

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In Re: Application for Limited
Proceeding to Recover Costs of
Water System Improvements In
Marion County By Sunshine Utilities
of Central Florida, Inc.**

Docket No. 992015

Filed: July 23, 2002

DIRECT TESTIMONY

of

TIMOTHY G. BANKS

on behalf of

SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.

DOCUMENT NUMBER-DATE

07682 JUL 23 02

.FPSC-COMMISSION CLERK

DIRECT TESTIMONY OF TIMOTHY G. BANKS

INTRODUCTION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q: Please state your name and business address.

A: My name is Timothy G. Banks. My business address is 2600
Blairstone Road, Mail Station 3505, Tallahassee, Florida 32399-
2400.

Q: By whom are you employed and in what capacity?

A: I am employed by the Florida Department of Environmental
Protection ("DEP") as the Administrator for the Drinking Water
Funding Section in the Bureau of Water Facilities Funding.

Q: Please describe DEP's Bureau of Water Facilities Funding.

A. The Bureau of Water Facilities Funding is responsible for
managing the Clean Water State Revolving Fund, the Drinking
Water State Revolving Fund, and the Water Supply Restoration
Program, which restores safe drinking water supplies to residents
and businesses whose privately-owned wells have been
contaminated. The Bureau also manages Florida's water and
wastewater Operator Certification Program.

**Q: What are your job duties and responsibilities as the
Administrator for the Drinking Water Funding Section?**

A: I am responsible for administering the Drinking Water State
Revolving Fund Program and the Water Supply Restoration
Program.

DIRECT TESTIMONY OF TIMOTHY G. BANKS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to describe the Drinking Water State Revolving Fund Program and Sunshine Utilities of Central Florida, Inc.'s ("Sunshine"s) application for funding from the Program for its proposed water system improvements project in Marion County.

Q: Are there any exhibits to your testimony?

A: Yes. I am sponsoring the following exhibits:

Exhibit ____ (TGB-1) Grant/Loan Agreement
between DEP and Sunshine
Utilities of Central Florida,
Inc. dated December 28, 1998.

Exhibit ____ (TGB-2) DEP's estimate of the total funds
available for Sunshine's water
system improvements project.

THE DRINKING WATER STATE REVOLVING FUND PROGRAM

Q: What is the Drinking Water State Revolving Fund Program?

A: The Drinking Water State Revolving Fund Program was authorized by the Florida Legislature on July 1, 1997 to provide grants and low interest loans to eligible entities for planning,

DIRECT TESTIMONY OF TIMOTHY G. BANKS

1 designing and constructing public water facilities costing \$75,000
2 or more. DEP adopted rules, effective April, 1998, implementing
3 the Program.

4
5 **Q: What type of financial assistance is available through the**
6 **Drinking Water State Revolving Fund Program?**

7 A: Pre-construction and construction loans, and pre-construction and
8 construction grants are available through the Program.

9
10 **Q: Please describe the pre-construction loans that are**
11 **available through the Drinking Water State Revolving**
12 **Fund Program.**

13 A: Pre-construction loans are available for the planning, engineering
14 and administrative costs necessary for a rate-based community
15 water system to proceed with project construction. Pre-
16 construction loans are limited by a maximum project cost of \$2
17 million.

18
19 **Q: What types of entities and projects are eligible for pre-**
20 **construction loans under the Program?**

21 A: Pre-construction loans are available for rate-based public water
22 systems that have a public health risk priority component. The
23 project sponsor must be a small community unless the project
24 priority is based, in part, on consolidation or regionalization.

25

DIRECT TESTIMONY OF TIMOTHY G. BANKS

1 **Q: Please describe the construction loans that are available**
2 **through the Drinking Water State Revolving Fund**
3 **Program.**

4 **A: Construction loans are available to virtually all public water**
5 **systems, regardless of size, and provide funds for construction after**
6 **planning and design are complete. Disbursements are generally**
7 **made monthly after costs are incurred.**

8
9 **Q: What are the terms of the pre-construction and**
10 **construction loans?**

11 **A: The repayment period for loans provided under the Drinking**
12 **Water State Revolving Fund Program is 20 years, except for loans**
13 **to project sponsors qualifying as financially disadvantaged**
14 **communities, which may be repaid over 30 years. The interest rate**
15 **is 60% of the market rate as established using the "Bond Buyer 20**
16 **– Bond General Obligation Bond Index." The rate does not change**
17 **over the life of the loan. Repayment is to be made in equal**
18 **semiannual installments and begins six months after the project**
19 **work is scheduled to be completed.**

20
21 **Q: What revenues are used to repay the loans?**

22 **A: Standard loan agreements are set up for a pledge of water or water**
23 **and wastewater utility revenues. However, other types of revenues**
24 **can be considered. Generally, the pledged revenues resulting from**
25 **the operation of a water or water and wastewater system, must be**

DIRECT TESTIMONY OF TIMOTHY G. BANKS

1 no less than 1.15 times the amount required to make each
2 semiannual loan repayment. In addition, for project sponsors who
3 have not demonstrated the ability to service long term debt, the
4 Department may require that special loan security provisions be
5 negotiated to provide assurance that the debt service requirements
6 will be fulfilled.

7
8 **Q: Please describe the pre-construction grants that are**
9 **available through the Drinking Water State Revolving**
10 **Fund Program.**

11 **A:** Pre-construction grants are available to help fund the planning,
12 engineering and administrative activities of a construction project.
13 Pre-construction grants at 85% of allowances are provided to
14 sponsors of small communities as long as the median household
15 income in the community does not equal or exceed the statewide
16 average and there is an associated public health risk component
17 associated with the project. Pre-construction grants are limited by
18 a maximum project cost of \$2 million and are 85% of the
19 allowances determined in Rule 62-552.420, F.A.C.

20
21 **Q: What types of entities and projects are eligible for pre-**
22 **construction grants under the Program?**

23 **A:** Pre-construction grants are available to economically
24 disadvantaged communities. Grants are limited to rate-based
25 community water systems, and a project sponsor must qualify as a

DIRECT TESTIMONY OF TIMOTHY G. BANKS

1 financially disadvantaged community and as a small community.
2 The project must also have a public health risk component to
3 qualify.

4
5 **Q: Please describe the construction grants that are available**
6 **through the Drinking Water State Revolving Fund**
7 **Program?**

8 A: Construction grants are available to communities that are
9 financially disadvantaged and are awarded only for projects that
10 have a public health risk or compliance component. Construction
11 grants are limited to 65% or 85% of the estimated post-allowance
12 costs for the public health component. Construction grants are
13 further limited to 25% of available funds or \$750,000, whichever is
14 less, in any single year. Projects qualifying for grants in excess of
15 these limits are segmented for deferred funding in subsequent
16 years.

