

Dear Community Members:

Nestlé Waters North America looks forward to being a part of the McCloud community. We are committed to providing you with the information that you'll need to evaluate our project from an environmental and economic standpoint. We understand some residents have questions about the project, and we will continue to provide answers to those inquiries.

Some critics of the proposed McCloud project have circulated a newsletter with significant inaccuracies. To assist in your consideration of the project, we would like to set the record straight on the facts of the proposed development by listing those statements and factual responses.

We believe the project should be fairly evaluated on the facts. In the spirit of understanding the proposed project, we are pleased to provide you with a discussion of some of the issues that have been raised. Please feel free to discuss the information with your neighbors and your elected officials and make your own assessment of the information.

Thank you for your time and please contact us with your comments and questions.

Abbreviations and Definitions Used:

CEQA – California Environmental Quality Act  
NEPA – National Environmental Policy Act  
EIR – Environmental Impact Report  
EA – Environmental Assessment  
Nwana – Nestlé Waters North America  
MCSD – McCloud Community Services District  
USFS – United States Forest Service  
MSBEC – Mt. Shasta Bioregional Ecology Center  
MWC - McCloud Watershed Council

## **MYTHS AND FACTS**

**Myth**            *If this contract is allowed to stand, under a variety of local, state and federal laws, and international trade agreements, it could effectively prevent local control or protection of McCloud's water for the next 100 years ...Once we give our town to Nestlé, we will never get it back.*

**Fact**            **MCSD owns and retains all water rights to McCloud's water. Nwana will simply be a customer of the District.**

**Myth**            *The contract with Nestlé puts no limit on the amount of water it can take from McCloud's aquifer. Drilling into lava-tube aquifers is a greedy attempt to remove the "unlimited" groundwater that the contract entitles Nwana to. This could result in significant damage to the fisheries and McCloud's tourist dollars.*

**Fact**            **Through the contract, as subject to the completion of the review under CEQA, MCSD will have the authority to impose an enforceable usage limit (up to 1,600**

acre-feet/year) for all water Nwana wishes to purchase from MCSD (spring water and/or well water). MCSD also has the authority to require Nwana to meet all other rules and regulations that apply to all other businesses in McCloud.

*Myth* The contract gives Nestlé a superior claim to McCloud's water over the town's other customers. According to the contract, for the next 100 years, regardless of drought or other shortage, Nestlé can continue to take its maximum water draw.

**Fact** Nwana will be a customer of MCSD and Nwana has no more right to water than any MCSD water customer. In fact, there are no public water rights being conveyed to Nwana. Nwana will be treated like any other customer of MCSD. For example, in the event of a drought and the implementation of water conservation measures by MCSD, Nwana's usage would be curtailed, just like any other commercial MCSD customer. There is nothing in MCSD's contract or any local or state law that exempts Nwana from complying with drought mitigation measures.

*Myth* We can't depend on CEQA or other state law to protect us. The community must work with our county government to make its wishes known and to ensure that those wished are respected.

**Fact** CEQA is the most stringent environmental siting statute in the United States and has been successfully addressing environmental and community interests throughout California since 1970. The statute requires public agency decision makers (Siskiyou County and MCSD, in this case) to evaluate the potential environmental impacts of any proposed project. Environmental impacts in this context include impacts to the "human environment" such as traffic, cultural resources, and aesthetics, among others. All potential impacts associated with the proposed bottling plant are being evaluated under CEQA.

CEQA requires extensive public participation. This provides an opportunity for local residents, state agencies and others to express their concerns and comments to the County and the District. The public comment period on the Draft EIR began on July 14, 2006 and was extended 15 days past the original closing date so that it ended on September 12, 2006. The County is in the process of reviewing and responding to the comments received on the Draft EIR/EA to compile a Final EIR/EA. The agencies must respond to all formal comments before making a final decision on the proposed project. Additionally, parts of the proposed project are undergoing review through NEPA.

*Myth* There was absolutely no research done on the impacts of Nestlé's water draw on the fishery before the contract was signed.

**Fact** MCSD has required that all impacts of the proposed project, including the impacts on the watershed and fish populations, be thoroughly evaluated under CEQA before any water is sold to Nwana. CEQA requires that an extensive

**evaluation be conducted by certified hydrogeologists and biologists to determine any potential impacts on water resources or aquatic life. Finally, MCSD can't provide any water to Nwana until the CEQA analysis of the "water draw" has been completed.**

