

March 13, 2018

Tom Crowley  
Director of Utilities  
City of Rialto

Re: RWS Response to 2016 Triennial Review

According to the Concession Agreement between Rialto Water Services (RWS) and the Rialto Utility Authority (Authority) and the Operations and Maintenance Subcontract (CA/OMS) between Veolia and RWS, upon every third anniversary of the effective date, and every third year thereafter during the term of the CA/OMS, the Authority shall perform a full-scale inspection and review of the state of repair, working condition, and performance capability of the wastewater and water facilities (Triennial Review). The Authority hired the consultant West Yost (WY) to perform the Triennial Review, which was provided to Veolia in November 2016. The Triennial Review for both wastewater and water included a statement of deficiencies. The purpose of this document is to respond to the deficiencies listed in the Triennial Review. This response will be filed along with the Triennial Review.

It is necessary to understand the contract provision pertaining to deficiencies identified by the consultant. Per sections 5.1(u)(ii) and 11.1(u)(ii), for wastewater and water respectively, of the CA/OMS:

**“Deficiencies identified by the Concessionaire (or, if applicable, the Authority) shall be limited to (1) structures which fail to meet structural integrity and functionality ratings of 3 or greater, as defined in Schedule J; and (2) items that, if not addressed, could directly affect the performance of the Wastewater and Water Facility and are vital to the successful operation of the Wastewater and Water Facility in accordance with Prudent Industry Practices.**

After review of the Triennial Report, a majority of the listed deficiencies do not fall under either category referenced in the contract. For those that may fall under one of these categories, the Triennial Review is vague and inadequately accounts for recent activities. Specifically, RWS has the following comments:

**Performance with respect to overall financial and infrastructure improvements**

The Triennial Review contains no real analysis of the actual performance of the CA/OMS as a whole and its delivery of material value to the Authority in the form of financial stability, improved revenues, improved infrastructure, and asset management, etc.

### **Deficiencies with respect to contract performance**

The Triennial Review contains a list of deficiencies that are attributed to RWS' performance. However, after review of the cited deficiencies, we have found no argument or evidence that there are any major or material deficiencies in RWS' performance of contractual obligations, but rather a list of recommendations for improvement and communication processes between all parties that should be addressed. It is important to note the following:

- The review contains mostly subjective review based on WY recommendations for process improvement in the communication of reporting between all parties.
- References to the CA/OMS are limited.
- The report does not define standard industry practices and how they are mandated in the CA/OMS.

### **Detailed response to deficiencies**

The deficiencies listed in the Triennial Review fall into three categories:

- 1) WY suggestions for improvements in communication processes between the parties.
- 2) Citations of well-known infrastructure related issues that are due to aging equipment and unavailability of parts.
- 3) Issues that have already been addressed in the time span between the inspection and the preparation of the report and are no longer valid.

Below is a list of each listed deficiency in the triennial review with Veolia/RWS' comments

<b>Dept.</b>	<b>Deficiency</b>	<b>Comments</b>
WW	FIP Implementation of S1 Project	<ul style="list-style-type: none"> <li>• Shared responsibility between the three parties.</li> <li>• Projects have a fixed minimum turnaround time as previously discussed with the Authority. When stakeholders are not in agreement on policy and technical matters, the minimum turnaround time can be significantly exceeded.</li> </ul>
WW	Asset Management	<ul style="list-style-type: none"> <li>• Veolia follows Standard Industry Practices.</li> <li>• The CA/OMS does not require Veolia to use every single field in CMMS nor would it be productive to do so.</li> <li>• Housing these voluminous documents in CMMS is not a Standard Industry Practice, but we do keep records separately and can provide upon request. Alternatively, Veolia staff can give the Authority "view only" access to our software system.</li> </ul>
WW	TDS, Nitrate, Cyanide and Chloride Regulatory Compliance	<ul style="list-style-type: none"> <li>• Veolia is an industry expert in these technical matters and have been providing beneficial updates/recommendations to the Authority.</li> <li>• Veolia has consistently made recommendations to</li> </ul>

