

MEMORANDUM

To: Saqib Shirazi, P.E., Innovative Water Technologies, Texas Water Development Board (TWDB)

FROM: Melissa Bryant, San Antonio River Authority

SUBJECT: Assessment of City of Kenedy's Brackish Desalination Plant Quarterly Report – June 2010

DATE: May 24, 2010

CONTRACT: 0604830579

Recent Project Activities:

3/1/2008 –Preliminary Report Complete by NRS

We received some of the items requested by NRS from the City and Veolia in March. Items that were not received, we were directed to contact Southwest Engineers. SWE stated they would provide the information for \$3000. TWDB stated we could include those costs as a subcontractor's cost to NRS. We are still waiting for TWDB to decide how they will accept the billings for the project. SARA has still not been paid for the amounts we have paid out to NRS due to the level of detail in the NRS invoice. The agreement was signed off as a lump sum agreement, but TWDB finance group wants more detail.

TWDB approved the contract as with the revisions we provided on the budget change. The total budget did not change, but a lump sum was allocated for NRS's work. SWE submitted a letter with the information NRS requested on the missing items. NRS is currently reviewing the information. Once the data is reviewed, NRS will be making recommendations how to move forward. SARA will propose a meeting with the TWDB once NRS makes their recommendations on the plant.

11/20/08

NRS received the information from SWE. The data is still not sufficient to change the preliminary report. SARA will be coordinating a meeting with TWDB, the City of Kenedy, and NRS to determine the next steps to take and develop a plan of action. I have the meeting scheduled for November 25th at the TWDB office in Austin.

12/6/08

Budget Amendment processed by TWDB to clarify the totals spent for Task 1-4. The budget will allow the subcontractors to submit payments for Lump Sums and not so much detail.

1/28/09

Preliminary Engineering Report Finalized by NRS.

3/10/09

City of Kenedy City Council Submits letter of acceptance for Preliminary Engineering Report to TWDB.

4/8/09

Meeting with City of Kenedy, TWDB, Veolia, and SARA to determine next steps for Study. A schedule was laid out to finish the project. Veolia will deliver a formal proposal to the City by April 20th. The City will put out 2 requests for bids by May 18th, the City will award the bids by July 14th.

5/4/09

Meeting with TCEQ, City of Kenedy, TWDB, Veolia, and SARA to discuss the membranes that will be used for the study and the pilot process required by TCEQ. TCEQ stated if a pilot had been run on membranes using similar or worse water quality than that at Kenedy, then the City could submit a letter of exception to avoid having to perform the pilot study. After the approval to move forward (90-100 days) the City would then need to submit their plans to the water division to approve construction and installation (additional 45 day process).

6/18/09

The City Council approved moving forward with the request for bids for the RO membranes and the Brackish Water proposal. The bid opening is scheduled for July 27th at 2 pm.

7/27/09

The bids have to be republished due to the procurement schedule dates not being revised, and were left blank. The new bids will be due August 28th at 2 pm.

8/28/09

The bid opening was held today. Four bids were submitted for the RO membranes. Two bids were submitted for the Brackish water. Bob King will review all the bids and make a recommendation to the City for their selection. I will process a budget amendment and schedule amendment with the updated costs from the bids for the City to approve at their September 8th City Council meeting. SARA will approve the amendment at their October Board meeting then submit the amendment to the TWDB for approval.

9/28/09

The bids were approved by the City Council on September 8th. The low bidders were selected: Low Pressure High Flow Membranes- HydraNautics- \$98,280.00; Brackish Water Reverse Osmosis System-Bob Johnson & Associates- \$183,000.00. Bob King will coordinate with the contractors to get a letter of exception submitted to TCEQ.

10/26/09

Bob King was told to put a hold on moving forward with the project on October 15th due to uncertainty of funding for the project. SARA will work with the City and has a meeting planned for the 28th to meet with the City to discuss funding. An amendment to the budget and schedule needs to be approved in the November City Council meeting and SARA plans to take the amendment to the Board in December.

11/30/09

SARA met with the City of Kenedy and is moving forward with the budget and schedule amendments. The City approved the amendments at their November City Council Meeting. SARA will approve the document at their December Board meeting and forward it to the TWDB. SARA is finalizing the contractor agreements between the City, SARA, and each of the contractors.

1/8/10

The SARA Board approved the amendments to the TWDB contract at their December Board meeting. The Amendments were forwarded to TWDB to process. An email was received on 1/8/10 confirming the TWDB processing the changes to the schedule and budget. SARA met with the new City Engineering firm, CMA, as well as with the City of Kenedy and Veolia to discuss a meeting with the TCEQ on 1/12/10 for the letter of exception. We will define a new schedule at the meeting to incorporate the review process for TCEQ.

2/19/10

The City, SARA, TCEQ, and the engineers met to discuss moving forward with the letter of exception. The goal is to get the letter to TCEQ by March. SARA also met with TWDB to discuss the billing and invoicing on the NRS contract and the future contracts. The vendor contracts were sent to the City for approval on 2-8-10. We are also waiting for comments back from TWDB on the vendor contracts.

3/23/10

CMA submitted the letter of exception to TCEQ on 3/5/10. We have a 90 day waiting period to hear back from TCEQ for approval to move forward. In the mean time CMA will begin designing the expansion of the water plant to install the additional RO membranes. Once we hear back on the letter of exception, the construction plans can be submitted to TCEQ for approval. This will be a 45 day waiting period.

4/30/10

No change; the deadline for TCEQ to review the request for the letter of exception is May 5th, so we are at a stand still. CMA is close to completing the construction documents for expanding the plant.

5/24/10

Melissa Bryant spoke to Reyna Holmes at TCEQ regarding the Letter of Exception. Reyna has the request scheduled to be completed by June 11th. CMA Engineering will have the construction plans for the plant expansion ready to submit to TCEQ once the letter is received. This review process is anticipated to be 45 days.

Issues Encountered:

TCEQ review process for Letter of Exception is taking longer than the 90 days anticipated. We will continue to follow up with TCEQ until the letter is received. We will also be sure to meet with water division once the construction plans are submitted so that we stay as close to the 45 day review process as possible. We anticipate moving forward with the Subcontracts for HydraNautics and Bob Johnson & Associates and finalizing them by July.

Items to be Addressed and Anticipated Project Activities:

We will continue to stay in contact with TCEQ to have the letter of Exception by June 11. The construction plans for the plant expansion will be then be submitted for approval by the water division at TCEQ. We will keep in contact with TCEQ to ensure the process is within the 45 days. Construction is scheduled to begin in August. Membranes will be installed on a two week cycle. All membranes should be installed by November, this allows the piloting process to take place from August through December. The final report is due January 1, 2011. TWDB has 30 days to review the report. The final report is due February 28, 2011.