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Washington, D.C.
West Palm Beach

March 27, 1996

D. BRUCE MAY
904-425-5607

VIA HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

**ORIGINAL
FILE COPY**

960385-GU

Re: Petition of St. Joe Natural Gas Company, Inc. for approval of Service Agreement for Firm Transportation Service with the Florida Department of Management Services and the Florida Department of Corrections.

Dear Ms. Bayo:

Enclosed for filing are the original and 15 copies of St. Joe Natural Gas Company, Inc.'s Petition for Approval of Service Agreement for Firm Transportation Service and for Inclusion of Related Investment in Rate Base. Also enclosed is a copy of the foregoing for our records to be date stamped by you and returned to our office.

Thank you for your consideration in this matter.

Sincerely,

HOLLAND & KNIGHT

D. Bruce May
D. Bruce May

- ACK _____
 - AFA _____
 - APP _____
 - CAF _____
 - CMU _____
 - CTR _____
 - EAG _____
 - LEG _____
 - LIN _____
 - OPC _____
 - RCH _____
 - SEC _____
 - WAS _____
 - OTH _____
- Enclosure
DBM/kdw
cc: Mr. Stuart Shoaf
Mr. Tom Gildersleeve
Ms. Kaye Robertson
Mr. Fred Schuknecht
TAL-81904.1

RECEIVED & FILED
man
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
03635 MAR 27 1996
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of St. Joe)
Natural Gas Company, Inc. for)
approval of Service Agreement)
for Firm Transportation)
Service with the Florida)
Department of Management)
Services and the Florida)
Department of Corrections.)
/

Docket No. 960385-GU
Filed: March 27, 1996

**PETITION FOR APPROVAL OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE AND
FOR INCLUSION OF RELATED INVESTMENT IN RATE BASE**

St. Joe Natural Gas Company, Inc. ("SJNG"), by and through undersigned counsel, pursuant to Sections 366.06 and 366.076(1), Florida Statutes, respectfully submits this Petition requesting that the Florida Public Service Commission (the "Commission") approve the Service Agreement for Firm Transportation Service (the "Agreement") executed by and between SJNG, the Florida Department of Management Services ("DMS") and the Florida Department of Corrections ("DOC") on March 15, 1996. In addition, through this Petition, SJNG requests a prior determination that the investment required for SJNG to perform under the Agreement is prudent and that, upon completion of the project, such investment may be included in SJNG's rate base. SJNG is not requesting in this Petition to change any rates or charges to its customers.

SJNG respectfully requests that the Commission expedite consideration of this Petition using its proposed agency action procedures. Expedited consideration of the Petition is necessary to allow SJNG to avail itself of favorable construction conditions

DOCUMENT NUMBER-DATE

03635 MAR 27 96

FPSC-RECORDS/REPORTING

during the summer months and to complete construction of the project at the earliest practicable time.

INTRODUCTION

1. The name and address of Petitioner is:

St. Joe Natural Gas Company, Inc.
Post Office Box 549
Port St. Joe, Florida 32456

2. All pleadings and correspondence should be directed to:

D. Bruce May
HOLLAND & KNIGHT
P.O. Drawer 810
Tallahassee, Florida 32302
Attorneys for St. Joe Natural Gas Company, Inc.

Mr. Stuart Shoaf, President
St. Joe Natural Gas Company, Inc.
Post Office Box 549
Port St. Joe, Florida 32456

3. SJNG is a public utility subject to Commission regulation pursuant to Chapter 366, Florida Statutes. SJNG's general offices are located at 301 Long Avenue, Port St. Joe, Florida. SJNG's substantial interests will be affected because the Commission's disposition of this Petition will determine whether SJNG may provide transportation services to DMS and DOC pursuant to the Agreement, and whether SJNG may recover through its rate base the investment necessary for performance under the Agreement. SJNG is not aware of any disputed issues of material fact.

4. The Agreement executed by SJNG, DMS and DOC provides for the transportation of natural gas to the Gulf County Correctional Institution (the "Correctional Institution") by SJNG. A copy of the Agreement is attached as Exhibit

A. Because the Correctional Institution is located in a remote area, SJNG's existing pipelines will need to be expanded to provide the service contemplated by the Agreement. The expansion needed to serve the Correctional Institution is a reasonable and prudent investment.

5. Pursuant to Section 366.076(1), Florida Statutes, the Commission has the express authority to conduct a limited proceeding to consider and act upon any matter within its jurisdiction. Because the investment required by the Agreement is so significant when compared to SJNG's existing rate base, SJNG requests that the Commission exercise its authority under Section 366.076(1) to grant prior approval that such investment may be included in SJNG's rate base upon completion of the expansion project.

