



**Indianapolis, Indiana and
Veolia Water North America**

**2006 Excellence in Public-Private
Partnerships Awards**

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PROJECT OVERVIEW

Indianapolis Public-Private Water Partnership

After three years of operations, the public-private partnership between Veolia Water Indianapolis LLC (Veolia Water) and the City of Indianapolis Department of Waterworks is proving to be worthy of its reputation as the nation's largest and most innovative. Rates have been stabilized for a five-year period. Noteworthy improvements in water taste and odor and customer service have been documented by independent surveyors. And the managing company, Veolia Water, has just received simultaneous ISO 9001 and 14001 registrations from the International Organization for Standardization (ISO) for quality and environmental standards – a first by a U.S. water company.



The goals of Indianapolis were met through a partnership. Rate stability was delivered by a five-year rate freeze. Taste and odor complaints dropped dramatically. Local control of assets was delivered.

Veolia Water was selected to operate and manage the entire Indianapolis Water system when the City of Indianapolis acquired the assets of the waterworks in May 2002. Through an innovative, performance-based operating agreement, Veolia Water brings global water industry expertise to Indianapolis while the City maintains local control and oversight. Through the partnership, the City and Veolia Water work together in making investments in the waterworks' infrastructure, technology, people and the community, while serving as a responsible steward of water resources. The water system serves approximately 1.1 million people in parts of nine Central Indiana counties and employs more than 400 people. Veolia Water is responsible for operating 11 water treatment plants, 31 pumping stations, 19 water storage tanks, 4,000 miles of water main and 32,000 fire hydrants. In 2004, Veolia Water produced a record 51 billion gallons of quality drinking water for Central Indiana businesses and residents.

Improved Delivery of Services

Veolia Water represents unrivaled water industry expertise and a strong commitment to quality, environmental responsibility and continual process improvements. In July 2005, Veolia Water became the first U.S. water company to achieve dual registrations from the ISO for quality and environmental standards. Obtaining the registrations, ISO 9001:2000 and ISO 14001:1996, included the development and documentation of 280 detailed procedures and a rigorous 184 man-hour audit to ensure Veolia Water is operating with optimal efficiency in an environmentally responsible manner. Veolia Water's water treatment plant operators represent extensive water industry experience, which is being passed on to the next generation of plant operators through a new company-sponsored apprenticeship program.

As a result of the partnership's expertise, the occurrence of low water pressure - an inconvenience to customers and a potential public safety risk - has been reduced by 40% since 2002. The number of taste and odor complaints has dramatically decreased from 501 in 2001 to just 26 in 2004. In addition, overall customer satisfaction is on the rise. An independent study in 2004 reports that more than eight of 10 customers believe Veolia Water is doing an "excellent" or "good" job.

Cost Savings/Impact on City Economy

Since January 2004, Veolia Water has executed 90 capital improvement projects valued at more than \$80 million to upgrade infrastructure and improve water quality. Through a streamlined design/build approach, Veolia Water has saved the City nearly \$1 million. During this same time period, Veolia Water crews installed more than 70 miles of water main that not only support the sustainability of the water system, but ensure that Central Indiana continues to serve as a good place to live and do business. In addition, Veolia Water supports the local economy by utilizing local vendors as well as minority and women-owned businesses (M/WBE). Since Veolia Water began operating the system in May 2002, the company has procured more than \$120 million in goods and services from local businesses, accounting for 91% of all expenditures. In 2004, minority and women-owned businesses accounted for 31% of Veolia Water's total expenditures. In addition, Veolia Water boasts one of the best M/WBE programs in the City.

Public-Private Partnership Benefits

Providing a high-level of accountability as well as a five-year rate freeze, Veolia Water's contract with the City includes a fee structure that is based on 37 stringent performance criteria that relate to customer service, water quality, operations, maintenance practices and community involvement. The performance-based criteria account for 20% of Veolia Water's fixed fee - a potential award valued at \$8.7 million for 2005. Through the life of the 20-year agreement, Veolia Water will execute approximately \$400 million in capital improvements within the distribution system and has committed \$5 million to the Indianapolis Water Quality Project, which will create a model of excellence in drinking water research.

During the past three years, Veolia Water has played an active role in the community through more than \$2.5 million in financial support to nearly 75 non-profit organizations. Through the company's water education program, 135 Water Boxes, featuring hands-on experiments related to water quality and the water cycle, have been provided to local teachers. In July 2005, more than 90 Veolia Water employees participated in a community-driven clean-up along Indianapolis' Central Canal to make way for a future greenway trail and beautification projects. In total, Veolia Water employees have documented nearly 350 community service hours so far this year.

**Taste and Odor Complaints Dramatically Decline
As Water Quality Improves**

YEAR	NUMBER OF COMPLAINTS	MANAGER
2000	750	Regulated Utility
2001	501	
2002	30	Veolia Water
2003	37	
2004	26	
2005	30*	

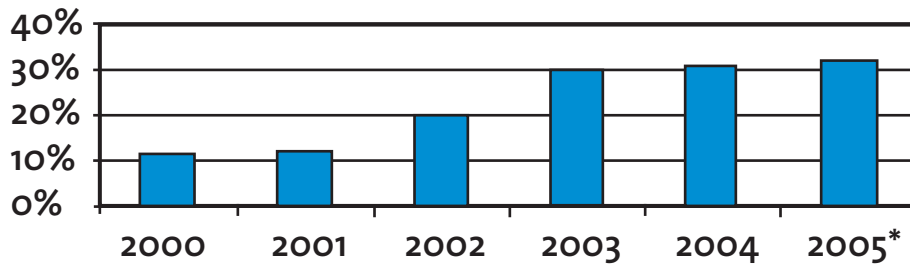
*January – August 2005

**Total Customer Complaints
(Including Taste and Odor)**

YEAR	NUMBER OF COMPLAINTS	MANAGER
2000	2,183	Regulated Utility
2001	1,741	
2002	1,297	Veolia Water
2003	634	
2004	519	
2005	454*	

*January – August 2005

**MBE/WBE Participation Rates
2000 – 2005**



*January – August 2005