17
18 **Q: What requirements must be met for a project to qualify for**
19 **grants and loans under the Drinking Water State Revolving**
20 **Fund Program?**

21 A: The nature of a specific project determines its eligibility. However,
22 in addition to the requirements that I have previously described,
23 the project sponsor must:

24
25

DIRECT TESTIMONY OF TIMOTHY G. BANKS

- 1 (1) submit a plan that is cost-effective, environmentally
- 2 and financially sound, and consistent with local
- 3 comprehensive plans;
- 4 (2) provide for public participation in the planning
- 5 process;
- 6 (3) establish how any loan will be repaid;
- 7 (4) acquire the necessary project sites;
- 8 (5) design facilities consistent with the planning
- 9 recommendations; and
- 10 (6) obtain the necessary permit(s) to enable construction.

11

SUNSHINE'S GRANT AND LOAN APPLICATION

12

13 **Q: Are you familiar with Sunshine?**

14 **A:** Yes. In 1998, Sunshine applied for a pre-construction and

15 construction loan, and a pre-construction and construction grant

16 through the Drinking Water State Revolving Fund for its water

17 system improvements project in Marion County.

18

19 **Q: Was Sunshine's project approved for pre-construction**

20 **funding?**

21 **A:** Yes. DEP awarded Sunshine a pre-construction loan of \$35,282

22 and a pre-construction grant of \$153,000 for its water system

23 improvements project. On December 28, 1998, DEP entered into

24 Drinking Water State Revolving Fund Grant/Loan Agreement

25 DW4201 020 governing the pre-construction loan and grant. A

DIRECT TESTIMONY OF TIMOTHY G. BANKS

1 copy of the Grant/Loan Agreement, as amended, is attached to my
2 testimony as Exhibit ___ (TGB-1). The interest rate on the pre-
3 construction loan is 3.05%.

4
5 **Q: Was Sunshine's project approved for construction funding?**

6 **A:** DEP staff preliminarily concluded that Sunshine's project would be
7 eligible for a construction loan of \$1,440, 032 and a construction
8 grant of \$529,570 which would result in total loan dollars from the
9 Drinking Water State Revolving Fund of \$1,475,314 and total
10 grant dollars of \$682,570. DEP's estimate of the total funds
11 available for Sunshine's water system improvements project as of
12 August 2000 is attached to my testimony as Exhibit ___ (TGB-2).
13 DEP accounting staff, however, determined that Sunshine's
14 existing water rates do not generate sufficient revenues to satisfy
15 DEP's pledged revenue requirement to service the loan. Thus, this
16 preliminary determination of eligibility was contingent on
17 Sunshine obtaining a final order from the Florida Public Service
18 Commission (the "Commission") granting a sufficient rate
19 increased for its water system improvements project that would
20 satisfy the pledged revenue requirement for funding.

21
22 **Q: You previously mentioned that eligibility for certain loan**
23 **and grant dollars under the Drinking Water State**
24 **Revolving Fund Program is available when there is a public**

DIRECT TESTIMONY OF TIMOTHY G. BANKS

1 **health risk component to a project. What does DEP**
2 **consider a public health risk?**

3 A: DEP uses the Drinking Water State Revolving Fund as a proactive,
4 preemptive effort to attempt to address contamination before it
5 exceeds the Maximum Contaminant Level ("MCL") established by
6 DEP rule. Thus, projects can be eligible for grants through the
7 Drinking Water State Revolving Fund where a system is exceeding
8 50 percent of the Maximum Contaminant Level ("MCL").

9
10 **Q: If contamination in a system equals or exceeds the MCL, is**
11 **funding still available through the Drinking Water State**
12 **Revolving Fund?**

13 A: It depends on the particular circumstances, but there is a
14 possibility that funding through the Drinking Water State
15 Revolving Fund might not be available to a system that has
16 exceeded the MCL and has been ordered by DEP to take corrective
17 action.

18
19 **Q: Is there a public health risk component to Sunshine's water**
20 **system improvements project?**

21 A: Yes. DEP has found the presence of dichloroethylene in a well that
22 Sunshine is currently using to serve its Lakeview Hills system.
23 The level detected was close to the MCL as prescribed by DEP
24 rules. DEP is requiring that quarterly Volatile Organic Chemical
25 tests be conducted to monitor the contaminant levels in this area.

DIRECT TESTIMONY OF TIMOTHY G. BANKS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

The source of the contamination is believed to be the Marion County landfill and has not been attributed to any action or inaction by Sunshine.

In addition, DEP has detected another contaminant, ethylene dibromide, in the private wells of residents located along S.E. 138th Place Road. If Sunshine's water system improvements are constructed, Sunshine could provide water service to the lots served by these private wells.

Q: Have any corrective measures been taken to address the dichloroethylene contamination of Sunshine's Lakeview Hills well?

A: Because the contamination is very close to, but has not yet reached the MCL, Sunshine has not been ordered by DEP to take any corrective actions. However, as I previously mentioned, quarterly Volatile Organic Chemical tests are required to be conducted to monitor the levels of contaminant in the well. In addition, DEP has indirectly arranged for Marion County to install a filter system to address the dichloroethylene contamination of the Lakeview Hills well.

Q: Does the filter system resolve the contamination issues associated with the Lakeview Hills well?

DIRECT TESTIMONY OF TIMOTHY G. BANKS

1 A: Only temporarily. DEP does not consider filters a permanent
2 solution because they have a limited shelf-life and DEP always
3 strives for a connection to a better water source – one that is not
4 contaminated.

5
6 **Q: You previously mentioned that DEP, in determining the**
7 **priority of projects to be funded through the Drinking**
8 **Water State Revolving Fund, will look to whether a project**
9 **involves consolidation or regionalization. Does Sunshine's**
10 **project involve consolidation or regionalization?**

11 A: Yes. Sunshine's project would combine five separate systems into
12 one system.

13
14 **Q: Why does DEP support consolidation?**

15 A: When water systems are consolidated, there are less regulatory
16 issues and there is less risk of contaminants in the public water
17 supply.

18
19 **Q: How is Sunshine's eligibility for funding affected by**
20 **Commission's proposed rate increase for Sunshine being**
21 **protested by the Office of Public Counsel?**

22 A: Because Sunshine does not have a final Commission order
23 approving a rate increase, DEP has removed the Sunshine project
24 from its fundable list for the current funding cycle. If the
25 Commission issues a final order granting a sufficient rate increase

DIRECT TESTIMONY OF TIMOTHY G. BANKS

1 for Sunshine following the formal administrative proceeding in this
2 docket, DEP could put Sunshine's project on the fundable list or a
3 contingency list for funding in future funding cycles.