*Myth Nestlé will drain the McCloud River.*

**Fact Nestlé will not drain the McCloud River; we will be a paying customer of the McCloud Community Services District and will have an annual cap of 1,600 acre-feet of water per year. For reference, the lowest recorded annual flow between 1966-2004 at the USGS Iron Canyon Diversion gauging station was in 1992 when the total flow in the McCloud River was 325,450 acre-feet. A 1,600 acre-foot withdrawal for bottling, should it come directly from the McCloud River (which will not happen with our project), would represent about 0.5% of the historic low flow from the river. It would be even a smaller percentage when compared to average annual flows. There are also no public water rights being conveyed to Nwana; the company will be treated like any other customer of the District. Potential impacts to the watershed and fish populations will be extensively evaluated through the environmental review process before any water is sold to Nwana.**

*Myth MCSD rushed the negotiation process with Nestlé and did not allow for adequate public input ...The process used to approve the contract was hurried and allowed for no effective or measurable public input.*

**Fact MCSD spent almost a decade evaluating the possibility of bottling some of its water for retail sale. This evaluation included commissioning a report which concluded that the most economical option would be to partner with an existing bottled water company, rather than constructing and operating its own water bottling plant. MCSD also had experience evaluating proposed contracts with potential bottlers since they had been approached by and evaluated contracts from several other bottling companies prior to Nwana.**

**Throughout this multi-year process, MCSD held multiple public meetings, solicited input from the McCloud community and pursued discussions with a number of different bottled water companies to evaluate the market for its water.**

**Once MCSD began negotiations with Nwana and the potential terms of that contract were under consideration, MCSD conducted a series of public meetings informing the community about the progress of the negotiations with Nwana. Subsequently, another public meeting was held in September 2003 and there was public discussion for two hours after which the MCSD Board approved the final contract.**

*Myth*                    *The public should have voted on the contract before it was signed.*

**Fact**                    **There is no requirement for a public vote to authorize MCSD to provide services to any customer. Public input was gathered at the MCSD meetings before the Board of Directors voted to approve the contract.**

*Myth*                    *Eager to avoid meaningful scrutiny of its outrageous contract, Nestlé appealed the Siskiyou County Superior Court ruling. Since Nestlé is well-acquainted with California law, it is clear they made an assumption that the people of McCloud would be inexperienced enough to let the process of environmental review slip by ...The truth is that Nestlé has a long corporate history of being ruthlessly profit driven, putting profits ahead of public well being and using unenforceable verbal promises to distract from the worst aspects of its signed contracts.*

**Fact**                    **The contract between Nwana and MCSD clearly contained a provision requiring CEQA review prior to project implementation. Nwana appealed the Trial Court's ruling that held that MCSD should have completed an environmental review of the proposed bottling project *prior to signing the contract* with Nwana. In January 2007, the California Court of Appeals, 3<sup>rd</sup> Appellate District, ruled in favor of MCSD and Nwana, reinstating their contract for the sale of spring water. The Appellate Court reversed the Trial Court's decision made in March 2005 and ordered the Trial Court to enter a new order denying Concerned McCloud Citizens' original petition and invalidating their claim that the contract was null and void until the environmental reviews were completed. As written, the contract between MCSD and Nwana is contingent on the completion of the CEQA analysis.**

*Myth*                    *This is a sweetheart deal for Nestle. The town of McCloud will receive \$300,000 annually for 99 years, with no hope of an increase, while the infrastructure costs generated by Nestle would skyrocket.*

**Fact**                    **As written in the contract Nwana will increase its payment to MCSD over the term of the contract. Nwana's payments to MCSD start at approximately \$300,000 per year and increase to approximately \$400,000 per year in Year 10. Nwana is required to increase its payments to MCSD based on the District's changes in its rate structure for water. In addition, Nwana has already paid the District almost \$200,000 in non-refundable contingency payments and has reimbursed MCSD for another approximately \$200,000 for staff time and legal fees incurred by MCSD related to the Nwana project. At the plant start up, Nwana will also pay the District water connection and sewer connection fees which will amount to over \$260,000.**

*Myth*                    *Nestlé's offer of abundant jobs is insulting and unrealistic. The inflated figures . . . appear to include temporary construction jobs and out-of-area trucking jobs that do nothing for the local economy. Whatever it is, it won't be anything close to what*

*Nestlé says it will deliver in exchange for our pristine water and scarce industrial property. Most jobs that are created will not be living wage. Throughout the water bottling industry the average worker gets paid less than a shift manager at McDonald's and has far fewer benefits... No hiring preferences given to locals and that the jobs will be advertised throughout the state. Nestlé's actual employment policies contradict their claims that the bottling operation would bring meaningful employment opportunities to McCloud.*

**Fact**            **State and Federal Equal Opportunity laws prohibit Nwana or any other employer from any sort of preferential hiring based on where an applicant lives. Qualified individuals who live in McCloud will be encouraged to apply and, like any other candidate, will be evaluated for certain positions based on their overall qualifications. The full time employment estimates we have provided (about 60 at start-up and about 240 at full build-out) are consistent with Nwana's current full-time employment at our other comparable factories. For example, our bottling facility in Cabazon, California, built in 2002, and which serves as a model for the proposed McCloud project in size and scope, employs 214 people and is not yet at full build-out. In Texas, our Ozarka Spring Water factory employs almost 250 people. Throughout California, Nwana employs over 1,600 people.**

