

November 10, 2009

Mr. Paul Kalv
Director
City of Leesburg Electric Department
2010 Griffin Road
Leesburg, FL 34748



An SAIC Company

Subject: Review of Appraisal and Separation Study

Dear Paul:

Based on recent discussions, R. W. Beck understands the City of Leesburg Electric Department (Leesburg) requires a review of an appraisal performed by GAI Consultants of the Leesburg Electric Distribution System Assets located in the City of Fruitland Park (Facilities). Additionally, R. W. Beck understands that Leesburg requires a review of the separation study conducted by WWH Enterprises.

R. W. Beck is pleased to offer our appraisal and engineering services, and we look forward to working with you on this project.

We have outlined below a Scope of services for the project that we believe will address your needs.

Scope of Service

Task 1: Review Income Approach

R. W. Beck will review the Income approach utilized in the appraisal and comment on the credibility and reasonableness of the assumptions and methodologies utilized by GAI.

In reviewing the income approach, R. W. Beck will do the following:

- Review revenue projections expected to be generated from sales of electricity from the Facilities over the study period
- Review projections of the Facilities operating expenses over the study period
- Review projections of the required future capital expenditures related to maintaining the Facilities over the study period
- Review financing, income tax, and other assumptions utilized to prepare an estimate of the projected net cash flow from the operation of the Facilities and the discounted net cash flow over the Facilities estimated economic remaining useful life

Task 2 Review Cost Approach

R. W. Beck will:

- Review the development of indicators of value under methods contained in the Cost Approach
- Review the preparation of the Facilities' Replacement Cost, which is the cost of a functionally equivalent plant that could be designed and constructed under present market conditions to be of like utility, by reviewing the material, labor and overhead costing utilized in the estimate

Task 3: Review Market Approach

R. W. Beck will review the development of the Market Approach and check for its proper use in the development of the Opinion of Fair Market Value.

Task 4: Report

R. W. Beck will:

- Prepare a Report documenting the review of the estimate of the Fair Market Value of the Facilities including our comments relative to the credibility of the data and assumptions utilized in the development of the Appraisal and whether the Appraisal properly followed the guidelines set forth in the Uniform Standards of Professional Appraisal Practice
- Submit a written draft report to Leesburg for review and comment for a two-week period; following receipt of comments from Leesburg, a final report will be prepared

Task 5: Review Separation Study

R. W. Beck will review the Separation Study prepared by WWH Enterprises as outlined below.

- Review Severance and Reintegration Plan for the City of Fruitland Park
- Review Leesburg staff comments, concerns, and recommendations on Plan
- Hold web meeting to discuss Leesburg staff comments, concerns, and recommendations
- Review and comment on assumptions
- Review and comment on delivery point analysis
- Review and comment on substation reconfiguration and cost estimates
- Review and comment on substation metering requirements and costs
- Review and comment on distribution feeder reconfiguration and cost estimates
- Evaluate impact of construction and reconfiguration on remaining Leesburg customers
- Evaluate the reliability and load growth potential of remaining Leesburg feeders in the area
- Evaluation impact of reconfiguration on protection coordination and sectionalization
- Identify potential operating and maintenance issues with reconfigured system
- Evaluate options for serving stranded customers
 - Swapping customers
 - Primary meters
 - Build new facilities
- Determine basis and reasonableness of cost estimates
- Evaluate potential impact of future annexations
- Submit draft report summarizing findings and issues

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- Meet with Leesburg staff to discuss findings, issues, options, and preferences
- Submit final report implementing edits and comments on draft and results of meetings

Fee for Services

R. W. Beck will complete Tasks 1-5 above for a not to exceed amount Forty Thousand Dollars (\$40,000). The Scope of Services proposed herein will be provided pursuant to the terms and conditions as set for in the Professional Services Agreement between City of Leesburg and R. W. Beck, Inc. dated June 26, 2009. If this meets with your approval, please authorize below by signing the authorization on the next page and return one copy of this letter to my attention for our records.

Basis of Scope and Fee Development

The fee detailed in this letter proposal is based on one on-site meeting attended by three R. W. Beck personnel and one web meeting attended by three R. W. Beck personnel. All other meetings and communications will be conducted telephonically.

Additional Services

R. W. Beck will be available for other additional services, such as a meeting with Leesburg and Fruitland Park to discuss results and approaches of our review, based on the actual hours expended and expenses incurred as a result of those services.

Thank you for the opportunity to assist in this effort. If you have any questions or comments, please contact me at (615) 431-3236 or mlane@rwbeck.com.

Sincerely,

R. W. BECK, INC.



Michael Lane
Senior Consultant

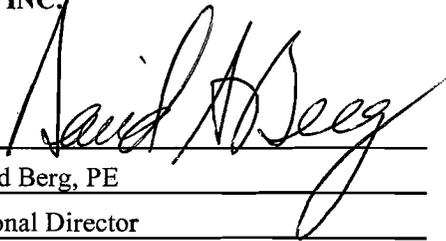
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Authorization

CITY OF LEESBURG

R. W. BECK, INC.

Signed _____
Printed _____
Title _____
Date _____

Signed  _____
Printed David Berg, PE
Title National Director
Date November 12, 2009