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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition by the Florida Division
of Chesapeake Utilities Corporation
for Approval Of Special Contract
with Department of Management Services,
Agency of the State of Florida.**

050327-60

**PETITION FOR APPROVAL OF SPECIAL CONTRACT
WITH DEPARTMENT OF MANAGEMENT SERVICES,
AGENCY OF THE STATE OF FLORIDA.**

The Florida Division of Chesapeake Utilities Corporation (the "Company"), by and through its undersigned counsel, and pursuant to Section 366.06, Florida Statutes, petitions the Commission for approval of a Special Contract with the Department of Management Services, Agency of the State of Florida ("DMS"), and in support thereof states as follows.

The name and address of the petitioner is:

Chesapeake Utilities Corporation
Florida Division
P.O. Box 960
Winter Haven, FL 33882

- 2. The name, address, and telephone and fax numbers of the person authorized to receive notices and communications with respect to this petition is:

Wayne L. Schiefelbein
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301
(850) 877-6555 (telephone)
(850) 656-4029 (fax)

Attorneys for the Florida Division
of Chesapeake Utilities Corporation

- 3. The Company is a natural gas distribution utility subject to the regulatory jurisdiction of this Commission as prescribed in Chapter 366, Florida Statutes. Its substantial interests will be affected by the Commission's disposition of this petition in that such disposition will determine whether the Florida Division will be permitted to provide gas transportation service on terms agreeable to it and DMS.

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4. The State is currently operating a State Correctional Institution in Washington County, Florida (the "Facility") and is expanding said Facility. Natural gas will be used to provide heat, hot water, cooking and laundry services to the Facility.
5. The Company is constructing an interconnect with Florida Gas Transmission (FGT) and installing approximately 1.25 miles of distribution system facilities for the purpose of receiving natural gas purchased by DMS from various gas suppliers and delivered for its account at the Company's Washington Gate Station. The Company's facilities are expected to be in service in the third quarter of 2005. These facilities are designed to provide service to the Facility and can be used to support the future growth of the surrounding area.
6. The Company and DMS have an existing FTS Gas Transportation Service Agreement (the "Master Transportation Agreement") that provides for service to various other State facilities under the Company's tariff provisions. A copy of the Master Transportation Agreement is appended hereto as Exhibit 1. The Company and DMS have now entered into an Exhibit B under the Master Transportation Agreement for service to this Facility at rates different than tariff rates, subject to Commission approval. A copy of Exhibit B under the Master Transportation Agreement is appended hereto as Exhibit 2. The Company would thereunder receive certain quantities of natural gas at its Washington County Gate Station for DMS's account, transport such quantities through its facilities, and redeliver same to the Facility in accordance with the terms and conditions of the Master Transportation Agreement and Exhibit B.
7. The Company's tariff defines Special Contracts in its Service Options section (First Revised Sheet No. 36), as follows:


Any customer who, with the approval of the Commission, receives general sales or transportation service from the Company under written contractual terms and conditions other than those set forth in the Company's approved tariff.
8. The Special Contract has an initial term of fifteen (15) years.
9. During the initial term of the Agreement, DMS would pay to the Company a rate of \$7,420.00 per month. Consistent with the Company's tariff, the rate and terms and conditions may be revised, amended or superceded from time to time subject to the approval of the Commission.
10. The annual transportation revenues derived from the contract would enable the Company to more than recover the fully allocated cost of serving DMS. The Cost of Service Study appended hereto as Exhibit 3 demonstrates this. As is shown in the study, the estimated \$71,647.00 in total annual operating costs will be fully recovered and will provide a return on the Company's net

investment through the annual rate of \$89,040.00 for the fifteen-year service agreement. The Agreement clearly generates revenues in excess of the cost to serve, thereby providing benefits to the general body of ratepayers.

11. Washington County is located in northwest Florida and is rural in nature. There currently is no natural gas service in the vicinity of the Facility. Natural gas service is currently provided to the Chipley area through the municipally-owned system of the City. The City of Chipley is over 15 miles from the Facility. There is no potential conflict between the Company and the City of Chipley to provide service to this area of Washington County.
12. The Commission has previously approved Washington County as a part of the service territory of the Company (Original Sheet No. 15.3, Effective March 3, 2005).
13. The Company asks that the Commission approve the Agreement with DMS submitted herewith as a special contract under Rule 25-9.034(1), Florida Administrative Code.
14. The Company is entitled to reasonable compensation for the service rendered, and the Commission has the authority to approve rates to provide such compensation, pursuant to Chapter 366, Florida Statutes.
15. The Company requests that Commission approval of the Special Contract be made effective as of the date of the vote by the Commission, and that in the event a protest to the Order granting the instant petition is timely filed, that the authority to collect the rate proposed therein remain in effect, subject to refund, pending resolution of the protest.
16. The Company is aware of no disputed issues of material fact.

