

United Water at a Glance

- **135 years in the US water market**

- 1869: Founded as Hackensack Water Company

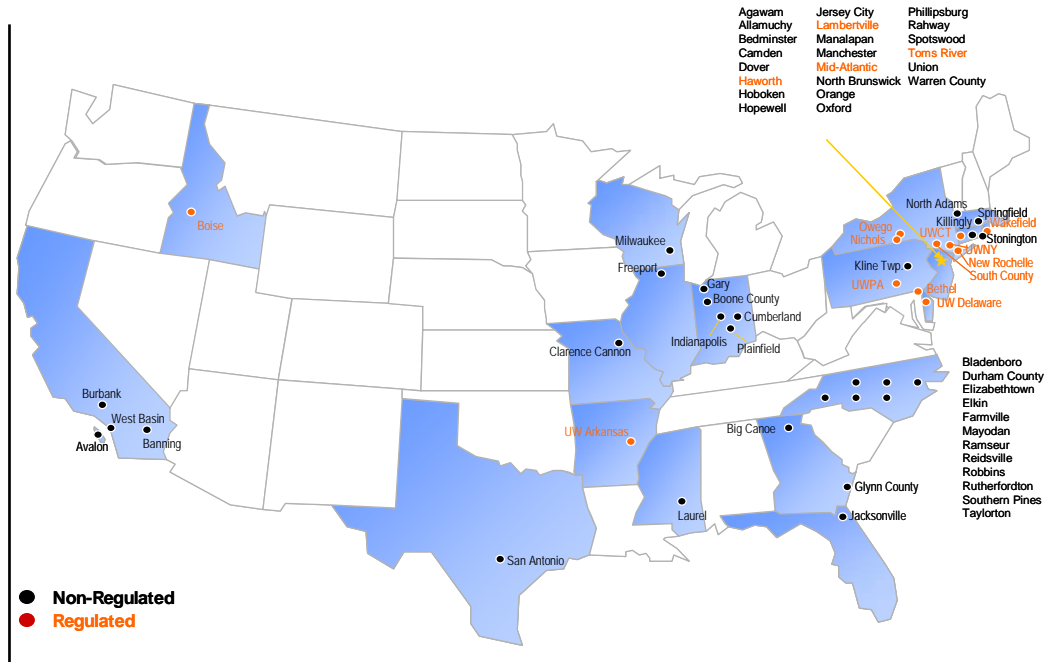
- **2000: Became wholly owned subsidiary of Suez Group**

- **Key Highlights**

- Revenues \$500M
- Total assets \$2B
- 2,000 employees
- Active in 20 states
- 7 Million people served

- **Two Business Segments: Regulated and Contract Services**

- 25 Regulated utilities
- 70 O&M contracts



Strategy:

Develop a balanced portfolio of Regulated and Contract Services operations that generate value in line with their risk profiles

