

Florida Governmental Utility Authority

Board Agenda Item

Thursday, July 18, 2019

Item

SM 5 Approval of the South Region Compensation Agreement with U.S. Water Services Corporation

Summary

Staff has completed negotiations with U.S. Water Services Corporation (USWSC) for the South Region systems Compensation Agreement, which primarily outlines the various components of the negotiated compensation levels, mechanisms for periodic adjustment to the compensation, and establishes the staffing plan.

There are a number of changes from the current contract. The more significant changes are outlined below:

- R&R labor is included in the Basic O&M service fee; R&R labor is currently included in each R&R project work authorization.
- All R&R activity with a cost less than \$1,500 (excluding labor) is included in the Basic O&M service fee. The current \$7,500 deductible has been eliminated. The FGUA assumes the cost (excluding labor) of the R&R activity with a cost between \$1,500 and \$7,500.
- Chemicals are excluded from the Basic O&M services fee. The FGUA will purchase the chemicals as needed from USWSC through its supplier contracts. The FGUA has included chemicals in the Basic O&M service fee for most systems since its inception but has chosen to remove them from both Lehigh Acres and the Pasco Aloha system in recent years and purchase directly from the Contractor in the needed amounts.
- Lehigh Acres lime sludge disposal is included in Base O&M service fee; Lime sludge disposal is currently billed and paid as a separate cost item.
- Elimination of the bulk service O&M fee currently included in the North Fort Myers compensation agreement.
- Five (5) FGUA owned vehicles to be purchased by USWSC; a separate action item will be brought to the Board at a later date.

Comparing anticipated costs versus the current contract is a bit difficult because of the number of changes, with items added (i.e. R&R labor) and removed (i.e. chemicals). However, staff was able to develop an "apples to apples" comparison of projected costs under the new contract versus the existing contract. The combined cost savings for the South Region systems are estimated to be \$757,392 (-7.5% reduction) annually when compared to the current cost structure. Below is a summary of the proposed Compensation Agreement pricing compared to the current levels of compensation.

Staff recommends approval of the proposed Compensation Agreement with USWSC.

System	Current Contract Total Annual Cost	New Contract Total Annual Cost	+/- Compared to Current Pricing
Lehigh Acres	\$5,371,493	\$5,272,580	(\$98,912)
North Fort Myers	\$4,184,131	\$3,620,890	(\$563,241)
So. Seas/Peace River	\$488,471	\$393,232	(\$95,239)
Total	\$10,044,095	\$9,286,703	(\$757,392)

Note: For comparison purposes, each annual cost outlined above includes the major cost variables of R&R labor, chemicals, and billing system software.

Recommendation

Approval of the proposed Compensation Agreement with U.S. Water Services Corporation.

Board Action

Moved by:

SP

Seconded by:

MC

Action Taken:

Approved

SOUTH REGION UTILITY SYSTEMS COMPENSATION AGREEMENT

THIS COMPENSATION AGREEMENT ("Agreement"), is made and entered into as of this ____ day of July 2019, by and between the Florida Governmental Utility Authority, a legal entity and public body created by interlocal agreement pursuant to section 163.01(7)(g), Florida Statutes (the "GUA"), and U.S. Water Services Corporation, a Florida Corporation (the "Contractor").

WITNESSETH:

WHEREAS, the GUA has conducted an extensive procurement process for the provision of Utility Services to the South Region Systems, and such process resulted in the selection of the Contractor as having submitted the highest ranked proposal; and

WHEREAS, on or about June 20, 2019, the GUA and the Contractor entered into that certain General Terms Agreement for Utility Operations, Maintenance, Billing, and Customer Service (the "General Terms Agreement"), which outlines the terms and conditions under which the Contractor will provide Utility Services for the South Region GUA Systems; and

WHEREAS, pursuant to the General Terms Agreement, the GUA and the Contractor must enter into a Compensation Agreement for each subsequently identified GUA System, or group of systems for which the Contractor is to provide Utility Services pursuant to the terms outlined in the General Terms Agreement; and

WHEREAS, since the GUA has previously engaged the Contractor (formerly doing business as U.S. Water-Wade Trim) to provide Utility Service in accordance with the General Terms Agreement for multiple GUA Utility Facilities, including the systems collectively referred to herein as the South Region Systems; and

WHEREAS, the Contractor represents that it currently has, and will have throughout the term of this Compensation Agreement, the experience, resources and professional skill to provide the Utility Services required to operate and maintain the South Region Utility Systems and to timely and accurately bill for service provided and to maintain effective relationships with utility customers; and

NOW, THEREFORE, in consideration of the mutual promises, covenants, representations and agreements contained herein, the parties to this Agreement do agree for themselves, their successors and assigns as follows:

SECTION 1. DEFINITIONS. All capitalized words and terms not otherwise defined herein shall have the meanings set forth in the General Terms Agreement, as amended herein; however, for any words and terms defined in the General Terms Agreement that have a different definition in this Compensation Agreement, the definitions herein shall control and Section 1 of the General Terms Agreement shall be amended as follows for purposes of the provision of Utility Services to the South Region Utility Systems.