WHEREFORE, the Florida Division of Chesapeake Utilities Corporation requests that the Commission approve the Special Contract with DMS (Exhibit 2) as soon as is practical.

Respectfully submitted,



Wayne L. Schiefelbein
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301
(850) 877-6555 (telephone)
(850) 656-4029 (fax)

Attorneys for the Florida Division of Chesapeake
Utilities Corporation

EXHIBIT 1

MASTER TRANSPORTATION AGREEMENT

**FTS GAS TRANSPORTATION SERVICE AGREEMENT
MADE AND ENTERED INTO BETWEEN**

CHESAPEAKE UTILITIES CORPORATION

AND

**THE DEPARTMENT OF MANAGEMENT SERVICES
AGENCY OF THE STATE OF FLORIDA**

March 19, 1999

FTS GAS TRANSPORTATION SERVICE AGREEMENT

THIS AGREEMENT, entered into by and between Chesapeake Utilities Corporation, a Delaware corporation, doing business in Florida as Central Florida Gas Company, and hereinafter referred to as "Chesapeake," and the Department of Management Services (DMS), acting on behalf of various government agencies, an Agency of the State of Florida, hereinafter referred to as the "State." The State has awarded a contract to Enron Capital & Trade Resources Corporation (ECT) to provide Capacity Management Services and Acquisition of Natural Gas Supplies for State Agencies and Institutions. "ECT" will act as the State's Agent with regard to acquiring and transporting natural gas to State Facilities for DMS and shall be hereinafter referred to as the "Shipper."

WITNESSETH:

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

WHEREAS, State has requested that Chesapeake receive certain quantities of gas for State's account, transport such quantities on Chesapeake's distribution system, and redeliver same to the State's Facilities identified on Exhibit A, and Chesapeake agrees to provide such service in accordance with the terms hereof;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the Parties agree as follows:

ARTICLE I Definitions

Unless another definition is expressly stated, the following terms and abbreviations, when used in this Agreement and in all exhibits, recitals, and appendices contained or attached to this Agreement are intended to and will mean as follows:

- 1.1 "Btu" means the amount of heat required to raise the temperature of one pound of water from 59 degrees Fahrenheit to 60 degrees Fahrenheit at a constant pressure of 14.73 p.s.i.a.
- 1.2 "Day" means a period of 24 consecutive hours beginning and ending at 9:00 a.m. Central Clock Time.
- 1.3 "Delivery Point" means the point at the connection of the facilities of an upstream party and a downstream party's facility at which the gas leaves the outlet side of the measuring equipment of the upstream party and enters the downstream party's facility.

- 1.4 "Gas" means natural gas which is in conformance with the quality specifications of the Transporter.
- 1.5 "Maximum Daily Transportation Quantity" or "MDTQ" means the largest quantity of gas, expressed in MMBtu, that Transporter is obligated to transport and make available for delivery to the State under any applicable Service Agreement or Service Agreements for Firm Transportation Service on any one day.
- 1.6 "Month" means a period beginning at 9:00 a.m. Central Clock Time ("CCT") on the first day of a calendar month and ending at 9:00 a.m. CCT on the first day of the next succeeding calendar month.
- 1.7 "MMBtu" means 1,000,000 Btu's or ten (10) therms
- 1.8 "p.s.i.a." means pounds per square inch absolute.
- 1.9 "Receipt Point" means the point at which gas is received by Transporter into Transporter's system from an upstream service or facility.
- 1.10 "Shipper" means the party that has contracted with Transporter for transportation service.
- 1.11 "Therm" means a unit of heat equal to 100,000 Btu's.
- 1.12 "Transporter" means any third party pipeline or pipelines utilized to effect delivery of gas to State's Facility.
- 1.13 "P.O.I." means Point of Interest, that is, the point at which control and possession of gas passes from Florida Gas Transmission to Chesapeake.

