

April 30, 2020

Privileged and Confidential

Mr. Jared Deason
Regulatory Manager
Utilities, Inc. of Florida
200 Weathersfield Avenue
Alamonte Springs, FL 32714

Re: Utilities, Inc. of Florida Rate Case

Dear Mr. Deason:

Thank you for contacting ScottMadden, Inc. (ScottMadden) regarding the upcoming rate case filing for Utilities, Inc. of Florida (UIF). In response to our phone conversation on April 17, 2020, I am providing you with ScottMadden's proposal for a rate of return study on behalf of UIF in its June 2020 filing before the Florida Public Service Commission (FL PSC).

SCOPE OF WORK

It is my expectation that the requested consulting services encompass the following:

- Provide a rate of return on common equity for UIF to be supported by a direct testimony and exhibit.

It is also my understanding that the following consulting services may be required:

- Responding to data requests from opposing parties;
- Reviewing and analyzing the direct, rebuttal, and surrebuttal testimonies of other parties to the case (if required);
- Preparing rebuttal and rejoinder testimony (if required);
- Testifying before the FL PSC on issues related to the rate of return on equity (if required);
- Assisting in the preparation of testimony in support of settlement, should the case be negotiated and settled by stipulation; and,
- Assisting in the preparation of legal briefs (if required).

Methodology

ScottMadden will develop a recommended cost rate of common equity based upon the results of the application of the Discounted Cash Flow Model (DCF), Risk Premium Model (RPM), and the Capital Asset Pricing Model (CAPM) for a proxy group of water utilities. In addition, we will also apply the DCF, RPM, and CAPM to a group of domestic, non-price regulated companies comparable in total risk to the proxy group of water utilities, which is consistent with the opportunity cost standards encapsulated in

*Hope*¹ and *Bluefield*². Both the use of proxy utilities and multiple common equity cost rate models adds reliability and accuracy to the informed expert judgment used in arriving at a recommended common equity cost rate. These methodologies are identical to those utilized in other rate of return cases in which we are involved.

All these common equity cost rate models will be used as primary tools in arriving at a recommended common equity cost rate because no single model is so inherently precise that it can be relied upon solely, to the exclusion of other theoretically sound models. The results of the application of these cost of equity models will be reviewed in light of the average total investment risk of the proxy companies compared with that of UIF to determine whether or not (and to what extent) any risk adjustment(s) to the indicated return on equity based upon the proxy utilities is (are) warranted.

Finally, our recommended return on equity will be evaluated for reasonableness in light of the current and expected capital market and economic conditions.

Data Requirements

An initial data request is included with this proposal letter. Any additional data required to complete the study will be requested in a timely fashion so the direct testimony and exhibit will be completed before the filing date.

Work Product

The results of the recommended rate of return study will be summarized in Excel spreadsheet format and provided to the Company. All work product, i.e., draft testimonies and accompanying exhibits, draft data request responses, etc. will be provided in accordance with the schedule set by UIF.

PROJECT TEAM

Mr. Dylan W. D'Ascendis would serve as the witness in this proceeding. Mr. D'Ascendis will be supported by ScottMadden's qualified pool of consultants and analysts.

COMMERCIAL TERMS

ScottMadden's proposed fee for providing a here-it-is, ready-to-file direct testimony and accompanying exhibit supporting a return on equity recommendation will be \$17,500 inclusive of all out-of-pocket expenses.

Any additional services required after the filing of the rate case, would be billed at the hourly rates provided in the table below.

¹ Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 561 (1944).

² Bluefield Water Works Improvement Co. v. Public Serv. Comm'n, 262 U.S. 679 (1922).

Position	Hourly Rate
Executive Advisor	\$335
Director	\$295
Manager	\$270
Senior Associate	\$225
Associate	\$230
Senior Analyst	\$150
Analyst	\$125
Secretarial Costs	\$65

As is our practice, every effort will be made to utilize our support staff in order to minimize the composite post-delivery billing rate. ScottMadden's normal practice is to invoice monthly, for professional fees and travel expenses (with no markup), and support costs.

CONFIDENTIALITY

All communications, data, and other documents by and between UIF and ScottMadden shall remain confidential, unless provided by UIF.

Should you have any questions or wish to discuss these estimates, please feel free to contact me at your convenience via phone (609 680 8695) or email (ddascendis@scottmadden.com). I look forward to working with you and your staff again on your upcoming rate case.

Please indicate your acceptance of these terms by signing in the space provided below.

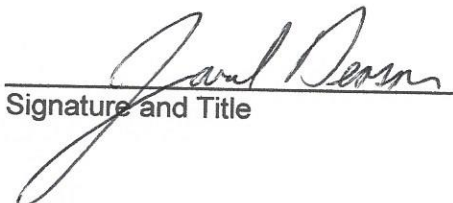
Sincerely,



Dylan W. D'Ascendis
Director
ScottMadden, Inc.

Accepted by:

Utilities, Inc. of Florida

 *Jared Deason, Regulatory Manager*

4-30-2020
Date