“Agreement” shall mean this Compensation Agreement, including all appendices, and any amendments and supplements hereto that are executed and delivered in accordance with its terms.

“Annual ERC Adjustment” shall mean the adjustment to be made to the Basic Operation and Maintenance Service Fee on an annual basis, which is calculated by multiplying the Per ERC Fee by the change in the number of ERC’s compared to the previous year.

"Annual Connection Adjustment" shall mean the adjustment to be made to the Basic Billing and Customer Service Fee on an annual basis, which is calculated by multiplying the Per Connection Fee by the change in the number of connections compared to the previous year.

"Basic Operation and Maintenance Service Fee" shall mean the fixed annual compensation payable monthly to the Contractor by the GUA to compensate the Contractor for the provision of the Basic Operation and Maintenance Service as outlined in the General Terms Agreement and provided for in this Compensation Agreement. The Basic Operation and Maintenance Service Fee includes the labor costs associated with all operations and maintenance activities, as well as the labor costs associated with conducting Basic R&R, Minor R&R, and Major R&R activities, as defined herein.

"Basic R&R" shall mean any installation, renewal, repair, replacement, or rehabilitation of Utility Facilities where the Contractor's Direct Costs are less than \$1,500.00.

"Capital Improvement" shall mean a utility system improvement with an estimated cost to the GUA of greater than \$100,000.

"Commencement Date" shall mean October 1, 2019.

"County" shall mean the County in which the subject utility system is located, either Lee County, Florida or Hardee County, Florida.

"General Terms Agreement" shall mean that certain South Region General Terms Agreement for Utility Operations, Maintenance, Billing, and Customer Service entered into by and between the GUA and the Contractor concurrent with this Compensation Agreement and incorporated herein by reference, as it may be amended.

"Initial Term" shall mean the initial contract term beginning on the Commencement Date and ending on September 30, 2024, as provided in Section 11 of this Agreement.

"Major R&R" shall mean any installation, renewal, repair, replacement, or rehabilitation of Utility Facilities where the Contractor's Direct Costs are \$7,500.00 or greater, and less than \$100,000.00.

"Minor R&R" shall mean any installation, renewal, replacement, or rehabilitation of Utility Facilities where the Contractor's Direct Costs are \$1,500.00 or greater, and less than \$7,500.00.

"South Region Utility Systems" shall mean the utility systems located within Lee County and Hardee County referred to individually as the Lehigh Acres (Lee) system, the North Fort Myers (Lee) system, and the South Seas (Lee) and Peace River (Hardee) sub-systems of the Unified Aqua system.

"Per Connection Fee" shall mean, generally, the amount of the Basic Billing and Customer Service Fee allocated to an individual Connection as follows: The Basic Billing and Customer Service Fee for each fiscal year shall be converted into the Per Connection Fee by dividing the annual Basic Billing and Customer Service Fee by the actual number of Connections served within the South Region Utility Systems on June 30 of each year commencing in 2020.

"Per ERC Fee" shall mean, generally, the amount of the Basic Operation and Maintenance Service Fee allocated to an individual ERC as follows: The Basic Operation and Maintenance Service Fee for each fiscal year shall be converted into the Per ERC Fee by dividing the annual Basic Operation and Maintenance Service Fee by the actual

number of ERCs served within the South Region Utility Systems on June 30 of each year commencing in 2020.

"Price Index" shall mean the Consumer Price Index for All Urban Consumers: All Items Less Food and Energy, as published monthly by the U.S. Department of Commerce, Bureau of Labor Statistics.

"Price Index Change" shall mean the percentage change between the Price Index in effect as of each July 1 during the term of this Agreement as compared to the Price Index in effect as of July 1 of the prior year.

"Subcontracting Plan" shall mean the plan submitted by the Contractor, approved by the GUA, and incorporated into the Compensation Agreement, which details the specific services to be delivered by the Contractor to the GUA utilizing subcontracted services.

SECTION 2. CONSTRUCTION AND INTERPRETATION.

(A) Words that indicate a singular number shall include the plural in each case and vice versa, and words that indicate a person shall include legal entities, firms and corporations.