ARTICLE II
POINTS OF DELIVERY AND REDELIVERY

- 2.1 Shipper shall cause the Transporter to deliver to Chesapeake at the delivery point(s) on the Transporter's system, (which specified delivery point(s) is hereinafter referred to as "Transporter's Delivery Point(s)"), the quantities of gas to be transported by Chesapeake hereunder. Chesapeake shall have no responsibility for transportation of Shipper's gas prior to receipt of such gas from the Transporter at Transporter's Delivery Point(s). Chesapeake shall deliver such quantities of gas received from the Transporter at Transporter's Delivery Point(s) for the State's account to Chesapeake Utilities Corporation's Delivery Point at the State's Facilities identified on Exhibit B (hereinafter referred to as "Chesapeake's Delivery Point(s)" or "State's Facilities").

ARTICLE III
QUANTITIES

- 3.1 Subject to the terms and conditions of this Agreement, Chesapeake agrees to receive from the Transporter, at Transporter's Delivery Point, on a daily basis, a quantity of gas up to State's Maximum Daily Transportation Quantity ("MDTQ"), and Chesapeake agrees to transport and deliver equivalent quantities to State at Chesapeake's Delivery Point located at State's Facility. State's MDTQ under this Agreement shall be the quantity of gas per day as shown in Exhibit B to this Agreement, which is incorporated herein by reference and made a part hereof.

ARTICLE IV
SCHEDULING AND BALANCING

- 4.1 Shipper shall be responsible for nominating quantities of gas to be delivered by the Transporter to Transporter's Delivery Point and delivered by Chesapeake to State's Facility. Shipper shall promptly provide notice to Chesapeake of all such nominations. Such notices shall be provided to Chesapeake by facsimile transmission. Imbalances between quantities (i) scheduled for delivery by the Transporter to Chesapeake and/or delivery by Chesapeake to State's Facility, and (ii) actually delivered by the Transporter and/or Chesapeake hereunder, shall be resolved in accordance with the applicable provisions of Chesapeake's Florida Public Service Commission ("FPSC") Natural Gas Tariff, as such provisions may be amended from time to time, subject to approval by the FPSC.
- 4.2 The Parties hereto recognize the desirability of maintaining a uniform rate of flow of gas to State's Facility over each 24-hour period and each day throughout each month. Therefore, Chesapeake agrees to receive from the Transporter for State's account at Transporter's Delivery Point and deliver to Chesapeake's Delivery Point up to the MDTQ as described in Exhibit B attached hereto, subject to any restrictions imposed by the Transporter and to the provisions of Articles V and X of this Agreement, and State agrees to use reasonable efforts to regulate its deliveries from Chesapeake's gas distribution system at a daily rate of flow not to exceed the applicable MDTQ for the month in question, subject to any additional restrictions imposed by the Transporter or by Chesapeake pursuant to Articles V and VI of this Agreement.

ARTICLE V
CURTAILMENT

- 5.1 This Agreement in all aspects shall be and remain subject to the applicable provisions of the General Rules and Regulations of Chesapeake's Natural Gas Tariff, as they specifically apply to curtailment, and as approved by the FPSC or

its appropriate successor agency or authority, all of which are made a part hereof by this reference.

