

Bert,

This whole discussion about “being willing to consider any new proposal that will reduce costs” and “PERC had their chance to bid and chose not to” seemed a bit conflicting to me but I now view it as just more protect-the-status-quo rhetoric.

To say the least, I was shocked at receiving PERC’s email that included their proposal for Fillmore’s waste water treatment plant submitted less than five years ago - a proposal done “on their nickel.” I had no idea, based on how long PERC has been a topic of discussion that you were acquainted with them and their product. By the way, that proposal of theirs looked pretty good; as I understand, even you thought so for about twenty-four hours at which time, for some unexplained reason, PERC apparently became poison – not even to be talked to. Their plants look good too. Whoever, you, Roy Payne...? must have had a good reason to reject PERC’s \$15 million plant in favor of an \$80 million “lean, mean” money gobbling machine. No?

Little do I know about the workings of city hall and the disconnect between how it really works and what the people and often the council are told, but I’m trying to learn.

What I can draw from what I’ve seen so far about this sewer mess we’re in is this:

- The request for bids was designed to discourage fair and open bidding.
- The “experts” the council is so fond of saying they must depend on aren’t always so expert. The expert said the bids should come in at the \$50 million range. Oops, how about the \$80 and \$90 million range.
- The “experts” said they could do the legal procurement work for between \$138,000 and \$211,500 max and because staff recommended that firm, council approved. Then the law firm came back for more, a lot more, which staff recommended and council approved, raising the total cost to \$417,416 plus another \$60,000 for a second retainer.
- State Revolving Funds that would have saved the ratepayers millions, well, they just didn’t happen. My thought is that the State’s requirements might have jeopardized the opportunity for more profit for some unnecessary people at our expense.
- The RWQCB was falsely used as an excuse to not delay signing the contract and commencing construction making it more difficult to pursue a more reasonably priced approach.
- Bert, you previously said we could get out of our contract anytime we wanted but you are also saying that we are probably stuck with this contract because of various reasons.

Can we proceed with any plan right now based on the recommendations of staff or their relied upon experts? How can we?

I think there is probable cause to believe that the people and the city council have been led down a wrong and very expensive road and that the council should take immediate action to halt construction of the plant, make a complete and independent review of what has transpired and determine our best course of action from that point forward.

Bob

ROBERT STROH <bjstroh@prodigy.net> wrote:

Bert,

Thank you for the invitation to talk instead of writing. At this time I will respectfully decline because the points that are being discussed may be new to some of our council members. I appreciate you giving and apologize for my asking of your time to respond to my points. So with that explanation I am taking the liberty of forwarding your last email addressed only to me to all the others on the previous messages. I am concerned about some of your statements in your last email but will address them in my next sending. Thank you.

Bob

Bob;

Perhaps we could talk instead of write.

The 525 pages of the RFP were not mandatory. The companies could present anything they wanted. They were told that if they didn't do something that was covered by the EIR we did they would have to pay for the additional environmental work. None of the companies proposed meeting all of the requirements in the 525 pages of the RFP.

If Vertreat or Micro Media wanted to propose they would have had to argue their case before the City Council as to why they wanted to deviate so far from the 525 pages of the RFP.

The Value bar includes: cost, reliability, maintenance cost, resulting sewer rate, performance etc. PERC could have easily met all of these requirements if they had stayed in the competitive process. After the fact it is real hard to know what is "real" about their proposal especially when they only give me one line "Plant \$27 million".

Our plant is \$32 million and I know the quality of pipes, pumps, controls, blowers and the maintenance and repair costs for 20 years. I don't know if PERC is proposing cheaper equipment that has shorter life and higher maintenance cost, hence higher rates to the customers. One missing item that Brian Cullen acknowledged was the 1 million gallon finished water holding tank. This is a \$3 million item when built of concrete (\$1 per gallon). So PERC might be \$2 million cheaper. I don't think we can change from American to PERC for \$2 million and once we verify the quality and life cycle cost of PERC's proposal that \$2 million may not exist.

Bert

ROBERT STROH <bjstroh@prodigy.net> wrote:

Bert,

I have heard you make those same points on more than one occasion; most of them escaped me then as they continue to do now.

