

Ontario, June 10, 2008

Mr. Bill Fisch, *B. Comm, L.L.B.*
Chairman and Chief Executive Officer
The Regional Municipality of York

Denis Kelly, Regional Clerk
Corporate Services Department
York Region Administration Building
17250 Yonge Street, 4th Floor
Newmarket, ON L3Y 6Z1

SUBJECT:

**MEMBRANE EQUIPMENT SUPPLIER PRESELECTION FOR KESWICK WATER
POLLUTION CONTROL PLANT EXPANSION**

Regional Chairman and Transportation and Works Committee,

On behalf of Veolia Water Solutions and Technologies, John Meunier Division, we would like to share with you our concern in finding the Transportation and Works Committee June 11th, 2008 Report of the Commissioner of Environmental Services located on the York Region website on the evening of June 9th 2008.

We strongly disagree with the conclusions of this report and respectfully request that the Committee's recommendation to enter into a contract with GE/Zenon be delayed until the following points have been reviewed and considered.

As part of Veolia Water Solutions and Technologies, a global organization specifically providing services and technologies for water and wastewater for municipalities around the world. We engineer, design and integrate technologies globally, with annual revenues in excess of \$16 billion dollars annually. With over 70,000 employees worldwide, our pool of process expertise, including membrane technologies, is very deep. We have been active in Canada for the past 60 years and have other proprietary technologies in municipal applications specific to low phosphorous applications for many years.

Before York Region enters into a contract for the ultrafiltration system for the Keswick WPCP, it's imperative that the Transportation and Works Committee review and consider the following:

- The report states that *“if Council approves the recommendations of this report, the Keswick WPCP will be the first such facility in Ontario to apply this leading edge tertiary ultrafiltration technology.”* The authors of this report fail to mention that Veolia Water Solutions and Technologies, John Meunier Division, has been pre-selected and completed design for the Tottenham WPCP in Ontario using the same ultrafiltration technology as is being offered to York Region for phosphorous removal. It should also be noted that the Tottenham WPCP project has been reviewed and endorsed by the Ministry of Environment of Ontario. Moreover, it should be duly noted that Veolia alone has an installation base of more than 400 membrane systems worldwide.
- Referring to Table 2, Equipment Suppliers Proposal Evaluation Table. The report clearly shows that on our base bid, York Region has available to them a net saving of **\$1,312,939.50 in upset fees, for a 23% saving on the total cost of this procurement.**
- Furthermore, we offered the Region of York an alternate bid that would allow the Region to realize an additional **\$215 000 savings in upset fees.** This alternate bid would completely eliminate the need for a headworks building. Based on our turnkey experience, we estimate the additional civil works savings to be **425 000.00\$.** This alternate bid would provide an additional **\$640,000.00** in capital costs to the Region of York, bringing the total price difference up to **\$1,952,000.00\$**, which represents a **35%** price difference. How was our alternate proposal considered in the analysis of the technologies?
- Referring to Table 2, Equipment Suppliers Proposal Evaluation Table, we question the low technical evaluation that a company like Veolia Water Solutions & Technologies has received, based on the fact that we clearly addressed each and every evaluation criteria contained in the RFP.
- The base bid and alternate bid not only show our understanding and importance of the stringent effluent limits, but it also shows clearly our expertise in equipment design optimization as well as taking into account the importance of the economics of such projects.
- With regards to warranty, we are fully compliant to the requirements of the RFP. We disagree with that statement of the report that mentions any ambiguity in our warranty. We would be glad to clear up any doubt concerning this point with your representatives.
- Terms and Conditions. It must be clearly understood that Veolia Water Solutions and Technologies, John Meunier Division has taken **NO EXCEPTIONS** to the Terms and Conditions supplied by the Region of York. We would be glad to offer our client list for references on our project execution and our commitment to our offerings.
- Our ultrafiltration system clearly demonstrated that we consistently achieve the low effluent TP concentrations required, as was also highlighted in the report.

It is unfortunate that we have to bring forth this information at this late stage of a 6 month evaluation process. However, we feel it necessary and important to highlight these points prior to the Region entering into a contract with any ultrafiltration supplier.

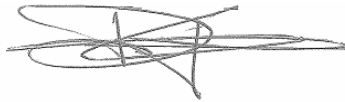
Veolia Water Solutions & Technologies has a proven, worldwide track-record in delivering value for its clients.

We are confident, and stand behind the design we have provided to the Region of York for the Keswick WPCP.

Moreover, we would like to reiterate **the potential net savings of upwards of 1.9M\$, or 35% of the contract value to the Region of York.** These numbers are not insignificant with respect to overall project costs.

We look forward to the opportunity and are prepared to address the Committee directly to review this information in greater detail and to clearly highlight the many benefits Veolia Water Solutions & Technology can bring to the Region of York in both operational efficiency and financial benefits.

Best regards,



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