



Pacific Environmental Resources Corp.

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Via Email

August 9, 2007

Mr. Bert Rapp, P.E.
Public Works Director
City of Fillmore
Fillmore, California 93015

Subject: Fillmore Water Recycling Facility

Dear Mr. Rapp:

Although I advised you on August 2, 2007 that our firm will discontinue communications with you on the topic of the Fillmore Water Recycling Facility, I consider it necessary to respond to your email of August 2, 2007 regarding our so-called “imagined” savings based on our not-to-exceed estimate of \$27 million for a PERC 1.8 MGD MBR Water Recycling Facility. Your use of the word “imagined” is highly insulting to the principals of our firm and I request you formally apologize for your choice of words.

Our not-to-exceed estimate of \$27 million to design and construct a 1.8 MGD MBR facility is not “imagined” and is based on our significant experience in this area, and includes design, permitting, construction, process equipment (including membrane equipment for 1.8 MGD), sludge processing, offices, laboratory, workshop, commissioning and startup. The following are PERC DBO projects that have real costs, and not “imagined” costs:

- SPA-3 / Austin Ranch – 1.8 MGD facility in Surprise, Arizona: Design, Permit, Build, Commission and Startup contract sum is under \$16 million, including a 32 foot deep offsite Lift Station. This project is currently under construction.
- SPA-2 / Asante – 1.2 MGD facility in Surprise, Arizona: Design, Permit, Build, Commission and Startup contract sum is under \$11 million, including a 45 foot deep onsite Lift Station. This project is approaching completion and will commence testing next month.
- Mountain House – 3.0 MGD facility in Tracy, California: Design, Permit, Build, Commission, Startup and Initial Operations contract sum is under \$16 million. This project has been operating since February 2007 and is discharging effluent to the Old River under a new NPDES permit.
- SPA-4 / Sunhaven - 1.2 MGD facility in Surprise, Arizona: Design, Permit, Build, Commission and Startup contract sum is under \$11 million. This project is designed and under review for final permitting by the City of Surprise, Maricopa County Environmental Services Department and Arizona Department of Environmental Quality.

- SPA-5 / Broadstone - 1.2 MGD facility in Surprise, Arizona: Design, Permit, Build, Commission and Startup contract sum is under \$11 million. This project is designed and under review for final permitting by the City of Surprise, Maricopa County Environmental Services Department and Arizona Department of Environmental Quality.
- Sundance Phase 2 – 2.4 MGD facility in Buckeye, Arizona: Design, Permit, Build, Commission and Startup contract sum is under \$20 million. This project is designed, permitted and scheduled to start construction in September 2007.

We were also retained by a developer to prepare a Conceptual Design Report for a 3.0 MGD advanced micro-filtration facility in the City of Lathrop for a total design/build/startup cost of \$33.3 million. Enclosed with this letter, we have attached our original design/build proposal for a 2.0 MGD facility for Fillmore submitted to you in November 2002 that contains a total design/build/startup cost \$13.2 million including \$2.5 million for percolation ponds and a reclaimed water system.

With regards to your email of August 7, 2007 to Mr. Stroh, you may want to correct the mistakes you made relative to dates. I presume you intended to refer to your vacation in July as opposed to August and I returned from my vacation on July 16, 2007, not August 16, 2007. Also, we reviewed the attachment to this email regarding your NPDES Permit with Time Schedule Order and specifically your point that the WRP would cost an additional \$4 to \$6 million to meet river discharge requirements. You should know that our Mountain House 3.0 MGD facility is presently discharging to the Old River in the south Sacramento Delta under a new NPDES Permit, and as mentioned above the cost to design, permit, build, startup and operate for six months was under \$16 million.

Although the City Council expressed interest in our firm and directed you to meet with us, it is obvious to us at PERC that you do not want our involvement with the City's wastewater project even though we can save the City capital costs. It is critical for the success of a project that a Public Works Director embraces a DBO team from the start, and since you do not want our involvement with the City's wastewater project, it is likely a project relationship with you that starts with adversity will end with adversity. We have furnished information at the request of concerned citizens, and we write this letter only to respond to your recent emails.

We wish the City the best of success for the wastewater project.

Sincerely,

PERC



Brian D. Cullen
President

Cc: Mr. Steven D. Owen, PERC