The 525 page RFP stipulated MBR. This automatically excluded Vertreat and Micro Media and possibly others. To suggest that the three bidders could give you an unbiased opinion on Vertreat is not realistic as Noram Engineering is the only one doing it and you didn't talk to them. The same could possibly be said about Micro Media.

You are claiming that these two companies and PERC have not crossed a "value bar" that a company would have to cross in order to cancel our contract with American Water and go with them. Obviously, we outsiders don't know what that threshold is nor have we seen any comparative figures justifying your position. Most of us just have our sewer bills.

I am at a loss regarding your answer to the RWQCB issue. All I know is that people in the citizens group that spoke with the Board told me and I believe the city council that they were given assurances that the Board would work with us and it was not their intent to bankrupt any city. That certainly has been the case for other cities, why not Fillmore?

I have read the email exchanges between you and PERC. I've heard about the telephone conversations between you and PERC and Glenn Hille and PERC. I saw a cost comparison sheet and PERC's answers to the twenty-one questions (if anyone doesn't have these and you want them let me know.) They showed on paper that they can build the plant for \$27 million and they guarantee it. PERC has a business history that can be checked very easily. Quite honestly I think they would be foolish to spend \$95,000 on a more comprehensive document before a meeting and at least a commitment from the city that if they met the value threshold you talked about that they would be given a fair shot. My guess is all they got was a cold shoulder and at best inferences that they are wasting their time talking with Fillmore. I am very disappointed.

Bob

Bert Rapp <brapp@ci.fillmore.ca.us> wrote:
Bob;

You are welcome to your interpretations, this is America and I am glad you have the freedom to participate in this open process. The City Council and City staff are greatly concerned about the cost of the Water Recycling Program and are working diligently to reduce costs. We are doing this through the process used to select, build and operate the treatment system and through the open book contract that is continuing to lower the construction cost. The water recycling system is going to be a lean, mean efficient system that will serve the community for years to come.

Every alternative proposed by the citizens was previously considered by technical staff and ruled out for cost, reliability, risk or performance reasons prior to their presentation to the City Council by the citizens. Every alternative was given unbiased and full evaluation. I personally really wanted Micro Media to succeed because their process may well be the next generation of waste water treatment and perhaps be lower cost than all of the other alternatives brought forward to date. However they are 5 to 10 years from fully developing their technology.

You are correct that if a good alternative is found the contract with American Water can always be canceled by the City Council. That has and continues to be the case. If the Council has a valid reason, such as truly saving the rate payers money they can certainly cancel the contract. To

date no alternative has crossed that value bar and proved to be cheaper than the competitive process used by the City to date.

A tremendous effort has gone into finding the best alternative for Fillmore. Neither the City Council nor Boyle Engineering nor I dictated the technology or construction style for the Fillmore plant. It was dictated by the competitive negotiation process under California Government Code 5956. The cost competition was based on the lowest sewer rates to the Fillmore customers. This took into account capital, operating and longevity of the plant. The City provided the guidelines for the bidders but when they submitted their bids they were free to present all of their own standards, designs etc. as long as they would guarantee it for 20 years. Each bidder took some exceptions to the standards the City had set and noted where they differed. These were discussed in the negotiations. The bidders were also informed that if MBR was within a few percent of other alternatives I would recommend that the Council select the MBR because of the reducing operating costs and dramatically better water quality achieved with MBR.

PERC began in this competitive negotiation process but dropped out short of submitting a bid. If they indeed had a lower cost solution they should have stayed in.

Bob, you said all we had to do was ask the RWQCB for a time extension and they would have given it to us. Until you see a written response from the RWQCB to the Citizens Groups presentation to the Board in June 2007 you don't know if they have changed their tune and are willing to give the City more time and waive penalties. I did ask the RWQCB in a letter (copy attached) dated March 6, 2007 for an extension to our Time Schedule Order so we could delay the project and obtain penalty relief. I have yet to receive a written response but I did speak to the RWQCB attorney Jenifer Flores on March 30, 2007. She indicated that the RWQCB could not legally grant the extension.