BACKGROUND

6. SJNG owns and operates a natural gas distribution system consisting of approximately 124 miles of underground natural gas mains, two "city gate" delivery points, twenty Farm Tap and Regulator Stations, and associated service line facilities. This system currently serves approximately 3,300 residential, commercial, and industrial customers in the City of Port St. Joe, the City of Mexico Beach, and the unincorporated areas of Gulf County known as Highland View, St. Joe Beach, Beacon Hill, and White City.¹

¹ SJNG is also in the process of expanding its existing natural gas distribution system northward to provide natural gas service to the residents of the City of Wewahitchka and the immediately surrounding areas. See In Re: Petition of St. Joe Natural Gas Company, Inc. for inclusion of investment in Wewahitchka expansion project in its rate base., 94 F.P.S.C. 7:55, Docket No. 940548-GU, Order No. PSC-94-

7. Since the time that the Commission initially obtained jurisdiction over SJNG, it has never requested a rate increase. In 1983, the Commission revised SJNG's rates from a step-type rate to a flat rate, with no change in revenue. As a result of a 1988 Stipulation, the Commission reduced SJNG's industrial customer rates from the previously negotiated rate. SJNG customers continue to enjoy some of the lowest rates in Florida, and SJNG is not seeking to change any rates or charges to its customers at this time.

THE AGREEMENT

8. On October 8, 1991, Governor Chiles issued Executive Order No. 91-353 requesting DMS to "[d]evelop a procedure for the cost-effective bulk purchase of natural gas and other energy-efficient fuels by state agencies." Pursuant to the Executive Order, DMS's Division of Purchasing issued a request for proposals to establish a centralized contract for the capacity management and acquisition of natural gas supply for all state agencies. As a result, a contract was executed with Florida Gas Transmission Company ("FGT") effective November 1, 1994. DOC was the first agency to begin using natural gas pursuant to the contract with FGT.

9. DOC now seeks to use natural gas at the Correctional Institution. However, because of its location, the Correctional Institution cannot currently obtain natural gas directly from FGT. SJNG is the local distribution company most capable of transporting natural gas to the Correctional Institution in a cost effective manner. Accordingly, SJNG, DMS and DOC have entered into the Agreement establishing the

terms, conditions and rates for transportation of natural gas by SJNG to the Correctional Institution.

10. Pursuant to the Agreement, DMS and DOC are responsible for securing the gas supply and transporting the gas upstream of SJNG's city gate. SJNG will provide the local distribution of the gas from its city gate to the Correctional Institution at a minimum annual transport quantity of 40,000 MMbtu. Gas delivered to SJNG for transportation pursuant to the Agreement will remain the property of DMS and DOC. The rates for transportation services provided by SJNG will be those set forth in Rate Schedule CTS contained in SJNG's tariff on file with the FPSC.

11. Because there is no pipeline through which gas can be transported to the Correctional Institution, the Agreement will require SJNG to expand its existing facilities. The estimated cost of the expansion needed to serve the Correctional Institution is \$450,000. A cost estimate for the expansion is attached as Exhibit B. As provided by the Agreement, SJNG will finance the expansion by procuring a loan of up to \$450,000. SJNG's existing rate base is currently valued at approximately \$4,000,000. Because the investment required by SJNG to serve the Correctional Institution is so significant when compared to SJNG's existing rate base, SJNG seeks advance Commission confirmation that it will be able to include the investment in rate base when construction is complete.

THE INVESTMENT IS REASONABLE AND PRUDENT

12. The proposed expansion of SJNG's facilities to serve the Correctional Institution is reasonable and prudent because there is a need for natural gas service at

the Correctional Institution which is not otherwise available. The Agreement is a result of the Governor's directive that DMS assist state agencies in utilizing energy-efficient fuels such as natural gas. Thus, the proposed expansion will not only provide SJNG with a new customer, but it will benefit the State.

13. The proposed expansion of SJNG's facilities to serve the Correctional Institution is also reasonable and prudent because it is the most feasible and cost-effective means of providing natural gas service to the Correctional Institution. SJNG's existing natural gas distribution system is the closest system to the Correctional Institution. A map of the proposed route of the expansion is attached as Exhibit C.

14. Additionally, SJNG intends to use only the most cost-effective materials necessary to construct the pipeline expansion needed to serve the Correctional Institution. While the construction and installation of the pipeline will be state of the art, SJNG will minimize costs by using existing utility personnel to perform most of the actual construction.

THE INVESTMENT SHOULD BE INCLUDED IN RATE BASE

15. Section 366.06, Florida Statutes, requires that the Commission, in fixing rates and charges, investigate and determine the actual legitimate costs of property of a utility company used and useful in the public service. According to the normal accounting procedures prescribed by the Commission for utilities, once a completed project is placed into service, it becomes a part of the plant in service in the rate base.

16. Where the dollar amount of an investment is significant when compared with a company's rate base, the Commission has recognized the utility's need for some

certainty, prior to the commencement of construction, that the investment will be recoverable in rate base.² The expansion of SJNG's facilities to serve the Correctional Institution presents such a situation where an advance determination of prudence is necessary and appropriate.

