

**FLORIDA UTILITY SERVICES 1, LLC
5911 TROUBLE CREEK ROAD
NEW PORT RICHEY, FLORIDA 34652
863-904-5574**

September 19, 2019

Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

RE: Docket No. 20180174-WU – Application for a staff-assisted rate case in Manatee County by Heather Hills Utilities, LLC. Request for inclusion of proforma rent expense

Dear Commission Clerk,

Please find attached an executed office lease by Florida Utility Services, LLC (FUS1), with supporting materials. FUS1 relocated to a new office building at the beginning of 2019. The move occurred during the 12-month test year for HHU's current SARC proceeding. The new office lease of \$2,700 per month or \$32,400 annually, will be allocated to all of FUS1's systems.

HHU's proforma annualized allocation is \$3,564 ($\$32,400 \times 11.0\%$), for the 12-month test year, based on the eleven percent (11%) allocation formula used in Commission staffs audit (See Finding 3, Page 9). The \$3,564 allocated amount should be split equally (\$1,782) between water and wastewater operations.

If you have any further questions please do not hesitate to contact me.

On behalf of the utility


Mike Smallridge

LEASE AGREEMENT

This LEASE AGREEMENT ("Lease") made and entered as of the 1st day of February, 2019, by and between

MICHAEL A. SMALLRIDGE and NICKI H. SPIRTOS (Hereinafter designated as "LESSOR"),

1159 Lindenwood Dr. Tarpon Springs, FL. 34688

And

FLORIDA UTILITY SERVICES I, LLC (Hereinafter designated as "LESSEE"):

5911 Trouble Creek Road
New Port Richey, Florida 34652

WITNESSETH:

That for and in consideration of the mutual covenants, agreements, and conditions on the part of the parties hereto to be kept and performed, it is mutually agreed between the parties hereto as follows:

1. Lease Premises:

LESSOR grants, demises, leases and lets, and LESSEE rents and leases from the LESSOR the Premises, situated in the Pasco County, Florida, located at 5911 Trouble Creek Road, New Port Richey, Florida 34652 (hereinafter designated as "Premises").

2. Lease Term:

The term of this Lease shall be for a term of 60 months beginning on February 1, 2019 and ending on midnight of February 1, 2024.

3. Rent:

Base Rent: The base rent for the term of the Lease shall be payable in advance in monthly installments as outlined in the rent schedule below. The amount due does not include applicable Sales Tax, which sum shall be added to the rent. The failure of LESSOR to collect any rent when due shall not be deemed a waiver of its right to collect same pursuant to the terms of this Lease.

| MONTHS | MONTHLY BASE RENT |
|----------------------|-------------------|
| <u>1 through 12</u> | <u>\$2,700.00</u> |
| <u>13 through 24</u> | <u>\$2,781.00</u> |
| <u>25 through 36</u> | <u>\$2,864.43</u> |
| <u>36 through 48</u> | <u>\$2,950.36</u> |
| <u>48 through 60</u> | <u>\$3,038.87</u> |

Additional Rent: In addition to Base Rent and applicable taxes due thereon, all other payments to be made by LESSEE to LESSOR as set forth herein, shall be deemed to be and shall become "Additional Rent" hereunder. This Lease shall be without cost or expense to LESSOR of

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any kind except as provided herein. All costs and expenses of whatsoever kind, character, nature or description concerning the Premises and the Rent payable hereunder shall be borne by the LESSEE, including but not limited to real estate taxes, property damage and liability insurance, maintenance of the exterior and interior structures, all HVAC, electricity and plumbing.

4. Payment of Rent Terms:

All rent is due on the first day of the month. Any rent not paid by the fifth day of the month shall include a late fee of five (5%) percent of the rent due. Any LESSEE'S check that does not clear the bank because of insufficient funds, etc., the LESSEE shall automatically pay to LESSOR \$100.00 service fee in addition to the late fee, by Cashier's Check or cash. If rent is not paid by the tenth of the month, LESSOR shall have the right to take the possession of the premises, change the lock and exercise any rights available under this Lease, in addition to any rights allowed under Florida Law, including holding any LESSEE furnishings of the Premises as security for the delinquent rent.

