



FALSE CLAIMS VS. TRUTH

The Truth About Veolia's Role and Work for the Pittsburgh Water and Sewer Authority

"Our partnership with Veolia has improved the day to day operations of the utility resulting in significant cost efficiencies and improved customer service," said **Alex Thomson, PWSA Board Chairman**. "Veolia has provided stable leadership to PWSA and is helping us develop a plan to prepare the utility for the difficult challenges it faces in the future. We appreciate Veolia's continued assistance to the utility in addressing these challenges."

PWSA news release, Nov 14, 2014.

"[Veolia], which has managed the agency since last July, is responsible for about \$3 million in new revenue and operational savings over the past year, said **Robert P. Jablonowski, board vice president**. "They're doing an incredible job for us," he said. TribLIVE July 10, 2013

"After three straight years of rate increases, this was the first year that the authority held the line on rates after touting a major turnaround under the tutelage of Veolia, a private management firm that was brought in to remake the troubled utility." Pittsburgh Post-Gazette, Oct. 12, 2013

"Veolia's not responsible for the lead issue PWSA has — these lead issues are the result of the fact we have 75- to 100-year-old infrastructure," **(PWSA Board Chairman Alex) Thomson** said in the Pittsburgh Tribune-Review on October 12, 2016.



FALSE CLAIM: [In October], the PWSA announced it was suing the company. According to a press release, Veolia "grossly mismanaged PWSA's operations, abused its positions of special trust and confidence, and misled and deceived PWSA as part of its efforts to maximize profits for itself to the unfair detriment of PWSA and its customers."

TRUTH: During the partnership, Veolia helped PWSA realize at least \$5.5 million in annually recurring revenue and efficiencies, institute financial controls that limited spending and increased accountability, and identify opportunities for operational efficiencies that have a direct impact on the utility's bottom line. Over the past three years, the PWSA Board has:

- reviewed and approved every Veolia contractual initiative through a formal process,
- engaged, as standard protocol, a third party audit company to also verify the results of those initiatives,
- hired away key employees of Veolia, including Jim Good who served was then hired by PWSA as their Executive Director,
- renewed on two occasions Veolia's contract,
- complimented Veolia and its contributions repeatedly in public statements, and
- recognized millions of dollars in savings as a result of Veolia's efforts.

Veolia met its obligations and fulfilled the requirements of our contract. We stand behind the work performed on behalf of PWSA. Recent attempts by the PWSA to put the blame on Veolia for its own problems are counter to the solid reviews the Authority gave Veolia over the past three years. The Board of **the PWSA did not raise any of the claims in its filing until after Veolia finished its work and requested payment for services.**

FALSE CLAIM: Various reports have attempted to link Veolia's performance with increasing lead levels in Pittsburgh, including a 2014 change in corrosion control methods and the potential reasons behind such a change.

TRUTH: Pittsburgh's history of increased lead levels dates back to well before Veolia became involved. Public statements by the Mayor and the PWSA Board chairman regarding lead levels reflect this fact, as well as Veolia's lack of responsibility for the city's long-standing issue.

"Veolia's not responsible for the lead issue PWSA has — these lead issues are the result of the fact we have 75- to 100-year-old infrastructure," (PWSA Board Chairman Alex) Thomson said in the Pittsburgh Tribune-Review on October 12, 2016.



"These results were expected, and the PWSA is already at work addressing the issues and communicating with residents, as the DEP has requested," Pittsburgh Mayor Bill Peduto said in email to the Trib. "All this means is the authority has to follow some actions to address lead, which it is already doing." (Allegheny Tribune, "Lead levels in PWSA drinking water samples exceed EPA threshold" July 12, 2016)

Veolia was not involved in any decision to change corrosion control chemicals, nor was it part of Veolia's and PWSA's contract metrics.

FALSE CLAIM: In several cases, critics point to a pattern of Veolia saving utilities money through quick fixes—while ignoring bigger problems. In a phone interview, Kevin Acklin, the chief of staff for Pittsburgh's Mayor Bill Peduto, pointed out that Veolia's earnings are directly tied to the utility's short-term savings. "They had the incentive under the contract to not make capital investments in property, planning, and equipment—to basically not fix the pipes when needed, to pass off those costs to other agencies, including the city and private homes," he alleged. "Ultimately they were fiduciaries for the public authority, but they also served the business needs of a large multinational corporation."

TRUTH: Veolia did not assume control over the Authority, its capital budget nor its long-term investment strategy -- the Authority, through its Board of Directors, retained ultimate decision-making authority including all investment decisions regarding equipment and infrastructure like pipes.

Instead, Veolia's contract focused on helping PWSA streamline operations and making them more efficient, and the contract incentivized the company to help the authority run more efficiently and realize savings through those efficiencies. **Any programs related to fixing or replacing pipes or equipment and infrastructure would have been decided upon by the PWSA.**

FALSE CLAIM: Published reports have claimed that Veolia took control over the PWSA and made decisions about infrastructure investment, purchasing and personnel matters, including staff reductions.

