

Client Confidential  
Project Negotiation Memo  
Swire Coca-Cola

Project Evergreen, Washington Date:	October 17, 2022
To:	Mike Bernier - Swire
From:	Joe Volpe - Montrose Environmental

**Overview**

Swire Coca-Cola (Swire) requested Montrose Environmental Services (Montrose) to provide a series of talking points related to their ongoing negotiations involving the proposed Project Evergreen location in Tumwater, Washington (City) in the vicinity of the Olympia Regional Airport. The following presents discussion related to the Tumwater water supply and timing of additional water resource supply alternatives identified by the City.

**Background**

Current conditions

Swire and Montrose had a meeting with Dan Smith, City of Tumwater Water Resources Director, in July 2022. During that meeting, Swire and Montrose were presented with information that the City was currently operating under their previously projected water use and had a water surplus that would accommodate usage from a 0.6 million gallons per day (MGD) user (approximate Swire daily usage).

Recent information from the City contradicts information obtained during the July meeting. Email correspondence between the City and Montrose has indicated that the City was operating close to its capacity during Summer 2022. The following is an excerpt from Dan Smith.

*"This summer, we operated just under our peak capacity during the summer times (~6.5MGD). Maintenance of this level is due to continued operation of all our wells, which was challenged at times this year with a couple wells coming offline for emergency service. So, peak operations between 6-6.5 MGD during the summer, which has now tapered off to about 3-4 MGD. Through the winter, I would expect operations to be ~3MGD."*

Additionally, Dan Smith provided the following.

*"Our current limitation is definitely the peak season. We have capacity to improve production using the Lathrop and Golf Course water rights; however, they are not yet in production. I would like to think we get those projects off the ground in 2024 and online in 2025, with the Brewery wellfield online by 2026-2027."* Client

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The following graph was provided by Mr. Smith. The graph shows the water usage in June through September 2022 along with daily high temperatures. The blue bars show daily water usage and the green dashed line shows daily high temperature.

The green and gray lines across the top show total water supply capacity. The dip in capacity during August and September are due to well emergencies that took some of the production wells out of service. As illustrated on the graph, the City was close to not meeting peak demand for parts of August and September 2022.

Based on this new information, Swire will need to obtain guarantees from the City that their planned new sources will be brought online well before Swire begins operation in 2026. The City's identified future sources are presented below.

#### Future Sources

In order to meet projected maximum daily demand (MDD) and satisfy redundancy criteria, the City needs to develop multiple new supply sources within the next five years and additional large supplies in the 20-year planning horizon. Supply development timing is dictated by MDD supplies. New MDD supplies provide sufficient supply to meet the average daily demand (ADD). The quantity and timing of the supply improvements were previously estimated based on the MDD projections and the likely time frame for developing new supplies. The City plans to develop six potential supply sources (summarized below). Client Confidential

In the event of delays in developing the Brewery Wellfield or securing the water rights and developing a future source, the City could install a non-additive well at the Bush Wellfield to increase supply redundancy. This would require expansion of the existing site, which may not be feasible. As an alternative, the non-additive well could be sited at the Northeast Wellfield. This well could then be converted to a primary well in the future when the Northeast Wellfield is developed.

The City can further address system reliability by installing a portable generator or source of back-up power at Well 15 or the Airport Wellfield. It was also assumed that all new supplies brought online would be reliable. Adding a back-up power source to Well 15 would ensure the City fully satisfies reliability criteria. Well rehabilitation may allow the City to bring pumping capacity closer to the maximum instantaneous water rights. This would provide additional MDD supply capacity, but would not address the redundancy concerns. Well rehab would not address future ADD supply deficiencies, as pumping capacity exceeds annual volume water rights. Rehab was recently done on Well 10, but the City does not have plans to rehab other wells at this time.

