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**NEW YORK CITY DEP LAUNCHES PROGRAM TO IMPROVE
SERVICES, LOWER COSTS AND MAINTAIN STATUS AS NATION'S
BEST WATER UTILITY FOR FUTURE GENERATIONS**

Partnership with Veolia Water to support DEP's Operational Excellence program to streamline work flows, boost productivity, identify efficiencies and reach public agency's strategic goals

The New York City Department of Environmental Protection (DEP) today launched a new program, *Operational Excellence*, or *OpX*, to help make DEP the safest, most effective, cost-efficient, and transparent water utility in the nation. The program will enhance services, result in environmental benefits, and reduce costs for the nine million New Yorkers who rely on DEP for water and wastewater services. Veolia Water (Veolia), an international expert in water and wastewater utilities, has been hired as a consultant to develop recommendations to streamline workflows, boost productivity, identify opportunities for efficiency gains, and keep future water rate increases as low as possible. As the nation's largest municipal water and wastewater utility, DEP currently spends roughly \$1.2 billion annually on operations and maintenance and aims to achieve \$100 to \$200 million in annual savings through the program. The innovative incentive-based agreement with Veolia Water delivers access to a worldwide network of water and wastewater services and technologies while ensuring continued government control, decision-making authority, and ownership, as well as public-employee status for DEP employees.

“DEP and its predecessor agencies share a proud legacy of innovation, from some of the country's first wastewater treatment plants to the greatest water supply network in the world,” said DEP Commissioner Carter Strickland. “Faced with unfunded mandates that have driven up costs, as well as the need for reinvesting in our basic infrastructure to ensure reliability for the next generation, and our desire to keep water rates in check as much as possible, now it is our turn to take our agency to the next level. The *Operational Excellence* program pairs us with a firm that brings a comprehensive portfolio of best management practices, a track record of boosting productivity while reducing expenses across the globe, and all while protecting existing workforces. Through this new innovative partnership, teams of DEP employees will work with Veolia to look for efficiencies across the board in operations and maintenance and then implement the best recommendations over the next four years while protecting our existing workforce and maintaining our level of service. We also know that the success of this program requires the help of the unions that represent our nearly 6,000 employees; so in addition to briefing them ahead of time, we will be working closely with them as the program moves forward. Bold steps like these are the responsible thing to do to lessen the burden on our 835,000 customers who have been absorbing several years of significant water rate increases.”

“By leveraging the strengths of local and global resources, our combined team will deliver a program that will become a symbol of sustainability, making DEP operations better,

faster, greener, more efficient and less costly, all with DEP employees at the helm,” said Laurent Auguste, president and CEO of Veolia Water Americas. “We’re excited to be serving a city that is already one of the world leaders in sustainability, and we’re honored by the prospect of helping the people of New York during a financially challenging time.”

The company’s selection followed a Request for Proposals issued in April by the New York City Water Board and a competitive review process that focused on a contractor’s ability to assess all aspects of agency operations for potential improvements, including labor productivity and processes, inventory management, chemical purchasing and usage, sludge digestion and disposal, and energy efficiency and management. The Veolia team includes McKinsey & Company and ARCADIS, both serving as subcontractors.

DEP will draw from the Veolia team’s portfolio of best management practices, including implementing system-wide improvements and saving up to 15% of operations and maintenance costs for utilities including Berliner Wasserbetriebe in Berlin, Germany and Thames Water in London, UK. Veolia is the global water industry leader, managing more than 5,200 water facilities and 3,200 wastewater facilities around the world.

Incentive-based program to be implemented over four years

The *OpX* program is divided into two phases. First, DEP and its partner Veolia will conduct an initial evaluation and recommendation phase that will result in a final report in 2012 of recommendations on how DEP can improve productivity and reduce costs. Based on that report, DEP has the ability to accept or reject any of the proposed operational changes and cost-saving measures. Improvements that DEP chooses will be implemented over a four-year period. Compensation for work performed includes a combination of a fixed fee and an incentive-based compensation that is calculated based on recurring savings achieved and documented.

The main objectives of the program are to:

- Review current operations and maintenance for potential improvements with a particular focus on energy usage and production opportunities, chemical usage and pricing, labor productivity, inventory management, and optimal sludge processes.
- Recommend implementable measures to improve and/or streamline operations and maintenance, increasing efficiencies, enhancing productivity, and reducing costs.
- Support public outreach, legislative initiatives, and other processes required to implement recommendations.
- Work with DEP staff to manage the implementation of the recommended initiatives.

Improving operational productivity and efficiency is a part of several goals outlined in *Strategy 2011-2014*, a far-reaching strategic plan that lays out 100 distinct initiatives to make DEP the safest, most efficient, cost-effective, and transparent water utility in the nation. The new plan, the product of nearly one year of analysis and outreach, builds on *PlaNYC*, Mayor Bloomberg’s sustainability blueprint for New York City. The plan is available on DEP’s website at www.nyc.gov/dep.

About DEP

DEP manages the city's water supply, providing more than one billion gallons of water each day to more than nine million residents, including eight million in New York City. The water is delivered from a watershed that extends more than 125 miles from the city, comprising 19 reservoirs and three controlled lakes. Approximately 7,000 miles of water mains, tunnels and aqueducts bring water to homes and businesses throughout the five boroughs, and 7,400 miles of sewer lines and 95 pump stations take wastewater to 14 in-city treatment plants. DEP employs nearly 6,000 employees, including almost 1,000 in the upstate watershed. DEP has a robust capital program, with a planned \$8.9 billion in investments over the next five years. For more information, visit us on Facebook at www.facebook.com/nycwater, or follow us on Twitter at www.twitter.com/nycwater.

About Veolia Water North America

Based in Chicago, Veolia Water North America is the leading provider of comprehensive water and wastewater partnership services to municipal and industrial customers, providing services to more than 14 million people in approximately 650 North American communities. The company is part of the Veolia Environnement companies in North America, with 30,000 North American employees providing sustainable environmental solutions in water management, waste services, energy management, and passenger transportation. Veolia Water, the water division of Veolia Environnement, is the world leader in water and wastewater services and technological solutions. Its parent company, Veolia Environnement (NYSE: VE and Paris Euronext: VIE), is the worldwide reference in environmental services. With more than 315,000 employees, Veolia Environnement recorded annual revenues of \$46 billion in 2010. Visit the company's Web sites at www.veolianorthamerica.com and www.veoliawaterna.com.

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