

## **U.S. town splits after quenching Nestlé's thirst for water**

**By Erica Gies**

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**SAN FRANCISCO:** McCloud, a former lumber company town in the far north of California, has the charm of a small village and a breathtaking setting among pine and fir trees on the southern flank of Mount Shasta.

In 2003, the town government signed a contract to sell its spring water to Nestlé Waters North America, a subsidiary of the largest food and beverage company in the world. Nearly one-third of bottled water sold in the United States in 2006 came from the 23 Nestlé plants in the United States, earning the company \$3.57 billion.

The Nestlé deal has divided this close-knit town of about 1,350 people. While some support it because they welcome economic development, others object to the lack of public input on the contract, the contract's terms, and the possible environmental effects. Five years after the contract was signed, construction of the plant, mired in conflict, has yet to begin.

"It's the issue in town," said Curtis Knight, the Mount Shasta area manager of California Trout, a wild fishery conservation group. "You know, who are you and are you pro-Nestlé or are you anti-Nestlé? It's really been a wedge through town, and I think it's unfortunate."

Controversy has followed such Nestlé operations. Its worldwide water bottling earned 6.3 billion, or \$9.9 billion, in 2007. Lawsuits against the company have been filed - and some won - in Michigan, Texas, Wisconsin, California, Maine, and in Brazil.

The debate in McCloud over the bottling contract is about method and content.

Dennis Kucinich, a U.S. congressman from Ohio, was the chairman for the first of several federal subcommittee hearings on water in December. He said bottling companies usually put plants "in rural areas, where people don't necessarily have access to big law firms or the attention of the federal government to protect their economic interests. There are always questions raised in terms of how these contracts are gained and whether people have informed consent."

McCloud is unincorporated, so the McCloud Community Services District board serves as the town government, with five elected board members. Many residents said the board signed the deal with little public input.

Nestlé's Northern California natural resource manager, Dave Palais, and a district board member, Al Schoenstein, said standard meeting procedures were followed for the contract, with notices inviting public input posted in the newspaper. They said residents largely stayed away from the discussions until a meeting Sept. 29, 2003. That session was well attended, and residents asked Palais and the board many questions. But many questions were not answered, some residents said, and at the end of the night the board approve the deal.

"I was really upset," said Tim Dickinson, the board president. "It was announced as being an 'info' session, and after it was done, the board signed the contract."

Kucinich said this story was common. At his hearings, people "testified that local and state authorities often short-circuited their complaints and curtailed their input in the face of these perceived economic benefits that a water bottling plant promised to bring to a region," he said.

The McCloud contract's terms trouble many people. Debra Anderson is a third-generation McCloud resident who helped create McCloud Watershed Council in 2004 to educate her neighbors about the issues. The group took a survey two years ago and found that 77 percent of

the citizens were opposed to the contract.

Knight of the fishery group said opponents' top concerns were the price that Nestlé would pay for the water, once the plant started operating, and the length of the contract, which runs for 100 years.

McCloud would receive about \$305,000 the first year, based on residential water tariffs, which equals \$191 per acre foot, or 15.5 cents per cubic meter. By comparison, Nestlé is paying \$2,183 per acre foot to Pure Mountain Spring in Maine for its water, according to an economic study conducted by ECONorthwest, a consulting firm.

People also objected to an exclusivity clause, the quantity of water to be sold and the lack of information on how it would effect the environment.

An local group, Concerned McCloud Citizens, filed a lawsuit against Nestlé, saying that an environmental review, allowing discussion of alternatives or mitigation measures, should have been done before the town agreed to a contract. A district court sided with Concerned McCloud Citizens, but Nestlé appealed the decision and won because it said McCloud still had the right to negotiate contingency issues.

A water rights lawyer, Don Mooney, who handled the case for Concerned McCloud Citizens, said that even though the case had been lost, "we have an appellate decision saying that the district has further discretion with regards to the project, the size of the project, or whether or not the project should even go forward."

Palais of Nestlé disagreed, saying McCloud had no right to end the contract.

While the case was going through the courts, Nestlé began an environmental impact report under the California Environmental Quality Act. The first draft, published in 2006, received 4,000 public comments.

Protect Our Waters, a group of residents and trout fishery and habitat conservationists, hired experts to study the report. Betsy Phair of Concerned McCloud Citizens said the report did not address downstream communities, aquifer effects, global warming, fish, diesel fumes from increased trucking, or hazardous waste on the former mill site where Nestlé plans to build its plant.

In February, under pressure from conservationists, Nestlé agreed to cap its water extraction at 1,600 acre feet a year, or just under 2 million cubic meters. It also agreed that it would not drill groundwater wells and would conduct more environmental studies in a second environmental impact report.

But Nestlé is not altering the contract with the town to reflect these changes. Palais said the issues were already covered by contingency terms.

Groundwater and surface water are interconnected in a single hydrological system, said Kucinich, the congressman. "The existing regulatory structure barely recognizes this fact. For every gallon that's extracted for the bottled spring water, that's one gallon lost for surrounding streams and watershed."

Knight of the fishery group worries that water removal could effect the fish and ecosystem. He said a local fish hatchery had been distributing McCloud River redband trout eggs internationally since the 1870s. "The McCloud River is sacred water," Knight said. "It's one of the most treasured and popular trout fishing streams in the country and has a reputation throughout the world."

Under the contract, Nestlé can build a bottling plant covering an area of up to 1 million square feet, or 93,000 square meters.

"This would totally destroy the integrity of our small, historic mill town," said Anderson of the McCloud Watershed Council.

The contract also allows for 600 daily truck trips, and the trucks could run 24 hours a day all year. Some people are concerned about traffic and pollution. Residents who favor the plant say that plenty of trucks drove through town during logging's heyday. But other residents say logging trucks peaked at 150 per day, and they did not run at night, on weekends, during the winter or on

holidays.

Project supporters hope that jobs at Nestlé will strengthen the town's economy. But the ECONorthwest report said that, of the 60 to 240 jobs predicted by Nestlé to be generated at various stages of operation, most "would likely be filled by people who do not currently live in McCloud." It said some jobs probably would be seasonal, and only low-paying production jobs would be open to local residents.

Still, even low-paying jobs would be welcomed, said Dickinson, the board president. "I know people in town who would dearly love to have a \$10-an-hour job with benefits," he said. "I don't think their expectations are all that high."

"Most of the businesses in town are dying," Dickinson added. "Forty percent are not occupied." Conservationists point to tourism as an alternative to the bottling plant, but "tourism doesn't contribute a lot of money," he said.

Knight of the fishery group said Nestlé would not take care of local residents the way the town's lumber company once did. "Any comparison of what Nestlé is trying to do to that is a complete fallacy," he said.

Jane Lazgin, a spokeswoman for Nestlé Waters North America, said: "I think it's appropriate that communities would have questions and concerns. In most cases, we're welcomed because we're able to offer a rural community an economic benefit, while harvesting responsibly a natural resource and providing jobs that otherwise have been lost."

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