4

5 **Q: Does this conclude your direct testimony?**

6 **A: Yes.**

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25



Department of Environmental Protection

Lawton Chiles
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Virginia B. Wetherell
Secretary

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

JAN 01 2015

Mr. James H. Hodges, President
Sunshine Utilities of Central Florida, Inc.
10230 East Highway 25
Bellevue, Florida 34420

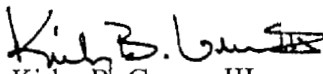
Re: DW4201 020 - Sunshine Utilities of Central Florida, Inc.
Supply, Treatment, Storage, & Distribution

Dear Mr. Hodges:

We are pleased to provide State Revolving Fund financial assistance for planning and designing your drinking water facility. One copy of the fully executed grant/loan agreement is enclosed. To draw money under the agreement, please call Sheri Garcia at 850/488-8163 for assistance in completing a disbursement request.

We congratulate you and your staff on your efforts and are pleased that we can work with you on this project.

Sincerely,


Kirby B. Green, III
Secretary

KBG/ik

Enclosure

cc: Pamela Christmas - Sunshine Utilities
Hal Barrineau - Barrineau & Associates, Inc./Ocala

**STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

AND

SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.

**DRINKING WATER STATE REVOLVING FUND
GRANT/LOAN AGREEMENT**

DW4201 020

Florida Department of Environmental Protection
Bureau of Water Facilities Funding
Twin Towers Office Building
2600 Blair Stone Road, MS 3505
Tallahassee, Florida 32399-2400

DRINKING WATER STATE REVOLVING FUND GRANT/LOAN AGREEMENT

<u>CONTENTS</u>	<u>PAGE</u>
ARTICLE I - DEFINITIONS	1
1.01. WORDS AND TERMS.	1
1.02. CORRELATIVE WORDS.	3
ARTICLE II - WARRANTIES, REPRESENTATIONS AND COVENANTS	3
2.01. WARRANTIES, REPRESENTATIONS AND COVENANTS.	3
2.02. LEGAL AUTHORIZATION.	5
ARTICLE III - LOAN REPAYMENT ACCOUNTS	5
3.01. ESCROW AGREEMENT.	5
3.02. LOAN DEBT SERVICE ACCOUNT.	5
3.03. LOAN REPAYMENT RESERVE ACCOUNT.	6
ARTICLE IV - PROGRAM INFORMATION	6
4.01. PROJECT CHANGES.	6
4.02. TITLE TO PROJECT SITE.	6
4.03. RESERVED.	6
4.04. RESERVED.	6
4.05. PROHIBITION AGAINST ENCUMBRANCES.	6
4.06. COMPLETION MONEYS.	6
4.07. CLOSE-OUT.	7
4.08. GRANT AND LOAN DISBURSEMENTS.	7
ARTICLE V - RATES AND USE OF THE WATER SYSTEM	8
5.01. RATE COVERAGE.	8
5.02. NO FREE SERVICE.	8
5.03. NO COMPETING SERVICE.	8
5.04. MAINTENANCE OF THE WATER SYSTEM.	8
5.05. ADDITIONS AND MODIFICATIONS.	8
5.06. COLLECTION OF REVENUES.	8
ARTICLE VI - DEFAULTS AND REMEDIES	9
6.01. EVENTS OF DEFAULT.	9
6.02. DEFAULT REMEDIES.	9
6.03. NON-COMPLIANCE REMEDIES.	10
6.04. DELAY AND WAIVER.	10
ARTICLE VII - THE PLEDGED REVENUES	10
7.01. SUPERIORITY OF THE PLEDGE TO THE DEPARTMENT.	10
7.02. ADDITIONAL DEBT OBLIGATIONS.	10
ARTICLE VIII - GENERAL PROVISIONS	11
8.01. DISCHARGE OF OBLIGATIONS.	11
8.02. RECORDS AND STATEMENTS.	11
8.03. ACCESS TO PROJECT SITE.	11

DRINKING WATER STATE REVOLVING FUND GRANT/LOAN AGREEMENT

<u>CONTENTS</u>	<u>PAGE</u>
8.04. ASSIGNMENT OF RIGHTS UNDER AGREEMENT.	11
8.05. AMENDMENT OF AGREEMENT.	11
8.06. ANNULMENT OF AGREEMENT.	12
8.07. SEVERABILITY CLAUSE.	12
ARTICLE IX - RESERVED	12
ARTICLE X - DETAILS OF FINANCING	12
10.01. GRANT AMOUNT.	12
10.02. PRINCIPAL AMOUNT OF LOAN.	12
10.03. INTEREST RATE.	12
10.04. LOAN TERM.	12
10.05. REPAYMENT SCHEDULE.	12
10.06. PROJECT RELATED COSTS.	13
10.07. SCHEDULE OF PRECONSTRUCTION AND PROJECT ACTIVITIES.	14
10.08. SCHEDULE OF LOAN ACTIVITIES.	14
ARTICLE XI - EXECUTION OF AGREEMENT	16

**DRINKING WATER STATE REVOLVING FUND
GRANT/LOAN AGREEMENT
DW4201 020**

THIS AGREEMENT is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC. (Project Sponsor), existing as a corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, pursuant to Section 403.8532, Florida Statutes, the Department is authorized to provide financial assistance to financially disadvantaged communities to finance the planning, design, and construction of public water systems; and

WHEREAS, the Project Sponsor has made application for the financing of Preconstruction Activities, and the Department has determined that all requirements for a grant and loan have been met.

NOW, THEREFORE, in consideration of the Department awarding a grant and making a loan to the Project Sponsor, in the amounts and pursuant to the covenants hereinafter set forth, it is agreed as follows:

ARTICLE I - DEFINITIONS

1.01. WORDS AND TERMS.

Words and terms used herein shall have the meanings set forth below:

- (1) "Agreement" or "Grant/Loan Agreement" shall mean this agreement.
- (2) "Application" shall mean the completed form which provides all information required to support obtaining Grant and Loan financial assistance from the Department.
- (3) "Authorized Representative" shall mean the official of the Project Sponsor authorized by resolution to sign documents associated with the Grant and Loan.
- (4) "Capitalized Interest" shall mean the indebtedness accruing on the Loan before the 30-year repayment period begins and it is financed as part of the Loan principal.
- (5) "Construction Related Costs" shall mean costs for construction, equipment, materials, demolition, contingency, legal and technical service costs incurred after construction bid opening, and the incremental portion of the Loan repayment reserve disbursement, Capitalized Interest, and Loan Service Fee associated with the foregoing costs.
- (6) "Depository" shall mean a bank or trust company, having a combined capital and unimpaired surplus of not less than \$50 million, authorized to transact commercial banking or savings and loan business in the State of Florida and insured by the Federal Deposit Insurance Corporation.

(7) "Escrow Agreement" shall mean the agreement between the Project Sponsor and a Depository for establishing and maintaining escrowed accounts for Loan repayment.

(8) "Grant" shall mean the amount of money to be awarded pursuant to this Agreement and subsequent amendments which will not have to be repaid to the Department.