(B) The terms "herein," "hereunder," "hereby," "hereof," and any similar terms, shall refer to this Agreement; the term "heretofore" shall mean before the date of execution of this Agreement; and the term "hereafter" shall mean on or after the initial date of execution of this Agreement.

(C) Words that reference only one gender shall include all genders.

(D) This Agreement shall be construed as resulting from ongoing negotiation between the parties and no part of this Agreement shall be construed as the product of any one of the parties hereto.

SECTION 3. INCORPORATION. The Appendices hereto and each of the documents referred to therein are incorporated and made a part hereof in their entirety by reference.

SECTION 4. SECTION HEADINGS. Any headings preceding the texts of the several Articles, Sections, Appendices, or Exhibits in this Agreement and any table of contents or marginal notes appended to copies hereof, shall be solely for the convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, construction or effect.

SECTION 5. PROVISION OF UTILITY SERVICES.

(A) Beginning on the Commencement Date, the Contractor shall provide all reporting, plans, policies, procedures, qualified supervision, labor, tools, vehicles, equipment, materials, and personnel necessary to perform the Basic Operation and Maintenance Service and Basic Billing and Customer Service, as provided in the General Terms Agreement, which is hereby incorporated herein by reference, for the South Region Utility Systems. In accordance with the terms of the General Terms Agreement, the Contractor shall have use and control of the GUA Non-Fixed Assets and Inventory associated with the South Region Utility Systems, specified in Appendix A, for the sole purpose of providing the Utility Services for the South Region Utility Systems. The referenced GUA Non-Fixed Assets are identified in Appendix B.

(B) Several vehicles currently owned by the GUA will be purchased by the Contractor. These vehicles and the purchase price are identified in Appendix C. A separate action item will be brought to the GUA Board of Directors for approval.

(C) To fulfill its obligations under this Agreement, the Contractor shall provide staff at all Utility Facilities within the South Region Utility Systems in such number and for such duration as provided in the Staffing Plan, which is attached hereto as Appendix D and incorporated herein by reference, and to comply with Applicable Law and Permits. Any modification to the Staffing Plan can only be done through an amendment to this Compensation Agreement.

(D) In conjunction with the Staffing Plan required in section 5(C) above, the Contractor must identify the subcontracted services it intends to utilize in coordination with its Staffing Plan to meet its utility service obligations under this agreement. The Contractor's Subcontracting Plan is attached as Appendix E. Any modification to the Subcontracting Plan can only be implemented through an amendment to this Compensation Agreement.

SECTION 6. BASIC OPERATION AND MAINTENANCE SERVICE FEE.

(A) The Contractor agrees to provide Basic Operation and Maintenance Services for the South Region Utility Systems for the period between the Commencement Date and September 30, 2024 for the following annual amounts per system or sub-system as follows:

System/Sub-system	Annual Basic O&M Service Fee
Lehigh Acres	\$3,799,058
North Fort Myers	\$2,595,288

South Seas & Peace River	\$334,304
Total	\$6,728,650

(B) Commencing on October 1, 2020 and on each subsequent October 1 during the term of this Agreement, the Basic Operation and Maintenance Service Fee shall be adjusted as follows:

(1) The Basic Operation and Maintenance Service Fee shall be adjusted by the Price Index Change determined on the preceding July 1, and such adjustment shall never be less than 0; and

(2) The Per ERC Fee shall then be calculated pursuant to the definition in Section 1, and then multiplied by the change in the actual number of ERCs being served in each individual South Region Utility System compared to the previous year. This calculation will result in the Annual ERC Adjustment, which is then added to or subtracted from the index-adjusted Basic Operation and Maintenance Service Fee calculated in (1) above.

(C) The combined annual adjustments outlined above may result in an increase or decrease to the Basic Operation and Maintenance Service Fee depending on the Price Index Change and the annual change in the number of ERCs being served in the individual South Region Utility System.

(D) Since the General Terms Agreement requires that R&R staffing requirements be included in the staffing plan and in the Basic Operation and Maintenance Service Fee, the parties agree to the following procedures to properly account for these R&R related expenditures, and to annually update the R&R staffing component of the fee.

(1) The Contractor agrees to provide a specific breakout of the R&R staffing component of the fee in each monthly invoice so that the R&R expense may receive the proper accounting treatment.