5. Payments Due at Inception Of Lease

Upon execution of the Lease, LESSEE shall pay to LESSOR the first month's rental amount and \$ 2,700 to be held as a security deposit for the full and faithful performance of each and every provision of this Lease by the LESSEE, without interest. Said security deposit shall be refundable upon proper expiration of the terms of this Lease and delivery of possessions of the Premises to the LESSOR in a clean and like condition as when received, normal wear and tear expected. In the future event that LESSOR finds it necessary to assess any charge against the security deposit, The LESSOR shall be entitled to receive written notice of the amount and reason for such charge. LESSEE understands that if there are damages beyond reasonable wear and tear his liability is not limited to the amount of the security deposit.

6. Authorized Use of Premises:

LESSEE consents and agrees during the term of this Lease and any extension thereof, to keep the Premises in a clean and sanitary condition and in a manner which will not be detrimental to the surrounding property, and not to make any unlawful use of the Premises, or to conduct any illegal or immoral use thereon.

7. Agreement not to Sub-Lease:

LESSEE shall not assign this Lease, nor sublet the Premises, or any part thereof, nor use the same, or any part thereof, nor permit the same, or any part thereof, to be used for any other purpose than as above stipulated, nor make any alterations therein, and all additions thereto, without the written consent of the LESSOR, and all additions, fixtures, or improvements which may be made by LESSEE, including but not limited to ceiling fans, blinds, etc., except moveable office furniture, shall become property of the LESSOR and remain upon the Premises as a part of this Lease. LESSEE shall not sublease any part of the Premises. In the event the LESSEE assigns or sublets this Lease with the consent of LESSOR,, LESSEE shall remain liable and responsible for the due performance of all terms, covenants, payments and conditions of this Lease.

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8. Contract Binding on Lessor:

This Lease shall bind the LESSOR and its assigns or successors, and the heirs, assigns, administrators, legal representatives, executors, or successors as the case may be, of the LESSOR.

9. Default by Lessee:

The prompt payment of the rent, including Additional Rent, for said Premises upon the dates named, and any failure on the part of the LESSEE to comply with the terms of said Lease, shall at the option of the LESSOR constitute a forfeiture of this Lease, and of all the rights of the LESSEE hereunder.

10. Lessor's Right to remedy upon default:

Should a Default occur under this Lease, LESSOR may pursue any or all of the following:

(a) LESSOR may terminate this Lease, by giving ten (10) days written notice of such termination to LESSEE, whereupon this Lease shall automatically cease and terminate and LESSEE shall be immediately obligated to quit the Premises. Any other additional notice to quit or notice of LESSOR's intention to re-enter the Premises is hereby expressly waived. If LESSOR elects to terminate this Lease, everything contained in this Lease on the part of LESSEE to be done and performed shall cease without prejudice, subject, however, to the right of LESSOR to recover from LESSEE all "Rent", which is hereby defined as the sum of the Base Rent, all sums designated hereunder as Additional Rent, and any other charges due hereunder for the full Term of this Lease.

(b) LESSOR shall have the right to re-enter the Premises, remove all persons therefrom, and recover the possession thereof by legal proceedings or otherwise, and to use such force to enter and regain possession thereof as LESSOR shall deem proper without being liable to any civil action or criminal prosecution therefor. No such re-entry by LESSOR shall be deemed a termination of this Lease or an acceptance of a surrender of this Lease. No termination of this Lease nor any taking or recovering possession of the Premises shall deprive LESSOR of any of its remedies or actions against LESSEE for past or future Rent, nor shall the bringing of any action for Rent or other Default be construed as a waiver of the right to obtain possession of the Premises.

(c) Should this Lease be terminated before the expiration of the Lease Term, or if LESSOR recovers possession of the Premises, LESSOR shall have the option to re-let the Premises for such rent and upon such terms as are not unreasonable under the circumstances and, in such event, if the full Rent reserved under this Lease (and any of the costs, expenses or damages indicated below) shall not be realized by LESSOR, LESSEE shall be liable for all damages sustained by LESSOR, including, without limitation, deficiency in Rent, reasonable attorneys' fees, brokerage fees and expenses of placing the Premises in rentable condition. LESSOR, in putting the Premises in good order or preparing the same for re-rental may, at LESSOR's option, make such alterations, repairs, or replacements in the Premises as LESSOR, in its reasonable judgment, considers advisable and necessary for the purpose of re-letting the Premises, and the making of such alterations, repairs, or replacements shall not operate or be construed to release LESSEE from liability hereunder. LESSOR shall in no event be liable in any way whatsoever for failure to re-let the Premises, or in the event that the Premises are re-let, for failure to collect the rent under such re-letting, and in no event shall LESSEE be entitled to receive the excess, if any, of such net rent collected over the sums payable by LESSEE to