ARTICLE VI
TITLE, CONTROL AND INDEMNIFICATION

- 6.1 Shipper warrants that it will have good and merchantable title to all gas delivered by the Transporter to Chesapeake for State's account at Transporter's Delivery Point, and that such gas will be free and clear of all liens, encumbrances, and claims whatsoever. To the extent provided by law, the State will indemnify Chesapeake and save it harmless from all suits, actions, debts, accounts, damages, costs including reasonable attorneys' fees, losses, and expenses arising from or out of the adverse claim of any and all persons to said gas. Chesapeake will indemnify State and save it harmless from all suits, actions, debts, accounts, damages, costs including reasonable attorneys' fees, losses, and expenses arising from or out of the adverse claim of any and all persons to gas delivered for the account of State to Chesapeake for transportation hereunder which arise from or relate to Chesapeake's transportation of said gas on Chesapeake's distribution system. In the event any adverse claim in respect to said gas is asserted, or Shipper breaches its warranty herein, Chesapeake shall not be required to perform its obligations to transport and deliver gas to State's Facility or subject to receipt of any necessary regulatory authorization, to continue service hereunder for State until such claim has been finally determined; provided, however, that State may receive service if (i) in the case of an adverse claim, Shipper furnishes a bond to Chesapeake, conditioned for the protection of Chesapeake with respect to such claim; or (ii) in the case of a breach of warranty, Shipper furnishes evidence, satisfactory to Chesapeake, of Shipper's title to said gas.
- 6.2 Chesapeake shall be deemed to be in control and possession of the gas to be transported by it upon delivery of such gas by the Transporter to Chesapeake for State's account at Transporter's Delivery Point and until it shall have been delivered to State at Chesapeake's Delivery Point located at State's Facility; and Shipper shall be deemed to be in control and possession of such gas prior to such delivery to Chesapeake and the State will be deemed to be in control and possession of such gas after such delivery by Chesapeake to State. Each party, while deemed to be in control and possession of such gas, shall be responsible for, and shall indemnify and hold the other harmless from any and all claims, actions, suits, including attorney's fees, arising out of or relating in any way to custody and control of such gas.

ARTICLE VII
RATE

- 7.1 The rate to be charged for each therm of gas scheduled to be delivered hereunder by Chesapeake, up to the MDTQ established by this Agreement, shall be the rate set forth on the FTS rate schedule in Chesapeake's FPSC Approved Natural Gas Tariff. This rate includes the charges per therm for transportation service by Chesapeake under Chesapeake's approved Firm Transportation Service Rate Schedule plus any applicable Area Extension Program Charges pursuant to Section 10.14 of this Agreement. The Area Extension Program Charges, when applicable, shall be applied to all quantities of gas delivered (scheduled or unscheduled) to Shipper's facility by Chesapeake. Chesapeake and State recognize that (i) the FTS transportation rate schedule may change from time to time due to changes in Chesapeake's operations and (ii) that the aforesaid or otherwise applicable rates and rate schedules may be revised, amended or superseded from time to time subject to the approval of the FPSC. Chesapeake and State agree that in any such case, the newly applicable transportation rate schedule or the transportation rate schedule that supersedes any applicable transportation rate schedule or the revised or amended transportation rate schedule, as the case may be, shall apply to this Agreement.
- 7.2 Nothing contained in this Agreement shall prevent Chesapeake from proposing to, and filing with, the FPSC: (i) changes and revisions to any effective rate schedule, (ii) superseding rate schedules, or (iii) any other modifications to its tariff for the purpose of changing the rates, charges and other provisions applicable to the service provided under this Agreement. Nothing contained in this Agreement shall prevent State from opposing any changes, revisions or modifications contained in any proposal or filing made by Chesapeake to or with the FPSC that affect the charges or other provisions applicable to service provided under this Agreement, or from pursuing any other available legal remedy with respect to such changes, revisions or modifications.
- 7.3 If, during the term of this Agreement, the Federal Government, or any State, municipality or subdivision of such Government, should increase any present tax or levy any additional tax, relating to the service provided by Chesapeake under this Agreement, any such additional tax required by law to be paid by Chesapeake shall, in Chesapeake's discretion, insofar as such discretion is provided for under applicable law, be either separately stated on the total amount of the bill or computed on a cents per therm basis and added to the then effective rate for Chesapeake's services hereunder. If, during the term of this Agreement, the Federal Government, or any State, municipality or subdivision of such Government, should decrease or eliminate any tax relating to the service provided by Chesapeake under this Agreement, the reduction in such tax required to be paid by Chesapeake shall, in Chesapeake's discretion, insofar as such discretion is provided for under applicable law, be either separately stated as a deduction to the total amount of the bill or computed on a cents per therm basis and subtracted from the then effective rate hereunder.

ARTICLE VIII
TERM

- 8.1 Subject to all other provisions, conditions, and limitations hereof, this Agreement shall be effective upon its date of execution by both parties and shall continue in full force and effect for an initial period of ten (10) years from the in-service date. Thereafter, the Agreement shall be extended on a year-to-year basis unless terminated by either Party, with at least sixty (60) days written notice to the other party prior to the termination date. ST
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- 8.2 This Agreement may be unilaterally canceled by DMS for refusal of Chesapeake to allow public access to documents, papers, letters and other materials made or received by Chesapeake in conjunction with this Agreement and subject to the provisions of the Public Records Act, Section 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 Chesapeake from seeking proprietary, confidential treatment of any document or portion thereof as provided by Section 366.093, Florida Statutes and rules of the FPSC. DMS may not cancel this Agreement while such a request is pending or in the event a document is found to be proprietary and confidential.

