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May 7, 1998

HAND DELIVERY

Blanco Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

980630-GU

RE: Petition by the Florida Division of Chesapeake Utilities Corporation for Approval of Transportation Services Agreements and Revised Tariff Sheets.

Dear Ms. Bayo:

Enclosed on behalf of the Florida Division of Chesapeake Utilities Corporation for filing is an original and 12 copies of a Petition for Approval of Transportation Services Agreements and Revised Tariff Sheets.

Please open a docket to consider this matter.

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention. Thank you for your assistance.

Sincerely,

Wayne L. Schiefelbein

Wayne L. Schiefelbein

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU WLS/cas
- CTR Enclosures
- EAG C:\CHK\BAYO.GG
- LEG _____
- LIN _____
- OPC _____
- RCH _____
- SEC _____
- WAS _____
- OTH _____

RECEIVED & FILED
[Signature]
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

05145 MAY-78

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by the Florida Division of)
 Chesapeake Utilities Corporation for)
 approval of Transportation Services)
Agreements and Revised Tariff Sheets)

980630-

PETITION FOR APPROVAL OF
TRANSPORTATION SERVICES AGREEMENTS
AND REVISED TARIFF SHEETS

The Florida Division of Chesapeake Utilities Corporation ("Florida Division"), pursuant to Section 366.06, Florida Statutes, and Rule 25-9.034 and 25-22.036, Florida Administrative Code, petitions the Commission for approval of Transportation Services Agreements and Revised Tariff Sheets. In support of its Petition, the Florida Division states as follows:

1. The principal business address of the Florida Division is P.O. Box 960, Winter Haven, Florida 33882.
2. The name and address of the person authorized to receive notices and communications with respect to this Petition is:

Wayne L. Schiefelbein
 Gatlin, Schiefelbein & Cowdery, P. A.
 3301 Thomasville Road, Suite 300
 Tallahassee, Florida 32312
 (850) 385-9996

3. The Florida Division is a natural gas distribution company 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 firm transportation service on terms agreeable to it, Quincy Farms and Fernlea Nurseries, Inc. ("Fernlea") and will update tariff sheets which describe the territory of the Florida Division to be inclusive of the area in which these

DOCUMENT NUMBER-DATE

05145 MAY-78

FPSC-RECORDS/REPORTING

two customers are situated.

4. Quincy Farms operates a mushroom growing facility in Gadsden County and markets its products throughout the southeastern United States. Quincy Farms employs approximately 620 employees. Natural gas will be primarily used for humidity control and heating in the mushroom growing rooms.

5. The Fernlea Nursery in Gadsden County is one of three facilities operated by Fernlea in Florida. Fernlea also operates three additional nurseries in Canada. Fernlea employs about 200 employees and grows poinsettias and other bedding plants which are sold to the eastern United States market. Natural gas will be used to maintain temperatures conducive to growing these type of plants throughout the winter.

6. In order to serve these two customers, the Florida Division will be installing approximately 6.8 miles of distribution main from FGT's mainline facilities near Quincy, Florida. These facilities are designed to be able to provide service to these two facilities now and in the future and can be used to expand into the surrounding area to support any growth that may occur.

7. The Florida Division has entered into two Transportation Services Agreements, with Addendums, (Exhibit 1), which are, in all aspects except one, in accordance with the Firm Transportation Service Rate Schedule (FTS), Industrial Sales Service Rate Schedule (I), and all other provisions of its tariff. The one exception is that in the Addendums, the parties have agreed that, subject to the Florida Public Service Commission's (FPSC) approval, the rate per therm for each service provided (FTS & I) will remain fixed at the level which was in existence prior to the recent Rate Restructuring proceeding for a period of two years from the in-service date for each facility.

8. Quincy Farms, Fernlea Nurseries, Inc. and the Florida Division, subsequent to the

initial negotiations which resulted in the Transportation Services Agreements, negotiated Addendums to the respective contracts which fix the first two years' rates. There are several factors which contributed to the need for these Addendums.

First, the bulk of the original negotiations were conducted prior to the timing of the Florida Division's filing of a Rate Restructuring proceeding which resulted in an increase in the FTS and I rates. All of the economic analysis and discussions between the respective parties were conducted using the rates in effect prior to the Restructuring. The costs of equipment conversion to Quincy Farms and Fernlea are substantial, and all of the Parties recognized that it is appropriate to fix the rate so that the economics of the conversion to natural gas are substantially unchanged.

Second, the Florida Division is expanding its presence into the northern part of the State and, as such, is not well known in the area. As a measure of good faith and to present a positive image to these customers and the communities in the area, the Florida Division believes that the Addendums favorably demonstrate the spirit of the original negotiations and that the Florida Division is a good community partner.

Third, the Florida Division believes that the benefits to the general body of ratepayers, as shown in the Cost of Service Study (Exhibit 2), over the life of the twenty-year contracts, are positive. Twenty-year contracts are unusual in the natural gas industry and in order to secure the two contracts submitted herein, it is important that the early years provide the incentives of expected savings for the customers in recognition of their substantial conversion costs. Therefore, it is appropriate to ensure these savings for Quincy Farms and Fernlea by fixing the rate during the first two years in recognition of the long-term commitment made by these two entities.

Finally, the economic impact of fixing the non-fuel charges, per the terms of the Addendums,

for these two customers is \$9,245 per year (or a total of \$18,490) less non-fuel revenues collected from these two customers than would be collected under the recently restructured rates over the two-year period. However, the total incremental non-fuel revenues anticipated to be generated by these two customers for the first two years (using the fixed rate per the Addendum) is \$251,128 (Exhibit 3). After the first two years, the non-fuel rate will then be at the tariff rates for FTS and I service, as may be in effect and modified by the FPSC. Again, these contracts generate revenues in excess of the cost to serve and provide benefits to the general body of ratepayers, as shown in the Cost of Service Study.

9. The Florida Division submits, as a part of this filing, revised tariff sheets No. 3 and No. 6 and new tariff sheet No. 4.1 which include the appropriate areas of Gadsden County as the service territory of the Florida Division. Exhibit 4 contains the red-lined versions and proposed versions of these tariff sheets. Gadsden County is located northwest of Tallahassee and is rural in nature. With the exception of the municipal systems operated by the City of Chattahoochee, the City of Quincy and the Town of Havana, there are no natural gas providers in the county. The Florida Division has met with representatives of each of the three cities regarding its intention to provide natural gas service in Gadsden County, to Quincy Farms and Fernlea Nurseries, and, as needed, elsewhere outside of their municipal limits. Each of said municipal providers indicated they had no objection to the Florida Division's plans in that regard.