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LESSOR hereunder. Any damage or loss of Rent sustained by LESSOR may be recovered by LESSOR, at LESSOR's option, either at the time of the re-letting; in separate actions, from time to time, as said damage shall have been made more easily ascertainable by successive re-lettings; or in a single proceeding deferred until the expiration of the Term of this Lease (in which event LESSEE hereby agrees that the cause of action shall not be deemed to have accrued until the date of expiration of said Term).

(d) LESSOR may declare all the Base Rent, Additional Rent and other charges reserved for the full term of this Lease remaining unpaid, due and payable at once.

11. Right of Lessor to Cancel Contract due to Insolvency of Lessee:

If the LESSEE shall become insolvent or if bankruptcy proceedings shall be begun by or against the LESSEE, before the expiration of the lease, the LESSOR hereby irrevocably authorized at its option, to forthwith cancel this lease, as for a default. LESSOR may elect to accept rent from such receiver, trustee, or other judicial officer as is due during the term of their occupancy, in their fiduciary capacity without affecting LESSOR'S other judicial officer shall ever have any right, title or interest in or to the premises by virtue of this Lease.

12. Time Is Of The Essence:

It is understood and agreed between the parties hereto that time is of the essence in this Lease, which applies to all terms and conditions contained herein.

13. Written Notices to Lessee and Lessor:

It is understood and agreed between the parties hereto that written notice mailed or delivered to the Premises leased hereunder shall constitute sufficient notice to the LESSEE and Certified Mail shall constitute sufficient notice to the LESSOR, to comply the terms of this Lease.

14. Non Exercise of Rights of Lessor Shall Not Be Deemed Forfeiture:

The rights of the LESSOR under the foregoing shall be cumulative, and failure on the part of the LESSOR to exercise promptly any rights given hereunder shall not operate to forfeit any of the said rights nor deemed as a waiver of those rights.

15. Building Signage:

It is hereby understood and agreed that any signs and advertising to be used, in connection with the Premises leased hereunder, shall comply with all applicable Codes and shall be first submitted to the LESSOR for approval and be approved by LESSOR before installation of same.

16. Lessee Agreement to Hold Lessor Harmless and Requirement For Insurance:

The LESSEE covenants and agrees to indemnify and hold harmless the LESSOR from and against any and all liability, damage, injury, actions or causes of action whatsoever resulting from the operation, conduct and or use of the Premises and to provide liability insurance in the amount of \$1,000,000.00 personal injury insurance in favor of the LESSOR. LESSEE also agrees to include LESSOR as additional insured concerning LESSEE'S General Liability Policy.

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17. Understanding That Lease is Subordinate to any Mortgage Of Lessor:

This Lease at the option of the LESSOR or LESSOR'S Mortgagee, may be and at all times after notice thereof, shall be subject and subordinate to any and all present and future mortgages security deeds, or encumbrances which may be placed by the LESSOR on said or any part thereof.

18. Lessee's Agreement to Furnish Subordination Documents:

The LESSEE covenants and agrees to execute upon demand of the LESSOR, all instruments subordinating this Lease to the lien of any mortgage, security deeds, or encumbrances as shall be required by the LESSOR. The LESSOR hereby irrevocably appoints LESSOR as attorney in fact of the LESSEE, with power to execute and deliver without subjecting LESSOR to liability of any kind, such instrument or instruments for and in the name of the LESSEE, in the event LESSEE shall fail to execute such instrument or instruments within five (5) days after written notice to do so is given to the LESSEE. Provided however, anything to the contrary contained herein notwithstanding, such mortgage or encumbrance holder shall recognize the validity and continuance of this Lease in the event of foreclosure of LESSOR'S interest or otherwise as long as LESSEE shall not be in default under the terms of this Lease, LESSEE agrees to execute a Tenant Estoppel Letter when requested.

