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## Councilman calls for audit of city's water manager

Investigation would look into allegations that Veolia Water mismanaged utility.

By John Fritze  
john.fritze@indystar.com  
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A City-County Councilman and environmentalists Thursday asked for an investigation into the city's water utility, days after high temperatures prompted calls for water conservation.

Jim Bradford, a Republican, said he wants the city to audit the company hired to manage the utility, Veolia Water Indianapolis, and look into allegations of mismanagement.

Houston-based Veolia has been criticized in recent weeks for reducing maintenance, a charge the company denies. Water demand peaked during a hot spell last month and the company repeatedly asked customers to conserve water.

Normal water use for this time of year is about 160 million gallons a day. But demand has recently exceeded 220 million gallons a day.

Tim Hewitt, president of Veolia Water Indianapolis, said his company has recently received professional certifications that were based on independent audits.

"We have nothing to hide," Hewitt said. "If somebody wants to do an investigation or an audit, we'll cooperate fully."

Calls for an investigation came after a former employee, Roger Edlin, sued Veolia. His lawsuit claims he was made a scapegoat and fired after trouble at the plant led to a Jan. 6 boil advisory.

Edlin said the incident was caused by long-standing maintenance problems. His case is pending.

"You're going to be hearing more and more about this," Edlin said Thursday.

On June 30, the Indiana Utility Regulatory Commission sent Veolia and the city's Department of Waterworks a list of 30 questions about the system's capacity, the number of complaints it receives and its plans to meet demand.

IURC officials are reviewing those documents.

In a statement Thursday, Indiana Utility Consumer Counselor Susan L. Macey said the documents will help determine whether the state will conduct a formal investigation.

Veolia serves about 290,000 homes and businesses in Marion County and parts of surrounding counties, including Carmel, Zionsville and Greenwood.

Indianapolis officials purchased the utility from Merrillville-based NiSource for \$515 million in 2002. At the time, the purchase was touted as a way to secure local control and maintain high standards.

As part of the agreement, Indianapolis Mayor Bart Peterson promised water rates would not increase until 2007.

parts of surrounding counties, including Carmel, Zionsville and Greenwood.

LaNita McCauley Bates, an attorney for the company, declined to comment Friday about the lawsuit but said Veolia has improved maintenance in recent years by installing computer systems to prioritize repairs. Officials said there has been a reduction in maintenance crews but said remaining employees are doing their jobs more efficiently.

Carlton Curry, a liaison between the city and the water company, said the city is pleased with Veolia's management of the company "across the board."

The company has been beset by other problems since it took over managing the utility. In 2002, thousands of customers received incorrect storm-water bills. The company has wrestled through a bitter contract dispute with employees.

More recently, the company has been hit by high demand. Normal water use for this time of year is about 160 million gallons a day. But demand has repeatedly exceeded 220 million gallons.

Republican City-County Council member Jim Bradford, a longtime critic of Veolia's, blamed problems on bad management. He wants the City-County Council to investigate the company's practices.

"Each day you have a tap water that works correctly, you ought to be thanking God," he said.

Indianapolis officials purchased the water utility from Merrillville-based NiSource for \$515 million in 2002, in a rare move that was touted as a way to secure local control of a vital resource.

As part of that agreement, Mayor Bart Peterson promised water rates would not increase for five years. Those years are up in 2007, and many expect utility officials will quickly ask to increase the rate.

Until then, Beulah Coughenour, a member of the city's Waterworks Board and an authority on local utilities, said residents should not be alarmed about their water.

"I have not heard anything that leads me to believe there is any danger," Coughenour said. "We're not scrimping on maintenance."

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## NEWS

# Veolia over troubled water

## Water company springs leaks

Jack Miller

Last January, a boil-water emergency in Indianapolis led to class cancellations for 40,000 students and cost schools, restaurants and hospitals thousands of dollars for bottled water alone.

This costly false alarm showed that the computer system installed two years ago by Veolia — the French company managing water in Indianapolis — had no safeguards to flag mistaken readings. Roger Edlin, a 25-year veteran plant operator, said he was fired for doing something required by law. "My license says I have to shut down [in that situation]. ... I can't put out bad water."

Mayor Peterson covered for Veolia in the media saying, "There was no system in place to catch the error ... it points out what has to be changed." Peterson avoided mentioning Veolia by name during the media reports that followed the incident, referring to the "Indianapolis Water Company."

But this emergency hasn't been the only incident that has raised questions about Veolia's quality of service.