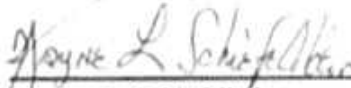
10. The Florida Division asks that the Commission approve the Transportation Services Agreement with Quincy Farms and Fernlea Nurseries, Inc. as a special contract under Rule 25-9.034(1), Florida Administrative Code and to approve the tariff sheets revised herein to recognize the appropriate area of Gadsden County as the service territory of the Florida Division.

11. Pursuant to Chapter 366, Florida Statutes, the Florida Division is entitled to reasonable compensation for the service rendered, and the Commission has the authority to approve rates to provide such compensation.

12. The Florida Division is aware of no disputed issues of material fact.

WHEREFORE, the Florida Division of Chesapeake Utilities Corporation requests Commission approval of the Transportation Services Agreements with Quincy Farms and Fernlea Nurseries, Inc. and the revised tariff sheets as soon as practical.

Respectfully submitted,



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Tallahassee, Florida 32312
(850) 385-9996

Attorneys for the Florida Division
of Chesapeake Utilities Corporation

EXHIBIT 1

TRANSPORTATION SERVICE AGREEMENTS

Transportation Services Agreement

**Prepared for
Quincy Farms**

**by
Chesapeake Utilities Corporation**

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This TRANSPORTATION SERVICES AGREEMENT ("Agreement") is made and 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 Quincy Farms hereinafter referred to as "Quincy Farms."

Witnesseth

WHEREAS, Chesapeake is a party to a Firm Transportation Service Agreement, Contract No. 5057, dated October 1, 1993, or any successor Agreement thereto, with Florida Gas Transmission Company ("FGT") under FGT's Rate Schedule FTS-1 (which agreement is hereinafter referred to as "the FTS-1 Service Agreement"); and

WHEREAS, Quincy Farms has requested that Chesapeake receive certain quantities of gas for Quincy Farms' account, transport such quantities on Chesapeake's distribution system, and redeliver same to Quincy Farms' Facility located off County Road 65 near Quincy, Florida, and Chesapeake agrees to provide such service in accordance with the terms hereof; and

WHEREAS, Quincy Farms desires firm gas transportation service, and Chesapeake is willing to furnish such service under its applicable Rate Schedule FTS and provisions of the General Rules and Regulations of its Florida Public Service Commission ("FPSC") - approved Natural Gas Tariff; and

WHEREAS, Chesapeake wishes to relinquish to Quincy Farms, and Quincy Farms wishes to acquire, a portion of Chesapeake's firm capacity rights under the FTS-1 Service Agreement, which firm capacity rights Chesapeake is entitled to relinquish pursuant to the capacity relinquishment provisions of the General Terms and Conditions of FGT's Federal Energy Regulatory Commission ("FERC") Gas Tariff, and subject to the terms and conditions of this Agreement; and

WHEREAS, Quincy Farms desires Firm Gas Service, and Chesapeake is willing to furnish such service under its applicable Rate Schedule IS and provisions of the General Rules and Regulations of its FPSC - approved Natural Gas Tariff;

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 within this Agreement, 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 "Acquiring Shipper"

means Quincy Farms.

1.2 "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.

1.3 "Gas"

means natural gas which is in conformance with the quality specifications of the Transporter.

1.5 "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; provided that, in the event of a change in the definition of the corresponding term in the tariff of Florida Gas Transmission Company ("FGT") on file with the Federal Energy Regulatory Commission ("FERC"), this definition shall be deemed to be amended automatically so that it is identical at all times to the definition of the corresponding term in said tariff.

1.6 "Dekatherm"

means 1,000,000 Btu's (1 MMBtu) or ten (10) therms.

1.7 "p.s.i.a."

means pounds per square inch absolute.

1.8 "Therm"

means a unit of heat equal to 100,000 Btu's.

1.9 "Maximum Daily Contract Quantity" or "MDCQ"

means the maximum quantity of sales service gas to be made available by Chesapeake on any given day to a customer in accordance with the provisions of a firm sales service agreement.

1.10 "Day"

means a period of 24 consecutive hours beginning and ending at 9:00 a.m. CCT; provided that, in the event of a change in the definition of the corresponding term in the tariff of Florida Gas Transmission Company ("FGT") on file with the Federal Energy Regulatory Commission ("FERC"), this definition shall be deemed to be amended automatically so that it is identical at all times to the definition of the corresponding term in said tariff.

1.11 "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.

1.12 "Firm Capacity Rights"

means the right of a Shipper to receive, and the obligation of Transporter to make available for delivery, quantities at Shipper's Primary Delivery Points up to the stated MDTQ, pursuant to the terms and conditions of the FGT FERC Gas Tariff and any applicable Service Agreement or Service Agreements providing for Firm Transportation Service.

1.13 "Maximum Daily Transportation Quantity" or "MDTQ"

means the largest quantity of gas, expressed in Dekatherms, that Transporter is obligated to transport and make available for delivery to a Shipper under any applicable Service Agreement or Service Agreements for Firm Transportation Service on any one day.

1.14 "Nomination"

means a request by a party to a producer, pipeline or local distribution company for receipt or delivery of a physical quantity of gas pursuant to a Transportation Service Agreement. A nomination specifies (i) the quantity of gas per day, measured in Dekatherms, to be received or delivered on behalf of the nominating party, (ii) the point(s) at which the gas is to be received and delivered and (iii) the period of time in which the delivery is to take place.

1.15 "P.O.I."

means Point of Interest, that is, the point at which the title of gas passes from the upstream party to the downstream party (Delivery and Receipt Points).

1.16 "Recall"

means the recall, by Relinquishing Shipper, of Firm Capacity Rights formerly released to an Acquiring Shipper.

1.17 "Receipt Point"

means the point at which gas is received by Transporter into Transporter's system from an upstream service or facility.

1.18 "Release"

means a relinquishment of Firm Capacity Rights by a Shipper.

1.19 "Relinquishing Shipper"

means Chesapeake Utilities Corporation.

1.20 "Shipper"

means the party that has contracted with Transporter for transportation service.

1.21 "Transporter"

means FGT, the party receiving gas at the receipt point(s) and transporting volumes to the point(s) of delivery.

1.22 "Zone"

means a production zone, as follows: FGT divides its pipeline supply territory into three zones. Zone one (1) originates at compressor station #2 and extends to the suction side of compressor station #7. Zone two (2) originates at the discharge side of compressor station #7 and extends to the suction side of compressor station #8. Zone three (3) originates at the discharge side of compressor station # 8 and extends to station #12.

