



Milian, Swain & Associates, Inc.

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TRANSMITTED VIA EMAIL

August 10, 2018

John R. Boyer
c/o Little Gasparilla Utilities, Inc.
P.O. Box 5159
Grove City, FL 34224

Re: Financial Consulting to Analyze Wastewater Service Extension

Dear Mr. Boyer:

Milian, Swain & Associates, Inc. (MSA) is pleased to provide financial consulting services regarding the possible extension of wastewater services to Palm/Don Pedro Islands by a new utility under the jurisdiction of the Florida Public Service Commission.

Scope of Services

MSA will provide consulting services as requested by Mr. Boyer. We anticipate services will be provided in two phases, with the second phase contingent upon the outcome of the first phase.

Phase 1: Analysis of Impact of Alternatives

1. Identify financial and operational information needed for each alternative and provide data list to appropriate parties.
2. Develop a financial model to evaluate up to three (3) alternatives to determine projected rate of return for each alternative. One alternative to be analyzed will be the purchase of Knight Island Utilities (KIU), a non-jurisdictional wastewater utility, by a new for-profit jurisdictional utility ("New Utility").

Phase 2: Initial Rates for Original Certificate for New Utility

If it is determined that New Utility shall purchase KIU and expand wastewater service, New Utility must file an application for an original certificate and initial rates to the Florida Public Service Commission. MSA may provide the following financial services in support of that application:

1. Identify financial and operational information necessary to fulfill the requirements to file the application to the FPSC for an initial water and wastewater rates, and provide a data list to the Utility.
2. Based upon that information MSA will develop schedules of rate base, operating expenses, capital structure which will be the basis for rates and charges.
3. Calculate the proposed initial rates and charges necessary to meet revenue requirements
4. Prepare a report containing the financial exhibits and workpapers in the form required by the FPSC.

5. Provide assistance with response to FPSC Staff's request for additional data as needed
6. Participation in teleconference meetings as required

The above services do not include engineering services that may be required, such as original cost studies, construction cost estimates, engineering feasibility studies, facilities planning, etc. MSA provides civil engineering services, and may provide those services under a separate proposal if requested.

Billing

MSA's compensation for the work described will be based on the following:

1. The actual time spent by MSA associates:
Deborah Swain \$225.00 per hour
Cynthia Yapp, \$180.00 per hour
2. Reimbursable out-of-pocket expense which may include telephone, reproductions, mileage, parking, and postage, if applicable.

Invoices will be submitted monthly, and payment is due within thirty (30) days of the invoice date.

The estimated cost of the services requested are as follows:

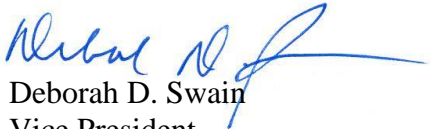
Phase 1: \$8,500

Phase 2: \$45,000 (to be authorized if applicable at a future date)

These cost estimates are based upon preliminary information, and may vary significantly based upon actual conditions. We recommend that the Phase 1 be authorized, with the fee to not be exceeded without prior written approval.

Sincerely,

Milian, Swain & Associates, Inc.



Deborah D. Swain
Vice President