- Veolia workers recently inadvertently tapped a high-pressure sewer line, sending raw sewage through a newly installed water meter and into a Northside residence.
- Last year, a main break in Fishers was allowed to flood property for a full day because Veolia didn't want to pay overtime to crews on Sunday. Veolia denied that overtime was even a consideration, but an internal memo from three months earlier states, "We must manage and reduce overtime significantly — be prepared to have overtime challenged if you approve it for your reports."
- Due to lack of personnel, Veolia is reported to be behind on replacing 40,000 aging water meters. Another possible cause of this backlog is that meter replacement can't be charged to the city so Veolia foots the bill. Worn out meters can make it appear customers are using more water than they actually are.
- At the Fall Creek pumping station, two pump units remained un-repaired for over four months.
- The number of tests for bacterial contamination have been sharply reduced from when IWC ran the utility three years ago.
- Fire hydrants are poorly maintained and inspected. The Indianapolis Fire Department, for the first time, is considering an "Adopt-a-Hydrant" program so the public can help Veolia keep track of faulty or frozen hydrants.
- Veolia has taken steps to make sure the public remains in the dark about all the corporate problems employees witness in the future. Employees are currently being forced to sign confidentiality statements that allow the company to sue any employee who divulges Veolia business to outsiders.



The Riverside Pumping Station

## Cutting costs, juggling numbers

In April 2002, the city purchased Indianapolis Water Company from NiSource for \$515 million. On May 1, 2002, USFilter (now Veolia) took over management of the city waterworks with a \$1.8 billion 20-year contract. This is the biggest contract in America for the French-owned company.

Immediately after Veolia took over, non-union employees learned that their benefits were being reduced. Since then, nearly 100 veteran employees have been forced out, including geologists, draftsmen, machine operators, supervisors and maintenance personnel. For 2005, Veolia plans to reduce the workforce by another 60 people, including 25 in the production department. Managers have been told by Veolia to fill only those vacancies that are "absolutely essential" and that even "essential" positions must be "overwhelmingly justified."

Twenty-five-year Indianapolis water utility veteran Jim Bullington, who accepted a deal to retire this year as a plant operator, said Veolia repeatedly ordered him to cut back on chemicals used to clean the water. This was confirmed in an internal document, which shows that in spite of increased chemical costs, 8 percent less is budgeted for chemicals in 2005.

NUVO obtained a Veolia memo from the contract center manager titled "Work Order Crisis" that instructs the recipient to "cut down on the number of work orders out in the field" and "if we have a [meter] reading in the last 60 days, make a dummy order and estimate out." This not only saves Veolia labor costs, but also enables the company to receive hundreds of thousands of dollars in "incentive" money from the city.

Another set of internal documents shows that Veolia managers might have actually altered reports in order to not lose a \$294,000 payment for responding promptly to emergency calls. That payment has been awarded to Veolia every year in spite of numerous reports of missed deadlines. Carlton Curry, director of contracts and operations for the city, said that Veolia itself is allowed to monitor its incentive-related activities by submitting "a whole flock of reports," which Curry "spot checks."

When asked about managers changing response times and codes in the computer to avoid losing incentive money, Curry said, "Well, I guess we'll never know ..."

Henry Karlson, a professor of criminal law at IU Law School, said, "If you modify records to leave out relevant information and then use that as a basis for claiming a payment, that would be classic fraud." Karlson suggested that if this issue is dealt with, "It would have to be done by a grand jury and that's the prosecutor's call."

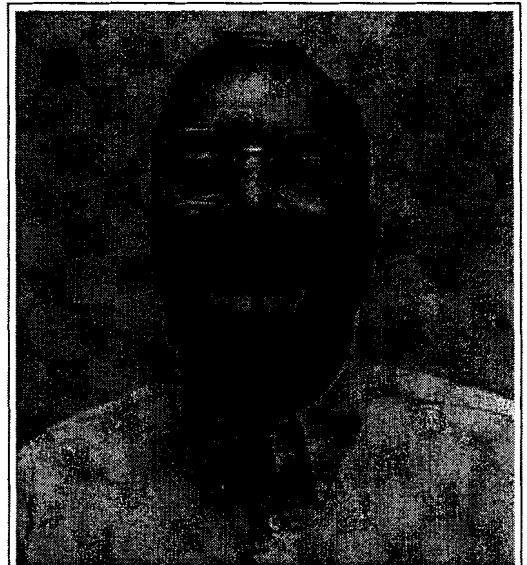
## Who is running the place?

Since Veolia took over in Indianapolis, many veteran employees have been replaced by people loyal to Veolia with sketchy credentials in running a water utility the size of Indianapolis'.