17. SJNG seeks Commission confirmation that SJNG will be able to include in its rate base the investment needed to transport gas to the Correctional Institution pursuant to the Agreement. Although SJNG seeks Commission authority to include this investment in its rate base, SJNG is not seeking to increase its rates at this time.

CONCLUSION

The Agreement will provide SJNG with a new customer and will provide a means for the Correctional Institution to utilize energy-efficient natural gas. The investment needed to expand SJNG's facilities to serve the Correctional Institution is prudent and will result in long term benefits to SJNG's customers and the State.

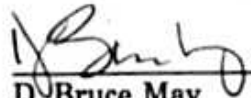
WHEREFORE, SJNG respectfully requests that the Commission:

- (1) approve the Agreement;
- (2) determine that the investment required for performance under the Agreement is reasonable and prudent;
- (3) authorize inclusion of the investment required for performance under the Agreement in SJNG's rate base upon completion of the expansion project;
- (4) expedite consideration of the petition;

² In Re: Petition of St. Joe Natural Gas Company, Inc. for inclusion of investment in Wewahitchka expansion project in its rate base. 94 F.P.S.C. 7:55, 57-58, Docket No. 940548-GU, Order No. PSC-94-0833-FOF-GU (July 11, 1994).

- (5) use its proposed agency action procedures in connection with this Petition;
and
(6) grant such other relief as the Commission deems appropriate.

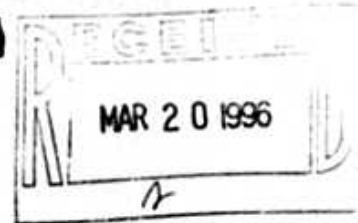
Respectfully submitted,



D. Bruce May
Florida Bar No. 354473
HOLLAND & KNIGHT
P.O. Drawer 810
Tallahassee, FL 32302
(904) 224-7000
**Attorneys for St. Joe Natural
Gas Company, Inc.**

TAL-80265.3

SERVICE AGREEMENT
FOR
FIRM TRANSPORTATION SERVICE



THIS AGREEMENT is made and entered into this 15th day of March, 1996, by and between ST. JOE NATURAL GAS COMPANY, INC., a Florida corporation, (hereinafter called "Company"), and the following agencies of the State of Florida: the DEPARTMENT OF MANAGEMENT SERVICES, and the DEPARTMENT OF CORRECTIONS, (hereinafter collectively called "Customer").

WITNESSETH:

WHEREAS, Company operates facilities for the distribution of natural gas in the State of Florida; and

WHEREAS, Customer, on behalf of the State of Florida, wishes to obtain firm transportation service from Company for gas owned by Customer; and

WHEREAS, Customer has submitted to Company a Request For Transportation Service in accordance with the rules and regulations in Company's Tariff; and

WHEREAS, Company is agreeable to providing firm transportation service pursuant to Company's Tariff and the terms and conditions of this Agreement based on the agreement by the Department of Management Services to contract for FTS-2 Firm Transportation Service on a permanent basis (subject to Company's first right of refusal in any subsequent relinquishment of such service) sufficient to transport and deliver the Maximum Daily Transportation Quantity on FGT's pipeline to the Receipt Point (Overstreet POI56657) for a minimum term of fifteen (15) years, to transport a minimum annual quantity of 40,000 MMBtu of gas over Company's system, and to use good faith best efforts to transport over Company's system an average of at least 3,334 MMBtu of gas per month; and

WHEREAS, Company has agreed to procure a Loan of up to four-hundred fifty thousand dollars (\$450,000.00) for the sole purpose of constructing the necessary pipeline facilities to provide gas service to Customer;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Company and Customer do covenant and agree as follows:

ARTICLE I

Definitions

"Agreement" shall mean this Service Agreement for Firm Gas Transportation, including the appendices attached hereto, as the same may be amended from time to time.

"British thermal unit" or "Btu" shall mean the amount of heat required to raise the temperature of one pound of water from 59°F. to 60°F. at a constant pressure of 14.73 p.s.i.a.

"Contract Year" shall mean the period of twelve (12) consecutive Months beginning on the Date of First Delivery, and each successive twelve (12) Month period thereafter occurring during the term of this Agreement.

"Cubic Foot of Gas" shall mean, for billing purposes, the amount of Gas which occupies one cubic foot of space when the Gas is at a pressure of 14.73 p.s.i.a. and a temperature of 60°F.

"Date of First Delivery" shall mean the first Day of the first Month during which Gas is delivered for Customer's account pursuant to this Agreement.

"Day" shall mean a period of twenty four (24) consecutive hours commencing: (1) during Daylight Savings Time periods at 4:00 p.m. (Eastern Daylight Time) on a calendar day and ending at 4:00 a.m. (Eastern Daylight Time) on the following calendar day; and, (2) during Standard Time periods, commencing at 3:00 p.m. (Eastern Standard Time) on a calendar day and ending at 3:00 a.m. (Eastern Standard Time) on the following calendar day.