19. Continuation of Lease Beyond Lease Terms:

If the LESSEE continues to occupy the Premises after the last day of the term hereof, (if the term hereof or any extension thereof is not extended as defined below), and LESSOR agrees to accept rent thereafter, a tenancy from month to month, terminated by either party no less than thirty (30) days notice, would then be created, which monthly lease rate shall be 150% of the then-effective lease rate.

20. Disputes

All disputes or controversies that may arise between the parties hereto concerning the interpretation of this instrument or the rights of either parties thereto arising therefrom, shall be subject to mediation at the option of the LESSOR.

21. Court Costs/Attorney's Fees

Should LESSOR be required to resort to litigation or breach of agreement, and should LESSOR prevail by any award in its favor, LESSEE agrees to pay LESSOR'S court costs and reasonable attorney's fees. LESSEE agrees to pay the costs or collection and attorney's fees on any part of said rental that may be collected by suit or by attorney after the same is past due, or for any suit for enforcements of the terms and conditions of this Lease. In each instance in which an attorney is retained by LESSOR to enforce LESSEE'S obligations under the Lease, LESSEE shall pay LESSOR'S reasonable attorney's fees.

22. LESSEE'S Agreement to Allow LESSOR'S Access:

LESSEE agrees that LESSOR shall have access to and may enter the Premises at any time, with reasonable notice, to inspect or show the Premises or to verify LESSEE'S compliance with the terms of this Lease. LESSEE agrees not to change the locks on the Premises without the written consent from the LESSOR. LESSEE agrees to provide LESSOR with a key to any locks that are changed.

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23. Statement Concerning any Provision In Lease Considered Not Enforceable:

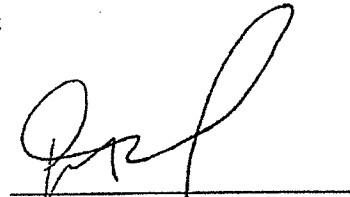
If a court of competent jurisdiction holds any provision of this Lease to be contrary to law, or void as against public policy or otherwise, such provision shall either be modified to conform to law or be considered severable, with the remaining provisional continuing in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this instrument for the purpose herein expressed, the day and year above written.

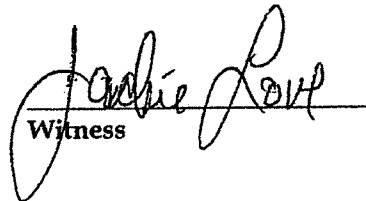
Signed, sealed and delivered in the presence of:

LESSEE:


BY: _____

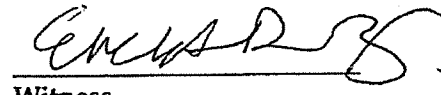

Witness _____

managing Member
Title _____



Witness _____

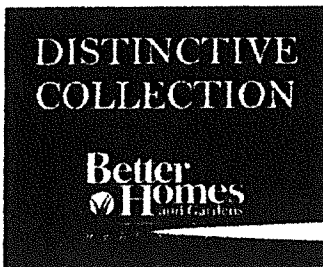
LESSOR:


BY: _____


Witness _____

OWNER
Title _____


Witness _____



5/25/2019

Mr. Michael Smallridge

5911 Trouble Creek Rd.

New Port Richey, FL. 34652

RE: Commercial lease Appraisal of 5911 Trouble Creek Rd. New Port Richey Florida.

Dear Mr. Smallridge:

Thank you for the opportunity to assist with your real estate needs.

Data obtained from our inspection shows your property to be in above average condition with no observable defects. According to the Pasco County Property Appraisers Office, the building is 2,724 square feet that includes 6 offices, 2 bathrooms with handicap compliant fixtures, break room, lobby area, workroom, file storage room and maintenance / storage garage.

Based on comparable properties in your area, we have determined market rent of \$10.00 per square foot (\$2,700) for your property.

As always, we are glad to assist you with any of your real estate needs in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Angela Rose", with a long horizontal flourish extending to the right.

Angela Rose

Angela Rose Broker Associate
Better Homes and Gardens Real Estate Atchley Properties
1734 Main Street, Sarasota, FL 34236 | 6113 Exchange Way, Lakewood Ranch, FL 34202
941-302-9738 | AngelaRose@AtchleyRealty.com

*If your Home is currently listed for sale this correspondence is not meant to be a solicitation.
Each office is independently owned and operated*