On July 10, 2007 the City Council directed me to meet with PERC. I called Brian Cullen on July 11, 2007 to request a meeting but he was out on vacation. Mr. Johan Perslow, P.E. Principal with PERC returned my call and let me know that Brian would back in on Monday August 16, 2007 and I could talk to him then. I was out on vacation August 16th until August 23rd. While I was out Mr. Hille spoke to Brian Cullen and on July 18, 2007 sent him the list of work items and bid prices from American Water so that Mr. Cullen could make sure his \$27 million cost estimate was complete.

On July 23rd Mr. Cullen sent a letter indicating that if we want a cost breakdown of his \$27 million proposal he would need the City to pay him \$95,000 for a conceptual design report. On July 27th I spoke with Brian Cullen and he advocated a visit to their Tracy plant instead of a meeting and I concurred that it is often better to see something first hand rather than talk about it and only see photos. On July 30th, 2007 I let Brian know that the City was still interested in meeting with him and renewed that offer again on August 2nd, 2007. I also let him know that until the Council indicates they are willing to pay PERC \$95,000 there will be no payment for his estimate.

I am still ready and willing to meet with PERC, always have been, always will be. The logical interpretation in this whole affair is that the real obstacle is PERC's reluctance to define the alleged \$20 million savings or the \$27 million plant.

Bert

From: ROBERT STROH [mailto:bjstroh@prodigy.net]

Sent: Monday, August 06, 2007 10:55 PM

To: Bert Rapp; Brian Cullen; Steve; lauriejanhernandez@yahoo.com; Cuevas, Cecilia (OXNARD,

CA.); walker@thegrid.net; scott@fillmorelee.com

Cc: Steve Owen; Glen Hille; Tom Ristau; Chris.Alario@amwater.com; Gayle Washburn; Chris Egedi; info@thefillmoregazette.com

Subject: RE: PERC: Water Recycling Facility

Bert,

With all due respect, I can only interpret your actions, reactions and statements over the past several months as protectionist and I'm not talking about protecting the people's interests. Many towns people have expressed grave concerns about the cost of their sewer bill and excepting negligible cost cutting measures in the current plan you have completely and summarily rejected any and all alternatives that were suggested to be looked at that may have saved us money. All while telling us that we could go a different route if a good alternative was brought forth and that we could get out of the contract with American Water anytime we wanted.

When a large number of people asked that you postpone signing the contract to give time to explore other options you would have none of it. You scared us with threats that the Water Quality Control Board would charge us exorbitant fines for being out of compliance. In so doing you misled the council, intentionally or otherwise. The Board was more than willing to work with Fillmore as they have done with many communities that are in the same boat. All you had to do was ask.

And that brings us to PERC. They were approached by some citizens of Fillmore after hearing about Santa Paula's conversations with PERC. Their numbers looked interesting and warranted a good look by the city. At no time did you ever suggest meeting with PERC and in fact it was the council, after the urging by citizens, that directed you to set up the meeting.

You certainly can deny this, but it's my understanding that you stated that you did not want to meet with PERC and that they were told in a telephone conversation by someone speaking for the city that we in fact could not get out of our contract with American Water. PERC got the message. I for one feel like I've been had and will be paying for it till the day I die.

Bob

Bert Rapp <brapp@ci.fillmore.ca.us> wrote:
Bob;

My interest concerning a meeting with PERC was that it be productive by having them come to the meeting with answers to the questions presented in the Mayor's letter. Glen Hille also provided them the project work items with bid prices from American Water.

The work items are not constraining. None of the companies bid on performing all of the work items. Each of the three companies kept or modified the work items as they saw best. I would have expected PERC to present the same approach at our meeting ie: that they would keep some of the work items and would exclude or modify some of them as it fit their approach.

Providing the list of work items served primarily to help PERC determine if their proposed project was complete.

The other approach would have been as you suggested: Meet with PERC cold, identify missing work items or under designed features during the meeting. Then follow up later with a letter asking for clarifications, additions and modifications along with modified cost estimates. I thought this approach would be more time consuming and expensive for PERC rather than sharing with them my questions before the meeting and allowing them to come prepared. This is a design-build-operate selection process so the contractor has tremendous freedom in how to accomplish the project.

Boyle Engineering would stand to make additional monies if the City changed to PERC. As the technical advisor to the City, Boyle would be involved in the cancellation or modification of the American Contract, the renegotiation of the new scope of work and contract with PERC and ultimately oversight of the PERC construction of the plant for quality assurance.