"Delivery Point" shall mean the point specified in Appendix B attached hereto, at which Gas transported hereunder will be delivered to Customer for use at the Gulf County Correctional Institution.

"°F." shall mean degree(s) Fahrenheit.

"Facilities" shall mean the Company's pipeline facilities necessary to provide gas service to Customer.

"FGT" shall mean Florida Gas Transmission Company, a Delaware corporation, and its successors and assigns.

"FPSC" shall mean the Florida Public Service Commission or any successor agency.

"FTS-2 Firm Transportation Service" shall mean firm natural gas transportation service provided by FGT pursuant to FGT's Rate

Schedule FTS-2 as filed with the FERC and as changed and adjusted from time to time by FGT in compliance with any final FERC order affecting such rate schedule.

"Gas" shall mean natural and/or residue gas in any mixture of hydrocarbons or of hydrocarbons and noncombustible gases, in a gaseous state, consisting primarily of methane.

"Maximum Daily Transportation Quantity" shall mean the maximum amount of Gas, as set forth on a seasonal basis in Appendix A attached hereto, that Customer may tender, or cause to be tendered, to Company pursuant to the terms of this Agreement on any given Day at the Receipt Point.

"Mcf" shall mean 1,000 Cubic Feet of Gas.

"MMBtu" shall mean 1,000,000 Btu's or ten (10) Therms.

"Month" shall have the meaning given for the term "Delivery Month" in FGT's effective FERC tariff applicable to service under the FGT Agreement, as such tariff may be amended from time to time during the term of this Agreement or, if such term is not defined in FGT's FERC tariff, shall mean a period beginning on the first Day of a calendar month and ending at the start of the first Day of the following calendar month.

"Prepaid Gas Service" shall mean payment in dollars by Customer to Company for gas service not received by Customer in a given month as described in Section 6.2 herein.

"Receipt Point" shall mean the point described in Appendix A attached hereto at which Company will receive Gas for Customer's account for use at the Gulf County Correctional Institution.

"Retainage" shall have the meaning given for such term in Section 4.4 of this Agreement.

"Tariff" shall mean Company's Natural Gas Tariff currently filed with the FPSC, as such Tariff may be amended with approval of the FPSC from time to time.

"Therm" shall mean a unit of heat equal to 100,000 Btu's.

ARTICLE II

Term of Agreement

Section 2.1 Effective Date. This Agreement shall become effective on the date first set forth above and shall continue in effect for one-hundred eighty (180) consecutive months from the Date of First

Delivery (the "Initial Term"); thereafter, this Agreement shall be renewed automatically from year to year unless and until terminated either by Company or Customer upon twelve (12) months' written notice to the other specifying a termination date at the end of such period.

Section 2.2 Termination. In the event Customer terminates this Service Agreement prior to the expiration of the Initial Term for any reason, including reasons provided in Section 6.4 hereof, Customer agrees to (1) at Company's option, pay any remaining balance due on the loan made by Company to provide gas transportation service to Customer and (2) forfeit the prepaid gas service balance, if any, due Customer from Company.

Section 2.3 Early Termination. Notwithstanding the foregoing, should the FPSC fail to approve this Agreement and grant without modification the Petition, the Company shall have the option within fifteen (15) days of issuance of any such FPSC order to terminate this Agreement. Termination of this Agreement for any reason, including those set forth in this section, shall not relieve Customer of any payment obligations which have accrued under this Agreement. The Company will not incur any construction costs that are chargeable to the Customer until after the FPSC has approved the Petition in accordance with Section 9.2 hereof.

ARTICLE III

Incorporation of Appendices

Section 3.1 Appendices. The provisions of the Appendices attached hereto, as the same may be amended from time to time, are hereby incorporated in the Agreement by this reference.

ARTICLE IV

Transportation of Customer's Gas

Section 4.1 Scope. Customer hereby engages Company, and Company hereby accepts such engagement, to transport the Gas tendered by Customer to Company for account of Customer up to the Maximum Daily Transportation Quantity ("MDTQ") as defined and set forth on a seasonal basis in Article I and in Appendix A attached hereto. Transportation services under this Agreement shall be provided in accordance with the terms and conditions of the Company's Tariff on file with the FPSC (as amended or superseded from time-to-time) and the provisions of this Agreement. In the event of a conflict between the services provisions in this Agreement and the services provisions of the Tariff, the services provisions in this Agreement shall control.

Section 4.2 Transportation of Gas. Subject to the other provisions of this Agreement, upon the delivery of Gas to Company at the Receipt Point, Company shall cause the delivery of an equivalent quantity of Gas, less the Retainage, to Customer at the Delivery Point. Transportation services provided by Company hereunder shall be subject to the provisions of the Company's Tariff regarding curtailment, interruption of service, or operational controls.

Section 4.3 Limitations. The obligation of Company to transport Gas on behalf of Customer hereunder shall extend only up to the MDTQ as defined and set forth in Article I and in Appendix A attached hereto.

