



Date: February 27th, 2019

From: Dan Jones, Board Member, Gary Paxton Industrial Park

Thru: Scott Wagner, Chair, Gary Paxton Industrial Park Board

To: Assembly, City and Borough of Sitka

CC: Keith Brady, Municipal Administrator
Garry White, Gary Paxton Industrial Park Director
Bryan Bertacchi, Electrical Director

Subject: Management of Blue Lake Industrial Water by the Gary Paxton Industrial Park Board

Since the Gary Paxton Industrial Park board was created in 2000 (Ordinance 00-1568), the Park board has managed the City and Borough's Blue Lake industrial water rights, a portion of which are designated as eligible for export as bulk water.

Over the last year, the Electrical Director has put a significant amount of effort into building a case that there is an imminent danger of insufficient Blue Lake Water to provide both electrical generation, and industrial, water. His solution to this purported situation is two-fold:

1. take over control of the industrial water that- to date- has been under the management of the Park board, and,
2. deny current and future users of industrial water the possibility of using high pressure water from the Blue Lake penstock- whether there is an actual shortage of water or not.

In pursuit of his solution to this purported situation, the Electrical Director requested and received Raw (bulk) Water Sale Fund (SGC 4.06.101) money to generate a report with doomsday scenarios that appear to support his case, made contentious presentations at Park board meetings, and produced a YouTube video and a doomsday memo to the City and Borough Assembly about NSRAA's industrial water use. He has taken a similar position on raw water sales to the point of inhibiting actual contracts and sale of water.

The current direction of discussions for granting NSRAA additional industrial water for their hatchery at the Park- under the Electrical Director's framing of the issue- may involve NSRAA paying to construct a system to pump low pressure water from the Blue Lake powerhouse afterbay, and committing to using that system as their regular source of industrial water by a date-certain. In the past the Electrical Director has committed to his department paying for the

after bay pumps. High pressure water from the penstock would be available only as a back-up system.

The Park board is quite capable of continuing to manage industrial water for the highest and best use of the community of Sitka. The proof of that statement can be seen in the condition in all bulk water contracts to date that says- in effect- if there is not sufficient water for both generation and bulk water, bulk water does not have to be supplied under the contract until Blue Lake water levels recover.

Prior to the Blue Lake dam re-structuring, there was a functional delivery system of pipes and valves to maximize the bulk waterline. The new Blue Lake plan overlooked the existing raw water delivery system which created significantly to where we are today – not being able to deliver raw water.

We ask the Assembly to decline to reassign management of Blue Lake industrial water to the Electrical Department. If the Assembly continues to endorse the Park management of Blue Lake industrial water, for the highest and best use of Sitka, the Park suggests the following methods and actions:

1. Until and unless bulk water sales actually materialize with such demand that they regularly compete with electrical generation, the current bulk water contract condition would be used.

If bulk water sales begin to approach regular competition with electrical generation, there should by then be sufficient money in the Raw Water Sale Fund to pay the costs of installing a pumped system for bulk water, or to provide funds to the Electrical Department for the purchase of diesel fuel.

2. As recommended to the Assembly by the Park board, NSRAA's existing lease would be updated to allow the 14 CFS average/20 CFS maximum industrial water they have requested, as high pressure water from the penstock- except when there is a shortage of generation water. NSRAA has volunteered to work with the Park and the City to develop a system to pump low pressure water from the Blue Lake afterbay. However, NSRAA's decision should not set a precedent for the remainder of available industrial water.
3. The remainder of uncommitted industrial water would be managed in the same way as the NSRAA water- with the decision of what funding will be used to construct backup pumping system(s) determined at the time the water is committed.
4. The Park board would work with the Electrical Director to better quantify the risks and likely duration of insufficient Blue Lake water, and jointly prepare appropriate plans and systems to maximize value to Sitka.

The Gary Paxton Industrial Park board should continue to manage the City and Borough's industrial water as it has done, for the highest and best use of Sitka. This was the original intent when the water rights and industrial park property were transferred to the City.