ARTICLE IX
CHESAPEAKE'S TARIFF PROVISIONS

- 9.1 Chesapeake's applicable Rate Schedule provisions and applicable Subsections of the General Rules and Regulations of Chesapeake's Natural Gas Tariff approved with the FPSC, including any amendments thereto approved by the FPSC during the term of this Agreement, are hereby incorporated into this Agreement and made a part hereof for all purposes. In the event of any conflict between said provisions of Chesapeake's FPSC Tariff and specific provisions of this Agreement, the latter shall prevail, in the absence of an FPSC Order to the contrary.

ARTICLE X
MISCELLANEOUS PROVISIONS

- 10.1 Notices and other communications. Any notice, request, demand, statement or payment provided for in this Agreement, unless otherwise specified, shall be sent to the Parties hereto at the following addresses:
- State: Department of Management Services
Division of Purchasing
4050 Esplanade Way
Building C, Room 325 F
Tallahassee, Florida 32399-0950

Attention: Kaye Robertson
Phone: (850) 488-3158
Facsimile: (850) 921-5979

Chesapeake: Chesapeake Utilities Corporation
Florida Division
P. O. Box 960
Winter Haven, Florida 33882

Attention: Transportation and Exchange Coordinator
Phone: (941) 293-1053
Facsimile: (941) 294-3895

- 10.2 Headings. All article headings, section headings and subheadings in this Agreement are inserted only for the convenience of the Parties in identification of the provisions hereof and shall not affect any construction or interpretation of this Agreement.
- 10.3 Entire Agreement. This Agreement, including the Exhibits attached hereto, sets forth the full and complete understanding of the parties as of the date of its execution by both parties, and it supersedes any and all prior negotiations, 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.
- 10.4 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 enforcement of the termination, amendment, supplement, waiver or modification shall be sought. A change in (a) the place to which notices pursuant to this Agreement must be sent or (b) the individual designated as the Contact Person pursuant to section 10.1 shall not be deemed nor require an amendment of this Agreement provided such change is communicated in accordance with Section 10.1 of this Agreement. Further, the Parties expressly acknowledge that the limitations on amendments to this Agreement set forth in this section shall not apply to or otherwise limit the effectiveness of amendments which are necessary to comply with the requirements of, or are otherwise approved by FPSC or its successor agency or authority.
- 10.5 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 provision; 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.

- 10.6 Waiver. No waiver of any of the provisions of this Agreement shall be deemed to be, nor shall it constitute, a waiver of any other provision whether similar or not. No single waiver shall constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.
- 10.7 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.
- 10.8 Independent Parties. Chesapeake and the State shall perform hereunder as independent parties and neither Chesapeake or the State is in any way or for any purpose, by virtue of this Agreement or otherwise, a partner, joint venturer, agent, employer or employee of the other. Nothing in this Agreement shall be for the benefit of any third person for any purpose, including, without limitation, the establishing of any type of duty, standard of care or liability with respect to any third person.
- 10.9 Assignment and Transfer. No assignment of this Agreement by either party may be made without the prior written approval of the other party (which approval shall not be unreasonably withheld) and unless the assigning or transferring party's assignee or transferee shall expressly assume, in writing, the duties and obligations under this Agreement of the assigning or transferring party, and upon such assignment or transfer and assumption of the duties and obligations, the assigning or transferring party shall furnish or cause to be furnished to the other party a true and correct copy of such assignment or transfer and assumption of duties and obligations.
- 10.10 Governmental Authorizations; Compliance with Law. This Agreement shall be subject to all valid applicable state, local and federal laws, orders, directives, rules and regulations of any governmental body, agency or official having jurisdiction over this Agreement and the transportation of gas hereunder. Chesapeake and State shall comply at all times with all applicable federal, state, municipal, and other laws, ordinances and regulations. Chesapeake and/or State will furnish any information or execute any documents required by any duly constituted federal or state regulatory authority in connection with the performance of this Agreement. Each party shall proceed with diligence to file any necessary applications with any governmental authorities for any authorizations necessary to carry out its obligations under this Agreement. In the event this Agreement or any provisions herein shall be found contrary to or in conflict with any such law, order, directive, rule or regulation, the latter shall be deemed to control, but nothing in this Agreement shall prevent either party from contesting the validity of any such law, order, directive, rule, or regulation, nor shall anything in this Agreement be construed to require either party to waive its respective rights to assert the lack of jurisdiction of any governmental agency other than the FPSC over this Agreement or any part thereof. In the event of such contestation, and unless otherwise prohibited from doing so under this Section 10.10, Chesapeake shall continue to transport and State shall continue to take gas pursuant to the terms of this