Section 4.4 Retainage. As an allowance for shrinkage in providing the transportation services hereunder, Company shall be entitled to retain, at no cost to Company, a percentage of the quantity of Gas delivered by, or tendered to Company for the account of, Customer to the Receipt Point in an amount equal to five-tenths of one percent (0.5%) by volume (the "Retainage"). Notwithstanding the foregoing, if the FPSC approves an increase or decrease in the amount of the Retainage, then the Retainage hereunder shall, upon notice by Company to Customer, be increased or decreased prospectively as ordered (or otherwise permitted to become effective) by the FPSC.

Section 4.5 Customer's Responsibility. Customer shall make all necessary arrangements with other parties for transportation of Customer's Gas prior to delivery to Company. The Department of Management Services expressly agrees to contract for FTS-2 Firm Transportation Service from Company on a permanent basis, subject to Company's first right of refusal to any subsequent relinquishment of such service, which right of refusal shall survive the Agreement. The FTS-2 Firm Transportation Service acquired by Customer shall be sufficient to transport and deliver the Maximum Daily Transportation Quantity on FGT's pipeline to the Receipt Point (Overstreet POI56657) for a minimum term of fifteen (15) years. Customer shall take all necessary actions to have such FTS-2 Firm Transportation Service in place prior to the in-service date of the Facilities. Company shall have no responsibility for transportation of Customer's Gas prior to receipt of such Gas at the Receipt Point.

Section 4.6 Company's Responsibility. Company agrees to receive daily quantities of Gas nominated by Customer for transportation up to the MDTQ as defined and set forth in Article I and in Appendix A attached hereto.

Section 4.7 Nomination for Transportation. Customer may nominate gas for transportation by Company for any Day, up to the MDTQ plus Retainage, if applicable; provided that such nomination by Customer

shall be in accordance with the nomination procedures and deadlines set forth in the Company's Tariff. Company agrees to receive the Gas that Customer nominates at the Receipt Point, up to the MDTQ, and make available for delivery to Customer at Customer's Delivery Point, the amount nominated by Customer less Company's Retainage, if applicable, up to the maximum daily quantity at such Delivery Point specified on Appendix B; provided, however, that Company is not required to accept for transportation and make available for delivery more than the MDTQ on any one day.

ARTICLE V

Quantities

Section 5.1 Maximum Quantity at the Receipt Point. The maximum quantity of Gas that Customer may tender, or cause to be tendered to Company hereunder on any given Day at the Receipt Point during the term of this Agreement is the Maximum Daily Transportation Quantity ("MDTQ") as set forth in Appendix A attached hereto.

Section 5.2 Maximum Delivery Quantity. The maximum quantity of Gas that Company shall be obligated to deliver to Customer on any given Day at the Delivery Point shall mean that quantity nominated pursuant to provisions of Section 4.7 of this Agreement and scheduled by Company, up to the maximum daily quantity for delivery as set forth in Appendix B, attached hereto.

Section 5.3 Minimum Annual Transport Quantity. Customer agrees to tender to company a minimum annual transportation quantity of 40,000 MMBtu of Gas plus applicable Retainage for transport over Company's system for use at the Gulf County Correctional Institution.

Section 5.4 Measurement of Quantities. Company shall measure the Gas delivered to Customer each Day at the Delivery Point in accordance with the measurement provisions set forth in Company's Tariff.

ARTICLE VI

Rate and Payment

Section 6.1 Rates and Charges. Customer shall pay for all gas transportation service rendered hereunder, the rates and charges established under Rate Schedule CTS contained in Company's Tariff, as filed with the FPSC and as the same may be legally amended or superseded from time to time. Company and Customer recognize that the otherwise applicable rates, charges and rate schedules may be revised, amended, or superseded from time to time subject to the

approval of the FPSC. Company and Customer agree that in any such case, the newly applicable rate schedule or the rate schedule that supersedes the applicable rate schedule or the revised or amended rate schedule, as the case may be, shall apply to this Agreement.

Section 6.2 Minimum Monthly Payment. Company and Customer agree that, based on Company's Tariff in effect as of the date of this Agreement, the minimum monthly payment due to Company by Customer should be calculated as follows:

- (i) Customer Charge \$1000.00 per month
- (ii) Transportation Charge \$0.485 per MMBtu
- (iii) Customer agrees for the duration of the Agreement to:
 - (1) use good faith best efforts to take delivery from Company an average of at least 3,334 MMBtus of Gas per month which, under the Company's current Tariff, corresponds to monthly Transportation Charges of \$1,616.67; and, (2) pay Company the applicable amounts as described in (v) below.
- (iv) Should Customer fail to take delivery of 3,334 MMBtu of gas during any consecutive month during the term of this Agreement for any given reason including, but not limited to, Company's inability to deliver Gas due to unexpected pipeline capacity or gas supply limitations, capacity restraints caused by operating conditions, force majeure, or curtailment, Customer agrees to:
 - (1) pay the required monthly Customer Charge; and,
 - (2) to pay the monthly minimum amount of \$1,616.67, with the understanding all or a portion of such amount may represent payment for gas service not received in a given month, where such amount shall be considered "Prepaid Gas Service" as set forth in Article I and Section 6.3 below.
- (v) Notwithstanding the foregoing, once Company delivers or makes available for delivery 40,000 MMBtus of Gas during any consecutive Contract Year, Customer, for the remainder of that Contract Year, shall only pay the monthly Customer Charge and a Transportation Charge based on the actual MMBtus delivered multiplied times the rate per MMBtu set forth above.