TRUTH: Veolia did not assume control over the Authority. There are a range of contract options when hiring Veolia for this type of work, and rather than entering a contract in which Veolia takes greater responsibility for the operations, the Authority instead chose a more limited consulting arrangement. In it, the Authority chose to retain ultimate decision-making authority,



as outlined in the “Agreement for Interim Management Services” between The Pittsburgh Water and Sewer Authority and Veolia, which states:

“[T]he Authority will at all times be ultimately responsible for operation and maintenance of its facilities, including ...”

- “Ultimate responsibility for compliance with all applicable permits, authorizations, consent decrees, regulations, and all other laws at the facilities, including without limitation environmental, employment, health and safety, and other legal requirements;”
- “Operations, maintenance, capital improvements related to facilities;”
- “Purchase of equipment, supplies, chemicals, utilities, and any other costs associated with the operation, maintenance, or capital improvements of its facilities;”
- “Ultimate responsibility for all PWSA employees and subcontractors and direct management of union employees;” and
- “Employment of all operations and maintenance (O&M) staff and other employees at the Authority’s facilities other than the Veolia employees, agents and subcontractors.”

FALSE CLAIM: Repeated claims and statements that Veolia was responsible for the switch of corrosion control chemicals in 2014.

TRUTH: The 2014 change from soda ash to caustic soda was not part of Veolia’s and PWSA’s contract metrics and Veolia was not involved in this decision. The notion that Veolia made the change and even more that it did so as part of a cost-saving initiative is simply untrue. Veolia did not and would not prioritize cost savings ahead of effective corrosion control methods or water quality.

FALSE CLAIM: Pittsburgh Mayor Bill Peduto puts the [blame](#) for the treatment change squarely on Veolia, saying the company never informed the utility's board or the city.

TRUTH: The PWSA – not Veolia – changed the corrosion control chemical. Veolia was not involved in the decision.



FALSE CLAIM: Reports insinuated that Veolia’s management caused high water rates. “By 2017, the average residential water bill will be \$50 per month—triple the average Midwest cost, according to the [Guardian](#).”

TRUTH: The opposite is true. Veolia’s work helped mitigate rate increases. During the partnership, Veolia helped PWSA realize millions in **annually recurring revenue and efficiencies**, instituted financial controls that limited spending and increased accountability to address the Authority’s \$800 million debt.

The PWSA has instituted an aggressive schedule for water rate increases in an effort to meet a wide range of deferred maintenance and infrastructure issues. According to the [Pittsburgh Post-Gazette](#), “The board of PWSA unanimously approved a graduated rate schedule for 2014 through 2017, which will help fund an aggressive \$150 million capital improvement plan that will address everything from problematic waterlines in Shadyside to a \$28 million filtration system upgrade at the authority's water treatment plant.”

While the Authority sets and approves any rate increases, Veolia’s work did help mitigate and slow rate increases. In the same article the Pittsburgh-Post Gazette noted, “After three straight years of rate increases, this was the first year that the authority held the line on rates after touting a major turnaround under the tutelage of Veolia, a private management firm that was brought in to remake the troubled utility. While the authority brought in additional revenue -- luring back a large industrial customer and finding cost-savings -- it also ran out of money to make capital improvements from a bond issue in 2008.”

FALSE CLAIM: In May of 2015, a group of Pittsburgh customers filed a class-action lawsuit against the utility, Veolia Water North America, and the accounting company keeping track of PWSA bills, alleging that new water meter readers installed in 2013 "catastrophically failed and customers have received grossly inaccurate and at times outrageously high bills"—including increases of nearly 600 percent. "PWSA is acutely aware that the billings are wrong but do not hesitate for a moment to issue 'shut off' notices and then arbitrarily turn off water service," read the complaint. PWSA and Veolia declined to respond to the allegations.

TRUTH: The PWSA selected its metering technology and software infrastructure through a standard Authority procurement process. Veolia did not make the decision to upgrade the existing automated metering system, did not select the meter technology or install the meters, did not create billing estimates, set water rates, nor send bills to PWSA customers.



FALSE CLAIM: Last December, facing the class-action lawsuit, a state citation for changing corrosion controls, and mounting debt, Pittsburgh terminated its contract with Veolia. All told, PWSA had paid Veolia \$11 million over the course of the contract.

TRUTH: The Authority simply chose not to extend Veolia’s contract for an additional year, as opposed to the claim that they “terminated” the contract. At the same time, they hired away key Veolia staff to join PWSA.

During the partnership, Veolia helped PWSA realize millions in annually recurring revenue and efficiencies, instituted financial controls that limited spending and increased accountability to address the Authority’s \$800 million debt, and identified opportunities for operational efficiencies that have a direct impact on the utility’s bottom line. Veolia had no role in the decision to change corrosion control chemicals.