Agreement. In the event any law, order, directive, rule, or regulation shall prevent either part from performing hereunder, then neither party shall have any obligation to the other during the period that performance is precluded.

- 10.11 Law Governing Agreement; Venue. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of Florida. The venue for any action, at law or in equity, commenced by either party against the other and arising out of or in connection with this Agreement shall be in a court of the State of Florida having jurisdiction.
- 10.12 Counterparts. This Agreement may be executed in 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 any party who has signed it.
- 10.13 Specifically Superseded Agreements. This Agreement, on the Effective Date, supersedes and cancels the previous gas transportation agreement between the parties, with the exception of the FTS Gas Transportation Service Agreement between Chesapeake Utilities Corporation and the Department of Management Services, effective March 15, 1996.
- 10.14 Facility Construction. To serve the Shipper's Facility, Chesapeake will have to construct certain pipeline, metering, and pressure regulating facilities. Pursuant to Section 7 of the General Rules and Regulations of Chesapeake's Natural Gas Tariff, Chesapeake must calculate the Maximum Allowable Construction Cost (MACC) and recover from those customers requesting the new facilities any costs in excess of the MACC through either (i) a Contribution in Aid of Construction or (ii) an Area Extension Program Charge. The MACC calculation is included in Exhibit C of this Agreement. Upon completion of the facilities construction and once the actual construction costs are known, the MACC shall be recalculated to determine the final shortfall from the MACC. This final shortfall will be the basis for the CIAC or the Area Expansion Program Charge. The State may elect to reimburse Chesapeake for the shortfall through either a CIAC or an Area Expansion Program Charge. At the end of the first year, the gas consumption will be evaluated compared to the projected amount to determine if there is a variance. The Shipper will be advised if there is a major deficiency in consumption. At the end of the initial contract period, CFG will assess the total gas consumption compared to the projected consumption. If there is a variance, CFG will recalculate the Company's MACC and advise the Shipper if there is a shortfall or excess that warrants compensation of either Chesapeake or the State.

The agreement attached as Exhibit C provides for and confirms Chesapeake's recovery of its facility construction costs.

- 10.15 Payment. The State of Florida's performance and obligation to pay under this contract is contingent upon an annual appropriation by the Legislature. A Vendor Ombudsman has been established within the Department of Banking and Finance. The duties of this individual include acting as an advocate for the contractors and

vendors who may be experiencing problems in obtaining timely payment(s) from a State Agency. The Vendor Ombudsman may be contacted at (850) 488-2924 or by calling the State Comptroller's Hotline, 1 (800) 848-3792. Subject to the terms and conditions of Chesapeake's Natural Gas Tariff, Chesapeake may interrupt gas deliveries to State's facility as a result of State's failure to make payment to Chesapeake.

- 10.16 Billing. Chesapeake shall render a consolidated bill for all transportation and other services to State's Facilities during the preceding month to State's designated Agent on or about the fifth day of each month. Chesapeake shall submit invoices identifying the service(s) provided in detail sufficient for proper preaudit and postaudit thereof. Payment shall be made to Chesapeake by State's Agent in accordance with Chesapeake's Natural Gas Tariff. Though the State may have an Agent performing certain functions on State's behalf, State shall have ultimate responsibility for the charges for the gas services Chesapeake provides the State's Facilities.
- 10.17 State's Gas Purchasing and Shipping Agent. The State has awarded a contract to ECT to provide capacity management services and acquisition of natural gas supplies for State Agencies and Institutions. ECT will act as the State's agent with regard to acquiring and transporting natural gas to State Facilities for DMS and shall be considered the "Shipper" for the purposes of this agreement. In Exhibit D, the State and ECT acknowledge and confirm ECT being named the State's agent. The State will promptly advise Chesapeake of any change in its Designated Agent.
- 10.18 Travel Expense. DMS is not responsible for travel expense unless authorized herein. If authorized, bills for any travel expenses shall be submitted in accordance with Section 112.061, K Florida Statutes. Documentation of such expenses to the extent necessary to comply with the Regulations of the State comptroller shall accompany all requests for reimbursement thereof submitted by Chesapeake to DMS.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the dates stated below.