Like you, my primary interest is the lowest cost to Fillmore rate payers to provide sewage treatment in accordance with State requirements. I am sorry you interpret my efforts to make the process productive and complete as obstructionist.

Bert

From: ROBERT STROH [mailto:bjstroh@prodigy.net]
Sent: Sunday, August 05, 2007 11:50 PM
To: Bert Rapp; Brian Cullen; Steve; lauriejanhernandez@yahoo.com; Cuevas, Cecilia (OXNARD, CA.); walker@thegrid.net; scott@fillmorelee.com
Cc: Steve Owen; Glen Hille; Tom Ristau; Chris.Alario@amwater.com; Gayle Washburn; BJStroh@prodigy.net; Chris Egedi; info@thefillmoregazette.com
Subject: RE: PERC: Water Recycling Facility

Bert,

I can't speak for any other Fillmore Citizen - just me, Bob Stroh. Why didn't you just schedule a meeting with Brian (PERC) that we all could have attended and heard and considered PERC's proposal?

To include Glenn Hille, who could lose millions if Fillmore went with PERC, in telephone communications with PERC is nothing short of, well, I don't know, criminal? There is no mystery why only selective parts of what you or Hille said in telephone conversations with Brian was included in your emails. I can only conclude that you and Hille made it clear to PERC that they would suffer if they continued to communicate with Fillmore.

My God, Bert, have you no respect for the concept of open and honest government? We the people are here, we pay attention and we, to the best of our ability, will fight against being trombled upon. As I'm sure you would. So stop it.

-Bob

Bert Rapp <brapp@ci.fillmore.ca.us> wrote:

Brian;

I am in receipt of your letter from this morning. And I understand your concerns. However you have indicated to Fillmore Citizens that PERC can save the community \$20 million but you have not provided the community details on what is in your proposal and what is not so we can determine if the \$20 million is real or imagined.

The City Council has asked me to meet with you for the expressed purpose of finding out if there is value in your proposal. I am still available on the following dates if you would like to meet.

Thursday August 2nd or Friday August 3rd at 1:00 P.M.
Thursday August 23rd or Friday August 24th at 1:00 P.M.
Thursday August 30th or Friday August 31st at 1:00 P.M.

Bert

From: Brian Cullen [<mailto:bcullen@percwater.com>]
Sent: Thursday, August 02, 2007 8:51 AM
To: Bert Rapp; Steve; lauriejanehernandez@yahoo.com; scottlee@vcss.k12.ca.us; Cuevas, Cecilia (OXNARD, CA.); walker@thegrid.net
Cc: Steve Owen; Glen Hille; Tom Ristau; Chris.Alario@amwater.com; Gayle Washburn; BJStroh@prodigy.net; Chris Egedi; info@thefillmoregazette.com; Chris.Alario@amwater.com
Subject: RE: PERC: Water Recycling Facility

Dear Mr. Rapp,

Please see attached letter in response to your July 30, 2007 email.

Brian Cullen.

From: Bert Rapp [<mailto:brapp@ci.fillmore.ca.us>]
Sent: Monday, July 30, 2007 9:33 PM
To: Brian Cullen; Steve; lauriejanehernandez@yahoo.com; scottlee@vcss.k12.ca.us; Cuevas, Cecilia (OXNARD, CA.); walker@thegrid.net
Cc: Steve Owen; Glen Hille; Tom Ristau; Chris.Alario@amwater.com; Gayle Washburn; BJStroh@prodigy.net; Chris Egedi; info@thefillmoregazette.com; Chris.Alario@amwater.com
Subject: RE: PERC: Water Recycling Facility
Brian;

Thank you for answering many of my questions. The Mayor is still interested in meeting with PERC. Until the City Council considers your request for \$95,000 to develop costs there is no offer to pay PERC at this time.

You must have some detail that makes up the \$27 million cost you say is complete and comparable to the \$32 million bid price the City received for the "plant." (The \$36 million Mr. Hille was referring to was most likely the original bid price by American prior to cost saving reductions.)

Perhaps at a meeting you could explain how a complete project by PERC would save the community \$20 million because I don't see the savings in your numbers.