Section 6.3 Credit for Prepaid Gas. If, in any consecutive contract year during the term of this Agreement, Customer is required to pay for delivery of gas or gas service not received during such contract year this shall constitute Prepaid Gas Service as set forth in Section 6.2(iv) and Article I. In this event, Customer shall be entitled to receive credit for prepaid gas

service which credit is to be applied in the succeeding contract year but only to volumes in excess of 40,000 MMBtu delivered in the succeeding contract year. Customer remains obligated to pay all costs under Section 6.2(i) above and prepaid gas will not be credited against Section 6.2(i). In the event credit for prepaid gas service exists at the expiration of this agreement, Company shall apply to Customer's monthly gas bill an equal amount not to exceed \$500.00 per billing period until the prepaid gas service amount has been fully credited.

Section 6.4 Payment. Customer shall pay Company for all services rendered hereunder the rates established under Company's CTS Rate Schedule, as amended from time to time. The Company will provide Customer with a bill, in detail sufficient for preaudit and postaudit review, by the tenth (10th) day of each month for transportation service provided to Customer during the preceding month (as measured by Company's measuring equipment installed at or near the Delivery Point) as well as any other amount due hereunder. The Customer shall pay the bill rendered by Company pursuant to this section to the account and bank specified in the invoice on or before the 20th day following the date of Company's mailing (as signified by the postmark) or other delivery of such bill. All sums not so paid by Customer shall be considered delinquent. If any payment due hereunder is delinquent, interest shall be calculated on the overdue amount at an annual rate of interest equal to the prime interest rate of City Bank N.A. published in New York, New York, plus one percent (1%) calculated from the date such payment was due until the date the debt is paid. If Customer fails to make any payment when due and such failure is not remedied by or on behalf of Customer within five (5) days after written notice of such default, Company, in addition to any other remedy it may have, may without terminating this Agreement, suspend further deliveries of Gas to Customer until such amount is paid. Customer's performance and obligation to pay under this Agreement is contingent upon an annual appropriation by the Legislature. Customer shall use best efforts to obtain from the Legislature all appropriations necessary for its performance and payment obligations under this Agreement.

ARTICLE VII

Points of Receipt and Delivery

Section 7.1 Receipt Point. The Receipt Point and the Maximum Daily Quantity(s), for all gas delivered by Customer into Company's pipeline system under this Agreement shall be at the Point of Receipt on Company's pipeline system as set forth in Appendix A attached hereto.

Section 7.2 Delivery Point. The Delivery Point and the Maximum Daily Quantity(s), for all gas made available for delivery by Company to Customer, under this agreement shall be at the Point of Delivery as set forth in Appendix B attached hereto.

- A. The Point of Delivery for all gas delivered under this Agreement shall be at the outlet side of the meter to be installed and maintained by Company, at or adjacent to, Customer's (plant) site, to be determined by mutual agreement between Company and Customer.
- B. Company shall have the privilege of entering upon the property and plant site of the Customer for the purpose of reading of the meter and providing proper maintenance of the metering equipment.

ARTICLE VIII

Notices

Section 8.1 Notices. All notices, payments and communications with respect to this Agreement shall be in writing and sent to the addresses stated below or at any other address designated in writing by the party:

ADMINISTRATIVE MATTERS & PAYMENT

Company: St Joe Natural Gas Company, Inc.
301 Long Avenue
Post Office Box 549
Port St Joe, Florida 32456-0549
Attention: Stuart Shoaf
Telephone: (904) 229-8216
Fax: (904) 229-8392

Customer: See Appendix C attached

Attention: _____
Telephone: _____
Fax: _____

ARTICLE IX

Regulatory Authorization and Approvals

Section 9.1 Regulatory Approval. Company's obligation to provide service is conditioned upon receipt and acceptance of any necessary regulatory authorization to provide service to Customer in accordance with the terms and conditions of this Agreement, Rate Schedule CTS and General Terms and Conditions of Company's Tariff filed with the FPSC.

