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Water firm has mixed record

By ASHLEY SMITH Staff Writer
asmith@nashuatelegraph.com

The company that may soon run Nashua's water system has been the subject of two investigations and is facing a class-action lawsuit in the city of Indianapolis, its largest water customer in the United States.

The lawsuit, filed this year on behalf of customers, claims Veolia Water does not read meters as often as legally required and has overestimated water bills. The suit is still pending, awaiting official class-action designation from a court, but a lawyer handling the case says there could be upwards of 400 plaintiffs.

"I've done a few class actions before, but I've never, ever had an outpouring like I've had here," said Peter Kovacs, of the Indianapolis firm Stewart & Irwin. "At one point, I had hundreds of voice mail messages."

However, Veolia – which would operate Nashua's water system if Pennichuck Corp. loses its appeal of a hostile city takeover – has also been widely credited with improving water quality in Indianapolis.

Since Veolia took the helm in 2002, Indianapolis water is no longer known for frequent bouts of unpleasant taste and odor. City leaders stand by the company and its work, saying the partnership has been a good one.

"They're doing a good job from my standpoint," said City/County Councilman Benjamin Hunter, who chairs the council's public works committee. "From a legislative side, I'm very pleased with Veolia."

Hunter added, joking: "I'm happy with my water rates until my wife fills up my pool." Telegraph staff have prepared an archive of articles on this issue dating back to December 22, 2005. Visit the Pennichuck Water Works archive at: www.nashuatelegraph.com/pInNashua, little public attention has been paid to Veolia during the battle for control between the city and Pennichuck, the local, private company that has owned and operated the water system for more than a century.

Veolia's experience and integrity were

attacked and defended during last fall's public hearings before state regulators to decide whether Nashua could seize Pennichuck by eminent domain, but the audience was small.

If the takeover – which has been approved by state regulators but is being appealed by Pennichuck – goes through, it would be Veolia, not the city of Nashua, in charge of day-to-day operations. That includes billing, customer service, maintenance, repairs, emergency response and meter reading.

Although Indianapolis has a population roughly equal to the state of New Hampshire, the deal with Nashua is also a significant contract for Veolia, according to the company.

Trouble in Indy

Based on a rash of complaints about overestimating water bills, the Indiana Utility Regulatory Commission launched an informal investigation into Veolia this year, according to public information officer Danielle Dravet.

"So far, there's nothing to indicate there was a problem," she said.

The investigation is still ongoing, and Veolia has willingly shared documents and other information with the commission, Dravet said.

The lawsuit, filed after the commission's investigation began, is still in the evidence-collection phase known as discovery, Kovacs said.

According to the Indianapolis Star, city officials say Veolia is required to read each meter at least every two months. But neither the city nor state regulators checked to make sure that was actually happening before customer complaints came in, according to the Star report, published in April.

Some amount of estimation is routine in all water companies because it's not always possible to read the meters, particularly in snowy conditions.

According to David Gadis, president of Veolia Water Indianapolis, the suit has no merit. It involves a group of homes whose meters could not be read because they were hit multiple times by inclement weather. Then, when a combined water and sewer rate increase took effect soon after, it looked as though bills had been inflated, he said.

"It's just an unfortunate situation," Gadis said.

Gadis said Veolia is working with Indiana regulators to go to every-month meter reading.

The meter-reading lawsuit was news to some Nashua leaders last week.

"This is the first that I've heard of information . . . about some of the issues they've dealt with," Mayor Donnalee Lozeau said. "I guess it would be fair to say that anyone can be sued or investigated for anything. The fair thing to do is make sure they're substantiated."

"I have not, heard, no," Brian McCarthy, the alderman who testified on behalf of the city during the eminent domain hearings, said. "What that would cause us to do is probably strengthen the wording in regards to billing and estimation."

McCarthy was referring to the city's contract with Veolia, which he said is subject to editing before the final signatures are placed. The contract is one of several details that would have to be ironed out before Veolia took charge. Veolia's base fee is nearly \$5 million a year. That amount doesn't include a variety of costs, including emergency services and major improvement projects. The company is also being paid a transition fee of \$1.34 million.

