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August 15, 2008

**Re: Veolia Water Class Action Lawsuit  
Marion Superior Court No. 7  
Cause No. 49D07-0804-CC-018081**

To All Concerned Veolia Water Customers:

You are receiving this correspondence because you have indicated an interest in knowing more about the class action lawsuit against Veolia Water. Our first and only other update was May 8, 2008.

#### Status of the Lawsuit

Our Complaint was filed on April 23, 2008 in the Marion County Superior Court No. 7. On May 16, 2008, Veolia Water, through their attorneys at BARNES & THORNBURG, filed a "Notice of Removal." This Notice moved the lawsuit from the Marion County Superior Court to the U.S. District Court, Southern District of Indiana, Indianapolis. Veolia Water moved the case to the federal court because it believed the federal court had jurisdiction over the case under the Class Action Fairness Act of 2005 ("CAFA"). We filed a Motion to Remand the case back to state court. On August 6<sup>th</sup>, Judge Hamilton in the federal court issued a 24 page decision rejecting Veolia Water's argument and agreeing with us that the federal court did not have jurisdiction over this case. The case has now been transferred back to the Marion County Superior Court. This is an important victory for our efforts.

Now that the issue of which court will have jurisdiction over the case has been decided in our favor, litigation of the issues can now begin. I will keep you updated on the litigation from time to time. You can view the court filings, including the Court's August 6<sup>th</sup> Entry, at our website.

#### Veolia Water's Statements

Those of you who have been following this issue over the past few months, probably have noted that Veolia Water has not commented on the allegations in the lawsuit in the local media. This is not to say they haven't commented at all. In a filing dated May 7, 2008 with the Securities and Exchange Commission, Veolia Environnement, Veolia Water's French parent, had this to say about the lawsuit:

August 15, 2008

Page 2

In April 2008, two of our subsidiaries, Veolia Water North America Operating Services and Veolia Water Indianapolis, LLC (VWI), were named as defendants in two putative class action lawsuits filed in Indiana state courts, in which the plaintiffs have alleged that the meter reading practices used by VWI for Indianapolis customers were inconsistent with VWI's contract with the local water authority and state consumer protection law. The plaintiffs have claimed that VWI billed customers on the basis of estimates of water usage, rather than actual usage, more frequently than the contract permitted, resulting in overcharges that, while later credited to the customers, deprived the customers of their money for a period of time. They have also claimed that the methodology used to estimate water usage was flawed and not approved under relevant regulations. The plaintiffs are seeking to certify a class of similarly situated residential water customers. VWI believes that its billing and meter reading practices complied with its contract and relevant laws and regulations, and that the claims of the plaintiffs are without merit. It intends to defend its interests vigorously. While the early stage of these lawsuits makes it impossible to determine the potential loss, we believe that these lawsuits will not materially and adversely affect our results of operations, liquidity or financial position.

Although Veolia Water's parent doesn't believe this lawsuit has merit, we believe it does. David Gadis, the President and Operations Manager of Veolia Water, had this to say at the May 22, 2008 meeting of the Board of Directors of the Department of Waterworks:

We have continued to respond to customer inquiries and questions. Our phone lines have seen approximately a 13% increase this spring over the same period last year. The vast majority of customers do not understand that the DOW rules contemplate bi-monthly estimates of customers' usage or that the estimating logic used is approved by the State of Indiana. Customers' one on one encounters with our customer service agents usually result in joint understanding of issues and questions. Consistent with DOW rules and historic practices, customers will continue to receive invoices based on estimated usage and therefore they will likely continue to see at least bi-monthly adjustments on their monthly bills. Certain customers will receive a credit against existing bills or if requested a check will be refunded to them. Estimating customer usage by its

August 15, 2008  
Page 3

very nature can never be perfect; the balancing of efficiency and particularly on one hand with perfection on the other through the use of credits and/or refunds has been a long standing approved process for operation of Indianapolis Water. Veolia strives to continuously improve our systems and will continue to work with the Indiana Utility Regulatory Commission to improve our services and to update the existing estimation logic.

There has been some public discussion regarding the meter reading incentive in the Management Agreement. The incentive was created to measure the accuracy of readings and is validated through monthly reports submitted to the Department of Waterworks, in conjunction with an annual audit. Veolia and the DOW are considering whether an additional contract measurement or meter reading incentive should be implemented.

I have heard dozens of your stories and, indeed, many of you are finally receiving credits on your water bills for the excessively high estimated bills you received in late 2007 and earlier this year. One customer had a credit of over \$2,000! While it is good to hear that Mr. Gadis, the Indiana Utility Regulatory Commission, and the Department of Waterworks are finally taking these issues seriously going forward, there has been no word on how you, the customer, will be compensated for the harm you've already incurred. Rest assured that we are mindful of your predicament.

Please forward this communication to anyone who might share your concerns. We encourage all customers to register at our website, [www.silegal.com](http://www.silegal.com) (look for the Veolia Water class action update link). For the hundreds of you that have received this communication directly from us, there is no need to register. If you do not wish to receive future updates, please use the same website to unsubscribe.

Very truly yours,

STEWART & IRWIN, P.C.



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