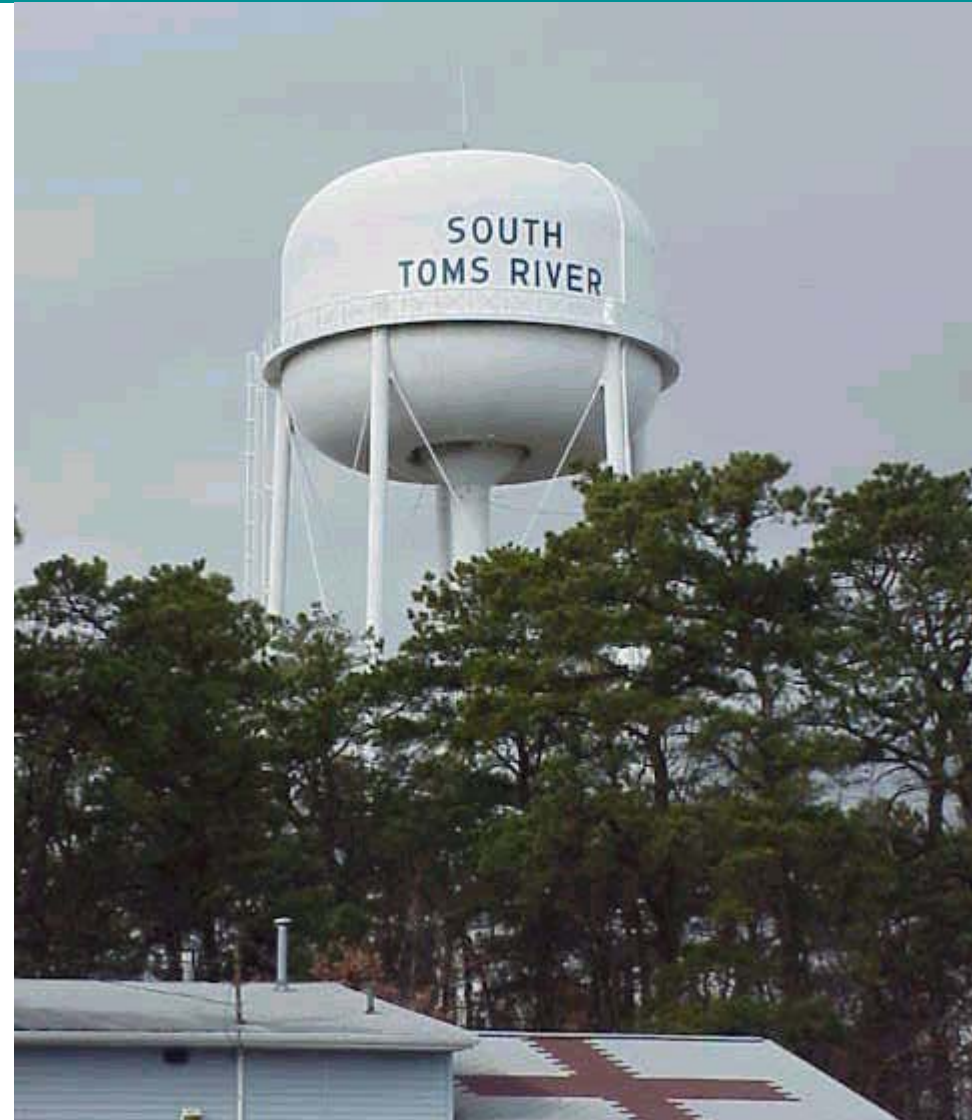
United Water Toms River



- **\$16M annual revenue**
- **50,000 customers**
- **Dover Township, NJ shore community**
- **Groundwater supply**
- **Owned by United Water (GWC) since 1950's**

The Perfect Storm

- **Cancer Cluster “litigation”—1997-2002**
- **Water allocation issues—2005**
- **Radionuclides exceedances—2006**
- **Pressure drop—2006**



Class Action Toxic Tort Litigation

- **Defendants: Union Carbide, Ciba-Giegy, United Water**
- **Hazardous materials discharged through UWTR distribution system (wells)**
- **\$800,000,000 for wrongful death, personal injury—”cancer cluster”**
- **Tolling agreement, joint settlement 2002**
- **Damages and medical monitoring**
- **No water quality violations**

The Settlement

- **The risk of “A Civil Action”**
- **Damages and medical monitoring fund**
- **Payments shared by defendants**
- **Result for UWTR: total costs after insurance reimbursement=\$12,000,000**
- **Petition to defer—accounting purposes only**