(9) "Gross Revenues" shall mean all income or earnings received by the Project Sponsor from the ownership or operation of its Water System, including investment income, all as calculated in accordance with generally accepted accounting principles. Gross Revenues shall not include proceeds from the sale or other disposition of any part of the Water System, condemnation awards or proceeds of insurance, except use and occupancy or business interruption insurance, received with respect to the Water System.

(10) "Loan" shall mean the amount of money to be loaned pursuant to this Agreement and subsequent amendments. The Loan principal plus interest must be repaid to the Department.

(11) "Loan Debt Service Account" shall mean the escrowed account into which monthly deposits are to be made by the Project Sponsor for the purpose of making Semiannual Loan Payments.

(12) "Loan Repayment Reserve Account" or "Loan Repayment Reserve" shall mean the escrowed account into which will be deposited the amount set aside to pay temporary and unexpected deficiencies, if any, in the Semiannual Loan Payment.

(13) "Loan Service Fee" shall mean an origination fee which shall be paid to the Department by the Project Sponsor. The Loan Service Fee may be paid with Loan proceeds and amortized as part of the Loan principal. The Loan Service Fee shall be adjusted downward if adjustment to Construction Related Costs results in a Loan decrease.

(14) "Monthly Loan Deposit" shall mean the monthly deposit to be made by the Project Sponsor to the Loan Debt Service Account.

(15) "Operation and Maintenance Expense" shall mean the costs of operating and maintaining the Water System determined pursuant to generally accepted accounting principles, exclusive of interest on any debt payable from Gross Revenues, depreciation, and any other items not requiring the expenditure of cash.

(16) "Pledged Revenues" shall mean the specific revenues pledged as security for repayment of the Loan and shall be the Gross Revenues derived yearly from the operation of the Water System after payment of the Operation and Maintenance Expense and the satisfaction of all yearly payment obligations on account of any senior obligations issued pursuant to Section 7.02 of this Agreement.

(17) "Preconstruction Activities" shall mean the planning, administrative, and engineering work necessary for the Project Sponsor to qualify for Drinking Water State Revolving Fund financing for construction of drinking water facilities. Preconstruction milestones are listed in Section 10.07.

(18) "Project" shall mean the construction of facilities planned and designed through the Preconstruction Activities and financed by an amendment to this Agreement. The Project shall be defined more specifically when the Agreement is amended. The Project is an Equivalency Project as defined in Chapter 62-552, Florida Administrative Code.

(19) "Semiannual Loan Payment" shall mean the payment due from the Project Sponsor to the Department at six-month intervals, and it is comprised of principal and interest.

(20) "Water System" shall mean all facilities owned by the Project Sponsor for supplying and distributing water for residential, commercial, industrial, and governmental use.

1.02. CORRELATIVE WORDS.

Words of the masculine gender shall be understood to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the singular shall include the plural and the word "person" shall include corporations and associations, including public bodies, as well as natural persons.

ARTICLE II - WARRANTIES, REPRESENTATIONS AND COVENANTS

2.01. WARRANTIES, REPRESENTATIONS AND COVENANTS.

The Project Sponsor warrants, represents and covenants that:

- (1) The Project Sponsor has full power and authority to enter into this Agreement and to comply with the provisions hereof.
- (2) The Project Sponsor currently is not the subject of bankruptcy, insolvency, or reorganization proceedings and is not in default of, or otherwise subject to, any agreement or any law, administrative regulation, judgment, decree, note, resolution, charter or ordinance which would currently restrain or enjoin it from entering into, or complying with, this Agreement.
- (3) There is no material action, suit, proceeding, inquiry or investigation, at law or in equity, before any court or public body, pending or, to the best of the Project Sponsor's knowledge, threatened, which seeks to restrain or enjoin the Project Sponsor from entering into or complying with this Agreement.
- (4) The Project Sponsor knows of no reason why any future required permits or approvals associated with the Project are not obtainable.
- (5) The Project Sponsor shall undertake Preconstruction Activities and the Project on its own responsibility, to the extent permitted by law.
- (6) To the extent permitted by law, the Project Sponsor shall release and hold harmless the State, its officers, members, and employees from any claim arising in connection with the Project Sponsor's actions or omissions in its planning, engineering, administrative, and construction activities financed under this Agreement or in its operation of Project facilities.
- (7) All Project Sponsor representations to the Department, pursuant to the Application and Agreement, were true and accurate as of the date such representations were made. The financial information delivered by the Project Sponsor to the Department was current and correct as of the date such information was delivered. The Project Sponsor shall comply with Chapter 62-552, Florida Administrative Code, and all applicable State and Federal laws, rules, and regulations which are identified in the Application or Agreement. Minority and Women's Business Enterprise goals apply to the Project. To the extent that any assurance, representation, or covenant requires a future action, the Project Sponsor shall take such action as is necessary for compliance.

(8) The Project Sponsor shall maintain records using Generally Accepted Accounting Principles established by the Financial Accounting Standards Board. As part of its bookkeeping system, the Project Sponsor shall keep accounts of the Water System separate from all other accounts and it shall keep accurate records of all revenues, expenses, and expenditures relating to the Water System, and of the Pledged Revenues, Grant and Loan disbursement receipts, Loan Debt Service Account, and Loan Repayment Reserve Account.

(9) In the event the anticipated Pledged Revenues are shown by the Project Sponsor's annual budget to be insufficient to make the Semiannual Loan Payments for such Fiscal Year when due, the Project Sponsor shall include in such budget other legally available funds which will be sufficient, together with the Pledged Revenues, to make the Semiannual Loan Payments. Such other legally available funds shall be budgeted in the regular annual governmental budget and designated for the purpose provided by this Subsection, and the Project Sponsor shall collect such funds for application as provided herein. The Project Sponsor shall notify the Department immediately in writing of any such budgeting of other legally available funds. Nothing in this covenant shall be construed as creating a pledge, lien, or charge upon any such other legally available funds, or requiring the Project Sponsor to levy or appropriate ad valorem tax revenues, or preventing the Project Sponsor from pledging to the payment of any bonds or other obligations all or any part of such other legally available funds.

(10) Beginning with the Fiscal Year in which this Grant/Loan Agreement is executed and continuing for each year thereafter until the Loan is retired, the Project Sponsor shall submit annual audit reports to the Department. The audits shall be conducted under the Office of Management and Budget Circular A-133 if applicable based on the expenditure amount of the financial assistance received. If an audit under Circular A-133 is not applicable, the audit shall be conducted in accordance with generally accepted auditing standards. Regardless of which type of audit is conducted, such audits shall address at a minimum the Project Sponsor's financial condition, accounts of the Water System or other sources generating the Pledged Revenues, Grant and Loan disbursements received and Project expenditures (if any), and compliance with the Grant/Loan Agreement covenants. Beginning with the Fiscal Year of the first Semiannual Loan Payment, the scope of audits shall encompass the Loan Debt Service Account and Loan Repayment Reserve Account. The Project Sponsor shall cause its auditor to notify the Department immediately if anything comes to the auditor's attention during the annual examination of the Project Sponsor's records that would constitute a default under the Grant/Loan Agreement.