Veolia's president, Tim Hewitt, formerly worked for United Way and Indiana Gas Co. Neither the vice president of operations, David Gadis, nor director of production, Alyson Willans (transferred here from England two years ago), has a state water license. Gadis has a background in insurance and finance. Willans' second in command is David Hill who used to operate a well field but has little experience with surface water plants.

According to Danny Robertson, a plant operator and 34-year veteran of this utility, "everyone had a license before." Former purification/pumping directors had the highest state water license and decades of experience. Before Veolia took over, Robertson said that plant operators "could call a director and get an answer right now." Robertson noted that today inexperienced Veolia "directors don't know what to do when an emergency happens ... They say, 'I'll have to get back to you' ... then the three of them would have a conference call and a half hour or hour later you might get an answer, which was usually 'Do what you think is best.'" Former plant operator Edlin confirmed this state of affairs.

The day of the boil water advisory in January, Edlin claims that over 10 hours into the meltdown, Willans and Hill were clueless. "They had no idea what a crisis they were in ... the plant was going dry with 20 percent of the filters gone and the reservoirs at Riverside out of service for weeks ... they aren't very knowledgeable in an emergency."



**Roger Edlin, a 25-year veteran plant operator: "My license says I have to shut down ... I can't put out bad water." Edlin said he was fired for doing something required by law.**

These charges may be hard to document, because Robertson also noted, "Veolia didn't like to put anything in writing." Regardless of that, what these two veteran plant operators say offers a clue as to why Veolia managers took 12 hours "trying to get a handle on the situation" during the January emergency.

## Success story?

Veolia touts Indy as a success in its sales pitch to other cities. But as the national watchdog organization Public Citizen warns in a recent research report: "Communities, and the public employees that communities trust to deliver safe and clean water, don't need a success like Indianapolis."

Public Citizen's report concludes, "Despite Veolia's global track record of corruption, broken promises, environmental degradation, price gouging ... and secrecy, the world's largest water company continues to enjoy support within powerful pockets of financial and political circles."

Is Veolia doing a better job here than it is doing elsewhere? That's difficult to answer because no official independent performance audits have been conducted during the first three years of Veolia's 20-year contract, and none are planned.

That's a bad idea, according to Clarke Kahlo, president of the Hoosier Environmental Council, a member of the Citizens Water Coalition. "These revelations clearly warrant a complete and independent investigation and a full audit of Veolia's reporting and claims for payments," he said.

Will Indianapolis invest in an independent audit of Veolia? Will the mayor or a city-county councilor request a performance audit by the city's internal audit agency? Will the prosecutor investigate allegations of corporate crime with the same enthusiasm he pursues street criminals? The safety of Indianapolis' water supply may depend on the answers.

## Customer feedback

According to Veolia, one of its greatest accomplishments is how well the company has dealt with taste and odor problems in Indy's water. A company press release concerning the customer satisfaction survey done for Veolia last year by Robert Hurd & Associates boasts that 83 percent of all customers were satisfied with their service. The press release goes on to say that only 26 complaints about water quality were received in 2004. What the press release didn't mention was that out of 749 customers surveyed, 247 (33 percent) wrote negative comments about the quality of their drinking water. Comments such as: "I don't drink it because it stinks and looks dirty"; "It tastes like chlorine and mud"; "Tastes like a wet dog smells"; "It smells like sewer"; "Tastes like shit ... not drinkable and I have to buy bottled water"; "Unless we run it through a filtration system, it has an oily surface ... you can see a rainbow and it looks like scum on the surface." These comments raise the question of how Veolia could only report 26 complaints and receive all of its \$1.5 million in incentive pay for successfully treating taste and odor problems while one-third of the customers surveyed think the water is of questionable quality. The answer according to Curry is that if the water passes certain lab tests run by Veolia itself, it doesn't matter if it "stinks and looks dirty." Veolia's spokesperson dismissed the 247 negative survey comments saying those problems most likely "were not that serious" otherwise the respondents would have lodged "formal complaints" with the company.

—JM



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## NEWS

# More bad news for Veolia

## Demand for investigation grows

Jack Miller

Charges of inadequate oversight, possible fraud, conflicts of interest, lack of maintenance, reduced water testing and the risks to Indianapolis' drinking water have brought Veolia to the attention of state regulators.

On June 30, the Indiana Utility Regulatory Commission presented Veolia officials with a list of 30 questions. Days later, a lawsuit was filed against Veolia by former employee Roger Edlin charging that Veolia Water Indianapolis fired him in retaliation for speaking out on matters of public safety. According to the suit, Edlin "repeatedly warned water officials that their decision to cut back spending [and thereby increase profits] by delaying needed repairs, decreasing staff needed to maintain filtration equipment ... and taking other corner-cutting steps would eventually lead to a dangerous situation." Veolia fired Edlin after 23 years at the utility in response to the Jan. 6 boil-water advisory that closed schools and restaurants.