(2) If the GUA's preliminary budget for each fiscal year (available in June) projects either an increase or a decrease in R&R expenditures of greater than 10% from the previous year, then the Contractor will provide an updated staffing plan within 30 days with proper staffing levels to support the planned R&R program. If such planned expenditures remain in the proposed budget, the amended staffing plan and the corresponding negotiated adjustment to the Basic Operation and Maintenance Service Fee will be included in an amendment to this Compensation Agreement prior to the beginning of the fiscal year, or as shortly thereafter as practical. If the final R&R expenditures for the fiscal year vary from the budgeted amount by more than 10%, then the parties will negotiate a credit to the FGUA or additional compensation to the Contractor, as appropriate.

(3) Any material and/or equipment expenditures, regardless of whether purchase is made by FGUA or the Contractor, made in an effort to accomplish Minor or Major R&R projects shall have Contractors ten percent (10%) markup paid to Contractor.

(E) The Basic Operation and Maintenance Service Fee outlined above excludes all chemical supply costs. The Contractor shall invoice the GUA monthly for actual chemical deliveries and costs incurred under this contract. The Contractor shall be allowed a margin of fifteen and twenty-nine one hundredths percent (15.29%) on the actual cost of chemicals to cover corporate overhead and profit.

SECTION 7. PAYMENT OF BASIC OPERATION AND MAINTENANCE SERVICE FEE.

(A) The Basic Operation and Maintenance Service Fee shall be paid to the Contractor by the GUA in equal monthly installments not later than the thirtieth (30th) day of the month following the month during which said services were performed.

(B) The GUA shall pay Contractor the Basic Operation and Maintenance Service Fee in a manner consistent with the Florida Prompt Payment Act.

SECTION 8. BASIC BILLING AND CUSTOMER SERVICE FEE.

(A) The Contractor agrees to provide Basic Billing and Customer Services for the South Region Utility Systems for the period between the Commencement Date and September 30, 2024 for the following annual amounts per system:

System/Sub-system	Annual Basic CS&B Fee
Lehigh Acres	\$869,179
North Fort Myers	\$781,715
South Seas & Peace River	\$18,624
Total	\$1,669,518

(B) Commencing on October 1, 2020 and on each subsequent October 1 during the term of this Agreement, the Basic Billing and Customer Service Fee in effect for the prior Fiscal Year shall be adjusted annually as follows:

(1) The Basic Billing and Customer Service Fee shall be adjusted by the Price Index Change determined on the preceding July 1, and such adjustment shall never be less than 0; and

(2) The Per Connection Fee shall then be calculated pursuant to the definition in Section 1, and then multiplied by the change in the actual number of Connections being served in each individual South Region Utility System compared to the previous year. This calculation will result in the Annual Connection Adjustment, which is then added to or subtracted from the index-adjusted Basic Billing and Customer Service Fee calculated in (1) above.

(C) The combined annual adjustments outlined above may result in an increase or decrease to the Basic Billing and Customer Service Fee depending on the Price Index Change and the annual change in the number of Connections being served in the individual South Region Utility System.

(D) The Basic Billing and Customer Service Fee shall automatically increase in an amount equal to any additional cost to the Contractor caused by an increase in U.S. Postal Service rates over the rates that are effective as of the Commencement Date.

SECTION 9. PAYMENT OF BASIC BILLING AND CUSTOMER SERVICE FEE.

(A) The Basic Billing and Customer Service Fee shall be paid to the Contractor in equal monthly installments not later than the thirtieth (30th) day of the month following the month during which said services were performed.

(B) The GUA shall pay Contractor the Basic Billing and Customer Service Fee in a manner consistent with the Florida Prompt Payment Act.

SECTION 10. CHANGE IN SCOPE OF SERVICES.

(A) If a change of scope of services occurs, the GUA and the Contractor shall negotiate and provide by written amendment hereto a commensurate adjustment in the applicable Basic Operation and Maintenance Service Fee or Basic Billing and Customer Service Fee to be paid during the remainder of the term of this Agreement. The amendment to the agreement must be approved by all parties prior to any change in the scope of services.

(B) The parties acknowledge that the Contractor's compensation outlined in this agreement is based, in part, on the synergies gained from grouping the South region systems. If certain systems are acquired by the host governments, this will be considered a change in the scope of services due to the loss of synergies, and the parties will negotiate the compensation for the remaining systems.

SECTION 11. TERM OF AGREEMENT.

(A) The Initial Term of the contract shall begin on the October 1, 2019 and end on September 30, 2024.

(B) Upon mutual agreement, the contract may be extended for an additional five-year term at the end of the Initial Term. Upon the exercise of this option, the GUA and the Contractor will negotiate a mutually acceptable Basic Operation and Maintenance Service Fee and Basic Billing and Customer Service Fee for the next five-year period.