(11) Within 12 months of the amendment establishing final project costs, the Project Sponsor shall submit to the Department a separate audit report, by an independent certified public accountant, of the Project revenues, including receipt of disbursements under financial assistance agreements, and expenditures. The audit shall be conducted in accordance with generally accepted auditing standards. The audit shall address whether the Project Sponsor complied with requirements set forth in the Grant/Loan Agreement, including applicable State and Federal laws and regulations referenced in Subsection (7) above. The audit findings shall set aside or question any costs that are unallowable under Rule 62.552, Florida Administrative Code. The Department shall make a final determination of the allowability of such costs.

(12) Each year, beginning three months before the first Semiannual Loan Payment and ending with the year during which the final Loan repayment is made, the Project Sponsor's Authorized Representative or its chief financial officer shall submit, no later than the date established in Section 10.08, a certification that: (a) Pledged Revenue collections satisfy the rate coverage requirement; (b) the Loan Debt Service Account contains the funds required; (c) the Loan Repayment Reserve Account contains the funds required; and (d) insurance is in effect for the facilities generating the Pledged Revenues and adequately covers the customary risks to the extent that such insurance is available.

(13) The Project Sponsor's Authorized Representative or chief financial officer shall submit a schedule of rates, fees, and charges in effect for the Pledged Revenues pursuant to the date established in Section 10.04.

(14) Pursuant to Section 216.349 of the Florida Statutes, the Project Sponsor shall not use the Loan proceeds for the purpose of lobbying the Florida Legislature, the Judicial Branch, or a State agency.

(15) The Project Sponsor agrees to complete the Preconstruction Activities and, upon inclusion by an amendment to this Agreement, the Project, in accordance with the Preconstruction Activities schedule set forth in Section 10.04 and a Project schedule added by amendment to this Agreement. Delays incident to strikes, riots, acts of God, and other events beyond the reasonable control of the Project Sponsor are excepted. However, there shall be no resulting diminution or delay in the Semiannual Loan Payment or the Monthly Loan Deposit or funding of the Loan Repayment Reserve Account.

(16) The Project Sponsor covenants that this Agreement is entered into for the purpose of completing planning, engineering, and administrative activities in order to construct facilities which will, in all events, serve a public purpose.

(17) The Project Sponsor shall not, during the life of this Agreement, cause or permit voluntary dissolution of its corporation, merge, or consolidate with any other entity, without obtaining the prior written consent of the Department.

2.02. LEGAL AUTHORIZATION.

Upon signing this Agreement, the Project Sponsor's legal counsel covenants that:

(1) This Agreement has been duly authorized by the Project Sponsor and shall constitute a valid and legal obligation of the Project Sponsor in accordance with its terms upon execution by both parties; and

(2) This Agreement specifies the revenues pledged for repayment of the Loan, and the pledge is valid and enforceable.

ARTICLE III - LOAN REPAYMENT ACCOUNTS

3.01. ESCROW AGREEMENT.

The Project Sponsor shall enter into the Escrow Agreement with a Depository, in the form attached hereto, as scheduled in Section 10.08 of this Grant/Loan Agreement and promptly submit two original copies of the executed Escrow Agreement to the Department. Upon execution, the Escrow Agreement shall be automatically incorporated into this Grant/Loan Agreement.

3.02. LOAN DEBT SERVICE ACCOUNT.

The Project Sponsor shall establish a Loan Debt Service Account with a Depository and begin making Monthly Loan Deposits no later than the date set forth in Section 10.08 unless the date is revised by amendment of this Grant/Loan Agreement. The Loan Debt Service Account shall be established and maintained in accordance with the provisions of the Escrow Agreement.

In the event the Project Sponsor fails to make a Monthly Loan Deposit as required under the Escrow Agreement, the Project Sponsor agrees to budget, by amendment if necessary, payment to the Department from other legally available funds all sums becoming due before the same become delinquent. This requirement shall not be construed to give superiority to the Department's claim on any revenues over prior claims of general creditors of the Project Sponsor, nor shall it be construed to give the Department the power to require the Project Sponsor to levy and collect any revenues other than Pledged Revenues.

3.03. LOAN REPAYMENT RESERVE ACCOUNT.

The Project Sponsor shall establish a Loan Repayment Reserve Account and deposit into the account the lump sum amount identified in Section 10.08 of this Grant/Loan Agreement by the date set forth therein. In addition, the Project Sponsor shall make monthly deposits into the Loan Repayment Reserve Account as scheduled in Section 10.08. Loan proceeds are provided for partially funding the reserve. The Project Sponsor shall use Gross Revenues or other legally available funds for the balance of the required deposits. The Loan Repayment Reserve Account shall be established and maintained in accordance with the provisions of the Escrow Agreement.

ARTICLE IV - PROGRAM INFORMATION

4.01. PROJECT CHANGES.

After the Department's environmental review has been completed, the Project Sponsor shall promptly notify the Department, in writing, of any Project change that would require a modification to the environmental information document.

4.02. TITLE TO PROJECT SITE.

No later than the date established by Section 10.07, the Project Sponsor shall have an interest in real property sufficient for the construction and location of any facility planned and designed through Preconstruction Activities free and clear of liens and encumbrances which would impair the usefulness of such sites for the intended use. If a limited site title certification is accepted at that date, the Department shall establish a date for submittal of a clear site title certification by amendment.

4.03. RESERVED.

4.04. RESERVED.

4.05. PROHIBITION AGAINST ENCUMBRANCES.

The Project Sponsor is prohibited from selling, leasing, or disposing of any part of the Water System which would materially reduce operational integrity or Gross Revenues so long as this Agreement, including any amendment thereto, is in effect unless the written consent of the Department is first secured.

4.06. COMPLETION MONEYS.

The Department covenants that Loan funds to finance Construction Related Costs not funded by Grant funds will be made available to the Project Sponsor at no greater than the interest rate set forth in Section 10.03 provided the Project Sponsor complies with the schedule in Section 10.07, requests and obtains a ranking of the Construction Related Costs on the fundable portion of the Department's

construction loan priority list, and submits a complete Application. Grant funds will also be made available. If the Project Sponsor does not complete the Preconstruction Activities by the date specified in Section 10.07, the commitment to fund the Loan portion of Construction Related Costs at no greater than the interest rate specified in Section 10.03 shall be terminated.

