



Some Questions and Answers About the City of Cascade Locks and the Nestlé Water Bottling Facility

The City of Cascade Locks has received a proposal from Nestlé Waters North America to potentially build a small-sized, two-line bottled water plant in the Port of Cascade Locks business park. Currently there are approximately 30 other water bottling companies that operate in the State of Oregon. Both the City and the Port are undergoing a rigorous process to assess the economic and environmental viability of this project, and are committed to keeping residents informed with the facts. We are proud of our community's long-standing commitment to water stewardship, and recognize the need to fairly consider and evaluate any major new business opportunities that could provide a much needed economic boost to our community.

The City of Cascade Locks and the Port of Cascade Locks are continuing the investigation and review of the relationship with Nestlé Waters North America in an effort to recruit a water bottling facility into the business park located at the east end of town. As of the date of this report, Nestlé has signed an option to purchase land for the facility. No other agreements have been reached. This is an ongoing economic development effort involving three parties: the City, the Port, and Nestlé.

The following are some of the questions raised by concerned citizens and groups interested in this project.

Does the new bottling plant put a "strain on the existing water infrastructure?"

The City of Cascade Locks' current water system cannot handle the amount of water Nestlé would bottle for the waters of Oxbow Spring. It shouldn't. It's not designed to. The current water system, while in desperate need of the current \$3.76 million Water System Improvement Project, is designed to handle the residential, commercial, and usual industrial users in town. The City has just received a notice of eligibility from the USDA Rural Development which will allow us to borrow money and finance the needed Water System Improvement Project.

Nestlé will be required to build and maintain the entire infrastructure necessary to move the water from Oxbow Springs to the proposed plant. That infrastructure would be built to a higher standard (a food grade quality standard) than is required for municipal water systems. Since

that infrastructure would be independent of the City's water system, it does not strain the City's existing system. Over time, City revenue from water sales to Nestlé cost may at least maintain the cost of water and may even lower local ratepayers' costs.

Does the new bottling plant put a “strain on the transportation infrastructure?”

WaNaPa Street, the main street going through town (US Highway 30), and Forest Lane are the main routes from the east bound freeway exit (#44) to the Port of Cascade Locks Business Park. WaNaPa Street is the commercial center in town and adequately handles the westbound trucks coming off Interstate 84, stopping for the custard ice cream cones at the East Wind Drive Inn, and continuing back on the freeway to the west.

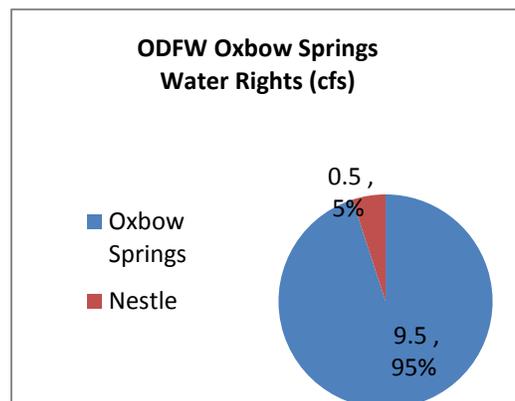
Forest Lane does travel through a residential neighborhood. The street is designed, according to the City's Transportation System Plan, to handle between 1,200 and 10,000 vehicle movements per day. With a population of only 1,235 people the City does not generate the maximum level of those vehicle movements. When the lumber mill was open on the east end of town, more timber was trucked through town than is anticipated with the bottling plant. 200 trucks per day (100 inbound and 100 outbound) is an average of one truck every 15 minutes in each direction. There are 22,000 vehicles traveling on Interstate 84 every day. 200 trucks per day is an increase of one tenth of one percent (.1%). The City Council is aware of the safety issues. The City is developing a plan to improve the sidewalks and bicycle lanes along Forest Lane and to possibly lower the speed limit from the current 35 mph. There will not be a strain on the City streets.

Nestlé has promised 50 new jobs. What happens if they don't reach that number?

