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## McCloud Project

### Project Overview

#### Introduction

Nestlé Waters North America (Nestlé Waters) has been working since 2003 to obtain the permits to build a bottling facility in the town of McCloud. The proposed 350,000 square-foot bottling facility would accommodate up to four production lines and at full build-out and would employ approximately 100 people. We propose to use a maximum total of 600 acre-feet of water each year at this facility. It is our hope to work with McCloud community to find common ground and build an operation that meets the needs and requirements of all parties by achieving a balance of economic, social and environmental objectives.

#### History

For the Town of McCloud, the process of bringing in a water bottling plant began in the 1990s. During that time MCSD recognized that the lumber industry was in decline and decided to explore the idea of either bringing a water bottling company into McCloud or to start their own bottling company. It was at this time that the town first reached out to Nestlé Waters to gauge our interest in building a bottling facility in McCloud, but at the time we were not looking to site a facility in Northern California.

After years of unsuccessful negotiations with several water bottling companies and a feasibility study which found that starting its own bottling company was not best for McCloud, the MCSD was still looking for a water bottling company to come into town in 2003. At the same time, Nestlé Waters was evaluating the possibility of building a bottling facility in Northern California so we entered into contract negotiations with the MCSD in the summer of 2003. By the fall of that year, the MCSD Board and Nestlé Waters reached agreement on a contract, which was made available to the public, discussed at a public meeting, and approved by a unanimous vote of the MCSD Board.

This contract would have allowed us to purchase up to 1600 acre-feet of water each year from the community with total payments to the MCSD starting at an equivalent of \$187/acre-foot. At full build out, the one million square-foot facility, would have created 240 direct jobs and another 240 indirect jobs in the community.

Since that time, the project has been under environmental review and the contract has been a subject of public scrutiny and debate. A combined Environmental Impact Report/Environmental Assessment (EIR/EA) on the project was developed and made public through the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) processes in 2006. This process led several environmental organizations to raise concerns and questions surrounding this project.

In response to concerns raised through the initial environmental review process Nestlé Waters began working with third-party scientists to conduct a two-year study of the hydrology and biology of the watershed in the summer of 2008. The data collected will be used in the evaluation of the newly-proposed, reduced-size water bottling facility, as well as provide valuable new information that can be used by the community in the future. During this time, studies on air and water quality, traffic conditions, hazardous materials and climate change will also be conducted and be used in the development of a new EIR/EA which will be made available through the CEQA and NEPA processes for public comment and feedback.

In May 2008, Nestlé Waters also announced a scaled-back version of our proposed project in McCloud. Specifically, the company reduced the size of its proposed McCloud facility from one million square feet to 350,000 square feet. This size bottling plant can accommodate up to four production lines and at full build out would employ approximately 100 people.

We made this decision because, since the contract with MCSD was first approved five years ago, we have built another plant in Denver and expanded both water supplies and capacity at other western plant-sites. These supply increases, coupled with the rising cost of transportation and fuel means that a plant of the size first proposed in McCloud no longer makes economic sense for the company.

As a result, we decided to exercise our option to cancel our original contract with the MCSD. We hope to begin the process of negotiating a new contract that will better reflect this smaller project proposal and community input on that proposal.

It is the goal of Nestlé Waters to work with the McCloud community to find common ground and build an operation that meets the needs and requirements of all parties by achieving a balance of economic, social and environmental objectives.

### **Environmental Review**

Our proposed plant in McCloud must undergo an environmental review under the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). To support this environmental analysis NRNA has committed to two years of additional study of the Squaw Valley Creek watershed and surrounding habitat, which began in 2008. During that time, we will also be working with the County, the District, and the community to further define this project and to conduct any additional studies that are necessary to prepare a revised draft environmental impact report/environmental assessment for the reduced- project size. Once those studies are completed, the CEQA/NEPA processes can move forward.