In addition to the proceeds of the Grant and Loan, the Project Sponsor covenants that it has obtained, or will obtain, sufficient moneys from other sources to complete the Preconstruction Activities. At the time of an amendment to this Agreement for Construction Related Costs, the Project Sponsor shall covenant that it has obtained, or will obtain, sufficient moneys from other sources to complete the Project.

4.07. CLOSE-OUT.

The Department shall conduct a final inspection of the Project records, or the Preconstruction Activities records if this Agreement is not amended to fund Construction Related Costs. Following the inspection, deadlines for submitting additional disbursement requests, if any, shall be established, along with deadlines for uncompleted Grant or Loan requirements, if any. Deadlines shall be incorporated into this Agreement by amendment. After the Department establishes the final costs to be financed by the Grant and Loan, the itemized costs will be adjusted by amendment. The Grant and Loan shall be reduced by any excess over the amount required to pay all approved costs. As a result of such adjustment, the Semiannual Loan Payment shall be reduced accordingly, as addressed in Section 10.05.

4.08. GRANT AND LOAN DISBURSEMENTS.

Disbursements shall be made only by the State Comptroller and only when the requests for such disbursements are accompanied by a Department certification that such withdrawals are proper expenditures. Disbursements shall be made directly to the Project Sponsor for planning, engineering, and administration allowances and for establishing the Loan Repayment Reserve Account.

The disbursement of the Loan Service Fee, when included in the Loan principal, will be made directly to the Department. Requests by the Project Sponsor for disbursements of the preconstruction funds shall be made using the Department's disbursement request form but shall not require documentation of actual costs incurred. One-half of the administrative and planning allowances shall be disbursed on request of the Project Sponsor after the Grant/Loan Agreement is executed. The remaining one-half of the administrative and planning allowances and the initial one-half of the engineering allowance shall be disbursed on request of the Project Sponsor after the Department has completed the environmental review. The remaining one-half of the engineering allowance shall be disbursed on request of the Project Sponsor after the completed plans and specifications have been accepted by the Department. Disbursements for Construction Related Costs shall occur only as a result of an amendment to this Agreement.

Disbursements will be drawn against available funds on an 85 percent Grant/15 percent Loan basis (rounded to the nearest dollar) until all Grant funds are disbursed. However, if this Agreement is amended to provide funding for Construction Related Costs, the Grant/Loan disbursement ratio may be revised. The following allowance amounts are to be disbursed at the specified milestone events unless the allowances are reduced pursuant to Section 10.06:

Milestone Event	Amount
Grant/Loan Agreement executed	\$ 35,250
Department completion of environmental review (requires completion of facilities planning)	91,500
Department acceptance of plans and specifications	56,250
Total	\$ 183,000

ARTICLE V - RATES AND USE OF THE WATER SYSTEM

5.01. RATE COVERAGE.

The Project Sponsor shall maintain rates and charges for the services furnished by the Water System which will be sufficient to provide, in each Fiscal Year, Pledged Revenues equal to or exceeding 1.15 times the sum of the Semiannual Loan Payments due in such Fiscal Year. In addition, the Project Sponsor shall satisfy the coverage requirements of all senior and parity debt obligations.

5.02. NO FREE SERVICE.

The Project Sponsor shall not permit connections to, or furnish any services afforded by, the Water System without making a charge therefor based on the Project Sponsor's uniform schedule of rates, fees, and charges.

5.03. NO COMPETING SERVICE.

The Project Sponsor shall not allow any person to provide any services which would compete with the Water System so as to materially and adversely affect Gross Revenues.

5.04. MAINTENANCE OF THE WATER SYSTEM.

The Project Sponsor shall operate and maintain the Water System in a proper, sound and economical manner and shall make all necessary repairs, renewals and replacements.

5.05. ADDITIONS AND MODIFICATIONS.

The Project Sponsor may make any additions, modifications or improvements to the Water System which it deems desirable and which do not materially reduce the operational integrity of any part of the Water System. All such renewals, replacements, additions, modifications and improvements shall become part of the Water System.

5.06. COLLECTION OF REVENUES.

The Project Sponsor shall use its best efforts to collect all rates, fees and other charges due to it. The Project Sponsor shall establish liens on premises served by the Water System for the amount of all delinquent rates, fees and other charges where such action is permitted by law. The Project Sponsor shall, to the full extent permitted by law, cause to discontinue the services of the Water System and use its best efforts to shut off water service furnished to persons who are delinquent beyond customary grace periods in the payment of Water System rates, fees and other charges.

ARTICLE VI - DEFAULTS AND REMEDIES

6.01. EVENTS OF DEFAULT.

Each of the following events is hereby declared an event of default:

(1) Failure to fund the Loan Repayment Reserve Account as scheduled or to make any Monthly Loan Deposit or to make any installment of the Semiannual Loan Payment when it is due and such failure shall continue for a period of 30 days.

(2) Any warranty, representation or other statement by, or on behalf of, the Project Sponsor contained in this Agreement or in any information furnished in compliance with, or in reference to, this Agreement, which is false or misleading.

(3) An order or decree entered, with the acquiescence of the Project Sponsor, appointing a receiver of any part of the Water System or Gross Revenues thereof; or if such order or decree, having been entered without the consent or acquiescence of the Project Sponsor, shall not be vacated or discharged or stayed on appeal within 60 days after the entry thereof.

(4) Any proceeding instituted, with the acquiescence of the Project Sponsor, for the purpose of effecting a composition between the Project Sponsor and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are payable from Gross Revenues of the Water System.

(5) Any bankruptcy, insolvency or other similar proceeding instituted by, or against, the Project Sponsor under federal or state bankruptcy or insolvency law now or hereafter in effect and, if instituted against the Project Sponsor, is not dismissed within 60 days after filing.

(6) Failure of the Project Sponsor to give immediate written notice of default to the Department and such failure shall continue for a period of 30 days.

6.02. DEFAULT REMEDIES.

Upon an event of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights by any of the following remedies:

(1) By mandamus or other proceeding at law or in equity, cause to establish rates and collect fees and charges for use of the Water System, and to require the Project Sponsor to fulfill this Agreement.

(2) By action or suit in equity, require the Project Sponsor to account for all moneys received from the Department or from the ownership of the Water System and to account for the receipt, use, application, or disposition of the Pledged Revenues.

(3) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Department.

(4) By applying to a court of competent jurisdiction, cause to appoint a receiver to manage the Water System, establish and collect fees and charges, and apply the revenues to the reduction of the obligations under this Agreement.

(5) By charging a six percent penalty, expressed as an annual interest rate, on any delinquent repayment amount due to the Department. Penalty interest shall accrue on any amount due and payable beginning on the 30th day following the date upon which payment is due.

(6) By notifying financial market credit rating agencies and potential creditors.

(7) By suing for payment of amounts due, or becoming due, with interest on overdue payments together with all costs of collection, including attorneys' fees.