STATE:
Department of Management Services,
Agency of the State of Florida

ATTEST: Robert W. Butts BY: Kaye Robertson
DATE: 5/26/99 NAME: Kaye Robertson
TITLE: Program Manager, FNGPP

CHESAPEAKE:
Chesapeake Utilities Corporation
d/b/a Central Florida Gas Company

ATTEST: Thomas L. Jeffrey BY: Stephen C. Thompson
DATE: 4/23/99 NAME: Stephen C. Thompson
TITLE: Vice President

APPROVED AS TO FORM AND LEGALITY
OFFICE OF THE GENERAL COUNSEL
DEPARTMENT OF MANAGEMENT SERVICES
BY: [Signature]

EXHIBIT 2

EXHIBIT B

TO

MASTER TRANSPORTATION AGREEMENT

EXHIBIT B
TO
FTS GAS TRANSPORTATION AGREEMENT
BETWEEN
CHESAPEAKE UTILITIES CORPORATION
AND
DEPARTMENT OF MANAGEMENT SERVICES,
AGENCY OF THE STATE OF FLORIDA
FOR
WASHINGTON CORRECTIONAL INSTITUTION

This Exhibit to the Master Transportation Agreement is made and entered into this 22 day of April, 2005, by and between Chesapeake Utilities Corporation, a Delaware Corporation, doing business in the State of Florida as Central Florida Gas Company ("CFG") and the Department of Management Services, an Agency of the State of Florida ("Shipper").

WHEREAS, CFG and Shipper are parties to a Master Transportation Agreement dated the 9th day of April, 1999; and,

WHEREAS, Shipper desires that CFG provide, and CFG is willing to provide, service pursuant to the Master Transportation Agreement to Shipper's facility known as Washington Correctional Institution ("the Facility");

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereby agree to the following:

1. This Exhibit shall become effective April 22, 2005

2. CFG agrees to provide and Shipper agrees to receive and pay for gas service at the Facility. Such service shall be governed by the terms and conditions of the Master Transportation Agreement and the following:

CFG RECEIPT POINT(S): CFG shall accept gas from the Shipper, or for its account, for transportation pursuant to this Agreement at the following point:

Interconnection between FGT pipeline and Chesapeake Utilities pipeline in the vicinity of Washington County, Florida. D.R.N. No. _____

Maximum Daily Transportation Quantity (MDTQ): 1000
MMbtu/day
Plus Retainage

CFG DELIVERY POINT(S): Gas transported pursuant to this Agreement shall be delivered by CFG to the following point(s):

<u>NAME</u>	<u>MAXIMUM DELIVERY QUANTITY</u>
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Meter at boundary of the Facility	1000 MMbtu/day
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DAILY QUANTITIES:

<u>Period</u>	<u>MDTQ (MMbtu/day)</u>
January	1000
February	1000
March	1000
April	1000
May	1000
June	1000
July	1000
August	1000
September	1000
October	1000
November	1000
December	1000

Rate: \$7,420 per Month

Term: Fifteen (15) years from date of execution

Delivery Pressure: 20 psig

Equipment: CFG shall provide and arrange for the installation of a pipeline tap, pressure reducing equipment, service line extension, electronic metering equipment compatible with the Shipper's data gathering system, and on-site equipment conversion to enable natural gas usage at the Facility.

Other Agreements: No other agreements, including a Facility Charge Agreement, are required. CFG has calculated the Maximum Allowable Construction Costs ("MACC") to provide natural gas delivery service to the Facility and the projected construction costs do not exceed the MACC.

IN WITNESS WHEREOF, the parties hereto have executed this Exhibit through their duly authorized officers as of the date first above written.