Water Allocation Issues



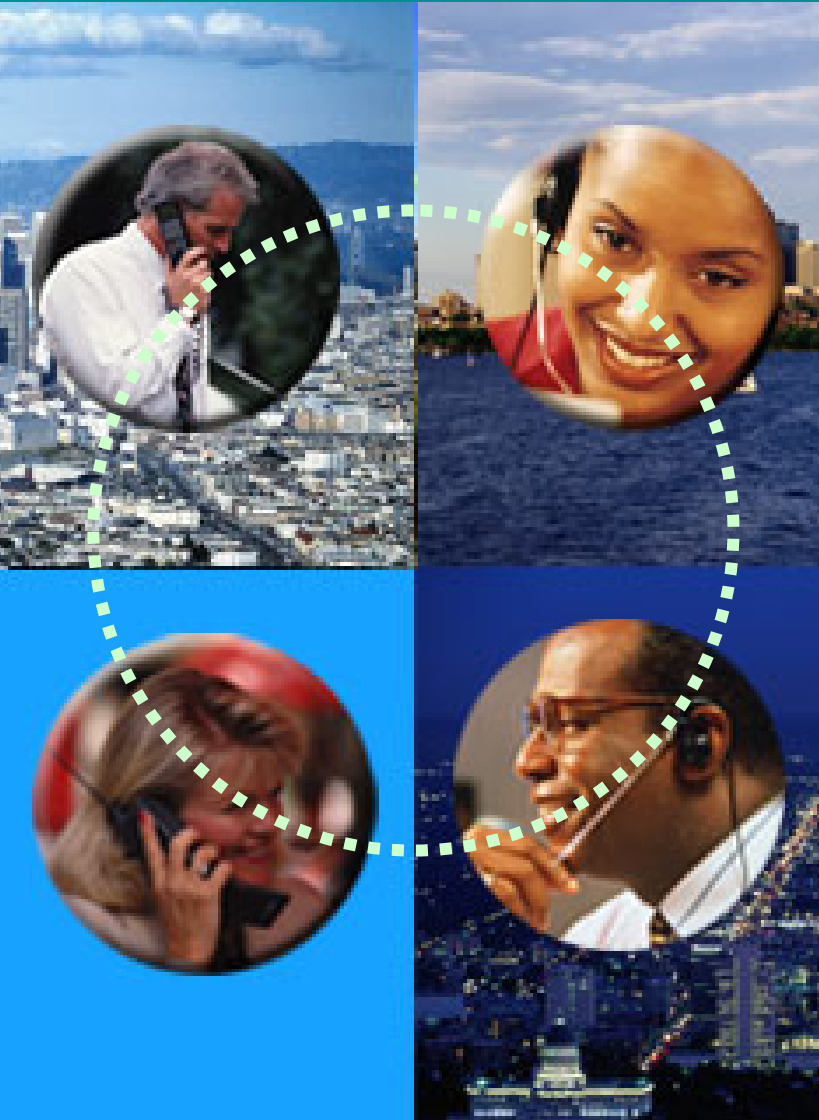
- **Administrative Consent Order—NJDEP**
- **Exceedances for three years (Co had requested allocation increases)**
- **Fine, moratorium, Franchise Revocation Petition**
- **Appointment of “Overseer”**

Radionuclides and Pressure

- **February 2006--failure to report radionuclides results**
- **Fine, DEP action plan**
- **Memorial Day 2006 -- Pressure drop**
- **Instrumentation failure**



Company Action



- **Assembled team: Ops, Engineering, Legal, Communications and External Affairs**
- **Decision: fix all three radionuclide sites, internal investigation into failures to report**
- **Treatment installed within two months**
- **Internal investigation completed, report delivered to State**

Company Action

- **Regular communication with DEP, Township officials, customers**
- **Management team replaced**
- **Monthly meetings with Township Engineers**
- **Monthly meetings with customer groups**
- **Regular contact with DEP**
- **Contacts with Overseer**



Results

- **Customer groups acknowledge progress**
- **DEP accepts capacity calculations and 2007 plan**
- **Increased allocation approved, Administrative Consent Order lifted**
- **Five year Master plan underway to be completed in March**
- **Investment plan underway**
- **Staffing almost complete**



Risks

- **WATER IS INGESTED**
- **“Strict liability” for high visibility matters**
- **Human error—disproportionate consequences**
- **Naturally occurring “contaminants”**
- **The risk switch—energy vs water**
- **Parent company can mask/absorb risk**