(8) By accelerating the repayment schedule or increasing the interest rate on the unpaid principal of the Loan to as much as 1.667 times the Loan interest rate for a default under Subsection 6.01(1).

6.03. NON-COMPLIANCE REMEDIES.

Failure to comply with the terms and conditions of the Agreement may result in one or more of the following actions:

- (1) Grant disbursement withholding.
- (2) Suspension, termination, or annulment of the Grant.
- (3) Legal proceedings to recover the Grant amount.

6.04. DELAY AND WAIVER.

No delay or omission by the Department to exercise any right or power accruing upon an event of default or non-compliance shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised as often as may be deemed expedient. No waiver or any default under this Agreement shall extend to or affect any subsequent event of default, whether of the same or different provision of this Agreement, or shall impair consequent rights or remedies.

ARTICLE VII - THE PLEDGED REVENUES

7.01. SUPERIORITY OF THE PLEDGE TO THE DEPARTMENT.

From and after the effective date of this Agreement, the Department shall have a lien on the Pledged Revenues prior and superior to any other lien, pledge or assignment with the following exception. All obligations of the Project Sponsor under this Agreement shall be junior, inferior, and subordinate in all respects in right of payment and security to any additional senior obligations issued with the Department's consent pursuant to Section 7.02. Any of the Pledged Revenues may be released from the lien in favor of the Department on such Pledged Revenues if the Department makes a determination, based upon facts deemed sufficient by the Department, that the remaining Pledged Revenues will, in each Fiscal Year, equal or exceed 1.15 times the debt service coming due in each Fiscal Year under the terms of this Agreement.

7.02. ADDITIONAL DEBT OBLIGATIONS.

The Project Sponsor may issue additional debt obligations on a parity with, or senior to, the lien of the Department on the Pledged Revenues provided the Department's written consent is obtained. Such

consent shall be granted if the Project Sponsor demonstrates at the time of such issuance that the Pledged Revenues, which may take into account reasonable projections of growth of the Water System and revenue increases, plus revenues to be pledged to the additional proposed debt obligations will, during the period of time Semiannual Loan Payments are to be made under this Agreement, equal or exceed 1.15 times the annual combined debt service requirements of this Agreement, of any other State Revolving Fund loans secured by the Pledged Revenues, and of the obligations proposed to be issued by the Project Sponsor.

ARTICLE VIII - GENERAL PROVISIONS

8.01. DISCHARGE OF OBLIGATIONS.

All Semiannual Loan Payments required to be made under this Agreement shall be cumulative and any deficiencies in any Fiscal Year shall be added to the payments due in the succeeding year and all years thereafter until fully paid. Payments shall continue to be secured by this Agreement until all of the payments required shall be fully paid to the Department. If, at any time, the Project Sponsor shall have paid, or shall have made provision for the timely payment of, the entire principal amount of the Loan and interest, the pledge of, and lien on, the Pledged Revenues to the Department shall be no longer in effect. Deposit of sufficient cash, securities, or investments, authorized by law, from time to time, may be made to effect defeasance of the Loan. However, the deposit shall be made in irrevocable trust with a banking institution or trust company for the sole benefit of the Department. There shall be no penalty imposed by the Department for early retirement of the Loan.

8.02. RECORDS AND STATEMENTS.

Books, records, reports, engineering documents, contract documents, and papers shall be available to the authorized representatives of the Department and the U.S. Environmental Protection Agency's Inspector General for inspection at any reasonable time after the Project Sponsor has received a disbursement and before three years have elapsed after the Department's final disbursement to the Project Sponsor.

8.03. ACCESS TO PROJECT SITE.

The Project Sponsor shall provide access to offices and other sites where Preconstruction Activities or Project work is ongoing, or has been performed, to authorized representatives of the Department at any reasonable time. The Project Sponsor shall cause its engineers and contractors to provide copies of relevant records and statements for inspection.

8.04. ASSIGNMENT OF RIGHTS UNDER AGREEMENT.

The Department may assign any part of its rights under this Agreement after notification to the Project Sponsor. The Project Sponsor shall not assign rights created by this Agreement without the written consent of the Department.

8.05. AMENDMENT OF AGREEMENT.

This Agreement may be amended, except that no amendment shall be permitted which is inconsistent with statutes, rules, regulations, executive orders, or written agreements between the Department and the U.S. Environmental Protection Agency. A final amendment establishing the final Project costs shall be completed after the Department's final inspection of the Project records.

8.06. ANNULMENT OF AGREEMENT.

The Department may unilaterally annul this Agreement if the Project Sponsor has not drawn any of the Grant or Loan proceeds within eighteen months after the effective date of this Agreement. If the Department unilaterally annuls this Agreement, the Department will provide written notification to the Project Sponsor.

8.07. SEVERABILITY CLAUSE.

If any provision of this Agreement shall be held invalid or unenforceable, the remaining provisions shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

ARTICLE IX - RESERVED

ARTICLE X - DETAILS OF FINANCING

10.01. GRANT AMOUNT.

The amount of the Grant is \$153,000.

10.02. PRINCIPAL AMOUNT OF LOAN.

The principal amount of the Loan is \$32,500, which includes \$30,900 to be disbursed to the Project Sponsor, the Loan Service Fee of \$600 which is disbursed directly to the Department, and \$1,000 of Capitalized Interest.

Capitalized Interest is not disbursed to the Project Sponsor, but is amortized via periodic Loan repayments to the Department as if it were actually disbursed. Capitalized Interest is computed at the interest rate, or rates, set for the Loan. It accrues and is compounded annually from the time when disbursements are made until six months before the first Semiannual Loan Payment is due. Capitalized Interest is estimated prior to establishment of the schedule of actual disbursements.

10.03. INTEREST RATE.

The rate of interest on the unpaid principal of the Loan amount specified in Section 10.02 is 3.05 percent per annum; however, if this Agreement is not executed by the Project Sponsor and returned to the Department before January 1, 1999 the interest rate may be adjusted. A separate interest rate may be established for any funds provided by amendment to this Agreement.

10.04. LOAN TERM.

The Loan shall be repaid in 60 Semiannual Loan Payments.

10.05. REPAYMENT SCHEDULE.

The Semiannual Loan Payment shall be computed based upon the principal amount of the Loan and the principle of level debt service. Subsequent amendments to the Agreement may adjust the Semiannual Loan Payment based on the timing of actual disbursements and an adjustment for any

overpayment or underpayment associated with the amount of any prior Semiannual Loan Payment. Actual costs for the Loan shall be established after the Department's close-out and incorporated into the final amendment to the Loan Agreement.

Until the principal amount of the Loan is amended, the Semiannual Loan Payment shall be in the amount of \$831. The interest portion of each Semiannual Loan Payment shall be computed on the unpaid balance of the principal amount of the Loan, which principal amount includes Capitalized Interest. The interest on the unpaid balance shall be computed as of the due date of each Semiannual Loan Payment.