This year wasn't the first time Veolia's operations in Indianapolis made the news.

According to a 2006 Los Angeles Times report about privatized water systems throughout the country, consumer complaints in Indianapolis tripled in 2002, the first year of Veolia's contract, and the company admitted to mailing more than 15,000 incorrect bills.

"Inadequate maintenance caused hundreds of fire hydrants to freeze, hampering efforts to put out fires that consumed a church and other buildings," the article said. "Then, on Jan. 6, 2005, heavy rains swelled the White River and triggered a chain of system failures at the White River Treatment Plant. Officials issued a boil-water advisory, 40,000 schoolchildren took an unscheduled holiday and residents of the nation's 12th largest city learned they could no longer take their tap water for granted."

Gadis said the problems that day were caused by an operator error, and that Veolia decided to err on the side of

caution by issuing the boil-water advisory, even though testing later proved the water was safe.

As for the billing issue, Gadis said Veolia inherited a flawed billing system when it came to town in 2002 after the city purchased its private water company.

"We at Veolia, voluntarily, have spent millions of dollars correcting this system," he said.

Also in 2005, Veolia was the subject of a grand jury investigation in Indianapolis for allegedly falsifying water quality documents, but charges were never filed, according to the Star.

Cleaning up the water

So far this year, the Indiana Utility Regulatory Commission has logged 445 complaints or inquiries about Veolia, Dravet said.

Of those, 401 were billing complaints, 317 of which were related to the estimation issue that spawned the lawsuit. Seventeen regarded disconnection, 11 were just inquiries, and 16 were service-related.

The city of Indianapolis has a population of about one million, and there are about 300,000 residential water customers. That's more than 10 times the number of customers Veolia would serve in running Pennichuck's assets.

Pennichuck Water Works serves approximately 24,000 customers in Nashua and surrounding towns including Milford, Merrimack and Amherst.

Comparatively, 450 complaints in an eight-month span in Indianapolis are equivalent to about 40 complaints about Pennichuck's system in the same time period.

Although the number of billing complaints in Indianapolis has increased this year, Veolia points out the number of complaints about water quality has drastically declined in the last six years.

There were about 500 complaints per year about taste and odor before Veolia took over, and that number has declined to fewer than 10, Gadis said.

Water problems were so bad in Indianapolis someone wrote a book about it. The water system, fed by reservoirs, had a recurring algae problem, particularly in hot and dry weather and in areas with stagnant water.

"No one had ever taken it upon themselves to solve those problems," Gadis said. "The stance we took was, 'We're going to solve the problem.'"

Gadis said Veolia partnered with a local university to develop a 24-hour reservoir monitoring process and pinpoint specific areas in need of algae treatment. The former water company was treating the entire water supply without knowing if the treatments were reaching the worst areas, he said.

Although Pennichuck hasn't had any water quality issues of that magnitude – the federal Environmental Protection Agency gives it pretty high marks – there is concern that the development near the watershed by Pennichuck Water Works sister firm, real estate company Southwood, and other developers, has started to take its toll.

In a 2002 grant application, Pennichuck said there's been a 75 percent drop in the amount of usable drinking water that's yielded from the Pennichuck brooks in the last 100 years. The cause, they said, is nearby paved surfaces that prevent the ground from absorbing water.

"Construction projects have also had a major impact, filling in waterways and wetlands," the application said. "Many of the ponds experience algae blooms and are in various stages of eutrophication."

Eutrophication is a process in which waterways are choked of oxygen by excess growth caused by too many nutrients such as phosphorous.

Southwood, created in the 1980s after a controversial regulatory decision that deemed not all of the watershed buffer land was critical to protecting drinking water, has sold or partnered in the development of about 1,000 acres near the ponds.

McCarthy said Veolia would automatically be responsible for making water quality improvements because it would have to comply with federal clean water standards that are set to increase over a period of years.

"We would certainly hold them to those standards and more," McCarthy said. "Where there is room for improvement, we will require it."
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Ashley Smith can be reached at 594-6446 or asmith@nashuatelegraph.com.

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