Section 9.2 FPSC Petition. Not later than thirty (30) days after the execution of this Agreement by both parties, the Company shall file a petition with the FPSC (the "Petition") requesting FPSC (1) approval of the Agreement; (2) determination that the investment required to perform under this Agreement is prudent; and, (3) authorization that, upon completion of the project, such investment be included in Company's ratebase. Within seven (7) days of the Company's filing of the Petition, Customer will file with the FPSC letters supporting Company's Petition and, if necessary, intervene in the proceeding. Should the FPSC fail to approve this Agreement and grant, without modification the Petition, Company shall have the option within fifteen (15) days of the issuance of any such FPSC order, to terminate this Agreement.

ARTICLE X

Title and Indemnity

Section 10.1 Title. Customer warrants that it will have good title to any Gas transported hereunder on Company's system and that such Gas shall be free and clear of all liens, encumbrances, and adverse claims whatsoever which would interfere with or make wrongful Company's transportation of such Gas.

Section 10.2 Indemnity. To the extent provided by law, Customer agrees to indemnify and hold Company harmless from any and all loss or damage sustained by Company, including any and all suits, actions, damages, losses, and expenses arising out of adverse claims of any persons to such Gas or the title thereto, or to royalties, taxes, license fees, or charges thereon, and from any and all liability from injury to persons or property, other than liabilities which are proximately caused by the negligence of Company, asserted against Company by reason of Company's transportation of such Gas on Company's system.

ARTICLE XI

Public Record

Section 11.1 Public Records. This Agreement may be unilaterally cancelled by Customer for refusal by Company to allow public access to documents, papers, letters or other material made or received by Company in conjunction with this Agreement and subject to the provisions of the Public Records Act, Chapter 119, Florida Statutes. The only exceptions to this law are specific statutory exemptions, and exemptions granted by governmental agencies pursuant to the specific terms of a statutory provision. Nothing herein precludes Company from seeking proprietary, confidential treatment of any document or portion thereof as provided by Section 366.093, Florida Statutes, and rules of the FPSC. Customer may not cancel this contract while such a request is pending or in the event a document is found to be proprietary and confidential.

ARTICLE XII

Miscellaneous

Section 12.1 Tariff Changes. Company may seek changes in its FPSC gas tariff upon filing with, and receiving approval from, the FPSC.

Section 12.2 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The respective rights and obligations of either Party hereto shall not be assignable without the prior written consent of the other Party, and such consent shall not be unreasonably withheld.

Section 12.3 Taxes and Fees. If, during the term of this Agreement, the Federal Government, or any state, municipality, or subdivision of such state, should impose any new or increase any present tax or fee or levy or any additional tax or fee relating to the service provided by the Company under this Agreement, any such additional tax or fee directly attributable to such service and actually paid by Company shall be added to Company's bill to Customer and paid promptly by Customer.

Section 12.4 No Waiver. No waiver by either party of any one or more defaults by the other in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults of the like or a different character.

Section 12.5 Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Florida notwithstanding another jurisdiction.

Section 12.6 Headings. All article headings, section headings and subheadings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Section 12.7 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provisions; provided, however, that if such severability materially changes the economic benefits of this Agreement to either party, the parties shall negotiate an equitable adjustment in the provisions of this Agreement in good faith.

Section 12.8 Entire Agreement. This Agreement, including the appendices attached hereto, sets forth the full and complete understanding of the parties as of the date above-stated, and it supersedes any and all prior negotiation, agreements, and understandings with respect to the subject matter hereof. No party shall be bound by any other obligations, conditions or representations with respect to the subject matter of this Agreement.

Section 12.9 Amendments. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified except by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver, or modification shall be sought. A change of the place to which notices pursuant to this Agreement must be sent shall not be deemed nor require any amendment of this Agreement provided that such change is communicated in accordance with Section 8.1 of this Agreement.

Section 12.10 Counterparts. This Agreement may be executed in two (2) or more counterparts, all of which taken together shall constitute one and the same instrument and each of which shall be deemed an original instrument as against the party who has signed it.

Section 12.11 Legal Fees. In the event of litigation between the parties hereto arising out of or in connection with this Agreement, then the reasonable attorneys' fees and costs of the party prevailing in such litigation shall be paid by the other party.

Section 12.12 Vendor Ombudsman. A Vendor Ombudsman has been established within the Department of Banking and Finance. The duties of this individual include acting as an advocate for contractors or vendors who may be experiencing problems in obtaining timely payments from a state agency. The Vendor Ombudsman may be contacted at (904) 488-2924 or by calling the State Comptroller's Hotline, 1-800-848-3792.

Section 12.13 Representations and Warranties of Customer.
Customer represents and warrants to and for the benefit of Company that, as of the date of this Agreement: Customer has full power, authority and legal right to carry on its business as presently conducted and to enter into and perform its obligations under this Agreement and all other agreements entered into or undertaken in connection with the transactions contemplated hereby; and, the execution, delivery and performance by Customer of this Agreement have been duly authorized and all required action for such authorization, including any action required under Chapter 287, Florida Statutes, has been taken.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officials on the dates set forth below:

ST JOE NATURAL GAS COMPANY, INC.