**Nwana has made a commitment to McCloud and Siskiyou County at this early stage to set its minimum wage for employment at the proposed factory to be no less than \$10.00 per hour plus full benefits. Final starting wages will be determined by a wage survey conducted closer to the time the plant is expected to open. This wage survey will be conducted to fulfill Nwana's commitment to paying wages in the upper 50 percentile of comparable positions regionally. Individuals with specific job experience and other qualifications will start at higher wages.**

**In addition, according to a report prepared for the Siskiyou County Economic Development Council by the Center for Economic Development/Small Business Development Center Partnership at California State University, Chico, the facility will create an additional 249 indirect jobs--bringing the total job impact of the project to nearly 500.**

*Myth*            *Nestlé's low estimate is that 300 additional trucks will be traveling to and from the plant every day over Highway 89. This actually represents 600 trips over Highway 89 every day, all day and night.*

**Fact**            **Truck traffic is evaluated in the Draft EIR/EA using the accepted CALTRANS modeling and widely accepted approaches. The traffic estimates for the proposed project are not based on a 365-day period, but rather represent estimates for peak operations (normally in the mid-summer months). This means that regular truck traffic would be much lighter for most of the year.**

**All impacts related to truck traffic are being analyzed through the CEQA/NEPA environmental reviews currently being conducted. If traffic**

**impacts are found to be potentially significant the County and State will impose enforceable mitigation measures on Nwana. Nwana bears all infrastructure responsibility and we will be paving and maintaining a one-mile private access road that diverts all truck traffic around the town so that we do not disturb traffic going through town.**

*Myth* *[The proposed Nwana plant] is so large that every existing building in McCloud could fit under the plant's roof. The plant will be four times bigger than Siskiyou County's other water bottling plants and even larger than the colossal Wal-Mart distribution center southeast of Red Bluff. The Nestlé plant would immediately become the largest building in Northern California. It would kill beneficial development on the northeast edge of town and cause serious decline in property values for nearby residents.*

**Fact** **The properties adjacent to the old mill site are already next to or near existing industrial property. The proposed plant will be cleaner and quieter than any previous industry that has occupied this site. As for size, the proposed Nwana plant will be approximately 300,000 square feet growing over time to an estimated 1,000,000 square feet, situated on nearly 250 acres. This will not be the largest building in Northern California as claimed. In fact, according to the Tehama County Assessor's Office, the Wal-Mart distribution center warehouse near Red Bluff, currently at 1,100,000 million square feet, is already larger than the proposed McCloud facility when fully built out.**

*Myth* *The Nestlé plant will require infrastructure and community resources that we have no money to provide, and it will have wide-ranging, unknown impacts on our sewage ponds, water, fire service, roads, utilities, etc. Nestlé does not have a good reputation when it comes to contributing directly to infrastructure needs beyond their specific contractual obligations. These types of infrastructural problems and needs usually cost from hundreds of thousand to millions of dollars to address.*

**Fact** **The agreement with MCSd requires Nwana to pay for the cost of all infrastructure that will be provided to the site by MCSd. MCSd will not have to incur any extraordinary expenses to provide service to the proposed Nwana bottling facility.**

**In McCloud, Nwana has secured access to a private road that Nwana will pay to improve to county standards so that truck traffic may be diverted from going through the town of McCloud. This will eliminate noise and traffic hazards on the main streets of the community. Additionally, Nwana will further improve components of MCSd's water supply system as part of the project implementation.**

**The MCSd/Nwana contract also requires Nwana to pay for the maintenance and upkeep of the infrastructure that serves the project. This provides MCSd with a mechanism to monitor Nwana's activities and helps pay to keep district employees employed. Additionally, Nwana's upgrades to the water system will**

**save the McCloud taxpayers from having to pay for these infrastructure improvements, which would be necessary in the coming years with or without the Nwana project.**

*Myth Nestlé uses legal means to intimidate opponents. This is exactly what the company was doing when it subpoenaed the private financial records of private citizens.*

**Fact After the Superior Court judge overturned the contract between Nwana and MCSD, Concerned McCloud Citizens demanded that Nwana pay their attorneys' fees. The legal system allows the defendants some latitude to assess who has been paying for the legal fees of the attorneys suing Nestle. During depositions, Nwana was informed of the link between Concerned McCloud Citizens, Mt. Shasta Bioregional Ecology Center and the McCloud Watershed Council. We worked within the legal system to request subpoenas for financial records of the MWC and the MSBEC. The judge denied our requests when MWC and MSBEC objected to our subpoena request. That was the end of the issue - there was no intimidation.**