

Marguerite McLean

100149-WU

From: Dana Rudolf [DRudolf@RSBattorneys.com]
Sent: Friday, November 19, 2010 4:58 PM
To: Filings@psc.state.fl.us
Cc: ewallace@niamerica.com; bwilkinson@niamerica.com; donald.clayton@tangibl.com; Bart Fletcher; mdaday@niamerica.com; Martin Friedman; Christian W. Marcelli; Trina Collins
Subject: Docket No. 100149; Application for increase in water rates in Lee County by Ni Florida, LLC.
Attachments: PSC Clerk 14 (Filing Response to Staff's 6th Data Request) ltr.pdf

- a) Christian W. Marcelli, Esquire
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- b) Docket No. 100149-WU; Application for increase in water rates in Lee County by Ni Florida, LLC – filing the Utility's Response to Staff's Sixth Data Request dated November 9, 2010.
- c) Ni Florida, LLC
- d) 26 pages
- e) Letter to Commission Clerk and attachments – 26 pages.

DOCUMENT NUMBER-DATE

09546 NOV 19 2010

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November 19, 2010

ROBERT M.C. ROSE, (1924-2006)

E-FILING

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket No. 100149-WU; Ni Florida, LLC - Tamiami
Application for an Increase in Water Rates in Lee County, Florida
Our File No.: 43053.04

Dear Ms. Cole:

Enclosed for filing in the above-referenced docket is the response of Ni Florida, LLC - Tamiami (the "Utility") to Staff's sixth data request dated November 9, 2010. Staff has requested the following information in order to complete its analysis in the above-referenced docket.

1. Please provide a copy of the Organizational Chart for Ni America, clearly illustrating the relationships between Ni America and its subsidiaries for 2007 through 2010. For each of the subsidiaries, please describe, in detail, the corporate functions that each performs.

RESPONSE: The Organizational Chart for Ni America companies is attached. Corporate governance is performed by Ni America Capital Management, LLC and all other functions are performed by Ni America Operating, LLC and are as follows:

- Accounting
- Annual Reporting Requirements
- Business Development
- Capital Investment Improvements
- Cash Management
- Contract Administration
- Engineering Services

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- Finance
- Financial Reporting
- Human Resources
- Income Tax Administration
- Legal Services
- Operations Management
- Payroll Administration
- Rate Case Administration
- Risk Management (Insurance)
- Treasury Management

2. Please provide a copy of the Organizational Charts for Ni America and all other subsidiaries that allocate costs to Ni Florida, that lists the employees, their respective job titles, the salaries for each employee, and a list of the duties and responsibilities of each employee for 2007 through 2010.

RESPONSE: Attached are the following:

- Organization Chart by employee and title for Ni America Operation, LLC for 2008/2009 and 2010. This is the only company which has corporate employees.
- The monthly salaries paid to each employee for 2008, 2009, and 2010 through September.
- The duties performed by these employees in total are detailed in the response to Question 1 of Staff's Sixth Data Request.

3. Please provide a copy of any documentation (formal and/or informal) and/or policy and procedures manuals that address how all costs allocated or charged by Ni America to Ni Florida are determined and how all costs of Ni Florida are allocated to the various water and wastewater systems.

RESPONSE: Ni America does not maintain a policy and procedures manual that addresses how corporate overhead costs are allocated or charged to Ni Florida. There are no Ni Florida expenses that are allocated to the various water and wastewater systems. Please see the responses to Question 5 and Question 11 of the Staff's Sixth Data Request for a description of how corporate overhead expenses are allocated to the

utilities.

4. Please provide documentation for all costs directly assigned to Ni Florida by its affiliates including the type of cost and basis for assignment. Provide all documents related to affiliate costing guidelines and related studies utilized or relied on for comparison with or analysis of cost allocation practices affecting Ni Florida in this proceeding.

RESPONSE: There are no costs directly assigned to Ni Florida by any affiliates. Please see the responses to Question 5 and Question 11 of the Staff's Sixth Data Request for a description of how corporate overhead expenses are allocated to the utilities.

5. Please provide all Ni Florida system allocation workpapers, calculations, and all necessary documents that would allow an individual to recompute the amounts allocated by Ni America, and any other affiliate/subsidiary for 2007, 2008, 2009, test year twelve months ended December 31, 2009, and for each month of 2010 thereafter. The above documents should include by affiliate: the total dollars by general ledger account number to be allocated, the name of the general ledger account, the allocation factor applied to each account, the calculation of the allocation factor including the numerator for each company that is allocated a portion of the cost and the denominator of the allocation factor, and a description of the allocation factor. The information provided should allow one to recompute allocations and then redistribute or carry forward adjustments made, by system, to the expense and rate base items included in the instant rate proceeding.

RESPONSE: Ni America Operating, LLC, and Ni America Capital Management, LLC, are companies which contain all corporate expenses. Ni America Capital Management, LLC, owns all of the subsidiaries and manages the equity ownership. Ni America Operating, LLC is the operating company where all the employees reside and where all other corporate expenses (all expenses other than those incurred directly by the utilities and Ni America Capital Management, LLC) rest.

The corporate overhead expenses for 2009 were allocated to the utilities based on two factors: (1) the ratio of ERCs for each utility to the total ERCs for all owned utilities, and (2) all expenses, other than due diligence expenses, on the basis of payroll charges allocable to utilities. During the twelve months ended December 31, 2009 (the test year used in this rate case), Ni America estimated that 47.09% of payroll costs were allocable

to the utilities. Therefore, 47.09% of all allocable corporate expenses were allocated to the utilities. Each utility was allocated a percentage of the allocable expenses each month based on the ratio of ERCs to the total ERCs. All expenses that are direct expenses of the utilities are recorded initially to the utilities and are not included in the corporate expenses which are allocated to them.

The corporate overhead expenses for 2008 were allocated to the utilities based on the average of three factors: (1) revenue, (2) fixed assets, and (3) O&M expenses. Then, the amount was capped at 20% so as not to over-burden the utilities.

All corporate overhead expenses for 2010 (except for due diligence-related expenses) have been allocated to the utilities based on ERCs.

The Ni America companies were formed in early 2007 or subsequent to that time frame. In 2007, the only utility acquired was Shaded Lane Water Company. Since the date of the acquisition was December 11, 2007, no overhead was allocated to it for a partial month. In 2008, Ni America acquired Hudson Utilities on May 5, 2008 and Tamiami Village Water Company on September 5, 2008. Since Ni America was still a developing company, Management chose to limit the corporate overhead during 2008. This was documented in the Ni Florida, LLC - Hudson rate case filed using a twelve month test year ending December 31, 2008. In 2009, corporate overhead was allocated to the utilities based on ERCs. In 2010, Ni America acquired Palmetto Utilities, Inc. on January 7, 2010. Corporate overhead has been consistently allocated to every utility company on the same basis.

6. Please provide all Ni Florida systems direct charge workpapers, calculations, and all other necessary documents that would allow an individual to adjust the amounts directly charged by Ni America, and any other affiliate/subsidiary for 2007, 2008, 2009, test year twelve months ended December 31, 2009, and for each month of 2010 thereafter. The information provided should allow one to redistribute direct charges that have been charged by Ni Florida to its various systems in Florida.

RESPONSE: Neither Ni America nor Ni Florida direct charges any expenses to any other affiliate/subsidiary. Please see the responses to Question 5 and Question 11 of the Staff's Sixth Data Request for a description of how corporate overhead expenses are allocated to the utilities.

7. Please provide all Ni Florida system allocation workpapers, calculations, and all other necessary documents that would allow an individual to recompute the amounts allocated by Ni Florida for 2007, 2008, 2009, test year twelve months ended December 31, 2009, and for each month of 2010 thereafter. The above documentation should include: the total dollars by general ledger account number to be allocated, the name of the general ledger account, the allocation factor applied to each account, the calculation of the allocation factor including the numerator for each system that is allocated a portion of the cost and the denominator of the allocation factor, and a description of the allocation factor. The information provided should allow one to recompute allocations and then redistribute and carry forward adjustments made, by system, to the expense and rate base items included in the instant rate proceeding.

RESPONSE: Neither Ni America nor Ni Florida direct charges any expenses to any other affiliate/subsidiary. Please see the responses to Question 5 and Question 11 of the Staff's Sixth Data Request for a description of how corporate overhead expenses are allocated to the utilities.

8. Please provide Ni Florida system direct charge workpapers, calculations, and other necessary documents that would allow an individual to adjust the amounts directly charged by Ni Florida for 2007, 2008, 2009, test year twelve months ended December 31, 2009, and for each month of 2010 thereafter. The information provided should allow one to redistribute direct charges that have been charged by Ni Florida to its various systems in Florida.

RESPONSE: Neither Ni America nor Ni Florida direct charges any expenses to any other affiliate/subsidiary. Please see the responses to Question 5 and Question 11 of the Staff's Sixth Data Request for a description of how corporate overhead expenses are allocated to the utilities.

9. Please provide a list, by system, of activities Ni Florida employees billed to each system and the amounts booked for 2007, 2008, 2009, test year twelve months ended December 31, 2009, and for each month of 2010 thereafter. Also provide the accounts those expenses were booked to.

RESPONSE: There are no Ni Florida employees. Ni Florida does not direct charge any expenses to any other affiliate/subsidiary. Please see the responses to Question 5 and Question 11 of Staff's Sixth Data Request for a description of how

corporate overhead expenses are allocated to the utilities.

10. Please provide a list, by system, of sundry expenses either allocated or directly charged to each system and the activities associated with each sundry expense for 2007, 2009, 2009, test year twelve months ended December 31, 2009, and for each month of 2010 thereafter. If the sundry expenses are allocated, please provide the allocation factor for each system including both the numerator and denominator for each year requested.

RESPONSE: Please see the responses to Question 5 and Question 11 of Staff's Sixth Data Request for a description of how corporate overhead expenses are allocated to the utilities.

11. Please provide the Excel spreadsheet used to allocate the direct and indirect costs for the accounting units with Ni Florida for 2007, 2008, 2009, test year twelve months ended December 31, 2009, and for each month of 2010 thereafter.

RESPONSE: Attached are the MS Excel spreadsheets used to allocate the corporate expenses incurred by Ni America Capital Management, LLC, and Ni America Operating, LLC, to the Ni Florida, LLC utilities (Hudson and Tamiami Village) for 2008, 2009, the test year ending December 31, 2009, and for each month of 2010 thereafter. No corporate overhead expenses were allocated to any utility in 2007. Also, please see the responses to Question 5 of the Staff's Sixth Data Request for a description of how corporate overhead expenses are allocated to the utilities.

12. Please provide all documents in your possession, custody or control that demonstrate whether charges from any unregulated affiliates are provided to Ni Florida at the lower of cost or market.

RESPONSE: All charges allocated from Ni America Capital Management, LLC and Ni America Operating, LLC to any affiliate/subsidiary, including Ni Florida-Tamiami, is done so at actual cost.

In order to document that the Utility's allocated costs are reasonable and market-based, Ni America prepared a study to analyze Florida water and wastewater companies to determine how the O&M expenses and Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) compared to what its Ni Florida systems would experience

Ann Cole, Commission Clerk
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after rate increases. Attached are the study and an analysis of the results. Thus, total expenses for the Ni Florida systems, including the overhead allocation, compare favorably to the companies analyzed in this study and could be considered to represent the market.

Should you or members of the Staff have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,



CHRISTIAN W. MARCELLI
For the Firm

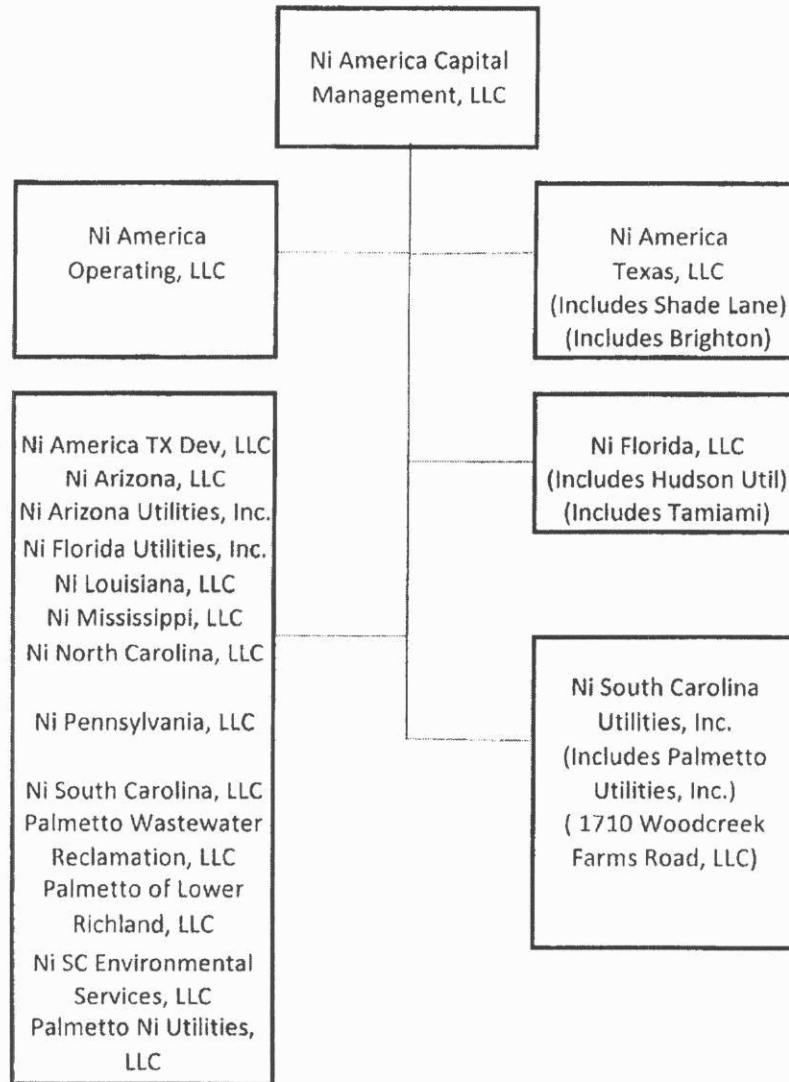
CWM/der

cc: Ed Wallace, President (w/enclosures) (via e-mail)
Mr. Benny Wilkinson (w/enclosures) (via e-mail)
Mr. Donald Clayton (w/enclosures) (via e-mail)
Mr. Bart Fletcher (w/enclosures) (via e-mail)
Mr. Mark Daday (w/enclosures) (via e-mail)

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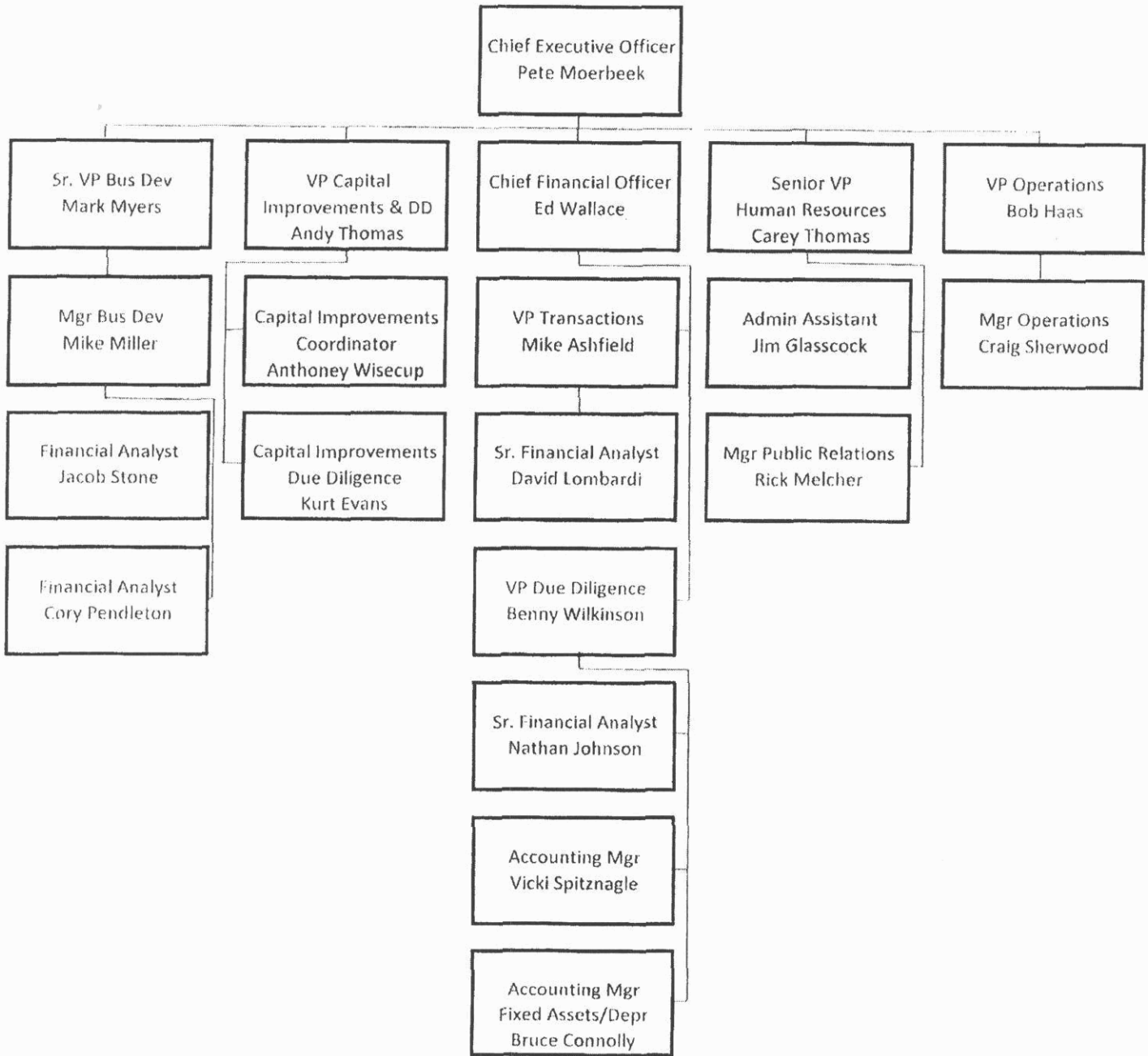
NO. 1

Ni America Capital Management, LLC and Subsidiaries
Organization Chart by Entity
As of November 15, 2010

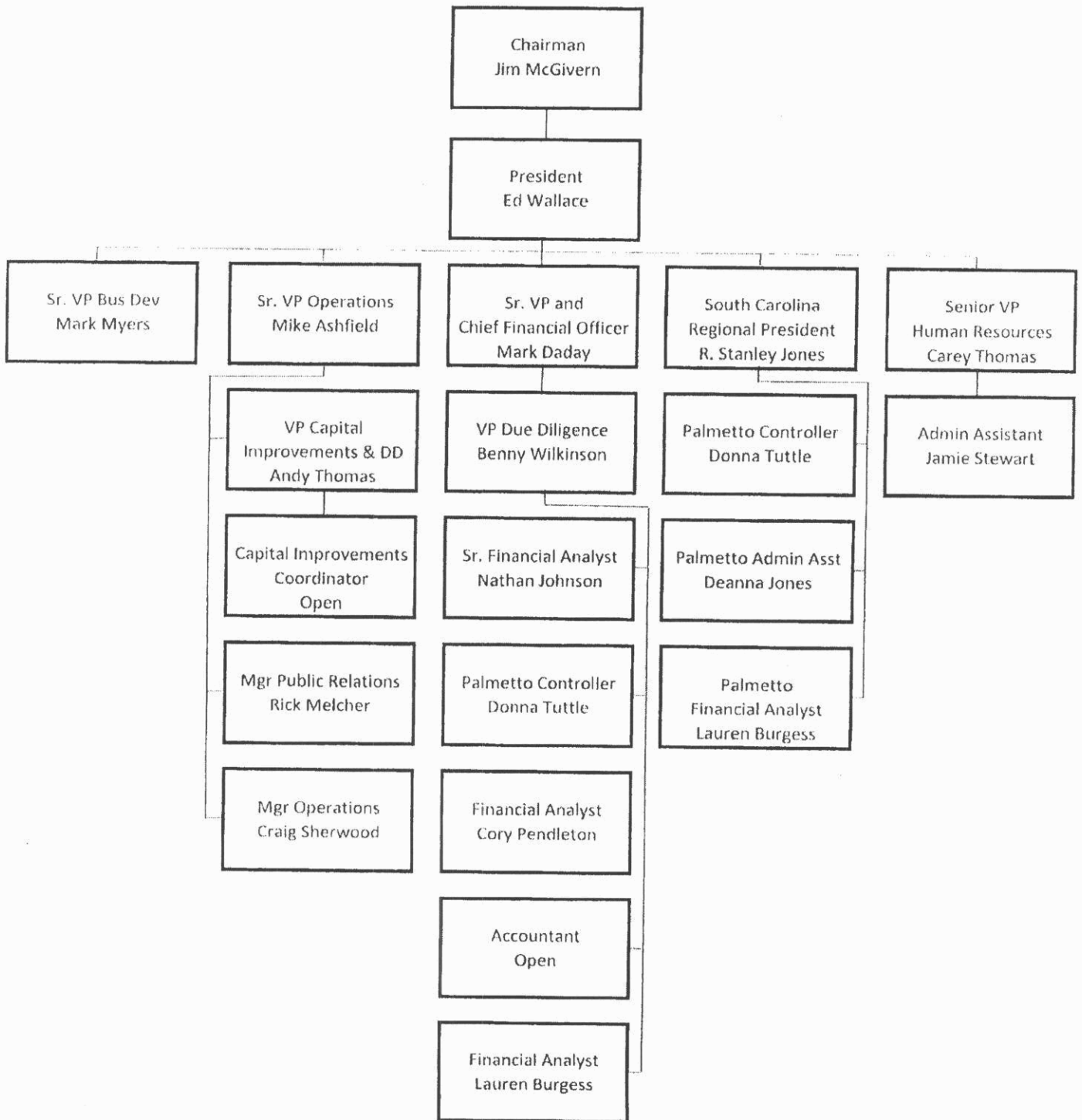


NO. 2

Ni America Operating, LLC
 Organization Chart by Personnel (For 2008 and 2009)



Ni America Operating, LLC
 Organization Chart by Personnel (For 2010)



Ni America Operating, LLC
 Salaries
 For 2008

Employee	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
[REDACTED]	9,552.08	5,552.08	5,552.08	5,552.08	5,552.08	5,552.08	5,552.08	5,552.08	5,552.08	5,552.08	5,552.08	5,552.08	44,416.64
[REDACTED]	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	66,666.72
[REDACTED]	-	-	-	-	-	7,916.66	7,916.66	7,916.66	7,916.66	7,916.66	7,916.66	7,916.66	55,416.62
[REDACTED]	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	66,666.72
[REDACTED]	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	30,000.00
[REDACTED]	6,833.34	6,833.34	6,833.34	6,833.34	6,833.34	6,833.34	6,833.34	6,833.34	6,833.34	11,833.34	11,833.34	11,833.34	68,666.72
[REDACTED]	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	66,666.72
[REDACTED]	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	123,000.00
[REDACTED]	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	26,666.72
[REDACTED]	3,416.66	3,416.66	3,416.66	3,416.66	3,416.66	3,416.66	3,520.83	3,625.00	3,625.00	3,625.00	3,625.00	3,625.00	28,479.15
[REDACTED]	-	-	-	-	-	2,500.00	5,000.00	-	-	-	-	-	7,500.00
[REDACTED]	3,843.76	3,843.76	3,843.76	3,843.76	3,843.76	3,843.76	3,843.76	3,843.76	3,843.76	3,843.76	3,843.76	3,843.76	30,750.08
[REDACTED]	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	102,500.00
[REDACTED]	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	88,833.28
[REDACTED]	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	13,333.34	13,333.34	13,333.34	81,666.72
[REDACTED]	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	51,250.08
[REDACTED]	18,791.66	18,791.66	18,791.66	18,791.66	18,791.66	18,791.66	18,791.66	18,791.66	18,791.66	18,791.66	18,791.66	18,791.66	150,333.28
[REDACTED]	10,250.00	10,250.00	10,250.00	10,250.00	10,250.00	10,250.00	10,250.00	10,250.00	10,250.00	10,250.00	10,250.00	10,250.00	82,000.00
[REDACTED]	-	-	5,833.34	5,833.34	5,833.34	5,833.34	5,833.34	5,833.34	5,833.34	5,833.34	5,833.34	5,833.34	56,666.72
[REDACTED]	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	66,666.72
TOTAL	146,431.61	145,828.26	151,661.60	150,853.76	148,968.80	159,385.46	171,969.63	157,093.80	157,093.80	167,093.80	167,093.80	167,093.80	1,295,812.89

Ni America Operating, LLC
Salary for Overhead Calculation
For 2009

Employee	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Total
[REDACTED]	11,104.16	-	-	-	-	-	-	-	-	-	-	-	11,104.16
[REDACTED]	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	100,000.08
[REDACTED]	15,833.32	-	-	-	-	-	-	-	-	-	-	-	15,833.32
[REDACTED]	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	100,000.08
[REDACTED]	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,958.33	4,166.66	4,166.66	4,166.66	4,166.66	4,166.66	4,166.66	47,708.29
[REDACTED]	6,833.34	6,833.34	6,833.34	6,833.34	6,833.34	786.00	828.00	870.00	870.00	870.00	870.00	870.00	40,130.70
[REDACTED]	8,333.34	8,333.34	8,333.34	8,333.34	384.56	-	-	-	-	-	-	-	33,717.92
[REDACTED]	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	15,375.00	184,500.00
[REDACTED]	6,666.68	786.00	786.00	786.00	2,008.20	786.00	828.00	1,992.50	870.00	870.00	1,815.00	4,495.00	22,689.38
[REDACTED]	7,250.00	-	-	-	-	-	-	-	-	-	-	-	7,250.00
[REDACTED]	7,687.52	-	-	-	-	-	-	-	-	-	-	-	7,687.52
[REDACTED]	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	12,812.50	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	131,354.20
[REDACTED]	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	11,104.16	133,249.92
[REDACTED]	16,666.68	786.00	2,409.00	8,688.00	-	-	-	-	-	-	-	-	28,549.68
[REDACTED]	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	6,406.26	76,875.12
[REDACTED]	18,791.66	18,791.66	18,791.66	18,791.66	18,791.66	10,229.16	1,666.66	1,666.66	1,666.66	1,666.66	1,666.66	1,666.66	114,187.42
[REDACTED]	7,687.50	-	-	-	-	-	-	-	-	-	-	-	7,687.50
[REDACTED]	11,666.68	-	-	2,916.67	5,833.34	-	-	-	-	-	-	-	20,416.69
[REDACTED]	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	100,000.08
TOTAL	192,968.82	109,978.28	111,601.28	120,796.95	108,299.04	86,457.43	78,187.26	74,914.60	73,792.10	73,792.10	74,737.10	77,417.10	1,182,942.06

NI America Operating, LLC
 Salaries
 For Year-to-Date September 30, 2010

<u>Employee</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Total</u>
[REDACTED]	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	77,250.06
[REDACTED]	-	-	-	-	-	3,349.27	4,583.34	4,583.34	4,583.34	17,099.29
[REDACTED]	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	77,250.06
[REDACTED]	4,291.66	4,291.66	4,291.66	4,291.66	4,291.66	5,000.00	5,000.00	5,000.00	5,000.00	41,458.30
[REDACTED]	870.00	870.00	870.00	870.00	870.00	870.00	870.00	870.00	870.00	7,830.00
[REDACTED]	-	-	5,416.66	5,416.66	5,416.66	5,416.66	5,416.66	5,416.66	7,302.41	39,802.37
[REDACTED]	15,836.26	15,836.26	15,836.26	15,836.26	15,836.26	15,836.26	15,836.26	15,836.26	15,836.26	142,526.34
[REDACTED]	870.00	3,753.34	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	3,333.34	27,956.72
[REDACTED]	2,083.34	2,083.34	2,083.34	2,083.34	2,083.34	2,083.34	2,083.34	2,083.34	2,083.34	18,750.06
[REDACTED]	14,166.66	14,583.34	14,583.34	14,583.34	14,583.34	14,583.34	14,583.34	14,583.34	14,583.34	130,833.38
[REDACTED]	-	-	-	-	-	-	-	-	7,980.88	7,980.88
[REDACTED]	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	8,333.34	75,000.06
[REDACTED]	11,437.28	11,437.28	11,437.28	11,437.28	11,437.28	11,437.28	11,437.28	11,437.28	11,437.28	102,935.52
[REDACTED]	6,598.44	6,598.44	6,598.44	6,598.44	6,598.44	6,598.44	6,598.44	6,598.44	6,598.44	59,385.96
[REDACTED]	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	8,583.34	77,250.06
TOTAL	90,237.00	93,537.02	98,533.68	98,533.68	98,533.68	102,591.29	103,825.36	103,825.36	113,691.99	903,309.06
Billed to Palmetto	-	-	(5,416.66)	(5,416.66)	(5,416.66)	(5,416.66)	(5,416.66)	(5,416.66)	(7,302.41)	(39,802.37)
[REDACTED]	(2,083.34)	(2,083.34)	(2,083.34)	(2,083.34)	(2,083.34)	(2,083.34)	(2,083.34)	(2,083.34)	(2,083.34)	(18,750.06)
[REDACTED]	(14,166.66)	(14,583.34)	(14,583.34)	(14,583.34)	(14,583.34)	(14,583.34)	(14,583.34)	(14,583.34)	(14,583.34)	(130,833.38)
TOTAL FOR ALLOC	73,987.00	76,870.34	76,450.34	76,450.34	76,450.34	80,507.95	81,742.02	81,742.02	89,722.90	713,923.25

NO. 11

Ni America Operating LLC

Overhead	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Total
Expense									
Operation and Maintenance	203,252	232,515	227,934	255,161	208,953	244,169	222,913	350,319	1,945,216
Miscellaneous Expenses	13,880	11,324	12,342	15,460	13,467	12,045	11,905	19,266	109,688
Due Diligence Expenses	80,139	60,608	70,516	54,985	56,617	40,856	54,199	43,451	461,371
Capitalized Acquisition Costs	(96,326)	(1,771)	(1,853)	(1,752)	(36,206)	(2,728)	(2,911)	54,376	(89,171)
Total Expense	200,945	302,676	308,939	323,854	242,830	294,342	286,105	467,413	2,427,103
Add Backs									
Shaded Lane Allocated Overhead	590	604	709	614	542	600	559	645	4,861
Hudson Allocated Overhead	1,160	1,167	1,144	1,138	1,232	1,160	1,212	1,110	9,324
Tamiami Allocated Overhead	-	-	-	-	918	968	1,141	1,080	4,106
Total Add Backs	1,750	1,771	1,853	1,752	2,691	2,728	2,911	2,834	18,291
Total Overhead	202,695	304,447	310,792	325,606	245,521	297,069	289,016	470,247	2,445,394.58
Total Salaries	148,969	159,385	171,990	157,094	157,094	167,094	167,094	167,094	1,295,813
Salaries Allocated to Overhead	74,935	80,175	86,515	79,022	79,022	84,053	84,053	84,053	651,828
Allocation Factor	50.30%	50.30%	50.30%	50.30%	50.30%	50.30%	50.30%	50.30%	50.30%
Overhead to be Allocated	101,961	153,145	156,336	163,788	123,504	149,434	145,383	236,547	1,230,098

Overhead Allocation Factors

Revenue									
Shaded Lane	9,835	10,078	11,815	10,226	9,025	9,994	9,313	10,099	80,385
Hudson	116,200	124,545	122,208	118,434	128,206	117,821	123,309	146,473	997,197
Tamiami	-	-	-	-	12,770	16,129	19,011	20,811	68,721
Total Revenue	126,035	134,623	134,023	128,660	150,001	143,944	151,633	177,383	1,146,303

Fixed Assets (Net Depreciation)									
Shaded Lane	218,741	218,680	217,726	227,272	226,318	204,667	205,000	204,450	204,450
Hudson	8,482,655	8,510,462	8,516,278	8,496,413	8,486,747	8,397,265	8,476,831	8,339,757	8,339,757
Tamiami	-	-	-	-	781,253	777,266	773,603	789,469	789,469
Total Fixed Assets (Net Depreciation)	8,701,396	8,729,141	8,734,004	8,723,685	9,494,318	9,379,198	9,455,434	9,333,676	9,333,676

8.14

Operations & Maintenance									
Shaded Lane	4,713	4,980	5,129	7,106	5,621	5,374	7,614	6,240	46,775
Hudson	67,741	69,396	75,690	82,789	67,569	81,369	57,598	87,583	589,735
Tamiami	-	-	-	-	8,835	6,844	10,771	13,531	39,982
Total Operations & Maintenance	72,454	74,376	80,819	89,895	82,025	93,587	75,984	107,354	676,493

0.59

Allocated Overhead

Revenue									
Shaded Lane	7,957	11,464	13,782	13,018	7,431	10,375	8,929	13,468	86,424

Hudson	94,004	141,681	142,555	150,770	105,559	122,314	118,226	195,327	1,070,437
Tamiami	-	-	-	-	10,514	16,744	18,228	27,752	73,238
Total Allocated Overhead - Revenue	101,961	153,145	156,336	163,788	123,504	149,434	145,383	236,547	1,230,098

Fixed Assets (Net Depreciation)

Shaded Lane	2,563	3,837	3,897	4,267	2,944	3,261	3,152	5,181	29,102
Hudson	99,398	149,309	152,439	159,521	110,397	133,789	130,336	211,358	1,146,547
Tamiami	-	-	-	-	10,163	12,384	11,895	20,008	54,449
Total Allocated Overhead - Fixed Assets	101,961	153,145	156,336	163,788	123,504	149,434	145,383	236,547	1,230,098

Operations & Maintenance

Shaded Lane	6,632	10,254	9,922	12,947	8,463	8,580	14,568	13,749	85,115
Hudson	95,329	142,891	146,414	150,842	101,738	129,925	110,206	192,983	1,070,328
Tamiami	-	-	-	-	13,303	10,929	20,609	29,815	74,656
Total Allocated Overhead	101,961	153,145	156,336	163,788	123,504	149,434	145,383	236,547	1,230,098

Average

Shaded Lane	5,717	8,518	9,200	10,077	6,279	7,405	8,883	10,799	66,880
Hudson	96,244	144,627	147,136	153,711	105,898	128,676	119,589	199,889	1,095,771
Tamiami	-	-	-	-	11,327	13,352	16,911	25,858	67,448
Total Average	101,961	153,145	156,336	163,788	123,504	149,434	145,383	236,547	1,230,098

Pre-overhead O&M% Best Practices (Total O&M Expenses of 74% which assumes an Overhead % of)	57.49%	55.25%	60.30%	69.87%	54.68%	65.02%	50.11%	60.52%	59.02%	
	74.09%	16.60%	18.84%	13.79%	4.22%	19.41%	9.07%	23.98%	13.57%	20.00%

Utilities to be acquired in the future

Shaded Lane	1,146,303	80,385	204,450	46,775
Hudson		997,197	8,339,757	589,735
Tamiami		68,721	789,469	39,982
	0.19	6,150,492	50,079,876	3,629,724

Allocation based on best practices

Utilities to be acquired in the future	1,000,838	1,000,838	1,000,838	Average
Shaded Lane	16,077	5,022	15,852	12,317
Hudson	199,439	204,847	199,859	201,382
Tamiami	13,744	19,392	13,550	15,562
	1,230,098	1,230,098	1,230,098	229,261
	1,230,098	1,230,098	1,230,098	

Ni America Operating, LLC and Ni America Capital Management, LLC
Overhead Allocation Based on 2009 Actual Expenses

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Ni America Operating, LLC													
Operation and Maintenance													
601 Salaries-Employees	\$111,297	\$29,018	\$28,958	\$40,601	\$27,224	\$13,245	\$13,040	\$14,463	\$13,255	\$13,255	\$14,465	\$16,965	335,786
603 Salaries-Officers & Directors	97,960	89,439	89,739	89,439	89,439	80,222	70,953	65,184	65,126	64,374	63,789	84,105	949,770
604 Employees Pensions and Benefits	24,724	24,724	20,617	18,813	17,801	17,718	15,358	5,790	12,376	11,705	12,944	12,944	195,514
620 Repairs & Maintenance	561	1,217	939	1,046	939	1,149	939	733	1,046	939	1,012	1,076	11,598
632 Contract Services-Accounting/Tax	7,440	9,356	6,773	3,956	1,364	(7,969)	-	-	-	-	294	109,000	130,213
633 Contract Services-Legal	11,636	2,340	813	1,211	313	332	-	1,089	935	3,997	466	510	23,641
636.1 Contract Services-Computer Svcs	2,240	2,240	2,240	2,240	2,240	2,240	2,240	2,240	2,240	2,240	2,240	2,240	26,880
636.2 Contract Services-Other	4,351	4,723	-	(3,600)	-	-	-	-	-	-	-	-	5,474
641/642 Rent Expense	8,772	5,840	2,820	2,858	2,820	2,820	2,820	3,320	3,570	2,075	2,820	3,293	43,830
650 Travel Expense	8,508	2,053	4,557	7,598	1,159	264	1,817	3,097	2,345	820	3,171	1,940	37,330
657 General Liability	149	138	96	206	(853)	156	64	64	62	64	62	64	269
658 Workman's Compensation	435	393	435	421	435	421	619	594	575	594	(1,888)	594	3,629
659 Crime	322	322	322	374	250	250	250	250	250	250	250	250	3,339
660 Advertising & Promotion	-	-	-	-	-	-	-	-	-	-	496	1,103	1,599
661 Bank Fees	527	168	214	323	218	213	233	231	244	258	245	245	3,117
Total Operation and Maintenance	\$278,921	\$171,970	\$158,523	\$165,485	\$143,350	\$111,060	\$108,333	\$97,056	\$102,023	\$100,570	\$100,365	\$234,330	1,771,987
Miscellaneous													
675.1 Telephone	\$5,185	\$4,643	\$4,810	\$4,199	\$5,458	\$4,346	\$4,227	\$3,961	\$2,717	\$2,943	\$3,504	\$5,188	51,181
675.2 Utilities	1,351	1,016	1,254	1,089	1,467	1,769	1,719	1,775	1,486	1,399	1,071	1,229	16,625
675.3 Meals & Entertainment	1,899	1,012	9,816	766	1,095	233	704	617	909	4,269	1,368	2,344	25,032
675.4 Dues/Subsription/Prof Orgs	-	-	-	553	35	707	590	350	440	240	-	417	3,332
675.5 Computer/Internet Expenses	441	507	338	333	333	74	282	74	270	260	342	260	3,515
675.6 Utility Associations	10	-	-	-	-	-	-	-	-	-	-	-	400
675.7 Office Supplies	1,303	489	351	440	285	504	130	951	205	28	294	747	5,727
675.8 Postage/Freight/Overnight	54	65	45	42	324	110	78	66	-	210	339	420	1,753
675.9 Other Expenses	322	-	-	-	184	-	-	83	-	-	-	(33)	556
675.1 Education & Seminars	-	-	-	-	-	-	-	370	31	-	729	1,195	2,324
Total Miscellaneous	\$10,565	\$7,731	\$16,615	\$7,422	\$9,181	\$7,742	\$7,731	\$8,246	\$6,058	\$9,350	\$7,647	\$12,167	110,455
Total O&M	\$289,486	\$179,701	\$175,138	\$172,908	\$152,531	\$118,802	\$116,063	\$105,302	\$108,082	\$109,920	\$108,011	\$246,496	1,882,442
Ni America Capital Management, LLC													
Corporate Governance													
634 Contractual Svcs-Mgmt Fee	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$37,500	\$12,500	\$12,500	100,000
636 Contractual Svcs-Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$100,000	\$21,840	\$0	\$0	121,840
659 Insurance - Other	1,250	1,250	1,250	1,237	715	715	715	715	715	715	715	715	10,703
675.3 Meals and Entertainment	-	-	-	-	-	-	-	-	-	826	-	-	826
675.8 Misc Expenses	-	-	-	-	-	-	-	-	-	2,730	-	-	2,730
661.2 Bank Fees	137	171	161	264	203	195	163	197	213	211	195	216	2,326
408 Taxes Other Than Income	-	-	-	-	-	-	-	-	-	3,165	-	-	3,165
650 Travel Expense	-	-	1,561	-	-	-	-	-	-	7,280	-	348	9,188
Total Corporate Governance	\$5,553	\$5,588	\$7,139	\$5,667	\$5,084	\$5,076	\$5,044	\$5,079	\$105,094	\$74,266	\$13,410	\$13,779	250,779
Total Allocable O&M	\$295,040	\$185,289	\$182,277	\$178,574	\$157,615	\$123,878	\$121,108	\$110,381	\$213,176	\$184,187	\$121,421	\$260,275	2,133,221
ERCs													
Shaded Lane	204	204	204	205	205	205	205	203	203	202	204	200	2,444
Hudson	2,987	2,974	2,985	2,979	2,979	2,985	2,985	2,987	2,978	2,987	2,986	2,985	35,797
Tamiami	748	748	748	749	749	749	749	749	749	756	756	768	9,018
Brighton	-	-	-	-	-	748	748	747	740	738	726	732	5,179
Total	3,939	3,926	3,937	3,933	3,933	4,687	4,687	4,686	4,670	4,683	4,672	4,685	52,438
Percentage of Allocable Payroll	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	
Allocated Overhead													
Shaded Lane	\$ 7,195	\$ 4,534	\$ 4,448	\$ 4,383	\$ 3,869	\$ 2,551	\$ 2,494	\$ 2,252	\$ 4,364	\$ 3,741	\$ 2,497	\$ 5,232	\$ 47,559
Hudson	105,353	66,094	65,077	63,692	56,217	37,150	36,319	33,132	64,013	55,321	36,543	78,088	696,999
Tamiami	26,382	16,623	16,308	16,014	14,134	9,322	9,113	8,308	16,100	14,002	9,252	20,091	175,649
Brighton	-	-	-	-	-	9,309	9,101	8,286	15,906	13,668	8,885	19,149	84,305
Total	\$ 138,931	\$ 87,251	\$ 85,832	\$ 84,089	\$ 74,219	\$ 58,333	\$ 57,028	\$ 51,977	\$ 100,382	\$ 86,732	\$ 57,176	\$ 122,561	\$ 1,004,512

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Tamiami Allocated Overhead by Account													
NI America Operating, LLC													
Operation and Maintenance													
601 Salaries-Employees	\$9,952	\$2,603	\$2,591	\$3,641	\$2,441	\$997	\$981	\$1,089	\$1,001	\$1,008	\$1,102	\$1,310	28,716
603 Salaries-Officers & Directors	8,760	8,024	8,029	8,021	8,021	6,037	5,339	4,906	4,919	4,894	4,861	6,492	78,300
604 Employees Pensions and Benefits	2,211	2,218	1,844	1,687	1,596	1,333	1,156	436	935	890	986	999	16,292
620 Repairs & Maintenance	50	109	84	94	84	86	71	55	79	71	77	83	944
632 Contract Services-Accounting/Tax	665	839	606	355	122	(600)	-	-	-	-	22	8,414	10,424
633 Contract Services-Legal	1,041	210	73	109	28	25	-	82	71	304	35	39	2,016
634 Contract Services-Regulatory	-	-	-	-	-	-	-	-	-	-	-	-	-
636.1 Contract Services-Computer Svcs	200	201	200	201	201	169	169	169	169	170	171	173	2,192
636.2 Contract Services-Other	389	424	-	(323)	-	-	-	-	-	-	-	-	490
641/642 Rent Expense	784	524	252	256	253	212	212	250	270	158	215	254	3,641
650 Travel Expense	761	184	408	681	104	20	137	233	177	62	242	150	3,159
657 General Liability	13	12	9	18	(77)	12	5	5	5	5	5	5	17
658 Workman's Compensation	39	35	39	38	39	32	47	45	43	45	(144)	46	303
659 Crime	29	29	29	33	22	19	19	19	19	19	19	19	275
660 Advertising & Promotion	-	-	-	-	-	-	-	-	-	-	38	85	123
661 Bank Fees	47	15	19	29	20	16	18	17	18	20	19	19	256
667 Regulatory Commission Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operation and Maintenance	\$24,941	\$15,429	\$14,182	\$14,840	\$12,855	\$8,357	\$8,152	\$7,305	\$7,705	\$7,645	\$7,647	\$18,088	147,148
Miscellaneous													
675.1 Telephone	\$464	\$417	\$430	\$377	\$489	\$327	\$318	\$298	\$205	\$224	\$267	\$400	4,216
675.2 Utilities	121	91	112	98	132	133	129	134	112	106	82	95	1,344
675.3 Meals & Entertainment	170	91	878	69	98	18	53	46	69	325	104	181	2,101
675.4 Dues/Subsription/Prof Orgs	-	-	-	50	3	53	44	26	33	18	-	32	260
675.5 Computer/Internet Expenses	39	45	30	30	30	6	21	6	20	20	26	20	294
675.6 Utility Associations	1	-	-	-	-	-	-	-	-	-	-	31	32
675.7 Office Supplies	116	44	31	39	26	38	10	72	15	2	22	58	474
675.8 Postage/Freight/Overnight	5	6	4	4	29	8	6	5	-	16	26	32	141
675.9 Other Expenses	29	-	-	-	17	-	-	6	-	-	-	(3)	49
675.1 Education & Seminars	-	-	-	-	-	-	-	28	2	-	56	92	178
Total Miscellaneous	\$945	\$694	\$1,487	\$666	\$823	\$583	\$582	\$621	\$458	\$711	\$583	\$939	9,089
Total O&M	\$25,886	\$16,122	\$15,669	\$15,506	\$13,678	\$8,940	\$8,734	\$7,926	\$8,163	\$8,356	\$8,230	\$19,027	156,237
NI America Capital Management, LLC													
Corporate Governance													
634 Contractual Svcs-Mgmt Fee	\$373	\$374	\$373	\$374	\$374	\$314	\$314	\$314	\$315	\$2,851	\$952	\$965	7,890
636 Contractual Svcs-Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,552	\$1,660	\$0	\$0	9,213
659 Insurance - Other	112	112	112	111	64	54	54	54	54	54	54	55	890
675.3 Meals and Entertainment	-	-	-	-	-	-	-	-	-	63	-	-	63
675.8 Misc Expenses	-	-	-	-	-	-	-	-	-	208	-	-	208
661.2 Bank Fees	12	15	14	24	18	15	12	15	16	16	15	17	189
408 Taxes Other Than Income	-	-	-	-	-	-	-	-	-	241	-	-	241
634.1 Metalmark Sponsor Fee	-	-	-	-	-	-	-	-	-	-	-	-	-
650 Travel Expense	-	-	140	-	-	-	-	-	-	553	-	27	720
Total Corporate Governance	\$497	\$501	\$639	\$508	\$456	\$382	\$380	\$382	\$7,937	\$5,646	\$1,022	\$1,064	19,413
Total Allocable O&M	\$26,382	\$16,623	\$16,308	\$16,014	\$14,134	\$9,322	\$9,113	\$8,308	\$16,100	\$14,002	\$9,252	\$20,091	175,649

Ni America Capital Management, LLC and Subsidiaries
Overhead Allocation
For Year-to-Date September 30, 2010

ERCs by Company	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Total
Shaded Lane	200	198	200	197	196	196	197	195	196	1,775
Hudson	2,992	2,992	2,994	2,995	2,995	2,991	2,984	2,989	2,983	26,915
Tamiami	769	743	742	742	744	744	741	776	775	6,776
Brighton	724	720	722	729	729	725	742	736	736	6,563
Palmetto	15,399	15,463	15,517	15,566	15,662	15,685	15,735	15,736	15,755	140,518
Total	20,084	20,116	20,175	20,229	20,326	20,341	20,399	20,432	20,445	182,547

Ni America Operating, LLC										
O&M	\$ 159,363	\$ 117,453	\$ 250,575	\$ 46,480	\$ 185,523	\$ 96,530	\$ 181,468	\$ 180,401	\$ 188,681	\$ 1,406,474
Miscellaneous	8,182	8,073	18,362	11,362	12,528	6,385	6,427	11,834	11,508	94,660
Due Diligence Expenses	(10,271)	(10,195)	(10,194)	(10,194)	(14,015)	(12,300)	(10,194)	(14,491)	(10,708)	(102,561)
Ni America Cap Mgmt, LLC	15,148	14,941	97,382	42,794	115,115	41,350	46,804	53,308	55,052	481,894
Total Overhead Expenses	\$ 172,422	\$ 130,272	\$ 356,126	\$ 90,442	\$ 299,151	\$ 131,965	\$ 224,505	\$ 231,053	\$ 244,532	\$ 1,880,468

Shaded Lane	\$ 1,717	\$ 1,282	\$ 3,530	\$ 881	\$ 2,885	\$ 1,272	\$ 2,168	\$ 2,205	\$ 2,344	\$ 18,284
Hudson	25,686	19,376	52,850	13,390	44,079	19,404	32,841	33,801	35,679	277,106
Tamiami	6,602	4,812	13,098	3,317	10,950	4,827	8,155	8,775	9,264	69,800
Brighton	6,216	4,663	12,745	3,259	10,729	4,704	8,166	8,323	8,803	67,608
Palmetto	132,201	100,139	273,904	69,594	230,508	101,758	173,174	177,949	188,442	1,447,669
Total	\$ 172,422	\$ 130,272	\$ 356,127	\$ 90,441	\$ 299,151	\$ 131,965	\$ 224,504	\$ 231,053	\$ 244,532	\$ 1,880,467

NO. 12

System	System Type	Utility Class	Revenue	O&M Expense	O&M %	EBITDA	EBITDA %
Crooked Lake Sewage	Wastewater	C	\$128,833	\$74,272	57.6%	\$54,561	42.4%
East Marion	Wtr & Wwtr	C	\$65,553	\$38,067	58.1%	\$27,486	41.9%
Lake Yale Treatment Associates, Inc	Wtr & Wwtr	C	\$108,184	\$63,473	58.7%	\$44,711	41.3%
Pine Harbour Utilities	Water	C	\$18,757	\$13,463	71.8%	\$5,294	28.2%
BFF Corp (Charlie deMenzes)	Wastewater	C	\$65,301	\$47,161	72.2%	\$18,140	27.8%
LP Utilities	Wtr & Wwtr	C	\$116,085	\$87,572	75.4%	\$28,513	24.6%
Highlands Ridge Utilities	Wtr & Wwtr	C	\$382,805	\$296,997	77.6%	\$85,808	22.4%
Fairmount Utilites 2nd	Wastewater	C	\$113,961	\$94,286	82.7%	\$19,675	17.3%
LWV Utilities	Water	C	\$91,511	\$86,686	94.7%	\$4,825	5.3%
Heather Hills Estates	Wtr & Wwtr	C	\$114,103	\$114,767	100.6%	(\$664)	-0.6%
W.P. Utilities, Inc	Wtr & Wwtr	C	\$88,757	\$94,588	106.6%	(\$5,831)	-6.6%
Damon Utilities	Wtr & Wwtr	C	\$85,926	\$92,283	107.4%	(\$6,357)	-7.4%
Allen (Tropical Park)	Water	C	\$15,113	\$16,322	108.0%	(\$1,208)	-8.0%
Silver Fox Utility Co. (dba Timberwood Utilities)	Wtr & Wwtr	C	\$76,560	\$82,844	108.2%	(\$6,284)	-8.2%
Crestridge Utilities	Water	C	\$94,073	\$103,044	109.5%	(\$8,971)	-9.5%
Holiday Gardens	Water	C	\$74,713	\$86,586	115.9%	(\$11,873)	-15.9%
C & H Utilities	Wtr & Wwtr	C	\$20,670	\$25,025	121.1%	(\$4,355)	-21.1%
Sebring Ridge	Wastewater	C	\$161,880	\$197,584	122.1%	(\$35,704)	-22.1%
Raintree Utilities, Inc	Water	C	\$44,837	\$58,451	130.4%	(\$13,614)	-30.4%
Windstream Utilities Co	Water	A or B	\$561,339	\$408,127	72.7%	\$153,212	27.3%
Rainbow Springs Utilities	Wtr & Wwtr	A or B	\$1,057,416	\$769,221	72.7%	\$288,195	27.3%
Lindrick Service Corp	Wtr & Wwtr	A or B	\$2,647,433	\$2,018,301	76.2%	\$629,132	23.8%
Harbor Hills Utilities	Water	A or B	\$385,619	\$301,928	78.3%	\$83,691	21.7%
Marion Utility	Wtr & Wwtr	A or B	\$1,659,209	\$1,300,645	78.4%	\$358,564	21.6%
Mad Hatter	Wtr & Wwtr	A or B	\$2,108,798	\$1,809,604	85.8%	\$299,194	14.2%
Sunshine Utilities of Cen. FL	Water	A or B	\$1,036,737	\$901,985	87.0%	\$134,752	13.0%
Country Club of Sebring	Wtr & Wwtr	A or B	\$228,507	\$200,484	87.7%	\$28,023	12.3%
Highlands Utilities Corp	Wastewater	A or B	\$658,197	\$619,204	94.1%	\$38,993	5.9%
Venture Associates	Water	A or B	\$541,352	\$573,068	105.9%	(\$31,716)	-5.9%
Total			\$12,752,230	\$10,576,038	82.9%	\$2,176,192	17.1%
<i>Average</i>					<i>90.3%</i>		<i>9.7%</i>
Averages of A & B			\$10,884,607	\$8,902,567	81.79%	\$1,982,040	18.21%
Hudson (after rate case)			\$1,882,133	\$1,517,835	80.64%	\$364,299	19.36%
Averages of C Utilities			\$1,867,622	\$1,673,471	89.60%	\$194,152	10.40%
Tamiami (after rate case)			\$411,671	\$370,086	89.90%	\$41,585	10.10%

Notes:

[1] Data taken from 2007 Annual Reports to the Florida PSC.

[2] Class A or B Utilities - Revenue from the Total Operating Revenue line in the Annual Report to the PSC; O&M expense from the Operating Expenses line.

[3] Class C Utilities - Revenue from the Total Gross Revenue line in the Annual Report to the PSC; O&M expense from the Operating Expenses line.

O&M Analysis

The test year for the Ni Florida – Hudson rate case in Docket No. 090182-SU was calendar year 2008. Until October of that year Ni America Operating, LLC was engaged in a massive merger and acquisition (M&A) effort. We employed approximately 20 people and were actively attempting to acquire other water and wastewater systems throughout Florida and Texas. A portion of those individuals were involved in M&A but others were involved in accounting, operations, capital and system maintenance as well.

Because of the world wide banking crisis (the effects of which are still being felt) in October of 2008 all existing M&A activity was completed and all new activity was ceased. When preparing our rate filing in Docket No. 090182-SU two things became apparent:

1. Ni America had too many employees to allocate its overhead to its utilities in an environment in which it no longer believed that it was going to grow its revenue at double digit rates.
2. A basis should be determined to allocate overhead for use in the Hudson rate case in Docket No. 090182-SU that:
 - a. Excluded any overhead relating to M&A activity
 - b. Included normal practices within the wastewater company peer group

In order to perform that allocation the company prepared a detailed analysis of duties for every individual in the company, allocated their time, and applied the composite allocation rate to all expenses (other than those relating specifically to M&A due diligence). It then allocated the reduced total overhead balance to all companies based on Equivalent Residential Customers (ERC's).

To test the appropriateness of our overhead allocation, the company performed a detailed review of all the companies for which we had obtained financial information and grouped them within utility classes. For those companies with revenue in excess of \$200,000 a reasonable average of total overhead was estimated to be in the range of 20 to 25 percent of revenue. Based on that

analysis and the knowledge that we had too many employees in comparison to our existing revenue, management elected to cap all overhead allocations at 20 percent of total utility revenue.

In Florida, Ni America did not acquire any companies during 2009 (the test year). During the year, M&A activity was limited to those companies that were currently too far along in documentation to disengage; resulting in one company being acquired in Texas. In an effort to right size Ni America Operating, LLC to align overhead to the revenue in its existing utilities, 8 employees were terminated, laid-off, or asked to take long-term disability; including the CEO Pete Moerbeek.

In preparing the NI Florida – Tamiami rate case in Docket No. 100149-WU, we followed the same methodology that was used in the Hudson rate case in Docket No. O90182-SU. When we reviewed the financial information in our system for those companies with revenue below \$200,000, we noted (presumably because of economies of scale) that the reasonable average of total overhead was estimated to be much higher, specifically somewhere in excess of 25 percent. Based on that review and the fact that Ni America Operating, LLC had made a concerted effort to “right size” its operations, management determined that the 2009 overhead allocation should not have a cap but rather that all companies owned by Ni America should receive a full allocation of the reduced total overhead balance (other than those relating specifically to M&A due diligence) based on ERC’s.

In January 2010, we acquired a wastewater utility in South Carolina with approximately 11,000 customers and 15,000 ERC’s. That acquisition combined with our other utilities and reduced staff has forced us to further reduce our acquisition activities and focus our efforts primarily on managing our business. No additional utilities have been or will be acquired in 2010 and our business development / due diligence efforts have been reduced to a single employee. Consistent with previous years, allocations in 2010 have been made on an ERC basis including Palmetto Utilities (our South Carolina utility) and total expenses allocated has been reduced by the payroll and expenses associated with our one

business development employee. With the acquisition of our South Carolina utility we believe that we are at or approaching critical mass as it relates to our current overhead and no further caps or reductions in overhead allocation are deemed necessary.