(C) Notwithstanding the foregoing, the Contractor acknowledges and agrees that before or during the Initial Term, individual systems within the South Region Utility Systems may be transferred from GUA ownership to ownership by county or city governments during the term hereof. In such event, the Contractor acknowledges and

agrees that such successor local government shall have the option at its sole discretion to terminate this Agreement as it relates to Utility Facilities so transferred at any time upon one hundred eighty (180) days' written notice to the Contractor. The GUA acknowledges that Contractor is permitted to negotiate with such successor local government toward a continuation of services by Contractor on behalf of such successor local government upon transfer of the Utility Facilities. The GUA further acknowledges that should any of the events as described in Section 11 occur, the GUA and the Contractor hereby mutually agree to reevaluate and negotiate, if necessary, the Basic Operation and Maintenance Service Fee and the Basic Billing and Customer Service Fee for the remaining term.

SECTION 12. COMPLIANCE WITH REVENUE PROCEDURES.

The Contractor and the GUA acknowledge and agree that this Agreement is intended to, and does comply in all material respects with the requirements of Section 141 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code") and particularly Revenue Procedure 97-13, as such Revenue Procedure may be modified or superseded, from time to time (collectively, the "Revenue Procedure") as currently interpreted. If any provision of this Agreement should cause the Agreement not to comply with the requirements of the Code or the Revenue Procedure as interpreted from time to time, this Agreement shall be amended to comply with the Code and the Revenue Procedure. The Contractor and the GUA acknowledge and agree that, notwithstanding anything in this Agreement to the contrary, this Agreement shall be amended by the parties to comply with any future legislative, regulatory or administrative changes to such provisions under the Code or the Revenue Procedure during the term of this Agreement.

SECTION 13. ACCESS AND AUDITS. The Contractor shall maintain adequate records to justify all charges, expenses and costs incurred in estimating and performing the Utility Services for at least two (2) years after the termination of this Agreement. The GUA, the Systems Manager or their contracted representatives shall have access to such books, records and documents as required for inspection or audit, during Normal Business Hours, and such books, records and documents shall be kept by Contractor at a place of business of the Contractor within the State of Florida. The Contractor shall be subject to an annual independent financial and performance audit on its performance and provision of the Utility Services under this Agreement. Any such audit shall be undertaken by an auditor or auditors selected and paid for by the GUA.

SECTION 14. INDEMNIFICATION.

(A) In consideration of Ten Dollars (\$10.00) and other valuable consideration provided between the parties, the receipt of which is hereby acknowledged by each party, each party shall protect, defend, indemnify and hold the other party and its officers, employees and agents harmless from and against any and all liabilities, claims, losses, and expenses, including attorney's fees and all reasonable costs of litigation and judgments arising out of any willful misconduct, negligent act, error, omission, or infringement of a third-party patent, license, or other intellectual property, by that party, its subcontractors, agents or employees, arising out of or incidental to the performance of this Agreement. The GUA's obligation to indemnify Contractor pursuant to this Section 19 is limited by the GUA's right to sovereign immunity, which right is expressly not waived by the GUA, and subject to the indemnification limitations provided in section 768.28, Florida Statutes. Any indemnification right of the Contractor is further limited to and

payable solely from money of the GUA which is not derived from any enterprise fund of the GUA other than the applicable individual South Region Utility System or otherwise in conflict with any financing documents relating to the bonds issued to finance the purchase or improvement of the South Region Utility Systems.

(B) Each party acknowledges that the general conditions of any construction or subcontractor contract with an entity not a party to this Agreement shall include language, satisfactory to the other party's attorney, in which the third party agrees to hold harmless and to defend the other party, its agents and employees from all suits and actions, including attorney's fees, and all reasonable costs of litigation and judgments of any name and description arising out of or incidental to the performance of the construction contract or work performed for the Utility Facilities.

SECTION 15. APPLICABLE LAW; JURISDICTION AND VENUE.

(A) This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

(B) The parties to this Agreement expressly consent to the jurisdiction of and agree to suit in any court of general jurisdiction in the State, whether state, local or federal, and further agree that venue shall lie in Leon County, Florida.

SECTION 16. NOTICE.

(A) All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

To the GUA:

Florida Governmental Utility Authority
c/o Government Services Group, Inc.
280 Wekiva Spring Road
Protegrity Plaza, Suite 2070
Longwood, Florida 32779-6026
Attention: Stephen M. Spratt

with a copy to:

Nabors, Giblin & Nickerson, P.A.
1500 Mahan Drive, Suite 200
Tallahassee, Florida 32308
Attention: Heather J. Encinosa, Esq.

with a copy to:

Pennington, P.A.
215 South Monroe Street, Second Floor
Tallahassee, Florida 32301-1839
Attention: John C. Pelham, Esq.