It is now clear that the City will need to provide assurances to Swire that they can meet both water quantity and quality requirements during construction and operations. The following presents talking points for Swire during their negotiations. Client Confidential

#### Talking Points for Negotiations

- Swire should get on record the current MDD for the City and the current supply capacity
- Swire should ask for the revised timeline for the 3 new water sources identified on the table above including:
  - o Lathrop incorporation into water system – 300 gpm – Timeline was 2020
  - o Golf Course Water Right Conversion – 2,000 gpm – Timeline was 2020
  - o Brewery Wellfield – 2,170 gpm – Timeline was 2021
- Swire should also ask for status and a revised timeline for the other sources identified including:
  - o Future Source – Timeline 2026 – Has this been identified? What are the options?
  - o NE Wellfield – Timeline 2036 – Has this process been initiated?
- Swire should obtain assurances from the City on water supply availability during construction activities
- With all the options identified above, Swire should get an understanding of the potential impediments to the supply capacity improvements and how the City will mitigate?
- How will the implementation of the water supply projects impact City water rates to industry and the residential users?
  - o Note – If there is a large increase in water rates to

residential users then there will be increased scrutiny from the public on industry including Swire and PepsiCo (two largest water users in the City).

- How will the City support Swire regarding public perception of industry (Swire and PepsiCo) as the largest water users in the area?
- What is the City's contingency plan for PFAS since low level detections have been identified in the City water supply?

From: Joseph Volpe <jovolpe@montrose-env.com>  
Sent: Monday, October 17, 2022 11:46 AM  
To: Jon Yearsley <jyearsley@swirecc.com>; Mike Bernier <mbernier@swirecc.com>  
Subject: [EXTERNAL] Confidential - Project Evergreen

Hello Jon. I hope you are well.

I had some questions for the City regarding Project Evergreen and received some new

information via email from the City Water Manager last Friday. The new information

provided detail for the water system from June to September 2022. This new data contradicts

some of the information provided by the City during the site visit that Mike and I attended in

July 2022.

The short version is that the City will need to implement their identified water resource

augmentation projects well ahead of Swire coming online in 2026. The timeframe will need to

be accelerated based on this new data.

Please review and let me know if you'd like to arrange a call.

Best Regards, Joe

From: Allyn Roe <AllynR@portolympia.com>  
Sent: Tuesday, October 18, 2022 5:40 PM  
To: Jon Yearsley <jyearsley@swirecc.com>  
Cc: Charlie Cowan <charliecowan@windermere.com>  
Subject: Re: FW: [EXTERNAL] Confidential - Project Evergreen

Hi Jon,

I agree with your statements. I think it would be good for all of us to meet prior to the

Commission meeting just so the city is fully onboard and not surprised by anything (we have

been trying to keep them updated as much as possible). So a meeting would be helpful for this

and also to raise the water issues. We can reach out to arrange this, what does your timing look like (zoom meeting)?

Thanks!

Allyn

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-----"Jon Yearsley" <[jyearsley@swirecc.com](mailto:jyearsley@swirecc.com)> wrote: -----

To: "Allyn Roe" <[AllynR@portolympia.com](mailto:AllynR@portolympia.com)>

From: "Jon Yearsley" <[jyearsley@swirecc.com](mailto:jyearsley@swirecc.com)>

Date: 10/17/2022 01:24PM

Cc: "Charlie Cowan" <[charliecowan@windermere.com](mailto:charliecowan@windermere.com)>

Subject: FW: [EXTERNAL] Confidential - Project Evergreen

Allyn,

Please see attached. This is a memo that I received from our source water consultant. The near capacity utilization this past summer is a bit of a surprise. Previous conversations had indicated that there was sufficient capacity to support our project. Is this something that we want to get together with the City to understand? With availability of utilities being one of our major contingencies, I think it would be best if we (Swire, the Port, and the City) were all on the same page. Please let me know your thoughts.

Thanks,

Jon Yearsley

Director, Engineering and Infrastructure

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