Unless repayment is deferred by an amendment to this Agreement, Semiannual Loan Payments shall be received by the Department beginning on or before December 15, 2001, and semiannually thereafter on or before June 15 and December 15 of each year until all amounts due have been fully paid. Funds transfer shall be made by electronic means.

10.06. PROJECT RELATED COSTS.

(1) The Project Sponsor and the Department acknowledge that actual Project costs or Preconstruction Activities allowances have not been determined as of the effective date of this Agreement. An adjustment to Preconstruction Activities allowances may be made due to a reduction in the scope of work proposed for Grant and Loan funding as a result of the facilities planning process. Failure to achieve Department acceptance of plans and specifications for all facilities proposed for Grant and Loan funding prior to the date specified in Section 10.07 may cause adjustment of the Preconstruction Activities allowances. Capitalized Interest will be recalculated based on actual dates and amounts of Loan disbursements. The final Project costs and all allowances shall be established in the final amendment. Changes in Project costs or Preconstruction Activities allowances may also occur as a result of the Project Sponsor's audit or the Department's audit.

(1) Estimated Preconstruction Activities allowances:

Administrative Allowance	\$	12,000
Planning Allowance		58,500
Engineering Allowance		112,500
Total	\$	183,000

(2) Breakdown of Financial Assistance Authorized to Date:

Category	Total(\$)	Grant(\$)	Loan(\$)
Preconstruction Allowances	183,000	153,000	30,000
Loan Repayment Reserve *	900	--	900
Subtotal (Disbursable to Project Sponsor)	183,900	153,000	30,900
Loan Service Fee **	600	--	600
Total Disbursable	184,500	153,000	31,500
Capitalized Interest	--	--	1,000
Total Loan Principal	--	--	32,500

* The Loan Repayment Reserve deposit requirement is nine percent of the Loan amount excluding the Capitalized Interest, Loan Repayment Reserve, and Loan Service Fee amounts. Nine percent of \$30,000 equals \$2,700 for the Loan amount authorized to date. Loan proceeds (\$900) are provided for

one-third of that amount; the Project Sponsor shall use its own funds for the remainder of the deposit requirement as scheduled in Section 10.08.

** The Loan Service Fee represents two percent of the Loan amount excluding the Capitalized Interest, Loan Repayment Reserve, and Loan Service Fee amounts; two percent of \$30,000 equals \$600 for the Loan amount authorized to date.

10.07. SCHEDULE OF PRECONSTRUCTION AND PROJECT ACTIVITIES.

The Preconstruction Activities listed below shall be completed no later than December 15, 2000.

- (1) Completion of the facilities plan, including any specialized studies and responding to comments, and acceptance by the Department.
- (2) Completion of plans and specifications for all Project facilities proposed for State financial assistance and acceptance by the Department.
- (3) Certification of availability of all sites for the proposed facilities.
- (4) Department permit for construction of the proposed facilities or publication of notice of intent to issue construction permit.

Disbursements specified in Section 4.08 shall not occur after the above date unless the Department amends this Agreement to provide additional financing for construction related costs. In addition, this deadline must be met to preserve the Department's commitment to provide additional Loan financing at no greater than the interest rate specified in Section 10.03. Failure to complete Item (1) by the above date may lead to termination of the Agreement pursuant to Article VI.

A schedule for Project activities will be added if this Agreement is amended to provide financing for Construction Related Costs.

10.08. SCHEDULE OF LOAN ACTIVITIES.

Unless this Agreement is amended to provide additional funding for Construction Related Costs the following Loan activities schedule will apply:

- (1) Execute the Escrow Agreement no later than June 15, 2001.
- (2) Submit the schedule of rates, fees, and charges required under Subsection 2.01(13) no later than June 15, 2001.
- (3) Establish the Loan Debt Service Account and begin Monthly Loan Deposits no later than June 15, 2001.
- (4) Establish the Loan Repayment Reserve Account and deposit \$900 no later than June 15, 2001. (Loan proceeds are provided for this amount.)
- (5) Make 36 consecutive monthly deposits of \$50 into the Loan Repayment Reserve Account beginning no later than June 15, 2001. (The Project Sponsor shall use Gross Revenues or other legally available funds for these deposits.)

(6) Provide certifications under Subsection 2.01(12) beginning September 15, 2001, and annually thereafter at the time the annual audit report is submitted under Subsection 2.01(10).

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

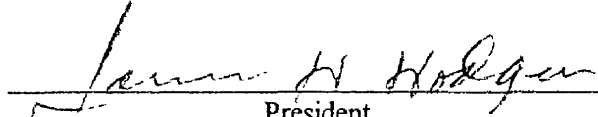
ARTICLE XI - EXECUTION OF AGREEMENT

This Grant/Loan Agreement DW4201 020 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this Agreement to be executed on its behalf by the Secretary of the Department and the Project Sponsor has caused this Agreement to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this Agreement shall be as set forth below by the Secretary of the Department.

for

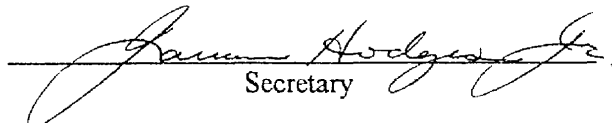
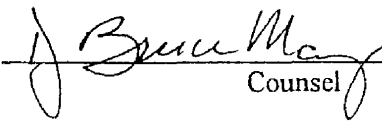
SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.



President

Attest

I attest to the covenants of Section 2.02, entitled
Legal Authorization, and as to form and legal
sufficiency.

 Secretary  Counsel

SEAL

for

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

 Secretary DEC 28 1998

Date

PROJECT COST & FINANCING ESTIMATES

Sunshine Utilities

DW4201 010

Phase I, Alternative 1

2/27/01

GRANT:

Total Grant	682,570
Preconstruction Grant (awarded)	153,000
Construction Grant (expected)	529,570

LOAN: (These amounts include capitalized interest and service fee)*

Total Loan	1,475,314
Preconstruction Loan (awarded)**	35,282
Construction Loan (expected)	1,440,032

LOAN DETAILS:

Preconstruction Allowances	30,000
Construction and Related Costs	1,348,004
Loan Repayment Reserve	41,340
Subtotal	1,419,344
Capitalized Interest	27,400
Subtotal	1,446,744
Loan Service Fee	27,560
Service Fee Capitalized Interest	1,010
TOTAL	1,475,314

Loan Terms:

Interest: Preconstruction Loan 3.05%; Construction loan 3.5%.	
Payments: Semiannually, 30 yrs.	
Estimated Semiannual Payment	39,860
Annual revenue requirements including 15% coverage:	91,678

*Assumption: Interest is capitalized on July 15, 2002, the estimated beginning of the 30-year repayment period.

** Capitalized interest is adjusted based on the above assumption.