		<p>the Authority regarding the TDS issue, performed testing, and provided results to RWS and the Authority. Purpose of the testing was to serve as a basis for creating an engineering study.</p> <ul style="list-style-type: none"> <li>Existing WWTP Facilities have limitations in TIN treatment capability. Veolia has optimized processes and procedures for the most efficient TIN removal with the current facilities.</li> <li>The S1 project will improve TIN treatment capabilities to the extent defined in the Phased 1 BODR and 50% design documents.</li> <li>Cyanide problem was resolved by finding a local certified lab that performs an EPA approved free cyanide testing method, which has eliminated the high non-compliant results.</li> <li>Need clarification from WY regarding “chloride regulatory compliance.” There is no chloride limit in the NPDES permit.</li> </ul>
WW	Comprehensive Spill, Emergency & Storm Water Plans (SWPPP)	<ul style="list-style-type: none"> <li>Emergency Response, Spill Management and Stormwater Pollution Prevention Plan is updated annually and were provided to both RWS and the Authority.</li> <li>An SWPPP will be prepared by AECOM/WM Lyles as part of the S1 construction activities.</li> </ul>
WW	OSHA Compliance Program	<ul style="list-style-type: none"> <li>Veolia is proud of its safety record and compliance programs with OSHA. The program is updated annually in January and is available upon request.</li> <li>Authority is welcome to attend our monthly safety training events.</li> </ul>
WW	General Housekeeping	<ul style="list-style-type: none"> <li>During the triennial site visits, Veolia addressed housekeeping issues as they were pointed out.</li> <li>The remaining items listed are related to equipment that has been operated and maintained well past its useful life and is being addressed through improvements in R&amp;R, ORR and FIP programs.</li> </ul>
WW	Flare Operation	<ul style="list-style-type: none"> <li>Flare is and has been compliant with AQMD permit.</li> <li>Veolia brought to the City’s attention that natural gas should not be connected to the flare (Chevron built it this way with no Veolia input).</li> <li>Veolia took the necessary steps to rehab flare and significantly reduce natural gas usage.</li> <li>If and when funding is identified, all natural gas use will be eliminated by adding a small burner ring in addition to the existing larger one.</li> </ul>
WW	Provide Influent Flow Meter Drawings	<ul style="list-style-type: none"> <li>This information was not requested during or after the inspection.</li> </ul>

WW	Provide Grit Removal Records	<ul style="list-style-type: none"> <li>This information was not requested during or after the inspection.</li> </ul>
WW	WWTP lab certification	<ul style="list-style-type: none"> <li>The lab certification is always posted at the plant office.</li> </ul>
CS	Customer Services Call Center Response Time	<ul style="list-style-type: none"> <li>There are and were no metrics or goals established by the Authority.</li> <li>Veolia's formulated and implemented Telephone Service Factors as internal goals that were based on typical call center standards. As discussed with the Utilities Commission, Veolia will establish baseline goals in 2017 and then compare each year thereafter to improve response times.</li> </ul>
W	CA Implementation	<ul style="list-style-type: none"> <li>Veolia has implemented all necessary provisions of the CA/OMS.</li> </ul>
W	Asset Management	<ul style="list-style-type: none"> <li>Veolia follows Standard Industry Practices.</li> <li>The CA/OMS does not require Veolia to use every single field in CMMS nor would it be productive to do so.</li> <li>Housing these voluminous documents in CMMS is not a Standard Industry Practice, but we do keep records separately and can provide upon request.</li> </ul>
W	Facility Improvement Projects	<ul style="list-style-type: none"> <li>WY suggestion from over a year ago has already been addressed.</li> </ul>
W	Replacement Costs	<ul style="list-style-type: none"> <li>Original values were assigned based on initial Authority input and approved as part of the CA/OMS implementation. Veolia is unclear as to the purpose of the recommended 4<sup>th</sup> year re-evaluation.</li> <li>We do not think it is necessary to adjust those costs.</li> </ul>
W	O&M Manual	<ul style="list-style-type: none"> <li>O&amp;M manuals originally provided to Veolia by the Authority were not current upon Veolia start up.</li> <li>Veolia is willing to provide the Authority a proposal to have the O&amp;M manuals updated by a third party which is Standard Industry Practice. The logical time to update the WWTP O&amp;M Manual would be after completion of the S1 Project. Remaining S1 funds could be allocated to this effort.</li> </ul>
W	Emergency Preparedness Plan	<ul style="list-style-type: none"> <li>This was previously provided to RWS and Authority. In addition, it is updated annually. The Emergency Preparedness Plan is supposed to be incorporated into the City of Rialto's Emergency Response Plan.</li> </ul>
W	OSHA Compliance Program	<ul style="list-style-type: none"> <li>Veolia is proud of its safety record and compliance programs with OSHA. The program is updated annually in January and is available upon request.</li> <li>Authority is welcome to attend our monthly safety training events.</li> </ul>
W	Condition of Facilities	<ul style="list-style-type: none"> <li>During the triennial site visits, Veolia addressed</li> </ul>

		<p>housekeeping issues as they were pointed out like dusting and landscaping.</p> <ul style="list-style-type: none"><li>• Alarm systems are being corrected through R&amp;R, ORR and FIP programs.</li><li>• The Water division does not perform lab work onsite. The third party contractor lab certification can be provided upon request.</li></ul>
--	--	--

All of the deficiencies listed in the water Triennial Review and some in the wastewater Triennial Review are recommendations and not actual deficiencies per the CA/OMS.

**Additional Information available**

The Triennial Review contains many requests for information. Most of this information was available at the time of Inspection, but was not requested by WY. Veolia has improved access to the following information:

- General housekeeping improvements
- Lab certifications, OSHA Program documentation, Emergency Plans and Condition Assessments.

The parties (RWS, City, & Veolia) need to meet and confer in order to create a procedure to disseminate these documents per the CA/OMS

Rudolf Ohlemutz  
RWS General Manager