The day NUVO's last report on VWI appeared (July 6), Fox 59 began a series examining "serious accusations about the management of the water company." Among the issues covered, Tracie Wells reported that the city's contract manager, Carlton Curry, wrote an eight-page list to VWI outlining numerous contractual and verbal promises broken by the company. In spite of all these failures, the city paid Veolia 92 percent of its \$9 million incentives last year.

Veteran water workers told Fox 59 that they have "witnessed Veolia management directing other workers to follow improper state procedures, skimp on safety standards and even change computer documents in the new internal system Curry and other board members review to make it appear that Veolia is meeting all incentive criteria."

Wells also uncovered the possibility that the early water conservation measures by VWI came because they couldn't meet demand due to lack of maintenance on the treatment system and to save money on chemicals. In an on-camera interview a disguised employee told Fox 59 that he wouldn't drink Veolia's water.

Another interview produced the following remarkable exchange with Carlton Curry, the city official overseeing VWI. When Wells suggested dissatisfied customers don't have a choice since "you can't change water companies," Curry snapped, "Sure you do ... you can drill a well ... you can bring in private water."

According to insiders, Veolia officials are scrambling — not to correct dangerous deficiencies, but to find out who is telling the media about those deficiencies. Rumors are flying that more veteran employees may be fired in retaliation.

On Friday, July 15, City-County Councilor Jim Bradford took to the IURC a "formal demand for investigation" of VWI. Bradford's letter noted that he had attached "documents which appear to show a pattern and practice of false reporting, possible fraud, violation of contractual agreements with the City of Indianapolis, tampering with test results, diminution of prior test standards, improper record keeping, alteration of records ... and willful compulsion of employees to engage in actions that have endangered our water supply."



Former Veolia employee Roger Edlin

Why does Mayor Peterson put up with the steady stream of bad news from a contractor like Veolia? Why does Carlton Curry write scathing internal memos about VWI but consistently defend the company in public? Why does the Waterworks Board approve nearly every Veolia project and millions in ratepayers' money as incentive to VWI? Some answers may lie in how and why VWI was chosen to run the city's utility and who locally benefited.

To begin with, Veolia made a brilliant choice of high-powered politically connected "advisors" to land the contract. The team included Marion County Democratic Chair Ed Treacy and former Chair Kip Tew, former State Democratic Chair Robin Winston and Tom New, former chief of staff for Gov. Frank O'Bannon. Hiring Winston as a full-time consultant for Veolia was even part of the company's two volume proposal to the city.

Who else is politically connected to Veolia?

- William Shrewsberry resigned as Bart Peterson's deputy mayor to become a consultant. He started Shrewsberry and Associates and landed a \$260,000 consulting contract with the Department of Waterworks in December 2002. NUVO found that the city has paid Shrewsberry nearly \$850,000 since October 2002 for various "professional services."
- Water Board member Jack Bayt owns Crystal Catering. Veolia gave Crystal a three-year contract to run their cafeteria in April 2004. Cafeteria prices increased by 20 percent with the announcement.
- Carlton Curry, who recently told reporters that Veolia is "exceeding expectations" and the city is pleased with Veolia "across the board," may have reasons to make Veolia look good. In 2001, Curry was paid \$40,000 to "consult" on the water utility deal. He was then appointed to the Waterworks Board by former City-County Council president Beurt Servaas and subsequently voted to give Veolia (then USFilter) the \$1.8 billion contract. Curry now makes \$90,000 a year to oversee that 20-year contract.

The Citizens Water Coalition, made up of state, local and national public interest groups, called for a "comprehensive and thorough audit" of Veolia's performance by an "objective third-party audit agency" during a press conference July 21. All four local broadcast stations covered the news conference at the City-County Building. The in-house government station, Channel 16, did not record it.

The Indiana Utility Regulatory Commission is now focused on Veolia. And on July 21, the Office of Utility Consumer Counselor announced that they also would be reviewing the information presented to the IURC by VWI. So before you give up and dig your own well, contact the IURC or the OUCC. For complaints about poor water quality or service call 232-2712, or write the Utility Consumer Affairs Complaint Division, 100 N. Senate Ave., Indianapolis, IN 46204.

*Jack Miller is a freelance writer and a board member of the Hoosier Environmental Council, which is part of the Citizens Water Coalition.*