To Contractor:

U.S. Water Services Corporation
4939 Cross Bayou Boulevard
New Port Richey, Florida 34652
Attn: Gary Deremer

(B) Any written notice given to one person in subsection (A) of this Section shall also be provided to all other persons identified in subsection (A).

(C) The parties may, by notice in writing given to the others, designate any future or different addresses to which the subsequent notices, certificates or other communications shall be sent. Any notice shall be deemed given on the date such notice is delivered by hand or by facsimile transmission or five (5) days after the date mailed.

SECTION 17. ASSIGNMENT.

(A) The Contractor shall not have the right to assign any of its rights, duties or obligations under this Agreement without the consent of the GUA Board upon a demonstration by the proposed assignee of its ability to perform the obligations of the Contractor under this Agreement, which consent shall not be unreasonably withheld. A consented to assignee shall be required to assume the obligations of the assigning party by written assignment in a form reasonably satisfactory to the GUA's attorney.

(B) Any assignment of this Agreement consented to by the GUA shall be an assignment of the Agreement in its entirety and the Basic Operation and Maintenance Service and the Basic Billing and Customer Service cannot be severed or assigned separately unless specifically consented to by the GUA; provided, however, this prohibition shall not apply to an affiliate of the Contractor if such separate assignment shall not, in the judgment of the GUA, interfere with the performance of the duties and the provision of the Utility Services provided in this Agreement.

(C) The assignment of this Agreement by Contractor shall not relieve the Guarantor of its obligations hereunder unless the proposed assignee provides a substitute guarantor acceptable to the GUA or the GUA determines that a substitute guarantor is not required, in either event such determination shall be at the sole discretion of the GUA.

(D) A transfer of a majority of the outstanding stock of the Contractor to another corporate entity or business enterprise shall be deemed an assignment of the Agreement requiring the consent of the GUA under this Section 20 unless such transfer of outstanding stock of the Contractor is to an affiliated company of the Contractor in which event consent shall not be required under this Section 20.

(E) The GUA reserves the right to assign its rights and obligations under this Agreement to any validly constituted local government, agency or authority. The GUA shall provide the Contractor with prior notice of such assignment.

SECTION 18. AMENDMENTS AND WAIVERS. No amendment, supplement, modification or waiver of this Agreement shall be binding upon any party hereto unless executed in writing by such party. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement, whether or not similar, unless otherwise expressly provided. No waiver of a default or a breach of any provision of this Agreement shall operate nor be construed to operate as a waiver of any subsequent default or breach.

SECTION 19. SEVERABILITY. If any clause, subsection, Section or Article of this Agreement shall be ruled invalid by any court of competent jurisdiction, then the invalidity of such clause, provision, subsection, Section or Article shall not affect any of the remaining provisions hereof, and this Agreement shall be construed and enforced as if such invalid portion did not exist.

SECTION 20. ENTIRE AGREEMENT. This Agreement, including the referenced Appendices hereto and the agreements incorporated by reference herein, is the entire agreement between the parties and supersedes all prior and contemporaneous

agreements, understandings, negotiations, and discussions of the parties, whether oral or written, pertaining to the subject matter hereof. Upon execution by all parties, the GUA shall provide the Contractor three complete, certified copies of this Agreement, together with all appendices hereto. This Agreement shall be construed as solely for the benefit of the GUA and the Contractor, their successors and assigns, and no claim or cause of action shall accrue to or be for the benefit of any third party by reason of the execution of this Agreement.

IN WITNESS WHEREOF, the GUA and the Contractor have caused this Agreement to be duly executed and entered on the date first above written.

FLORIDA GOVERNMENTAL UTILITY AUTHORITY

By: Leahna Thomas

Its: CHAIR

Attest:

Gerri Franklin

U.S. WATER SERVICES CORPORATION

By: [Signature]

Its: PRESIDENT

Attest:

[Signature]
CHRIS SACISA

APPENDIX A
SOUTH REGION UTILITY SYSTEMS

LEHIGH ACRES (LEE COUNTY)

NORTH FORT MYERS, LAKE FAIRWAYS and PINE LAKES (LEE COUNTY)

SOUTH SEAS (LEE COUNTY)

PEACE RIVER HEIGHTS (HARDEE COUNTY)

