

Thursday, September 10, 2009

MEMORANDUM

To: Sawmill Cove Industrial Park Board of Directors (SCIP Board)

From: Garry White, Director

Subject: Cove Partners LLC Water Rates

Introduction

Cove Partners LLC is in the process of bottling water for resale. The CBS has been selling water to Cove under the same parameters as the agreement between the CBS and TAB. A new agreement must be established between Cove and the CBS.

Suggested parameters based off prior TAB/CBS Agreement

- PURCHASER shall comply with all applicable federal, Alaska and local laws, as well as all applicable federal and State governmental administrative agency decisions, related to the appropriation and use of the water.
- PURCHASER shall be wholly responsible and liable for the quality or suitability of the water it bottles.
- SELLER shall not be responsible nor liable for the quality or suitability of the water provided to PURCHASER, including the suitability or condition of the water pipelines or other related infrastructure owned by SELLER.
- SELLER shall not be responsible nor liable for SELLER'S inability to provide water to PURCHASER due to circumstances that are beyond the reasonable control of SELLER, or if the availability of Blue Lake water for sale to PURCHASER is superseded by the present and future potable water allocations of the SELLER, the SELLER'S hydroelectric allocation, State fish rearing needs in Sawmill Creek, or by modification of its Blue Lake water appropriation by the State of Alaska or the federal government.
- The SELLER shall provide access to all existing underground water piping without any additional charge.
- The total maximum amount of water to be provided by SELLER to PURCHASER is four hundred million (400,000,000) gallons per year.
- Water Rates

- Water Payment shall begin at \$.005 per gallon and rise uniformly each year to \$.01 per gallon on the earlier of (i) October 1, 2014 or (ii) when PURCHASER'S production reaches 100 million gallons.
- Between October 1, 2019 and October 2024 water rates shall raise uniformly each year from \$.01 per gallon to \$.0125 per gallon.
- Beginning October 1, 2024, and at the beginning of each succeeding year, water rates shall be adjusted based on the average of the most recent published "Consumer Price Index for All Urban Consumers, using the "All Items" figure for Anchorage, Alaska, and the "All Items" figure for Seattle, Washington.

Action

Direct CBS Attorney to establish a contract between CBS and Cove Partners LLC to purchase water for bottling with the above parameters.