Capacity Relinquishment Section

ARTICLE II: Scope of Capacity Relinquishment

2.1

Chesapeake shall relinquish to Quincy Farms, subject to the terms and conditions of this Agreement, a portion of the firm capacity rights which Chesapeake is entitled to relinquish under the FTS-1 Service Agreement. Chesapeake's relinquishment of FTS-1 capacity rights hereunder shall be subject to the terms and conditions governing pre-arranged temporary point-to-point relinquishment of FTS-1 capacity rights, as set forth in the General Terms and Conditions of FGT's FERC Gas Tariff, as such provisions may be amended from time to time, subject to approval by the FERC. Chesapeake represents and warrants that, on the date of execution of this Agreement: (a) the FTS-1 Service Agreement is in full force and effect and has not been assigned by Chesapeake, and (b) Chesapeake is not in default of any of its obligations under the FTS-1 Service Agreement, and (c) Relinquishing Shipper warrants that, upon expiration of the FTS-1 Service Contract #5057, which it has the right to extend, provisions will be made to renew or replace said contract in order to meet Relinquishing Shipper's obligations under this agreement.

2.2

The FGT Primary Point(s) of Receipt under the FTS-1 Service Agreement which Chesapeake shall relinquish hereunder during various months of the year are set forth in Exhibit A to this Agreement, which is incorporated herein by reference and made a part hereof. The Maximum Daily Transportation Quantity ("MDTQ") and the associated FGT Primary Delivery Point capacity to be relinquished hereunder shall be as set forth in Exhibit B to this Agreement, which is incorporated herein by reference and made a part hereof.

2.3

Chesapeake shall provide to FGT the notice of capacity relinquishment required under the General Terms and Conditions of FGT's FERC Gas Tariff. Chesapeake shall also diligently and in a timely manner take all other actions required under the General Terms and Conditions of FGT's FERC Gas Tariff to relinquish its firm capacity rights to Quincy Farms.

2.4

Quincy Farms shall accept the firm capacity relinquishment from Chesapeake subject to the terms and conditions of this Agreement and the General Terms and Conditions of FGT's FERC Gas Tariff governing such relinquishments. Quincy Farms shall also diligently and in a timely manner take all other actions required under the General Terms and Conditions of FGT's FERC Gas Tariff to acquire the firm capacity rights to be relinquished hereunder.

2.5

The firm capacity relinquishment contemplated hereunder shall become effective on the first day of the first full month following the in-service date of the facilities required to serve Quincy Farms and continue for twenty (20) years from that date.

ARTICLE III: Relinquished Capacity Charges

3.1

Commencing on the effective date of the capacity relinquishment to Quincy Farms under the FTS-1 Service Agreement, as identified in Section 2.5 above, and continuing until this Agreement is terminated or expires, Quincy Farms shall pay to FGT the maximum applicable tariff rate allowed by FERC for the capacity relinquished under said FTS-1 Service Agreement and shall indemnify Chesapeake and hold it harmless from any and all FTS-1 rates and charges assessed by FGT to Chesapeake for the relinquished capacity during the period that this Agreement remains in effect.

3.2

Upon the effective date of any recall by Chesapeake of any portion or all of the relinquished capacity, as provided in Section 4.2 or Section 4.3 hereof,

Chesapeake shall be responsible for and shall pay all of FGT's rates and charges for such recalled capacity under the FTS-1 Service Agreement during the period of such recall. Chesapeake shall indemnify Quincy Farms and hold it harmless from any and all such charges assessed by FGT to Quincy Farms for the recalled capacity after the effective date of such recall.

ARTICLE IV: Use of Relinquished Capacity; Recall Rights

4.1

Commencing on the effective date of the capacity relinquishments defined in Section 2.5 hereof, Quincy Farms shall acquire the FTS-1 capacity rights relinquished by Chesapeake hereunder and shall be entitled to use such capacity subject to (a) the General Terms and Conditions of FGT's FERC Gas Tariff applicable to capacity relinquishments, and (b) the terms and conditions of this Agreement.

4.2

Chesapeake shall have the right to recall temporarily or permanently a portion or all of the firm capacity rights relinquished hereunder, subject to the applicable notice requirements in FGT's FERC Gas Tariff, in the event that (a) Quincy Farms, without Chesapeake's prior written consent, (i) re-relinquishes to a third party any portion or segment of the FTS-1 capacity relinquished by Chesapeake, (ii) requests a Primary Receipt Point other than those specified in Exhibit A to this Agreement, or (iii) uses the relinquished capacity to move quantities of gas to a delivery point on FGT's system at which Chesapeake is not the Delivery Point Operator as defined in FGT's Tariff; (b) Quincy Farms nominates for delivery at its delivery point on Chesapeake's system less than eighty (80) percent of the capacity relinquished hereunder by Chesapeake; (c) Quincy Farms breaches its contractual obligations of payment to FGT for service obtained under the capacity relinquishment provided for by this Agreement; or (d) Quincy Farms otherwise breaches the terms and conditions of this Agreement. In the event that Chesapeake temporarily recalls a portion of the relinquished capacity under this Section 4.2, Chesapeake shall re-relinquish such capacity to Quincy Farms subject to compliance with the provisions of Sections 2.3 and 2.4 hereof as to such recalled capacity, within ten (10) days after Quincy Farms has provided assurance satisfactory to Chesapeake, in Chesapeake's sole discretion, that the cause which gave rise to Chesapeake's recall right has been removed. Neither a temporary nor

a permanent recall under this Section 4.2 of a portion or all of the capacity relinquished under this Agreement shall become effective until Chesapeake has given Quincy Farms notice in writing specifying the cause for the recall and Quincy Farms has had ten (10) days after receipt of such notice to remove or correct the cause for the recall.

4.3

In the event that Chesapeake needs a portion of the relinquished FTS-1 capacity to serve its peak demand requirements, Chesapeake shall have the right to temporarily recall the firm capacity rights relinquished hereunder, pursuant to the provisions governing Curtailment of service as set forth in Chesapeake's Natural Gas Tariff, as approved by the Florida Public Service Commission (FPSC).

Contract Transportation Service Section

Article V: Points of Delivery and Redelivery

5.1

Quincy Farms shall cause the Transporter to deliver to Chesapeake at the delivery point on the Transporter's system, (which specified delivery point is hereinafter referred to as "Transporter's Delivery Point"), the quantities of gas to be transported by Chesapeake hereunder. Chesapeake shall have no responsibility for transportation of Quincy Farms' gas prior to receipt of such gas from the Transporter at Transporter's Delivery Point. Chesapeake shall deliver such quantities of gas received from the Transporter at Transporter's Delivery Point for Quincy Farms' account to Chesapeake's Delivery Point at Quincy Farms' Facility located off County Road 65 near Quincy, Florida, (hereinafter referred to as "Chesapeake's Delivery Point" or "Shipper's Facility").

Article VI: Quantities

6.1

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 Quincy Farms' Maximum Daily Transportation Quantity ("MDTQ"), and Chesapeake agrees to transport and deliver equivalent quantities to Quincy Farms at Chesapeake's Delivery Point located at Quincy Farms' Facility. Quincy Farms' 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 VII: Scheduling and Balancing

7.1

Quincy Farms shall be responsible for nominating quantities of gas to be delivered by the Transporter to Transporter's Delivery Point and delivered by Chesapeake to Quincy Farms' Facility. Quincy Farms 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 Quincy Farms' 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.

7.2

The Parties hereto recognize the desirability of maintaining a uniform rate of flow of gas to Quincy Farms' Facility over each 24-hour period and each day throughout each month. Therefore, Chesapeake agrees to receive from the Transporter for Quincy Farms' 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 VIII and XIX of this Agreement, and Quincy Farms agrees to use commercially reasonable efforts to regulate its deliveries from Chesapeake's gas distribution system at a daily rate of flow not to exceed the aggregate of the applicable MDTQ and MDCQ for the month in question, subject to any additional restrictions imposed by the Transporter or by Chesapeake pursuant to Articles VII and IX of this Agreement.

Article VIII: Curtailment

8.1

This Agreement in all respects 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 IX: Title, Control and Indemnification

9.1

Quincy Farms warrants that it will have good and merchantable title to all gas delivered by the Transporter to Chesapeake for Quincy Farms' account at Transporter's Delivery Point, and that such gas will be free and clear of all liens, encumbrances, and claims whatsoever. Quincy Farms 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 Quincy Farms and save it harmless from all suits, actions, debts, accounts, damages, costs including reasonable attorney's fees, losses, and expenses arising from or out of the adverse claim of any and all persons to gas delivered for the account of Quincy Farms 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 Quincy Farms breaches its warranty herein, Chesapeake shall not be required to perform its obligations to transport and deliver gas to Quincy Farms' Facility or, subject to receipt of any necessary regulatory authorization, to continue service hereunder for Quincy Farms until such claim has been finally determined; provided, however, that Quincy Farms may receive service if (i) in the case of an adverse claim, Quincy Farms 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, Quincy Farms furnishes evidence, satisfactory to Chesapeake, of Quincy Farms' title to said gas.

9.2

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 Quincy Farms' account at Transporter's Delivery Point and until it shall have been delivered to Quincy Farms at Chesapeake's Delivery Point located at Quincy Farms' Facility; and Quincy Farms shall be deemed to be in control and possession of such gas prior to such delivery to Chesapeake and after such

delivery by Chesapeake to Quincy Farms. 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 X: Rate

10.1

The rate to be charged for each therm of gas 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 Natural Gas Tariff. This rate includes the charges per therm for transportation service by Chesapeake under Chesapeake's approved Firm Transportation Service Rate Schedule. Chesapeake and Quincy Farms 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 Quincy Farms 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.

10.2

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 Quincy Farms 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.

10.3

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.

Firm System Sales Section

ARTICLE XI: Volume

11.1

Beginning on or before ^{May} ~~December~~ 1, 1997, Chesapeake shall sell and deliver to Quincy Farms and Quincy Farms shall take from Chesapeake firm gas under Rate Schedule IS and the applicable provisions of the General Rules and Regulations of the Chesapeake's FPSC-approved Natural Gas Tariff, which by reference hereto are incorporated herein and made a part hereof. Delivery of such gas for use in Quincy Farms' facility located in Quincy, Florida.

ARTICLE XII: Terms and Conditions of Service

12.1

Quincy Farms agrees to pay Chesapeake for gas service under this Service Agreement at the rates and upon the conditions set forth in Rate Schedule IS and the applicable provisions of the General Rules and Regulations found in Chesapeake's FPSC-approved Natural Gas Tariff, as said rates and conditions may, from time to time hereafter, be lawfully amended or superseded.

12.2

Bills are due and payable in accordance with the provisions of the General Rules and Regulations of Chesapeake's FPSC-approved Natural Gas Tariff.

12.3

Quincy Farms acknowledges the Billing Adjustments Section of Chesapeake's FPSC-approved Natural Gas Tariff. This Agreement is also subject to addition of any new tax or fees, or increases to any existing taxes or fees, imposed by government rules and regulations, not controlled by (or beyond control of) Chesapeake.

ARTICLE XIII: Force Majeure

13.1

Chesapeake shall not be liable for failure to deliver gas under this Service Agreement, nor shall Quincy Farms be liable for failure to take gas under this Service Agreement, which failure is due to any cause or act constituting Force Majeure as defined in the Chesapeake's FPSC-approved Natural Gas Tariff, which Force Majeure interferes with Chesapeake delivering or Chesapeake taking delivery of or using the gas.

ARTICLE XIV: Title

14.1

Title to the gas shall remain with Chesapeake until delivery thereof to Quincy Farms at the Delivery Point, at which point and time, title to the gas passes to the Quincy Farms.

Term and Other Provisions

ARTICLE XV: Term

15.1

This Agreement shall be effective upon the in-service date of the facilities required to serve natural gas to Quincy Farms and shall continue in effect for a period of twenty (20) years; provided, however, this Agreement may be terminated earlier: (a) at Chesapeake's option, upon the effective date of Chesapeake's exercise of permanent recall rights in accordance with the provisions of Section 4.2 hereof,

only as to the permanently recalled capacity, and this Agreement shall remain in full force and effect as to any firm capacity relinquished hereunder which is not recalled permanently by Chesapeake; (b) upon the expiration or termination of Chesapeake's FTS-1 Service Agreement with FGT; or (c) otherwise in accordance with the Parties' respective rights under applicable law. This Agreement shall be extended on a year-to-year basis after the initial period of twenty years expires, unless terminated by either Party, with at least ninety (90) days written notice to the other Party prior to the termination date.

ARTICLE XVI: Assignment and Transfer

16.1

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.

ARTICLE XVII: Governmental Authorizations; Compliance With Law

17.1

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. The parties shall comply at all times with all applicable Federal, state, municipal, and other laws, ordinances and regulations. The parties 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. 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 the FPSC or the FERC over this Agreement or any part thereof. In the event any law, order, directive, rule, or regulation shall prevent either Party from performing hereunder, then neither Party shall have any obligation to the other during the period that performance is precluded.

17.2

This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of Florida, excluding any conflicts of laws rules that would require the application of the laws of another jurisdiction, and shall be subject to all applicable laws, rules, orders and regulations of any Federal, state or local governmental authority having jurisdiction over the parties, their facilities or the transactions contemplated herein. 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.

ARTICLE XVIII: Notices

18.1

Except as otherwise provided herein, any notice, request, demand, statement or report pertaining to this Agreement shall be in writing and shall be considered as effective on the receipt date, when mailed by certified or registered mail, or on the date sent by facsimile transmission or express mail service.

18.2

All Communications with respect to this Agreement shall be sent to the following addresses:

To Chesapeake:

Chesapeake Utilities Corporation

P.O. Box 960

Winter Haven, Florida 33882

Contact Person: Transportation and Exchange Coordinator

Telephone: (941) 293-1053

Facsimile: (941) 294-3895

To Quincy Farms :
Quincy Farms
Route 4 Box 245
Quincy, Florida 32351
Attention: Mr. Bob J. Weatherford
Telephone: 850 (904) 875-1600
Facsimile: 850 (904) 627-3493

ARTICLE XIX: Miscellaneous

19.1 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.

19.2 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.

19.3 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 18.2 shall not be deemed nor require an amendment of this Agreement provided such change is communicated in accordance with section 18.1 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, FERC or its successor agency or authority.

19.4 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.

19.5 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.

19.6 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.

19.7 Independent Parties.

Chesapeake and Quincy Farms shall perform hereunder as independent parties and neither Chesapeake nor Quincy Farms 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.

19.8 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.

19.9 Minimum Consumption Obligation

In addition to service under this Transportation Services Agreement, Shipper will purchase gas from Chesapeake under Rate Schedule IS. Shipper and Chesapeake

agree that the non-fuel component of the rate will be the base tariff rate under the aforementioned rate schedule. To provide Shipper with such services at its facility located off County Road 65 near Quincy, Florida, Chesapeake will construct certain facilities to deliver natural gas to Shipper's facility. To ensure Chesapeake's recovery of the cost of such facilities, Shipper agrees to consume a minimum quantity of natural gas during each year for five (5) years, beginning with the in-service date of the facilities, currently projected to be ~~December~~ ^{May} 1, 1997, and consume a minimum total quantity during the entire five-year period, beginning at the in-service date of the facilities. The Minimum Annual Quantity shall be 880,840 therms and the Minimum Period Quantity shall be 4,404,200 therms.

<u>Period</u>	<u>Minimum Consumption Obligation</u>
Dec. 1, 1997 - Nov. 30, 1998	880,840 Therms
Dec. 1, 1998 - Nov. 30, 1999	880,840 Therms
Dec. 1, 1999 - Nov. 30, 2000	880,840 Therms
Dec. 1, 2000 - Nov. 30, 2001	880,840 Therms
Dec. 1, 2001 - Nov. 30, 2002	880,840 Therms
Dec. 1, 1997 - Nov. 30, 2002	4,404,200 Therms

At the end of each twelve-month period, Chesapeake will determine the total quantity consumed by Shipper during the period under all Chesapeake Rate Schedules. If Shipper failed to consume its Minimum Obligation, it will be invoiced a deficiency charge equal to the deficient quantity times Chesapeake's base tariff non-fuel rate at the time of execution of this agreement under Rate Schedule FTS (\$.07348 per therm).

If Shipper satisfies its Minimum Period Quantity at any time during the five-year period, then Shipper will not have any Minimum Annual Quantity obligations after that point in time.

Article XX: Chesapeake's Tariff Provisions

20.1

Chesapeake's applicable Rate Schedule provisions and applicable Subsections of

*Transportation Services Agreement
Between Chesapeake Utilities Corporation
and Quincy Farms*

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.

IN WITNESS WHEREOF, the parties have duly executed this Agreement, in multiple originals, effective as of the date of execution by both parties.

Quincy Farms:
Quincy Farms

ATTEST: _____

DATE: _____

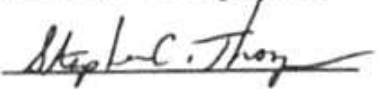
BY: 

TITLE: President

Chesapeake:
Chesapeake Utilities Corporation

ATTEST: 

DATE: 11/4/97

BY: 

TITLE: Vice President

Exhibit A

Point(s) of Receipt

Period	MDQ Dekatherms	Zone 1 POI #	Zone 1 Dekatherms	Zone 2 POI #	Zone 2 Dekatherms
Jan	224	611	81	23062	143
Feb	224	611	81	23062	143
Mar	224	611	81	23062	143
Apr	230	611	83	23062	147
May	169	611	61	23062	108
Jun	169	611	61	23062	108
Jul	169	611	61	23062	108
Aug	169	611	61	23062	108
Sep	169	611	61	23062	108
Oct	232	611	84	23062	148
Nov	224	611	81	23062	143
Dec	224	611	81	23062	143

Chesapeake:
Chesapeake Utilities Corporation

By: Steph L.C. Thompson

Title: Vice President

Date: 11/4/97

Quincy Farms:
Quincy Farms

By: Michael J. ...

Title: President

Date: 10/29/97

Exhibit B

Capacity at Delivery Point(s)

Description	Primary POI #	Month	MDTQ (Dekatherms)
CUC-Quincy	tba	January	224
CUC-Quincy	tba	February	224
CUC-Quincy	tba	March	224
CUC-Quincy	tba	April	230
CUC-Quincy	tba	May	169
CUC-Quincy	tba	June	169
CUC-Quincy	tba	July	169
CUC-Quincy	tba	August	169
CUC-Quincy	tba	September	169
CUC-Quincy	tba	October	232
CUC-Quincy	tba	November	224
CUC-Quincy	tba	December	224

Chesapeake:
Chesapeake Utilities Corporation

By:

Stephen C. Thayer

Title:

Vice President

Date:

11/4/97

Quincy Farms:
Quincy Farms

By:

Mark J. Jozwiak

Title:

President

Date:

10/29/97

**FIRST AMENDMENT TO TRANSPORTATION SERVICES
AGREEMENT BETWEEN CHESAPEAKE UTILITIES
CORPORATION AND QUINCY FARMS**

THIS AMENDMENT, entered into effective as of the first day of the first full month following the in-service date of the facilities necessary to serve Quincy Farms, is between Chesapeake Utilities Corporation, a Delaware corporation doing business in Florida as Central Florida Gas Company and hereinafter referred to as "Chesapeake", and Quincy Farms, hereinafter referred to as "Quincy Farms."

WITNESSETH

WHEREAS, Chesapeake and Quincy Farms are parties to a certain Transportation Services Agreement ("Agreement"), under which Chesapeake agrees to receive certain quantities of gas for Quincy Farms' account, transport such quantities on Chesapeake's distribution system, and redeliver same to Quincy Farms' facility located off County Road 65 near Quincy, Florida; and

WHEREAS, Chesapeake and Quincy Farms desire to amend said Agreement in certain respects.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the Parties hereby amend said Agreement in the following respects:

1. Section 10.1 of said Agreement is amended by adding the following sentences prior to the beginning thereof:

"The transportation rate to be charged for each therm of gas delivered hereunder by Chesapeake, up to the MDTQ established by this agreement, shall be the base rate of \$.07348 per Therm, plus applicable surcharges, delivered for a period of two (2) years, beginning with the first day of the first full month following the in-service date of the facilities required to serve Quincy Farms. After said two (2) year period shall end, the rate will be as follows:"

2. Section 12.1 of said Agreement is amended by adding the following sentences prior to the beginning thereof:

"Quincy Farms agrees to pay Chesapeake for gas service under this Service Agreement at the non-fuel rate of \$.07348 dollars per Therm, plus applicable surcharges, for a period of two (2) years beginning with the in-service date for the facilities required to serve Quincy Farms and ending two (2) years later on the last day of the month in which the anniversary of the in-service date of the facilities required to serve Quincy Farms falls. After said two (2) year period shall end, the rate will be as follows:"

*First Amendment to Transportation Services Agreement
Between Chesapeake Utilities Corporation and Quincy Farms*

In all other respect, said Agreement remains unchanged. Pending approval of the Florida Public Service Commission of this amendment, Chesapeake and Quincy Farms hereby ratify, adopt and confirm said Agreement, as amended hereby, and acknowledge said Agreement to be presently existing and in full force and effect.

As evidence of the parties' agreements, Chesapeake and Quincy Farms have executed this amendment, effective as of the date first above written.

Quincy Farms:
Quincy Farms

ATTEST:

Donald L. Headley

DATE:

10/29/97

BY:

[Signature]

TITLE:

President

Chesapeake:
Chesapeake Utilities Corporation

ATTEST:

Sam Deacon

DATE:

11/4/97

BY:

[Signature]

TITLE:

Vice President

Transportation Services Agreement

Prepared for
Fernlea Nurseries, Inc.

by
Chesapeake Utilities Corporation

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This TRANSPORTATION SERVICES AGREEMENT ("Agreement") is made and 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 Fernlea Nurseries, Inc., hereinafter referred to as "Fernlea."

Witnesseth

WHEREAS, Chesapeake is a party to a Firm Transportation Service Agreement, Contract No. 5057, dated October 1, 1993, or any successor Agreement thereto, with Florida Gas Transmission Company ("FGT") under FGT's Rate Schedule FTS-1 (which agreement is hereinafter referred to as "the FTS-1 Service Agreement"); and

WHEREAS, Fernlea has requested that Chesapeake receive certain quantities of gas for Fernlea's account, transport such quantities on Chesapeake's distribution system, and redeliver same to Fernlea's Facility located at Route 4 Box 1372 near Quincy, Florida, and Chesapeake agrees to provide such service in accordance with the terms hereof; and

WHEREAS, Fernlea desires firm gas transportation service, and Chesapeake is willing to furnish such service under its applicable Rate Schedule FTS and provisions of the General Rules and Regulations of its Florida Public Service Commission ("FPSC") - approved Natural Gas Tariff; and

WHEREAS, Chesapeake wishes to relinquish to Fernlea, and Fernlea wishes to acquire, a portion of Chesapeake's firm capacity rights under the FTS-1 Service Agreement, which firm capacity rights Chesapeake is entitled to relinquish pursuant to the capacity relinquishment provisions of the General Terms and Conditions of FGT's Federal Energy Regulatory Commission ("FERC") Gas Tariff, and subject to the terms and conditions of this Agreement; and

WHEREAS, Fernlea desires Firm Gas Service, and Chesapeake is willing to furnish such service under its applicable Rate Schedule I - (Industrial Sales Service) and provisions of the General Rules and Regulations of its FPSC - approved Natural Gas Tariff;

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 within this Agreement, 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 "Acquiring Shipper"

means Fernlea.

1.2 "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.

1.3 "Gas"

means natural gas which is in conformance with the quality specifications of the Transporter.

1.5 "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; provided that, in the event of a change in the definition of the corresponding term in the tariff of Florida Gas Transmission Company ("FGT") on file with the Federal Energy Regulatory Commission ("FERC"), this definition shall be deemed to be amended automatically so that it is identical at all times to the definition of the corresponding term in said tariff.

1.6 "Dekatherm"

means 1,000,000 Btu's (1 MMBtu) or ten (10) therms.

1.7 "p.s.i.a."

means pounds per square inch absolute.

1.8 "Therm"

means a unit of heat equal to 100,000 Btu's.

1.9 "Maximum Daily Contract Quantity" or "MDCQ"

means the maximum quantity of sales service gas to be made available by Chesapeake on any given day to a customer in accordance with the provisions of a firm sales service agreement.

1.10 "Day"

means a period of 24 consecutive hours beginning and ending at 9:00 a.m. CCT; provided that, in the event of a change in the definition of the corresponding term in the tariff of Florida Gas Transmission Company ("FGT") on file with the Federal Energy Regulatory Commission ("FERC"), this definition shall be deemed to be amended automatically so that it is identical at all times to the definition of the corresponding term in said tariff.

1.11 "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.

1.12 "Firm Capacity Rights"

means the right of a Shipper to receive, and the obligation of Transporter to make available for delivery, quantities at Shipper's Primary Delivery Points up to the stated MDTQ, pursuant to the terms and conditions of the FGT FERC Gas Tariff and any applicable Service Agreement or Service Agreements providing for Firm Transportation Service.

1.13 "Maximum Daily Transportation Quantity" or "MDTQ"

means the largest quantity of gas, expressed in Dekatherms, that Transporter is obligated to transport and make available for delivery to a Shipper under any applicable Service Agreement or Service Agreements for Firm Transportation Service on any one day.

I.14 "Nomination"

means a request by a party to a producer, pipeline or local distribution company for receipt or delivery of a physical quantity of gas pursuant to a Transportation Service Agreement. A nomination specifies (i) the quantity of gas per day, measured in Dekatherms, to be received or delivered on behalf of the nominating party, (ii) the point(s) at which the gas is to be received and delivered and (iii) the period of time in which the delivery is to take place.

I.15 "P.O.I."

means Point of Interest, that is, the point at which the title of gas passes from the upstream party to the downstream party (Delivery and Receipt Points).

I.16 "Recall"

means the recall, by Relinquishing Shipper, of Firm Capacity Rights formerly released to an Acquiring Shipper.

I.17 "Receipt Point"

means the point at which gas is received by Transporter into Transporter's system from an upstream service or facility.

I.18 "Release"

means a relinquishment of Firm Capacity Rights by a Shipper.

I.19 "Relinquishing Shipper"

means Chesapeake Utilities Corporation.

I.20 "Shipper"

means the party that has contracted with Transporter for transportation service.

I.21 "Transporter"

means FGT, the party receiving gas at the receipt point(s) and transporting volumes to the point(s) of delivery.

1.22 "Zone"

means a production zone, as follows: FGT divides its pipeline supply territory into three zones. Zone one (1) originates at compressor station #2 and extends to the suction side of compressor station #7. Zone two (2) originates at the discharge side of compressor station #7 and extends to the suction side of compressor station #8. Zone three (3) originates at the discharge side of compressor station # 8 and extends to station #12.

Capacity Relinquishment Section

ARTICLE II: Scope of Capacity Relinquishment

2.1

Chesapeake shall relinquish to Fernlea, subject to the terms and conditions of this Agreement, a portion of the firm capacity rights which Chesapeake is entitled to relinquish under the FTS-1 Service Agreement. Chesapeake's relinquishment of FTS-1 capacity rights hereunder shall be subject to the terms and conditions governing pre-arranged temporary point-to-point relinquishment of FTS-1 capacity rights, as set forth in the General Terms and Conditions of FGT's FERC Gas Tariff, as such provisions may be amended from time to time, subject to approval by the FERC. Chesapeake represents and warrants that, on the date of execution of this Agreement: (a) the FTS-1 Service Agreement is in full force and effect and has not been assigned by Chesapeake, and (b) Chesapeake is not in default of any of its obligations under the FTS-1 Service Agreement, and (c) Relinquishing Shipper warrants that, upon expiration of the FTS-1 Service Contract #5057, which it has the right to extend, provisions will be made to renew or replace said contract in order to meet Relinquishing Shipper's obligations under this agreement.

2.2

The FGT Primary Point(s) of Receipt under the FTS-1 Service Agreement which Chesapeake shall relinquish hereunder during various months of the year are set forth in Exhibit A to this Agreement, which is incorporated herein by reference and made a part hereof. The Maximum Daily Transportation Quantity ("MDTQ") and the associated FGT Primary Delivery Point capacity to be relinquished hereunder shall be as set forth in Exhibit B to this Agreement, which is incorporated herein by reference and made a part hereof.

2.3

Chesapeake shall provide to FGT the notice of capacity relinquishment required under the General Terms and Conditions of FGT's FERC Gas Tariff. Chesapeake shall also diligently and in a timely manner take all other actions required under the General Terms and Conditions of FGT's FERC Gas Tariff to relinquish its firm capacity rights to Fernlea.

2.4

Fernlea shall accept the firm capacity relinquishment from Chesapeake subject to the terms and conditions of this Agreement and the General Terms and Conditions of FGT's FERC Gas Tariff governing such relinquishments. Fernlea shall also diligently and in a timely manner take all other actions required under the General Terms and Conditions of FGT's FERC Gas Tariff to acquire the firm capacity rights to be relinquished hereunder.

2.5

The firm capacity relinquishment contemplated hereunder shall become effective on the first day of the first full month following the in-service date of the facilities required to serve Fernlea and continue for twenty (20) years from that date.

ARTICLE III: Relinquished Capacity Charges

3.1

Commencing on the effective date of the capacity relinquishment to Fernlea under the FTS-1 Service Agreement, as identified in Section 2.5 above, and continuing until this Agreement is terminated or expires, Fernlea shall pay to FGT the maximum applicable tariff rate allowed by FERC for the capacity relinquished under said FTS-1 Service Agreement and shall indemnify Chesapeake and hold it harmless from any and all FTS-1 rates and charges assessed by FGT to Chesapeake for the relinquished capacity during the period that this Agreement remains in effect.

3.2

Upon the effective date of any recall by Chesapeake of any portion or all of the relinquished capacity, as provided in Section 4.2 or Section 4.3 hereof, Chesapeake shall be responsible for and shall pay all of FGT's rates and charges

for such recalled capacity under the FTS-1 Service Agreement during the period of such recall. Chesapeake shall indemnify Fernlea and hold it harmless from any and all such charges assessed by FGT to Fernlea for the recalled capacity after the effective date of such recall.

ARTICLE IV: Use of Relinquished Capacity; Recall Rights

4.1

Commencing on the effective date of the capacity relinquishments defined in Section 2.5 hereof, Fernlea shall acquire the FTS-1 capacity rights relinquished by Chesapeake hereunder and shall be entitled to use such capacity subject to (a) the General Terms and Conditions of FGT's FERC Gas Tariff applicable to capacity relinquishments, and (b) the terms and conditions of this Agreement.

4.2

Chesapeake shall have the right to recall temporarily or permanently a portion or all of the firm capacity rights relinquished hereunder, subject to the applicable notice requirements in FGT's FERC Gas Tariff, in the event that (a) Fernlea, without Chesapeake's prior written consent, (i) re-relinquishes to a third party any portion or segment of the FTS-1 capacity relinquished by Chesapeake, (ii) requests a Primary Receipt Point other than those specified in Exhibit A to this Agreement, or (iii) uses the relinquished capacity to move quantities of gas to a delivery point on FGT's system at which Chesapeake is not the Delivery Point Operator as defined in FGT's Tariff; (b) Fernlea nominates for delivery at its delivery point on Chesapeake's system less than eighty (80) percent of the capacity relinquished hereunder by Chesapeake; (c) Fernlea breaches its contractual obligations of payment to FGT for service obtained under the capacity relinquishment provided for by this Agreement; or (d) Fernlea otherwise breaches the terms and conditions of this Agreement. In the event that Chesapeake temporarily recalls a portion of the relinquished capacity under this Section 4.2, Chesapeake shall re-relinquish such capacity to Fernlea subject to compliance with the provisions of Sections 2.3 and 2.4 hereof as to such recalled capacity, within ten (10) days after Fernlea has provided assurance satisfactory to Chesapeake, in Chesapeake's sole discretion, that the cause which gave rise to Chesapeake's recall right has been removed. Neither a temporary nor a permanent recall under this Section 4.2 of a portion or all of the capacity relinquished under this Agreement shall become effective until Chesapeake has

given Fernlea notice in writing specifying the cause for the recall and Fernlea has had ten (10) days after receipt of such notice to remove or correct the cause for the recall.

4.3

In the event that Chesapeake needs a portion of the relinquished FTS-1 capacity to serve its peak demand requirements, Chesapeake shall have the right to temporarily recall the firm capacity rights relinquished hereunder, pursuant to the provisions governing Curtailment of service as set forth in Chesapeake's Natural Gas Tariff, as approved by the Florida Public Service Commission (FPSC).

Contract Transportation Service Section

Article V: Points of Delivery and Redelivery

5.1

Fernlea shall cause the Transporter to deliver to Chesapeake at the delivery point on the Transporter's system, (which specified delivery point is hereinafter referred to as "Transporter's Delivery Point"), the quantities of gas to be transported by Chesapeake hereunder. Chesapeake shall have no responsibility for transportation of Fernlea's gas prior to receipt of such gas from the Transporter at Transporter's Delivery Point. Chesapeake shall deliver such quantities of gas received from the Transporter at Transporter's Delivery Point for Fernlea's account to Chesapeake's Delivery Point at Fernlea's Facility located at Route 4 Box 1372 near Quincy, Florida, (hereinafter referred to as "Chesapeake's Delivery Point" or "Shipper's Facility").

Article VI: Quantities

6.1

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 Fernlea's Maximum Daily Transportation Quantity ("MDTQ"), and Chesapeake agrees to transport and deliver equivalent quantities to Fernlea at Chesapeake's Delivery Point located at Fernlea's Facility. Fernlea'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 VII: Scheduling and Balancing

7.1

Fernlea shall be responsible for nominating quantities of gas to be delivered by the Transporter to Transporter's Delivery Point and delivered by Chesapeake to Fernlea's Facility. Fernlea 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 Fernlea'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.

7.2

The Parties hereto recognize the desirability of maintaining a uniform rate of flow of gas to Fernlea's Facility over each 24-hour period and each day throughout each month. Therefore, Chesapeake agrees to receive from the Transporter for Fernlea'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 VIII and XIX of this Agreement, and Fernlea agrees to use commercially reasonable efforts to regulate its deliveries from Chesapeake's gas distribution system at a daily rate of flow not to exceed the aggregate of the applicable MDTQ and MDCQ for the month in question, subject to any additional restrictions imposed by the Transporter or by Chesapeake pursuant to Articles VII and IX of this Agreement.

Article VIII: Curtailment

8.1

This Agreement in all respects 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 IX: Title, Control and Indemnification

9.1

Fernlea warrants that it will have good and merchantable title to all gas delivered by the Transporter to Chesapeake for Fernlea's account at Transporter's Delivery Point, and that such gas will be free and clear of all liens, encumbrances, and claims whatsoever. Fernlea 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 Fernlea and save it harmless from all suits, actions, debts, accounts, damages, costs including reasonable attorney's fees, losses, and expenses arising from or out of the adverse claim of any and all persons to gas delivered for the account of Fernlea 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 Fernlea breaches its warranty herein, Chesapeake shall not be required to perform its obligations to transport and deliver gas to Fernlea's Facility or, subject to receipt of any necessary regulatory authorization, to continue service hereunder for Fernlea until such claim has been finally determined; provided, however, that Fernlea may receive service if (i) in the case of an adverse claim, Fernlea 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, Fernlea furnishes evidence, satisfactory to Chesapeake, of Fernlea's title to said gas.

9.2

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 Fernlea's account at Transporter's Delivery Point and until it shall have been delivered to Fernlea at Chesapeake's Delivery Point located at Fernlea's Facility; and Fernlea shall be deemed to be in control and possession of such gas prior to such delivery to Chesapeake and after such delivery by Chesapeake to Fernlea. 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 X: Rate

10.1

The rate to be charged for each therm of gas 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 Natural Gas Tariff. This rate includes the charges per therm for transportation service by Chesapeake under Chesapeake's approved Firm Transportation Service Rate Schedule. Chesapeake and Fernlea 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 Fernlea 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.

10.2

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 Fernlea 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.

10.3

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.

Firm System Sales Section

ARTICLE XI: Volume

11.1

Beginning on or before July 1, 1998, Chesapeake shall sell and deliver to Fernlea and Fernlea shall take from Chesapeake firm gas under Rate Schedule I and the applicable provisions of the General Rules and Regulations of the Chesapeake's FPSC-approved Natural Gas Tariff, which by reference hereto are incorporated herein and made a part hereof. Delivery of such gas for use in Fernlea's facility located near Quincy, Florida.

ARTICLE XII: Terms and Conditions of Service

12.1

Fernlea agrees to pay Chesapeake for gas service under this Service Agreement at the rates and upon the conditions set forth in Rate Schedule I and the applicable provisions of the General Rules and Regulations found in Chesapeake's FPSC-approved Natural Gas Tariff, as said rates and conditions may, from time to time hereafter, be lawfully amended or superseded.

12.2

Bills are due and payable in accordance with the provisions of the General Rules and Regulations of Chesapeake's FPSC-approved Natural Gas Tariff.

12.3

Fernlea acknowledges the Billing Adjustments Section of Chesapeake's FPSC-approved Natural Gas Tariff. This Agreement is also subject to addition of any new tax or fees, or increases to any existing taxes or fees, imposed by government

rules and regulations, not controlled by (or beyond control of) Chesapeake.

ARTICLE XIII: Force Majeure

13.1

Chesapeake shall not be liable for failure to deliver gas under this Service Agreement, nor shall Fernlea be liable for failure to take gas under this Service Agreement, which failure is due to any cause or act constituting Force Majeure as defined in the Chesapeake's FPSC-approved Natural Gas Tariff, which Force Majeure interferes with Chesapeake delivering or Fernlea taking delivery of or using the gas.

ARTICLE XIV: Title

14.1

Title to the gas shall remain with Chesapeake until delivery thereof to Fernlea at the Delivery Point, at which point and time, title to the gas passes to Fernlea.

Term and Other Provisions

ARTICLE XV: Term

15.1

This Agreement shall be effective upon the first day of the first full month following the in-service date of the facilities required to serve natural gas to Fernlea and shall continue in effect for a period of twenty (20) years. This Agreement shall be extended on a year-to-year basis after the initial period of twenty years expires, unless terminated by either Party, with at least ninety (90) days written notice to the other Party prior to the termination date.

ARTICLE XVI: Assignment and Transfer

16.1

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.

ARTICLE XVII: Governmental Authorizations; Compliance With Law

17.1

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. The parties shall comply at all times with all applicable Federal, state, municipal, and other laws, ordinances and regulations. The parties 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. 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 the FPSC or the FERC over this Agreement or any part thereof. In the event any law, order, directive, rule, or regulation shall prevent either Party from performing hereunder, then neither Party shall have any obligation to the other during the period that performance is precluded.

17.2

This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of Florida, excluding any conflicts of laws rules that would require the application of the laws of another jurisdiction, and shall be subject to all applicable laws, rules, orders and regulations of any Federal, state or local governmental authority having jurisdiction over the parties, their facilities or the transactions contemplated herein. 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.

ARTICLE XVIII: Notices

18.1

Except as otherwise provided herein, any notice, request, demand, statement or report pertaining to this Agreement shall be in writing and shall be considered as effective on the receipt date, when mailed by certified or registered mail, or on the date sent by facsimile transmission or express mail service.

18.2

All Communications with respect to this Agreement shall be sent to the following addresses:

To Chesapeake:

Chesapeake Utilities Corporation

P.O. