

# DECLASSIFIED CONFIDENTIAL

UTILITIES, INC.  
 REVIEW OF BOARD OF DIRECTORS MINUTES  
 TEST YEAR ENDED DECEMBER 31, 2001  
 AUDITOR: KATHY L. WELCH  
 DATE: JULY 8, 2002

021173-WS

NOV. 18, 1998:

Board authorized acquisition of Ingram Estates, Sandhaven Utility, Inc., Bayside Utility, Inc. Authorized 401K plan. All directors were present except Mr. Searle.

Feb. 17, 1999:

Arthur Anderson audit was discussed. Reviewed and approved the 1999 Executive Stock Option Program for 100,000 shares. Discussed expanding the Executive Stock Loan Program by \$500,000 so that the total limit is 3.5 million. Approved subject to review of plan by Sidley and Austin with the understanding that no additional participation will be allowed for current officers. All directors were present. Approved pending acquisitions.

May 5, 1999

Terms of the Goldman Sachs engagement letter were approved. Factors used to determine the value of utilities and alternatives of leveraged recapitalization or an initial public offering discussed. All directors were present. (Hay by phone)

May 19, 1999

Elected officers and appointed committees. Goldman Sachs described process that would maximize value from parties interested in bidding for the company. All directors were present.

May 19, 1999 Annual meeting:

Elected directors. Approved "New Charter". Adopted Stock Option Program. All directors were present.

July 15, 1999:

All directors were present. (Mr. Hay by phone.) Discussed compensation agreement draft. Approved it with the condition that Messrs. Camaren and Schumacher work with any proposed buyer, Arthur Anderson, and counsel to avoid the imposition of an excise tax or in lieu of, enter into a non-compete agreement. Contributed 4% of total compensation of employees to stock plan. Discussed purchasing Southgate Utilities for 1.9 million and North Topsail for 2.7 million. Both approved. Resolved to increase the authorized number of common shares to 20,000,000 and authorize 5,000,000 preferred shares of the company.

Nov. 17, 1999:

Bischof, Camaren, Ellis, Lind (by phone) and Wolfe were present. Discussed if insider trading restrictions could be terminated. Authorized a stock split as of 12/1/99 to add one addition common share for each share held on that date.

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DOCUMENT NUMBER-DATE

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Added 3% increase in pay for officers. Adopted bylaw changes. Reissued 17,000 shares of stock for a missing certificate to Mr. Bischof on receipt of personal indemnity bond. Transferred .10 per share for each share of stock issued in the stock distribution from retained earnings to capital. Authorized base salaries:

Camaren	\$322,400
Schumacher	196,750
Dopuch	169,400
Wenz	169,400
Carter	169,400

Cash bonus award will be given for 2000 if ROE is over 11.5%. The maximum would be:

11.5 to 12.49 ROE	25%
12.5 to 13.49 ROE	50%
13.5 to 14.49 ROE	75%
14.5 and over	100% capped

Shares for options:	# of options	#of reserved restricted
Camaren	20,670	4,650
Schumacher	10,090	2,270
Dopuch	6,515	1,466
Wenz	6,515	1,466
Carter	6,515	1,466

Stock price was \$26 per share

Pension plan and pension trust, stock ownership plan and stock ownership trust were amended. The deferred compensation plan was amended to allow that in the event of any merger or consolidation of the company, the portion of each Participant's Account deemed to be invested in shares of Common Stock shall be deemed to be invested in interest bearing securities unless the board authorized that the stock shall be part of the successor corporation as a result of the merger.

The Executive Benefit Replacement Plan was amended to state that if for any reason the ESOP assets cease to be invested in company stock, the amount credited to each participant's stock subaccount immediately shall be converted and credited to his cash subaccount.

February 16, 2000:

All directors were present. Arthur Anderson presented a document. Reviewed summary of 1999 rate cases and bank debt. Discussed Frankfurt litigation ruling and Marlboro Meadows condemnation case. Copy of a letter from a company interested in acquiring the outstanding common shares of the company was distributed.

May 17, 2000:

All directors were present. Officers were elected. Authorized \$41,000,000 Collateral Trust Note due June 30, 2015 at 8.42%. Reviewed the proposed stock acquisition of American Resources Development Co. and its subsidiary Bermuda Water Company. Reviewed the proposed acquisition of Bartelt Enterprises in Pasco County, Fla. for \$440,000. Approved the acquisition of the assets of Centex Real Estate Corp. Olde

Atlantic Club in Forsyth County, Fla.

May 17, 2000 Annual meeting:

Elected two directors, chose Arthur Anderson to do the audit.

August 16, 2000:

All directors were present except Mr. Searle. Authorized Utilities, Inc. to guarantee a bank line of credit to the ESOP for up to \$1,000,000. Approved 4% of compensation of all employees be approved for the Employee Stock Ownership plan. Schedule attached shows 16 acquisitions in 2000. Fla. companies were Safeguard, Calflor, Bartelt.

November 15, 2000:

Bischof, Camaren, Lind and Wofe were present. Hay was on telephone. Authorized the company to proceed with the pending acquisition numbered 17-29. Authorized 3% increase in base salary for compensation of officers. Authorized Goldman Sachs to go forward and begin the process of looking towards a transaction that would maximize shareholder value for the company. New list shows 29 companies to be added in 2000. New Florida companies since last meeting were Coastal Builders, Cross Creek.

March 19, 2001:

All directors were present in person or by phone. Nuon and its advisors had been in Chicago negotiating a deal. Discussed directors duty of care, loyalty and full disclosure. Nuon was a \$42 per share cash bid.

May 16, 2001 Annual meeting:

Approved merger. Two directors were elected.

May 16, 2001:

All directors were present. Board approved 12 more acquisitions. Elected officers. Replaced a missing stock certificate.

August 15, 2001:

All directors were present except Mr. Searle. Approved acquisitions 13-22. Possible acquisition of Golden Shores in Arizona, Bella Vista-Arizona, Central Nevada Utilities, El Dorado-New Mexico, Moon Gate-New Mexico, Cross Gate-Louisiana, Buttonwood Bay, Florida, US Utilities in S. Carolina, Kentucky and Georgia.

Nuon wants to add 60,000 customers. Steve Lubertozzi was hired to replace Erin Nicholas, Susan Fortino replace Andy Dopuch. Contributed 4% to ESOP.

22 acquisitions were planned for 2001. Florida are Rock Vista, North Pinellas Surgery, Rottlund Homes, Sandy Creek, Crescent Ridge and Indian Fields.

Utilities, Inc.  
 Audited Transaction Audit (WSC)  
 TVE: 12/31/01  
 AUS: # 0-2-1223-1 Undecketed  
 Title: Review of Bob D. Minutes

7/14/02  
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 7/7/02

November 21, 2001:

All of the directors were present. Reviewed rate case and acquisitions. Discussed threatened claim by Andrew Dopuch and decided it was covered by insurance. Proposing a new 401K plan with Invesco as the custodian.

February 27, 2002:

Held at FPL. All directors were present except Mr. Searle. Ellis and Barden were present by phone. Reviewed the audited financials. D & O insurance of \$20 million is and has been in place for a few years. Tail coverage is available under the merger agreement for 6 years after closing. Approved payment. Abn Amro is being added as a lender. Reviewed pending 29 acquisitions. Little stock trading. Recent price \$37.75. The Board considered the early payment of deferred compensation under the Company's deferred compensation plan to the directors and officers after merger effectiveness. Under the plan, early payment is at the discretion of the company and committee of board members. Authorized. Approved 4% of payroll to ESOP.

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INTEGRITY BUSINESS FORMS, INC. (817) 424-2020 FAX (817) 266-4888

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UTILITIES, INC.  
ACQUISITION & FORMATION SUMMARY

11/7/00

No.	Name of Utility	Date of Agreement	Date of Closing	Regulatory Status	Type of Acq	Type of Utility	Customers at Purchase	Gross Utility Plant	Initial Cash CIAC/RES. FEES	Future CASH CIAC	Acquisition Investment
1)	L. C. Tyson (Union Co., NC)	1/6/00	NA	NA	Ext	S	0 (Potential 150 S)	Under Const	\$55,000	Tap Fees	
2)	Gouverney (St. Tammany, LA)	2/1/00	NA	NA	Ext	W & S	Commercial	Under Const	\$10,000		
3)	Safeguard (Mid-County, FL)	2/21/00	NA	NA	Ext	S	Commercial	Under Const		Tap Fees	
4)	Caillor Properties (Lake Co., FL)	2/22/00	Pending	Pending	Ext	W & S	0 (Potential 700 W & S)	Under Const		Tap Fees	
5)	Nero Utilities (Wake Co., NC)	2/25/00	Pending	Pending	Acq	W & S	70 W & S (Potential 130 W & S)	\$475,000			\$50,000
6)	R & D Development (Wake Co., NC)	2/29/00	Pending	Pending	Ext	W & S	0 (Potential 280 W & S)	Under Const	\$25,000	Tap Fees	
7)	ZMC Properties (Pine Knoll Shores, NC)	3/5/00	NA	NA	Ext	W	0 (Potential 20 W)	Under Const		Tap Fees	
8)	Olds Atlanta (Forsyth, GA)	3/6/00	3/31/00	Complete	Acq	S	600 S (Potential 700 S)	\$9,000,000			1980,000
9)	Hidden Valley/Havenwood (Lexington Co, SC)	3/24/00	NA	NA	Ext	W	0 (Potential 115 W)	Under Const		Tap Fees	
10)	Bartlett Enterprise (Pasco Co., FL)	4/25/00	Pending	Pending	Acq	W & S	1,250 W & 170 S (Potential 1,250 W & 170 S)	\$1,700,000			\$140,000
11)	ARDCO / Bermuda (Mojava, AZ)	4/25/00	Pending	Pending	Stock	W	5,000 W (Potential 10,000 W)	\$8,000,000			\$5,600,000
12)	Banyan Construction (Lake Co., FL)	5/13/00	Pending	Pending	Ext	W	0 (Potential 23 W)	Under Const		Tap Fees	
13)	Great Eastern Resorts (Massanutten, VA)	6/13/00	Pending	Pending	Ext	W & S	0 (Potential 2,500 W & S)	Under Const	\$4,000,000		
14)	Estates of Northpark LP (St. Tammany, LA)	7/6/00	NA	NA	Ext	W & S	0 (Potential 72 W & S)	Under Const		Tap Fees	
15)	Kirby Marshburn Bldg Corp (Wake County, NC)	7/7/00	NA	NA	Ext	W & S	0 (Potential 82 W & S)	Under Const	\$12,000	Tap Fees	
16)	Barnett Group (St. Tammany, LA)	7/17/00	NA	NA	Ext	W & S	Commercial	Under Const	\$4,400		
17)	Coastal Builders (Pinellas Co., FL)	9/11/00	NA	NA	Ext	S	0 (Potential 95 S)	Under Const	\$11,702	Tap Fees	

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UTILITIES, INC.  
ACQUISITION & FORMATION SUMMARY

No.	Name of Utility	Date of Agreement	Date of Closing	Regulatory Status	Type of Acq	Type of Utility	Customers at Purchase	Gross Utility Plant	Initial Cash CIAC/RES. FEES	Future CASH CIAC	Acquisition Investment
1)	Jasper-Newton (Demotte, IN)	1/12/01	Pending	Pending	Acq	W & S	350 W & S (SFE's) (Potential 700 W & S)	\$700,000			\$475,000
2)	Faith Evangelical Church (St. Tammany, LA)	1/10/01	NA	NA	Ext	W & S	Commercial	Under Const	\$7,000		
3)	Landings Phase 5 (Lexington County, SC)	1/10/01	NA	NA	Ext	W & S	32 W & S (Potential 200 W & S)	Under Const		Tap Fees	
4)	Wildwood Utility Co. (Winnebago, IL)	1/24/01	Pending	Pending	Acq	W	200 W (Potential 200 W)	NA			\$123,000
5)	Car-Mel Northpark, LLC (St. Tammany, LA)	1/26/01	NA	NA	Ext	W & S	Commercial	Under Const	\$19,880		
6)	Bogalusa Oil Co. (St. Tammany, LA)	2/8/01	NA	NA	Ext	W & S	Commercial	Under Const	\$10,000		
7)	Currifuck Club (Currituck County, NC)	2/13/01	Pending	Pending	Acq	W	100 W (Potential 700 W)	\$1,930,000		Tap Fees	\$100,000
8)	Paul Patel (St. Tammany, LA)	2/19/01	NA	NA	Ext	W & S	Commercial	Under Const	\$5,800	\$20,000	
9)	Rock Vista, Inc. (Lake Co., FL)	2/20/01	Pending	Pending	Ext	W & S	Commercial	Under Const	\$31,800		
10)	Tallahatchie Housing, Inc. (Charleston, MS)	2/21/01	NA	NA	Ext	W	9 W (Potential 9 W)	Under Const	\$4,850		
11)	Hancock Bank (St. Tammany, LA)	2/23/01	NA	NA	Ext	W & S	Commercial	Under Const	\$5,235		
12)	North Pinellas Surgery (Mid County, FL)	2/13/01	NA	NA	Ext	S	Commercial	Under Const	\$3,862		
13)	Copelands Resturant (St. Tammany, LA)	3/23/01	NA	NA	Ext	W & S	Commercial	Under Const	\$30,885		
14)	Heathfield (Mecklenburg County, NC)	4/1/01	NA	NA	Formation	W	0 (Potential 70 W)	Under Const			
12)	Rottlund Homes (Mid County, FL)	4/11/01	NA	NA	Ext	S	Commercial	Under Const	\$84,400		
	Year to Date Totals						700 W and 400 S Potential 1,000 W and 900 S	Cash Facilities	\$203,712 \$2,830,000	Acq. Invest	\$688,000

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1) Farmington (CMUD, NC)	2/00	Pending	45		45	\$90,000
2) Matthews Commons (CMUD, NC)	4/00	Pending	59		59	\$104,000
3) Lake Murray (Lexington, SC)	Pending	Pending		1,000	1,000	\$2,250,000
4) Soquia (Winston-Salem, NC)	Pending	Pending		300	300	\$450,000
5) Windsor Lake (Wilson Co., NC)	Pending	Pending	60		60	\$100,000
			164	1,300	1,464	\$2,904,000
2001 Avg Sales Price Per Water Customer	\$1,793					
2001 Avg Sales Price Per Sewer Customer	\$2,077					

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Utilities, Inc.  
Affiliated Transaction Audit (VSC)  
TYPE: 12/31/01  
AUS: 0-2-1223-1 Unlocked

Reviewed  
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7/1/02

Title: 2,000 Acquisitions

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UTILITIES  
ACQUISITION & FORMATION SUMMARY

No.	Name of Utility	Date of Agreement	Date of Closing	Regulatory Status	Type of Acq	Type of Utility	Customers at Purchase	Gross Utility Plant	Initial Cash CIAC/REG. FEES	Future CASH CIAC	Acquisition Investment
14)	Marques Capital Holdings (St. Tammany, LA)	8/11/00	NA	NA	Ext	W & S	Commercial	Under Const	\$18,034		
18)	D.O.C. Construction (St. Tammany, LA)	8/17/00	NA	NA	Ext	W & S	Commercial	Under Const	\$4,880		
20)	Rainbow Marketers (St. Tammany, LA)	8/17/00	NA	NA	Ext	W & S	Commercial	Under Const	\$38,500		
21)	Martin Home Warehouse (St. Tammany, LA)	8/17/00	NA	NA	Ext	W & S	Commercial	Under Const	\$7,500		
22)	Westgate (Hanover Township, PA)	8/11/00	Pending	Pending	Acq	W	700 W (Potential 750 W)	\$1,300,000			\$450,000
23)	Pirates Harbour Water (St. Tammany, LA)	8/15/00	Pending	Pending	Acq	W	110 W (Potential 150 W)	\$100,000			\$30,000
24)	Spartan Construction Co. (St. Tammany, LA)	10/2/00	NA	NA	Ext	W & S	Commercial	Under Const	\$5,400		
25)	Cross Creek Community (Lee Co., FL)	10/12/00	Pending	Pending	Acq	S	805 S (Potential 1,000 S)	\$2,000,000			\$750,000
26)	Ruddiger LLC (St. Tammany, LA)	10/10/00	NA	NA	Ext	W & S	Commercial	Under Const	\$14,780		
27)	Lincoln Utilities (Merrillville, IN)	10/12/00	Pending	Pending	Acq	W	3,000 W (Potential 2,100 W)	\$1,250,000			\$1,250,000
28)	Blue Mt. Lake Utilities (East Stroudsburg, PA)	10/27/00	Pending	Pending	Acq	W & S	435 W & S (Potential 620 W & S)	\$1,000,000			\$725,000
29)	Community Service Corp. (Mchenry, IL)	11/2/00	Pending	Pending	Acq	W	230 W (Potential 250 W)	\$350,000			\$150,000
							Year to Date Totals	8,800 W and 2,280 S Potential 18,000 W and 8,600 S	Cash Facilities \$4,293,118 \$10,178,000	Acq. Invest	\$10,425,000

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UTILITIES, INC.  
ACQUISITION & FORMATION SUMMARY

No.	Name of Utility	Date of Agreement	Date of Closing	Regulatory Status	Type of Acq	Type of Utility	Customers at Purchase	Gross Utility Plant	Initial Cash CIAC/RES. FEES	Future CASH CIAC	Acquisition Investment
1)	Jesper-Newton (Demotte, IN)	1/12/01	Pending	Pending	Acq	W & S	350 W & S (SFE's) (Potential 700 W & S)	\$700,000			\$475,000
2)	Faith Evangelical Church (St. Tammany, LA)	1/10/01	NA	NA	Ext	W & S	Commercial	Under Const	\$7,000		
3)	Landings Phase 5 (Lexington County, SC)	1/10/01	NA	NA	Ext	W & S	32 W & S (Potential 200 W & S)	Under Const		Tap Fees	
4)	Wildwood Utility Co. (Winnebago, IL)	1/24/01	Pending	Pending	Acq	W	200 W (Potential 200 W)	NA			\$123,000
5)	Cor-Mel Northpark, LLC (St. Tammany, LA)	1/26/01	NA	NA	Ext	W & S	Commercial	Under Const	\$10,880		
6)	Bogalusa Oil Co. (St. Tammany, LA)	2/6/01	NA	NA	Ext	W & S	Commercial	Under Const	\$10,000		
7)	Currituck Club (Currituck County, NC)	2/13/01	Pending	Pending	Acq	W	100 W (Potential 700 W)	\$1,930,000		Tap Fees	\$100,000
8)	Paul Patel (St. Tammany, LA)	2/19/01	NA	NA	Ext	W & S	Commercial	Under Const	\$5,900	\$20,000	
9)	Rock Vista, Inc. (Lake Co., FL)	2/20/01	Pending	Pending	Ext	W & S	Commercial	Under Const	\$31,800		
10)	Tallahatchie Housing, Inc. (Charleston, MS)	2/21/01	NA	NA	Ext	W	9 W (Potential 9 W)	Under Const	\$4,950		
11)	Hancock Bank (St. Tammany, LA)	2/23/01	NA	NA	Ext	W & S	Commercial	Under Const	\$5,235		
12)	North Pinellas Surgery (Mid County, FL)	2/13/01	NA	NA	Ext	S	Commercial	Under Const	\$3,882		
13)	Copelands Restaurant (St. Tammany, LA)	3/23/01	NA	NA	Ext	W & S	Commercial	Under Const	\$30,685		
14)	Healthfield (Macklenburg County, NC)	4/1/01	NA	NA	Formation	W	0 (Potential 70 W)	Under Const			
15)	Rottlund Homes (Mid County, FL)	4/11/01	NA	NA	Ext	S	Commercial	Under Const	\$84,400		
16)	Oak Grove Schools (Columbia, SC)	5/17/01	Pending	NA	Bulk Service	S	31 S	NA	\$20,000		
17)	Innovative Construction (St. Tammany, LA)	6/6/01	NA	NA	NA	W & S	Commercial	Under Const	\$5,000		
18)	Sandy Creek (Panama City, FL)	6/15/01	6/15/01	Pending	Assol	W & S	200 W & 170 S	NA			\$200,000

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UTILITIES, INC.  
ACQUISITION & FORMATION SUMMARY

No.	Name of Utility	Date of Agreement	Date of Closing	Regulatory Status	Type of Acq	Type of Utility	Customers at Purchase	Gross Utility Plant	Initial Cash CIAC/RES. FEES	Future CASH CIAC	Acquisition Investment
19)	North Greenville College (Greenville Co., SC)	7/9/01	Pending	Pending	Asset	W & S	Commercial	NA			\$0
20)	Coleman-Gilbert Ent. (St. Tammany, LA)	7/17/01	NA	NA	Ext	W & S	Commercial	NA	\$14,000		
21)	Crescent Ridge (Lake Co. FL)	8/3/01	NA	NA	Ext	W	0 (Potential 30 W)	Under Const		\$24,375	
22)	Indian Fields (Lake Co. FL)	8/3/01	NA	NA	Ext	W	0 (Potential 25 W)	Under Const		\$15,625	
Year to Date Totals:							900 W and 800 S Potential 2,100 W and 1,100 S	Cash Facilities	\$242,802	Acq. Invest:	\$898,000

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UTILITIES, INC.

NOV-18-2002 09:41

11/14/02  
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Utility, Inc.  
 Affiliated Transaction Audit (WSC)  
 TYPE: 12/31/01  
 AUS# 03-122-3-1 Unbooked  
 Title: 2001 Acquisitions

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6/7/01

1) Farmington (CMUD, NC)	2/00	7/01	43	43	\$90,000
2) Matthews Commons (CMUD, NC)	4/00	7/01	62	62	\$104,000
3) Lake Murray (Laxington, SC)	Pending	Pending		1,000 1,000	\$2,250,000
4) Sequoia (Winston-Salem, NC)	3/01	7/01		325 325	\$450,000
5) Windsor Lake (Wilson Co., NC)	Pending	Pending	60	60	\$100,000
			165	1,325 1,490	\$2,994,000
2001 Avg Sales Price Per Water Customer	\$1,782				
2001 Avg Sales Price Per Sewer Customer	\$2,038				

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UTILITIES, INC.  
ANALYSIS OF WATER SERVICE CORP PAYROLL  
TEST YEAR ENDED DECEMBER 31, 2001  
AUDITOR: KATHY WELCH  
DATE: JULY 9, 2002  
WP 43-1122

8/14/02

EMPLOYEE	TITLE	TOTAL	MERGER COSTS	SALARY W/O MERGER	1ST QTR	ANNUALIZED 1ST QTR	JUNE 30, 2002 SALARY	DIFFERENCE 2001
ARNOUX, DIANE	PAYROLL EXECUTIVE ASSISTANT	48,875.48		48,875.48	10,955.80	43,822.40	46,169.78	(2,705.70)
AYLIN, SUSAN							43,000.06	43,000.06
BELSKI, KATIE	DATA ENTRY	19,786.09		19,786.09		0.00	26,000.14	2,204.05 Computers
BROOKS, STEPHANIE	CUSTOMER SERVICE REP.	29,457.89		29,457.89	6,657.48	26,829.92	30,000.00	542.31 Cust Serv
FRIEDMAN, AVELINA	ACCOUNT MANAGER	44,917.85		44,917.85	10,788.53	43,154.12	41,200.12	(3,717.73)
GINGERY, KAREN M.	DATA ENTRY COMPUTER OPERATOR	37,076.44		37,076.44	8,858.06	34,834.84	36,100.00	(1,878.44) Computers
GUIDICE, JOYCE	BENEFITS COORDINATOR	44,031.70		44,031.70	9,881.18	38,924.72	44,350.02	318.32
IAMPAGLIA, CINDY	PIT DATA ENTRY	12,374.31		12,374.31	2,715.50	10,662.00	36,200.08	(12,374.31) Computers
LAWRENCE, BRENT	ADMINISTRATIVE SERVICES	36,015.91		36,015.91	6,085.37	32,341.48	48,500.14	1,184.15 Cust Serv
LOWMAN, ADRIENNE	CUSTOMER SERVICE SUPERVISOR	49,864.83		49,864.83	11,452.17	45,808.88	40,300.00	(1,184.69) Cust Serv
LUPPINO, NANCY	ACCOUNT MANAGER	38,946.24		38,946.24	9,126.56	36,508.24	37,800.10	353.78
MCGRAIN, PAMELA	ACCOUNT MANAGER	36,749.21		36,749.21	6,189.28	32,877.04	37,825.18	1,050.89
PARRISH, MARJORIE	RECEPTIONIST/OFFICE SERVICES COOP	38,276.72		38,276.72	6,751.98	35,007.84	52,000.08	(1,363.58) 1/3 cust serv <451.197
ROSS, AMANDA	SENIOR REGULATORY ACCOUNTANT						132,000.00	132,000.00
ROVNER, LISA	DIRECTOR OF OPERATIONS						24,500.06	781.79
SCHIOPI, MIRCEA	MAIL ROOM SERVICES	23,718.27		23,718.27	5,182.34	20,789.38	36,750.22	707.57
SILVEY, JUSTINE	ASSISTANT REGULATORY ANALYST	38,042.85		38,042.85	8,171.80	32,688.40	48,000.00	48,000.00
TUROV, IGOR	ACCOUNTANT						25,597.28	(7,478.25) Computers
WEBSLEY-NAZARIO, LASA	DATA ENTRY	7,478.25		7,478.25	8,389.32	25,597.28	372,300.00	3,801.84
CAJAREN, JAMES	CHAIRMAN AND CEO	3,568,490.24	3,199,982.08	368,498.16	83,025.00	332,100.00		(185,975.28)
CARTER, DAVID	VICE PRESIDENT	849,188.70	859,213.42	185,975.28	43,825.04	174,500.16		(84,183.52)
DOPUCH, ANDREW	VICE PRESIDENT	1,878,804.42	1,794,820.80	84,183.52	43,825.04	174,500.16		8,503.36 1/3 cust service 3 251.68
OWENS, PATRICIA	DIRECTOR CUSTOMER REL. & ADMIN.	88,486.80		88,486.80	23,996.88	98,986.72	95,000.18	(4,722.74)
SCHUMACHER, LAWRENCE	PRESIDENT AND CFO	1,823,869.30	1,603,398.40	220,472.90	50,875.04	202,700.18	215,750.18	(185,975.28)
WENZ, CARL	FORMER DIRECTOR OF REGULATORY	877,870.70	691,895.42	185,975.28	43,825.04	174,500.16		(185,975.28)
CASADOS, JR. JIMMY	WAN ADMINISTRATOR	48,108.36		48,108.36	11,250.00	45,000.00	50,000.00	1,691.84 Computers
COHN, MICHELLE	SENIOR ACCOUNTANT	51,358.37		51,358.37	12,500.00	50,000.00	50,000.00	1,141.83
DELGADO, DANIEL	ACCOUNTANT	58,358.32		58,358.32	14,500.00	58,000.00		(58,358.32)
FORTINO, SUSAN	DIRECTOR OF OPERATIONS	54,233.40		58,333.40		0.00	140,000.00	81,886.50
HAYNES JR., JOHN	DIRECTOR CORPORATE ACCOUNTING	100,000.00		100,000.00	30,475.00	121,800.00	105,000.00	5,000.00
KOCAN, CHRISTOPHER	ACCOUNTANT	48,754.23		48,754.23	11,770.85	47,083.40	53,000.18	4,248.93
LOJACANO, ROBERTA	DATA PROCESSING MANAGER	71,508.36		71,508.36	17,500.02	70,000.08	71,800.08	291.72 Computer
LUBERTOZZI, STEVEN	DIRECTOR REGULATORY ACCOUNTING	47,784.61		47,784.61		0.00	90,000.00	42,215.38
MATTHEWS, MARY ELLEN	BILLING MANAGER	51,158.28		51,158.28	12,450.00	49,800.00	51,300.00	141.72
NICHOLAS, ERIN	RATE CASE	29,284.42		29,284.42	18,125.00	72,500.00		(29,284.42)
SCULLY, PHIL ANN	ADMINISTRATIVE ASSISTANT	65,808.28		65,808.28	17,500.00	70,000.00		(65,808.28)
VOOTUKURU, SRUTA	OPERATIONS	11,230.79		11,230.79		0.00		(11,230.79)
TOTAL		10,228,508.20	7,349,118.22	2,277,489.98	849,748.24	2,198,992.68	2,958,448.60	(218,844.88)
ACCOUNT #018064 ADMIN/ACCOUNTING		2,278,488.00		2,278,488.00	(43-1)	2,279,489.00	2,279,489.00	
DIFFERENCE		7,947,140.20		(1,978.02)		(80,478.04)	2,279,489.00	-3.86%

The reason salaries were high in actual 2001 was due to compensation related to the merger. These costs were not charged to stockholders expense. First quarter payroll was reviewed and annualized to determine what salaries would have been at that level. The salaries are \$80,478 less than what was charged in the allocation manual. This is 3.66% which may be due to a 4% salary increase during the year and other personnel changes. Carl Wenz is no longer employed and Steve Lubertozzi is taking his place but at a lower salary. 2002 current salaries will be reviewed to determine if costs have changed due to the merger.

- (A) changed to stockholders
- (B) Since these are capital & not going forward, they do not need to be adjusted on a going forward basis

Computer def \$ (19,489.59)  
Cust Serv 336,226  
gen admin <212,945.17>  
allocates receipt 70.147%  
(B) capital <149,359.74>  
Gen Admin <63,585.43>  
43-1122

NPL-18-2002

05:53

847 498 6498

75%

P.14

43-1122

NPL-18-2002

05:53

UTILITIES, INC.

UTILITIES, INC.  
 ANALYSIS OF WATER SERVICE CORP PAYROLL  
 TEST YEAR ENDED DECEMBER 31, 2001  
 AUDITOR: KATHY WELCH  
 DATE: JULY 8, 2002 *B. 1/19/02*  
 WP 43-122-1

*43-1*  
*23*

EMPLOYEE	TOTAL	FICA AT 7.65%	JUNE 30, 2002 SALARY	FICA AT 7.65%	SALARY DIFFERENCE	FICA DIFFERENCE
<b>TOTAL COMPUTERS</b>	<b>198,239.81</b>	<b>15,820.00</b>	<b>186,800.22</b>	<b>14,221.37</b>	<b>(10,438.60)</b>	<b>(798.63)</b>
<b>TOTAL CUSTOMER SERVICE</b>	<b>171,478.74</b>	<b>12,808.60</b>	<b>174,642.00</b>	<b>12,815.96</b>	<b>3,362.28</b>	<b>8.46</b>
ARNOUX, DIANE	48,875.46	3,738.97	46,168.78	3,531.99	(2,705.70)	(208.99)
AYLIN, SUSAN		0.00	43,000.00	3,288.51	43,000.00	3,288.51
FRIEDMAN, AVELINA	44,917.85	3,436.22	41,200.12	3,151.81	(3,717.73)	(264.41)
GURDICE, JOYCE	44,031.70	3,368.43	44,350.02	3,382.78	318.32	24.35
LUPPINO, NANCY	38,946.24	3,055.89	40,300.00	3,082.95	353.76	27.06
MCGRAIN, PAMELA	36,749.21	2,811.31	37,800.10	2,891.71	1,050.89	80.39
PARRISH, MARJORIE 2/3	26,165.81	2,003.21	25,283.44	1,934.18	(902.37)	(69.03)
ROSS, AMANDA		0.00	52,000.00	3,978.01	52,000.00	3,978.01
ROVNER, LISA		0.00	132,000.00	8,150.80	132,000.00	6,150.60
SCHOPU, MIRCEA	23,718.27	1,814.45	24,500.00	1,874.25	781.79	98.81
TRUVEY, JUSTINE	38,042.85	2,757.28	36,750.22	2,811.39	707.57	54.13
TUROV, IGOR		0.00	48,000.00	3,672.00	48,000.00	3,672.00
CAMAREN, JAMES	3,568,480.24	6,150.80	372,300.00	6,150.60	(3,188,190.24)	0.00
CARTER, DAVID	845,168.70	6,150.60		0.00	(845,168.70)	(8,150.60)
DOPUCH, ANDREW	1,878,804.42	6,150.60		0.00	(1,878,804.42)	(8,150.60)
OWENS, PATRICIA 1/2	44,248.40	3,075.30	47,500.00	3,075.30	3,251.68	0.00
SCHUMACHER, LAWRENCE	1,823,869.30	6,150.60	215,750.16	6,150.60	(1,608,119.14)	0.00
WENZ, CARL	877,870.70	6,150.60		0.00	(877,870.70)	(6,150.60)
COHN, MICHELLE	51,358.37	3,928.92	52,500.00	4,018.25	1,141.83	87.33
DELGADO, DANIEL	56,358.32	4,311.41		0.00	(56,358.32)	(4,311.41)
FORTINO, SUSAN	58,333.40	4,482.51	140,000.00	6,150.80	81,866.60	1,888.09
HAYNES JR., JOHN	100,000.00	6,150.80	105,000.00	6,150.60	5,000.00	0.00
KOCAN, CHRISTOPHER	48,754.23	3,728.70	53,000.16	4,054.51	4,245.93	324.81
LUBERTOZZI, STEVEN	47,784.61	3,655.52	80,000.00	6,150.80	42,215.39	2,495.08
MATTHEWS, MARY ELLEN	51,158.28	3,913.61	51,300.00	3,924.45	141.72	10.84
NICHOLAS, ERIN	29,264.42	2,238.73		0.00	(29,264.42)	(2,238.73)
SCULLY, PHIL ANN	65,608.28	5,019.03		0.00	(65,608.28)	(5,019.03)
VOOTUKURU, SRUTA	11,230.79	859.18		0.00	(11,230.79)	(858.18)
TOTAL GENERAL SALARIES	8,858,789.66	96,083.22	1,698,704.28	95,684.66	(8,168,085.27)	(9,488.63)
LESS CHANGE OF CONTROL	7,947,140.20				7,947,140.20	
NET SALARIES	1,911,649.46		1,898,704.28		(212,845.17)	
PERCENT CAPITALIZED	70.14%	70.14%	70.14%	70.14%	70.14%	70.14%
PORTION CAPITAL	1,340,830.83	98,691.37	1,191,471.18	60,029.10	(149,359.74)	(6,862.27)
PORTION EXPENSE	570,818.53	28,391.85	507,233.10	25,555.69	(83,585.43)	(2,836.26)
TOTAL	1,911,649.46	96,083.22	1,698,704.28	86,684.66	(212,845.17)	(8,488.63)
<b>TOTAL ALL DIVISIONS</b>	<b>2,278,489.00</b>	<b>122,911.71</b>	<b>2,069,446.60</b>	<b>112,623.81</b>	<b>(220,822.60)</b>	<b>(10,288.70)</b>
PER GL IN 2001		248,308.00				
DIFFERENCE		(123,387.29)				
DIFFERENCE 2001 TO 2002 PROFORMA ADJUSTMENT					(9,488.63)	

*Max 80,440 taxable FICA*

**SPECIFIED CONFIDENTIAL**

*43-122/1*