water, since 2006. The CBS agreed to revise ABWI's purchase agreement for raw water in bulk for export for the 6th time in the fall of 2015. The revised agreement required ABWI to make a \$1,000,000 non-refundable payment to Sitka no later than December 8th, 2015. ABWI was unable to make its required payment which resulted in a breach in terms of the revised agreement and contract termination.

The GPIP Board met multiple times during the spring of 2016 to discuss bulk water proposals and directed the GPIP Director to release a Request for Proposal (RFP) to solicit proposals for exporting water.

The RFP for bulk water sales was released in April 2016 with proposals due to the CBS the 5th of May 2016. The CBS received 4 proposals. The GPIP Board met on the 16th of May to evaluate the proposals.

The GPIP Board recommended that the CBS enter into an agreement for raw water export with the following entities:

- Arctic Blue Water Inc. for 20,869 Acre-feet (~6.8 billion gallons) annually for 20 years.
- ABWI for 3,069 Acre-feet (1 billion gallons) annually for 20 years
- ABWI for another 3,069 Acre-feet (1 billion gallons) annually for 10 years

**all RFP results can be found at <http://www.sawmillcove.com/board/2016/051616/UB-1%20Bulk%20Water%20RFP.pdf>*

Basic Terms of Arctic's 20-year Bulk Water Export Agreement

- Requires Arctic to make a non-refundable fee of \$871,795 that can be used as water credits.
- Requires Arctic to export 50 million gallons of water within a 36-month period or CBS can terminate contract.
- The agreement defines Stages of water volume export to retain water allocation amounts. (Section 3.2)
 - Arctic gains more allocations by exporting more water and can lose allocation amounts by failing to export specified amounts.
- Ensures municipal water uses retain first right and priority to the water. (Section 4a)
- The agreement allows for hydroelectric dam and water system maintenance. (Section 4c)
- Protects the CBS from water quality issues with human consumption uses. (Section 4.3 & 13.3)
- The price for water has been set at \$3,258.51/Acre-foot or \$0.01/US gallon. (Section 7.1)

- Allows and defines terms of a license for Arctic to install, construct, maintain water loading infrastructure.
- Defines requirements for ballast water discharges and water loading.
- Other standard terms and conditions.

Additional Information

- Arctic has stated that it intends to use the water loading facility installed in the CBS tidelands by ABWI. Arctic and ABWI have agreed on a mutual water loading fee for the use of this infrastructure.
 - Section 10 of Arctic's contract allows it to install its own infrastructure with CBS permission or use the CBS's infrastructure if/when it is installed.
- The CBS is moving forward with potentially constructing a multipurpose dock in the tidelands of Sawmill Cove.
 - Section 10 addresses the CBS ability to require ABWI or Arctic to move existing infrastructure and use CBS infrastructure.
- The CBS retains 2,228 Acre-feet (~726 million gallons) of water annually to support future water bottling operations with the execution of all water purchase agreements recommended to ABWI and ARCTIC.

Attachments

- The RFP the CBS released to solicit bulk water proposals.
- Arctic's submittal to the RFP.
- Water purchase agreement between the CBS and Arctic for a 20-year term.

Action

The GPIB Board requests that the CBS Assembly approve the recommended water purchase agreement.