APPENDIX B

GUA NON-FIXED ASSETS AND INVENTORY

<u>YEAR</u>	<u>MAKE / MODEL</u>	<u>TRAILER VIN NO.</u>	<u>TRAILER MODEL</u>
1995	MQ Power 70KW Trailer Mounted Portable Generator	Not Found	Not Found
2010	Thompson 4 Inch Portable Pump	1T9PH1325BP634029	Not Listed
2011	Thompson 4 Inch Portable Pump	1T9PH1422AP634812	Not Listed
2009	Cummings 80kW Generator w/ Trailer	1J9TF142239F402154	7K/100Gal
	Baldor Portable Generator Model TS25	4TCSU10444H510383	ST-5

APPENDIX C

GUA VEHICLES TO BE PURCHASED BY CONTRACTOR

Item	USWSC Purchase Price
1998 Interstate Trailer	\$ 2,500.00
1999 Ram Jet Vactor Trailer	\$ 2,500.00
Unknown year Kubota tractor	\$ 500.00
1998 Ford L8000 Dump Truck	\$ 8,000.00
Total Vehicles & Equipment	\$ 13,500.00

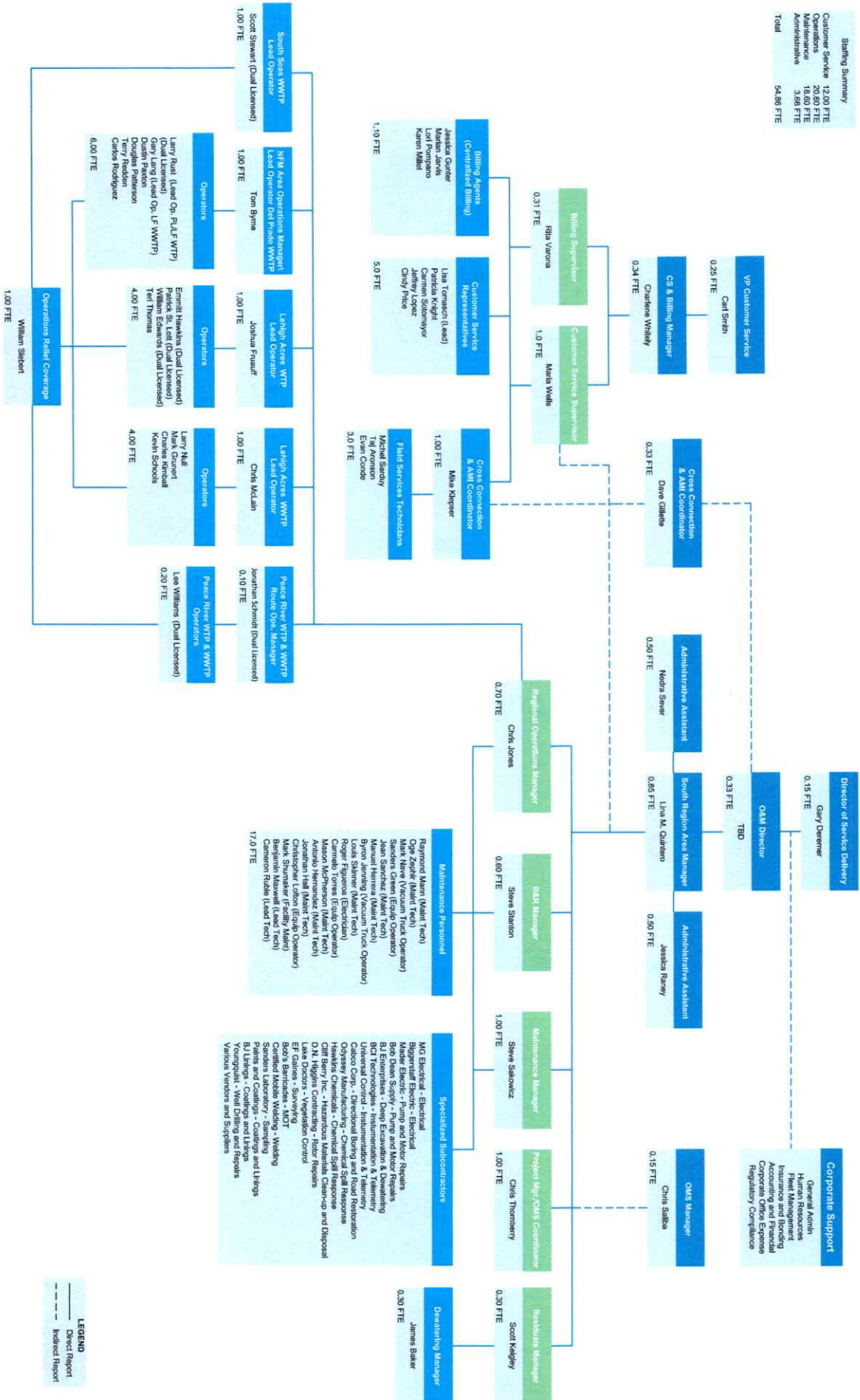
APPENDIX D
SOUTH REGION UTILITY SYSTEMS STAFFING PLAN

U.S. WATER SERVICES CORPORATION

SOUTH FGUA REGION SYSTEMS

OPERATIONS, MAINTAINANCE, CUSTOMER SERVICE, BILLING, RENEWALS AND REPLACEMENT (1.42MM)