Chesapeake Utilities Corporation

**Department of Corrections,
Agency of the State of Florida**

By: JOHN R. SCHINKAITS
Name: [Signature]
Title: PRESIDENT
Date: 4/22/05

By: [Signature]
Name: GEORGE TELERIAN
Title: Deputy Secretary
Date: 4/15/05

Approved for incorporation into the referenced Master Transportation Agreement:

**Department of Management Services,
Agency of the State of Florida**

By: _____
Name: Charles W. Corington
Title: Bureau Chief
Date: 4/15/05

DEPARTMENT OF CORRECTIONS
APPROVED AS TO FORM AND LEGALITY

[Signature]
GENERAL COUNSEL

EXHIBIT 3

COST OF SERVICE STUDY

COST OF SERVICE STUDY
Washington Correctional Institute

CHESAPEAKE UTILITIES CORPORATION
 FLORIDA DIVISION

ESTIMATED RATE BASE AND RETURN

Description	Amount
Cost of Plant: Gross investment in plant	\$410,293
Accumulated Depreciation	(\$14,100)
	\$396,193
Net Plant	\$396,193
Working Capital	\$0
Accumulated Deferred Income Taxes	\$0
Deferred Investment Tax Credit	\$0
Rate Base	\$396,193
Long Term Debt @ 0.00%	0
Common Equity @ 0.00%	0
Total Return @ 7.35%	\$29,120

INCREMENTAL COST OF SERVICE STUDY
Washington Correctional Institute

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION

ESTIMATED INCOME TAXES

<u>Description</u>	<u>Total</u>
1. Rate Base	<u>\$396,193</u>
2. Return On Rate Base (Line 1 x Rate of Return)	\$29,120
3. Less: Interest on Debt	<u>(\$12,203)</u>
4. Net Income after Taxes	\$16,917
5. Divide by 1-Tax Rate	0.6237
6. Taxable Income	<u>\$27,124</u>
7. Income Taxes @ 37.63%	<u>\$10,207</u>

INCREMENTAL COST OF SERVICE STUDY
Washington Correctional Institute

CHESAPEAKE UTILITIES CORPORATION
 FLORIDA DIVISION

COST OF SERVICE

<u>Cost of Service</u>	<u>Amount</u>
Operation & Maintenance	\$9,349
Depreciation	\$14,100
Insurance	\$1,000
Taxes - Other Than Income	\$7,872
Income Taxes	\$10,207
Return @ 7.35% 1/	<u>\$29,120</u>
Total Operating Costs	<u><u>\$71,647</u></u>

NOTES:

1/ 7.35% Return is the Company's mid-point rate of return from December 2004 surveillance report as filed with the FPSC.

**INCREMENTAL COST OF SERVICE STUDY
Washington Correctional Institute**

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION

ESTIMATED O&M EXPENSES

<u>Description</u>	<u>Amount</u>
1 Annual Odorant Expense. (23 hours\year @ \$23.00\hr. Parts \$619)	\$1,355
2 Meter-Test every 5 years. (6.4 hours\year @ \$25.00\hr. Parts \$230)	\$390
3 Meter Parts	\$300
4 Repaint Station Every 3 Years. (10.7hrs labor @ \$21\hr. \$384 Supplies & Misc. Exp.)	\$608
5 Maintenance & Calibration of EFM Equipment	
6 32 hrs\yr @ \$25\hr.	\$800
7 Replacement Equipment	\$300
10 Misc. Materials	\$465
11 Cathodic Protection (8 hours\year @\$22.00\hr Parts \$163)	\$339
Line Locating	\$2,000
13 Miscellaneous Expense	<u>\$2,792</u>
14 TOTAL ESTIMATED O & M EXPENSES	<u><u>\$9,349</u></u>

INCREMENTAL COST OF SERVICE STUDY
Washington Correctional Institute

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION

CAPITALIZATION AS
FILED IN DECEMBER 2004 SURVEILLANCE REPORT

42.37%	Debt
<u>57.63%</u>	Common Equity, DIT, ITC, Customer Deps.
<u>100.00%</u>	
3.08%	Weighted Average Cost of Service
\$396,193	Rate Base
<u>\$12,203</u>	Interest Expense

Washington Correctional Institute**CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION**CALCULATION OF OTHER TAXES

ESTIMATED SALES REV	<u>\$89,040</u>
REVENUE RELATED TAXES	<u>\$445</u>
PROPERTY TAX RATE	
2004 Property taxes	\$541,704
2003 plant	\$29,900,183
Average tax rate	0.0181
x Gross Plant	\$410,293
Property taxes	<u>\$7,426</u>
TOTAL TAXES OTHER	<u>\$7,872</u>