By: Grant Moor

Title: President
For the Company

Attest: Shirley Parker

DATE: March 5, 1996

DEPARTMENT OF MANAGEMENT SERVICES, AGENCY OF THE STATE OF FLORIDA

By: George C. Banks

Title: Director, Division of Purchasing
For the Customer

Attest: Lucy Robertson

DEPARTMENT OF CORRECTIONS, AGENCY OF THE STATE OF FLORIDA

By: Fred Schuchert

Title: Acting Asst. Sec. for OMB
For the Customer

Attest: James A. Biddle

APPROVED AS TO FORM AND LEGALITY
OFFICE OF GENERAL COUNSEL
DEPARTMENT OF MANAGEMENT SERVICES
BY Paul Blay

APPENDIX A
TO
CONTRACT TRANSPORTATION SERVICE AGREEMENT
BETWEEN
ST JOE NATURAL GAS COMPANY, INC.
AND
DEPARTMENT OF MANAGEMENT SERVICES,
AGENCY OF THE STATE OF FLORIDA

MAXIMUM DAILY TRANSPORTATION QUANTITY:

SEASON	DESCRIPTION AND POI OF RECEIPT POINT(S)	MDTQ (MMBtu) *
October	Overstreet POI56657	75
November - March	Overstreet POI56657	300
April	Overstreet POI56657	165
May - September	Overstreet POI56657	75
TOTAL MDTQ		64,500

Customer to provide Retainage pursuant to Service Agreement and provisions of Company's FPSC Gas Tariff, Rules and Regulation.

* Exclusive of Company's Retainage

APPENDIX B
 TO
 CONTRACT TRANSPORTATION SERVICE AGREEMENT
 BETWEEN
 ST JOE NATURAL GAS COMPANY, INC.
 AND
 DEPARTMENT OF MANAGEMENT SERVICES,
 AGENCY OF THE STATE OF FLORIDA

POINT(S) OF DELIVERY:

SEASON	DESCRIPTION AND POI OF DELIVERY POINT(S)	MAXIMUM DAILY QUANTITIES (MMBtu)
October	* POI GCI1	75
November - March	POI GCI1	300
April	POI GCI1	165
May - September	POI GCI1	75

* GCI - Gulf Correctional Institution

	RETAINAGE PER DAY
October	.37
November - March	1.50
April	.82
May - September	.37

APPENDIX C
TO
CONTRACT TRANSPORTATION SERVICE AGREEMENT
BETWEEN

ST JOE NATURAL GAS COMPANY, INC.

AND

DEPARTMENT OF MANAGEMENT SERVICES,
AGENCY OF THE STATE OF FLORIDA

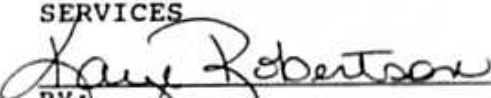
This Appendix C, identifies the State's Designated Agent authorized to handle the capacity management and payment functions of the State's natural gas acquisition program. Citrus Trading Corporation has been awarded a five-year contract to acquire natural gas for the statewide program and to provide capacity management of the State's natural gas, including nominations, scheduling, balancing, resolution of imbalance, and transportation arrangements. Citrus Trading Corporation is responsible for receipt and payment of all invoices associated with the acquisition and delivery of natural gas to the State's facilities served under this Agreement. SJNG shall communicate directly with the State's Designated Agent regarding the above functions as they relate to delivery of the State's gas to the facilities designated on Appendix B.

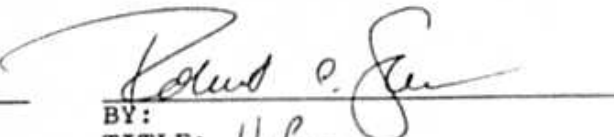
The Citrus Trading Corporation contact for daily nominations, scheduling activities and payment functions is:

JULIE STRATTON, SPECIALIST
POST OFFICE BOX 1188
HOUSTON, TEXAS 77251-1188
TELEPHONE - (713) 853-5333
TELEFAX - (713) 646-8420

STATE OF FLORIDA
DEPARTMENT OF MANAGEMENT
SERVICES

CITRUS TRADING CORPORATION


BY: _____
TITLE: Contract Administrator


BY: _____
TITLE: U.P.


ATTESTED: _____


ATTESTED: _____

\H

ST JOE NATURAL GAS COMPANY
Extension of Facilities
Cost Projection
March 1996

CustomerGULF CORRECTIONAL INSTITUTION

Facility Type	Amount
-----	-----
376 MAIN LINE - HP	\$436,242
385/387 GENERAL - M&R EQUIP	\$12,501
381/382 METER/INSTALL	\$2,600
383/384 REGULAT/INSTALL	\$1,500

TOTAL PROJECT COST (100.0% COMPLETION)	\$452,843
	=====

JOE NATURAL GAS COMPANY, INC.

P.O. BOX 549 PHONE 229-8216
PORT ST. JOE, FLORIDA 32456

SERVICE AREA MAP