ORGANIZATIONAL CHART



APPENDIX E
SOUTH REGION UTILITY SYSTEMS SUBCONTRACTING PLAN

It is the intent for U.S. Water Services Corporation (USWSC) to self-perform as much of the Basic R&R, Minor R&R and Major R&R as possible with the staffing resources identified in the Staffing Plan. The subcontracted services identified below represent services USWSC would typically subcontract in completion of R&R work. When possible and within the skills and abilities of staffing resources identified in the Staffing Plan the below identified subcontracted services will be self-performed.

Basic R&R, Minor R&R and Major R&R - Subcontracted Services	
Licensed Electrical Services	Dewatering Services
Excavations greater than 5' in depth	Directional Drilling & Boring
Chemical Spill Response	Hazardous Material Clean-up & Disposal
Equipment Repairs (Rotors, Pumps and Motors, Armature, Blowers, Generators, etc.)	Aquatic Vegetation Control
Maintenance of Traffic Services (excluding flag men)	Surveying Services
Certified Welding Services	Coatings and Liner Services
Well Drilling & Repair Services	Instrumentation & Telemetry/SCADA, PLC & Control Services
Asphalt Restoration Services	Thermography Services
	Concrete Restoration Services
VFD Inspection, Repair, Installation & Programming Services	Hauling Services
Piping Installation (16" or Larger)	Large Crane Services
Storage Tank Inspection (DEP required inspections) and Repair	Gravity Line, Manhole and Wet Well Installation
AMI Infrastructure Support / Repair and Replacement	Collection System TV Services
Painting of Buildings, Tanks and Structures	Filter Rehabilitation
HVAC repairs or replacement	Laboratory Services and Certified Sample Analysis Services

For clarity of Basic R&R, Minor R&R and Major R&R that would be self-performed by USWSC vs. subcontracted below is a listing of R&R work that would typically be self-performed.

Basic R&R, Minor R&R and Major R&R – Typical Self Performed Services	
Lift Station rehabilitation work (excluding coatings, liners and installation of wet wells)	Piping repairs or installation of new piping (Open Cut) – less than 16" diameter, less than 100 length ft, and excavations less than 5' in depth
Lift Station Pumps - Replacement of single components such as an impeller, wear ring, pump wire, and pulling of pumps to make operable and installation of pumps.	Smoke Testing
Installation of pressure gauges, transmitters, and level transducers.	Replacement of manhole rings and covers
Backflow Device Repairs and Replacements	Clearing of Blockages and Sanitary Sewer Overflow clean
Electrical Panels – replacement of switches, relays, phase monitors, contacts and breakers	Repair and replacement of above ground piping and valves
Blowers – replacement of worn or defective filters and belts.	Draining and Cleaning of Tanks (Surge Tanks, EQ tanks, Digesters, Oxidation Ditch) including repair of diffusers
Buildings & Structures – repair or replacement of broken doors, windows, leaking roof (minor), fence repairs (minor).	Fire Hydrant repairs and replacements
Compliance meter repairs and replacements	Repair and replacement of chlorine sensors and pumps.
Hydro Tank removal and replacement	Removal and replacement of signage
Maintenance of Traffic (flag men)	Irrigation Repairs
Installation of metering assemblies	Installation of cleanout and repairs to laterals

Basic Billing & Customer Service, and Basic Operation & Maintenance Services are not billable to the FGUA as Additional Services, but USWSC may utilize subcontracted services to complete these basic contract functions. The subcontracted services identified below represent basic contract functions USWSC would typically subcontract.

Basic Billing & Customer Service, and Basic Operation & Maintenance Service - Subcontracted Services	
Equipment Maintenance and Annual Services (Mechanical Bar Screens, Generators, Grit Removal Equipment, Portable Diesel Pumps, Blowers, Odor Control Equipment, etc.)	Grounds Maintenance
Meter Accuracy Testing Services	Painting of Aerial Crossings
Metering Support Services	Customer Information System Services
I.T. and System Support	CIS and Bill Fulfillment Services
Staffing Agencies	Sludge Hauling and Dewatering
Locate Services	Meter Reading Services