Some possible meeting dates in Fillmore are:

Thursday August 2nd or Friday August 3rd at 1:00 P.M.
Thursday August 23rd or Friday August 24th at 1:00 P.M.
Thursday August 30th or Friday August 31st at 1:00 P.M.

Bert

From: Brian Cullen [mailto:bcullen@percwater.com]
Sent: Sunday, July 29, 2007 10:52 AM
To: Bert Rapp; Steve; lauriejanehernandez@yahoo.com; scottlee@vcss.k12.ca.us; Cuevas, Cecilia (OXNARD, CA.); walker@thegrid.net
Cc: Steve Owen; Glen Hille; Tom Ristau; Chris.Alario@amwater.com; Gayle Washburn; BJStroh@prodigy.net; Chris Egedi; info@thefillmoregazette.com
Subject: RE: PERC: Water Recycling Facility

Dear Bert,

Please see the attached response to your July 24, 2007 email, including drawings and photographs of Mountain House (in Tracy) to assist you in your cost comparison of the Mountain House plant and the Fillmore plant. Also attached are certain pages of the Global Water Intelligence Awards where Mountain House won an award of merit.

If you have additional questions, please let us know.

Regards, Brian.

From: Bert Rapp [mailto:brapp@ci.fillmore.ca.us]
Sent: Tuesday, July 24, 2007 12:12 PM
To: Steve; lauriejanehernandez@yahoo.com; scottlee@vcss.k12.ca.us; Cuevas, Cecilia (OXNARD, CA.); walker@thegrid.net
Cc: Steve Owen; Brian Cullen; Glen Hille; Tom Ristau; Chris.Alario@amwater.com; Gayle Washburn; BJStroh@prodigy.net; Chris Egedi; info@thefillmoregazette.com
Subject: PERC: Water Recycling Facility
City Council:

At the July 10th Council Meeting the City Council directed me to meet with PERC to explore their potential \$20 million savings.

Brian Cullen has submitted the attached response to the Mayor's letter of July 6th asking many questions about PERC'S assertion that they could save the City \$20 million. The letter does not answer those questions and Mr. Cullen is not prepared to meet with the City or provide a more precise cost estimate until they have completed a \$95,000 preliminary engineering study that PERC will not pay for. Mr. Cullen would also like to take us to visit their plant in Tracy before a meeting to discuss potential cost savings.

Glen Hille does not concur that there is a \$9 million savings that he and Mr. Cullen have identified as indicated in the attached letter. Glen's recollection is that they identified \$9 million of items that were missing from the PERC cost estimate. If Glen is correct this would make PERC'S cost for just the "plant": \$27 + \$9 = \$36 million compared to about \$32 million in the American bid for

just the "plant." If Mr. Cullen is correct the savings have now dropped from \$20 million to \$9 million. But we won't know better costs until PERC completes their \$95,000 preliminary engineering study.

With the other contractors the Council would not pay for up front preliminary engineering and cost estimating but required the contractors to pay that expense if they were confident in their ability to win the project. I have every reason to believe that once the \$95,000 study was complete and the missing components are added in the cost would be very similar to the publicly bid prices we have already obtained

Mr. Cullen believes the primary cost effectiveness comes from the vertical style of construction IE: building a multi story plant. We saw this style plant back east on our tour of treatment plants so I asked the contractors who were bidding on our plant if they were going to propose a low footprint, multistory plant for us. I also indicated that they would receive a credit lowering their bid price for reduced acreage based on the purchase price of our land. Their response was that the labor costs in California made this style of plant uneconomical in California. Mr. Cullen of course has a different opinion from the contractors who bid on our project.

If Mr. Cullen will provide me the background of the Tracy plant I will do a cost comparison between the cost of the Tracy plant and the Fillmore plant to see if there is a difference in the two bid prices. See my list of parameters below.

