

Mount Shasta Herald

News

Parameters of Nestle contract

By Deborra Clayton
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The contract between the McCloud Community Services District and Nestle Waters North America establishes parameters for interim water sale, long term spring water sale and ground water well use.

Interim sales

At any time after the closing date, a date 10 days after Nestle obtains all necessary permits to begin construction of their McCloud water bottling facility, the company may begin purchasing spring water from the district and trucking it to another of their bottling facilities currently in operation.

Plans for the interim collection system and loading facility will be included in the upcoming CEQA/NEPA analysis.

The contract permits interim spring water sale to Nestle at the rate of \$35.00 per truck load, based on a maximum allowable truck capacity of 6,700 gallons.

While the contract contains no explicit limit to the quantity of water that may be sold to Nestle on an interim basis, MCSD counsel David McMurchie stated, "All the provisions in the contract are subject to the maximum take allowance of 1600 acre feet per year."

Interim sales will be permitted until October 1, 2008.

If construction of the Nestle's McCloud facility has not begun by that date, interim sales end and the district may terminate the contract.

If construction has begun by that date, Nestle may continue to purchase spring water according to the interim sales terms until October 1, 2010.

If bottling facility operations have not yet commenced by October 1, 2010, Nestle can continue to make interim spring water purchase for an additional three years, but must pay the agreed upon annual exclusivity fee and purchase price for long term spring water sales.

The district may terminate the contract, including interim sales, if the facility is not in operation by October 1, 2013.

Long term spring water sales

Guaranteed long term spring water sales are capped at the maximum take allowance of 1600 acre feet per year, but Nestle may request additional water purchase.

The district is not obligated to sell additional spring water to Nestle.

If the request is made and the district agrees, purchase price for the additional spring water will be at the same rate applied to all MCSD customers. (Currently \$129 per acre foot.)

The purchase price for the maximum take allowance will be calculated according to the HE (household equivalent) rate, the district monthly water service fee charged per household.

Nestle will be charged for 200 HE units, which, at the current HE rate of \$18.90 per month, is \$3,780 per month.

This purchase price will increase over the years as the HE rate increases for all district customers.

Nestle must also pay an annual exclusivity fee of \$150,000 to the district.

The exclusivity fee compensates the district for their agreement not to enter into arrangements for spring water sale with any other entity Nestle deems to be in competition with their spring water sales.

The exclusivity fee increases after 5 years and again after 10 years according to a schedule stated in the contract.

Further increases over time will be calculated in accordance with a formula also stated in the contract which allows for variables such as future average monthly water service rates.

The contract provides for long term spring water sales for 49 years, after which time Nestle has the option to renew the contract for another 50 years with no renegotiation of terms or conditions.

99 years after the October 1, 2003 effective date of the contract, Nestle can opt to renew the contract but must renegotiate terms and conditions with the district.

Groundwater wells

At Nestle's expense, MCSD will design, construct and install groundwater wells

on the bottling facility site.

The district will own and meter the wells, charging Nestle for the water it uses at the industrial Golf Course Irrigation Rate.

The contract allows Nestle to use this water in its drinking water and other beverage products, though not for the production of spring water, as long as the company is also purchasing spring water.

The district, however, may refuse to supply this water for those purposes or may limit the amount of groundwater it chooses to sell Nestle.

According to McMurchie, the cap on groundwater sale will be determined not only by the district itself but by any pertinent county groundwater ordinances.

The EIR/EA will also help determine how much groundwater Nestle may purchase.

Analysis of the impact this groundwater draw may have on the aquifer, rates of flow, etc. will be performed as part of the CEQA/NEPA process.

Note: This is the second in a series of articles that will incrementally review the Nestle/McCloud contract in its entirety.