Nestlé operates similar sized plants all over the United States. Those two-line plants require the promised amount of jobs. To a struggling community of 1,235 people with 18.8% unemployment, even half that number of jobs is significant. Is there a guarantee that Nestlé will hire the local people? No. They will hire the people that are qualified to work in the new facility. We will also work with Mt. Hood Community College and Columbia Gorge Community College to provide training that will prepare our own residents to compete for these jobs. We have great partners in the education field to help with this issue.

Will the State of Oregon “permanently give away the State's rights to Oxbow Springs”?

The Oregon Department of Fish and Wildlife (ODFW) has a 10 cubic foot per second (cfs) water right in Oxbow Springs. ODFW has a total of 40 cfs of water rights for the entire Fish Hatchery complex. The current cross transfer applications will move .5 cfs to the City of Cascade Locks. In return, the City of Cascade Locks will pump .5 cfs back into the Fish Hatchery

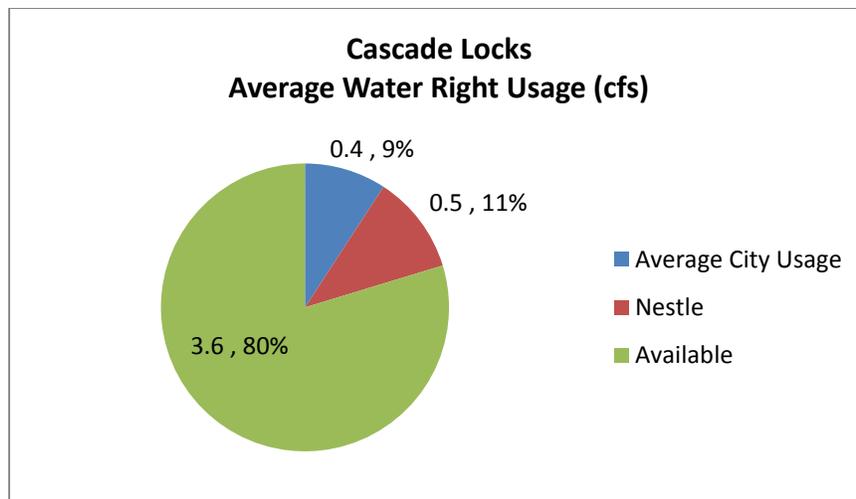


system on an annual basis. This is an equal exchange. Nestlé is asking for only 1/80th of the Fish Hatchery’s total water right – 1.25%. If the plant should leave at some point in the future, another application for cross transfers can be processed to reverse this action.

The State is not giving the water away. The water that the City receives from Oxbow Springs and bottled by Nestlé will be sold to them at a fair market price.

Can the City’s water supply provide the necessary water to ODFW?

The City of Cascade Locks has a total water right of 15 cubic feet per second (cfs) from three main sources: Dry Creek surface water at 10 cfs, Moody Springs ground water at 1 cfs, and Herman Creek ground water at 4 cfs. The water supply the City currently uses is the Herman Creek well field. At 4 cfs, the water right is 2.6 million gallons per day. The city uses an average of just 266,667 gallons per day. The Nestlé usage would not be much more than that at 322,000 gallons per day at maximum production. The City has plenty of water available. After the Water System Improvement Project is completed, we should have even more water available because of the reduction in the current system’s leaky pipes.



Why would the City sell the water for less to Nestlé than to its residents?

Americans have long held to the practice that if I buy more, I should get a volume discount. The average residential unit in Oregon uses 7,500 gallons of water per month. In Cascade Locks the average is closer to 4,000 gallons per month. At 4,000 gallons per month at a cost of \$2.50 per thousand gallons, that average resident pays \$10 for the water used. The water bottling facility will bottle 9,000,000 gallons per month for distribution. Although no price has been negotiated at this time, if the price was \$2.00 per thousand gallons, the monthly bill would not be \$10, but \$18,000. If you used that much water, wouldn’t you want a break, too? Please also remember that the water Nestlé will be distributing will never go through City built or maintained

infrastructure. The City will never pay for Nestlé's water transmission line as long as it delivers to the new plant.

Why doesn't the City just bottle its own water and sell it?

The City of Cascade Locks does not have the resources or the expertise to build or operate a \$50 million facility. Municipalities in the State of Oregon are strictly regulated for what investments they can make with tax payer dollars. A risky private venture is not within the realm of possibility. We are a public entity that does not operate on a profit margin scenario.

What are the environmental concerns?

The citizens of Cascade Locks are certainly aware of the environmental concerns around plastic. Plastic from a single bottling plant does not seem as significant as the plastic in the soda bottles or rings around soda and beer cans. Oregonians have a long and growing history of recycling.

We understand that water is a renewable resource. We average 80 inches of rain per year. The cities of Portland and Hood River receive half that amount. We have the rain and the water that flows from the snow melt on Mt. Hood. 100 million gallons a year is a very small percentage of the total water resources the City has. It is about how much water it takes to maintain a 9-hole golf course for a year. It is the amount of water in the Columbia River that flows past Cascade Locks every minute of every day. It is the reason for Cascade Locks' existence.

A community survives on its resources. Cascade Locks' resources are wind, dirt, and water. People come here to ride the wind in their sailboats, walk or ride on the dirt of the trails, and look at or swim in or sail on the waters of the Gorge. Cascade Locks now has the opportunity to crawl out of survival mode by selling a small part of one of our renewable resources for the betterment of our community.

The Portland market for Nestlé's bottled water is currently served by a bottling facility in Sacramento, California, 600 miles away. A bottling plant only 44 miles away substantially reduces the diesel fuel burned and carbon emissions created by the trucks. Since the source of the water, Oxbow Springs, is only 3000 feet from the proposed bottling sight, Nestlé can build a 4 inch diameter food grade quality pipeline to deliver the water to the plant, thereby eliminating the need to truck water between the source and the plant.

ODFW conducted a year-long test to demonstrate that the City's well water is suitable for raising fish. The test was successfully completed in early 2011 and found that fish thrive in the ground water equally as well as they do in the spring water.

Nestlé Waters is proposing to build a LEED certified building, which will ensure that the facility meets strict environmental standards.

Fewer truck miles on the interstate, water available for endangered species fish production, an energy efficient manufacturing facility, and a small percentage of water used from an abundant resource sounds like a good corporate neighbor protecting and even enhancing our environment.

Municipal Water Supplies are safe. Why do we have to have bottled water?

The City of Cascade Locks tests its water frequently and annually publishes a report about the quality of our water. Bottled water can be useful in certain situations. But it is really a consumer decision. We are told to have a supply of water stored for emergencies and that we have to rotate the stock so that it is never more than six months old. After the spring water bottling line is functioning, Nestlé may also bottle City water for one of its brands.

What are the benefits for Cascade Locks community?

There are many benefits for the community with this project.

- 1. 50 new jobs in the community:** These are well paying jobs that give people the opportunity to support their families, upgrade their housing and transportation needs, and maybe even put something away for a rainy day.
- 2. Property Taxes:** The property tax base for the City is \$75 million. At a rate of \$2.70 per thousand of assessed valuation, we receive about \$200,000 annually in our General Fund. If the plant is valued at \$50 million, then after the Enterprise Zone Property Tax Abatement program is over (if the company qualifies), then the City will increase taxes collected by about \$135,000, a 67% increase.
- 3. Water Department Revenues:** After full build out, the Water Department will receive significant resources from the water it sells. This could provide sufficient revenues such that, after the revenue stream is measured, the City should be able to the lower water rates for the residents.
- 4. Wastewater Department Revenues:** Wastewater income would increase an estimated 40%.
- 5. Electric Department Revenues:** City Light would probably double the revenue in the department with the only cost increase being the cost of the electricity from the BPA.
- 6. No Increase in City Staff:** All of these benefits will not require an increase in the number of City employees. We can handle the work with the people we have.
- 7. Increase in Fish Production:** The Fish Hatchery cannot efficiently raise sockeye salmon smolts (an endangered species) during the latter half of the summer because of low stream flows into their processing operation. The City will be able to deliver some extra water to the Fish Hatchery during those low flow times, thereby extending the growing season.
- 8. OSU Economic Impact Study:** Preliminary economic estimates from Bruce Sorte, Oregon State University Extension Economist, indicate the full project would provide

more than \$26 million in sales per year in direct, indirect and induced economic benefits, plus another \$36 million provided by the construction of a fully built two-line plant.

Do other cities sell water to corporations?

The State of Oregon has 31 other water bottling facilities scattered all across the state according to *The Oregonian*. Some of those operations use well water for the supply, but most purchase the water from the local municipality. There are also 159 microbreweries that purchase water from the local supplier, the City where they are located. There are also an estimated 4 or 5 major soda pop bottlers across the state. One of the biggest is the Pepsi dealer in Portland who gets its water from the Bull Run Reservoir in the Mt. Hood National Forest. If your city has any commercial interests, your city is selling its water to a corporation.

Since this is “State owned water,” can I vote on this proposal?

We believe Cascade Locks should decide its own future. Our potential has been controlled by others across the State that have hindered our growth for too long. This is a chance for this community to pick itself up without asking the State or the Federal Government for a handout. We appreciate any help we can get, but the decision makers for our town sit on the City Council and the Port of Cascade Locks Commission. We believe we are acting in the best interests of this community. It is our hope that our neighboring cities and towns in Oregon appreciate our ability and right to make decisions that will benefit our town and community.

The new Cross Transfer Application process seems to prohibit public input. Why should you limit debate about this issue?

A cross water transfer does allow for public input addressed to the harm that the transfer would cause for the transferring parties and any other intervening water right holders. This is a process that is routinely done across the state and has an established process in place. The City is interested in pursuing this process because it has the potential of cutting the total time required to two years. Since we, as a community, are in survival mode, economic development is welcome now and in the future.

The debate about the public interest of this proposal would already have taken place under the previous process if the initial exchange application had not been challenged. That challenge delayed the first phase of the process for two years, with four more years to go. The City can certainly struggle for four more years, but this new process allows us to have hope in a brighter future for our community. Will it fix all of our problems? No. Streets will always be a problem. But we believe we can put this City on a more solid financial foundation with Nestlé in place.

Are there advantages the state will get from the water swap with the City?

We certainly believe so. When asked about the proposed water swap by a reporter for **The Oregonian** (2/18/2015), ODFW Director Curt Melcher said this:

*“Of course, the first thing we want to do is look out for the integrity of our Oxbow hatchery and the watershed. We're not looking to, in any way, jeopardize that facility or the important watershed there. **It looks to us like we can not only protect the facility but also enhance it by having some additional water in the summer, when we need it most. For us, it looks like a win-win.** Originally we said we didn't want to lose our water right, but we've been told by our counsel that we can do a limited cross-transfer that can be undone if things don't work out. So we're exploring the alternative Cascade Locks has proposed to us. It's unfortunate that the whole project has taken this long. I understand the city's interest in moving more quickly and we're looking at that now.”*

Have you talked to other Cities who have Nestlé as a partner?

Nestlé is in communities all across the country. Invariably, the communities rate them as a valuable corporate partner. All of the comments received have been very positive. They have not felt compelled or manipulated by heavy-handed international corporate lawyers to change laws or ordinances. Nestlé has been a good partner so far for this community. We have seen their commitment and their perseverance in this long process.

Nestlé has been in conversation with the City and the Port since it first considered siting a plant in Cascade Locks in 2008, and continues to remain open and transparent. The company has provided us with all of the information we have asked for including scientific studies, details on previous sitings, and other relevant documentation. The company has also held numerous town halls to date, and hosts regular office hours in town every month.

What are the next steps?

The City of Cascade Locks needs to secure the water from ODFW. Once that process is well underway, the City can begin the negotiations with Nestlé Waters for the many areas where each party has issues and concerns. All negotiations will be privately conducted, but the agreement will be a public document presented to the City Council for ratification. If the negotiations with ODFW and Nestlé are successful, it will take about one year to build the plant and infrastructure and hire the employees before production can begin.

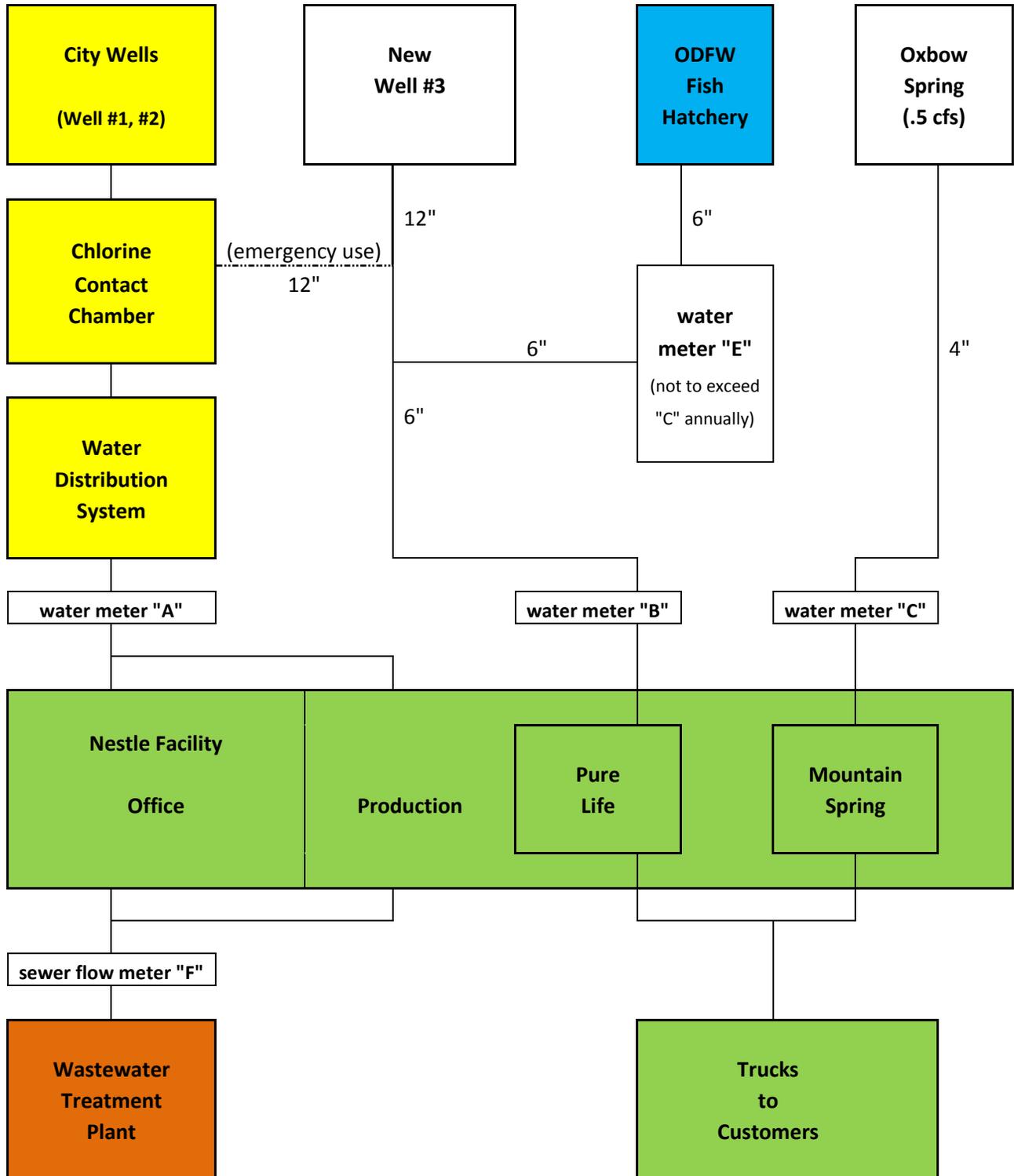
As we continue to make progress, we'll update residents as often as possible. You can also feel free to contact the City and Port at any time to get a status update.

Gordon Zimmerman, City Administrator

Revision: April 14, 2015

Cascade Lock Water System Schematic

With Proposed Nestle Water Bottling Plant and ODFW Cross Water Right Transfer



Pipe Size Capacities

Size	Max GPM	
2"	45	
2.5"	75	
3"	130	
4"	260	Nestle
6"	800	
8"	1,600	City Water Right
10"	3,000	
12"	4,700	New City Main

- 4.0 Cfs
- 7.5 gallons in a cubic foot
- 449 gallons per minute at 1 cfs
- 1571 gallons per minute at 3.5 cfs
- 1795 gallons per minute at 4 cfs