Mr. Cullen is talking about building a Sequential Batch Reactor (SBR) plant that can be retrofitted with membranes in the future. Our EIR, WDR permit from the Regional Board and the Bond Covenants do not include this technology and would have to be modified to allow a SBR. The SBR technology was deliberately excluded on the recommendation of Parsons and Boyle early in this project because of the delicate nature SBR's. Dr. Madan Arora with Parsons performed the engineering of the 2003 modifications to the old plant. He did his master's thesis in support of the SBR's and advocated them early in his career, but now recommends MBR's because of their robust performance. When we went to Cumming Georgia we visited a MBR plant that had been a SBR but the owner had abandoned the SBR because it was so difficult and expensive to operate. I am not confident the Bond Covenants could be modified to allow a switch to SBR, the investors were very comfortable with the MBR technology.

We are now one month into the construction of the new plant; some of the first pipes are in place and will be pouring the first concrete next week.

At this time I don't expect to be meeting with PERC unless they decide to do the preliminary engineering on their nickel or if the Council gives me new direction at a future Council Meeting.

Tracy characteristics:

1. Year bid? Year construction completed?
2. Private construction or built under public contract code requirements such as prevailing wages, disadvantaged business enterprises and sub contract limitations, etc?
3. What is the fully constructed capacity? Our plant is 2.4 mgd with 1.8 built now with a minor expansion to 2.4 in about 2018 planned. What is Tracy?
4. What is the peak hour capacity?
5. What is the peak day capacity?
6. The plant is currently operating at 10% capacity. Is all of the equipment and are all of the structures installed for its full capacity or something less?
7. Is it fully Title 22 compliant with all required redundancy? Is it currently providing recycled water to customers?
8. Does it have a recycled water holding tank and if so what size?
9. Does it have a recycled water pump station and if so what size and what operating pressure?

10. What nutrient levels is it required to treat to? Is the limit an instantaneous maximum or an annual average?
11. What BOD, TSS and Turbidity?
12. What type of disinfection is provided? Does it have Title 22 redundancy?
13. What is the factor of safety for meeting the permit requirements? Is there a financial guarantee if limits are not met when the plant is at full capacity?
14. Is the bid price for strictly the "plant" or does it include other components such as: Storm Water NPDES treatment, site paving and drainage, flood protection, access road to the plant (if so how long? What size?), any offsite piping, utilities to the site, recycled water SCADA system, Vector truck for collection system maintenance, video truck for collection system, laboratory, Class A sludge processing.....
15. What is the complete price including all change orders when construction was finished?
16. What is the guaranteed operating cost at full capacity?
17. What is the annual guaranteed repair and replacement cost at full capacity?
18. What is the guaranteed maximum energy usage per million gallons per day?
19. Does the plant have flow equalization to minimize energy usage during Edison peak hour rate periods and to optimize solar energy efficiency?
20. The plant is an SBR with provisions to add membranes in the future. What is already constructed for the membrane addition? What will be added when membranes are installed?...tanks? blowers? piping? circulation system? cranes? membrane control systems? Chemical systems for the membranes? Cleaning systems for the membranes?
21. What components are included in the plant? Digester? Office? Laboratory? Repair and maintenance shop? Chemical storage? Sludge handling? Odor control? Emergency generator for entire facility including recycled water pump station?

The City of Clovis received bids on a 2.8 MGD plant in 2006 for both a MBR and a SBR, their bids were:

Membrane Bio Reactor \$38M
Sequential Batch Reactor \$52M

I will be greatly surprised if when all the facts are known that PERC could beat the publicly bid Fillmore price, much less lower the cost of the "plant" by \$9 million or \$20 million.

Bert

From: Brian Cullen [mailto:bcullen@percwater.com]
Sent: Monday, July 23, 2007 10:57 AM
To: Bert Rapp; Glen Hille
Cc: Steve Owen
Subject: City of Fillmore Water Recycling Facility

Dear Bert and Glen,

Please see the attached letter.

Regards, Brian Cullen.

The information contained in this electronic message and any attachments to this message are intended for the exclusive use of the addressee(s) and may contain confidential or privileged information. If you are not the intended recipient, please notify the sender by return and destroy all copies of the message including any attachments. Thank you for your co-operation.

Pacific Environmental Resources Corp

California: 17520 Newhope Street, Suite 140 • Fountain Valley, CA 92708 • 714.481.7270 fax 714.481.7269
Arizona: One Gateway • 426 North 44th Street • Suite 200 • Phoenix, AZ 85008 • 602.275.8066 fax 602.275.8072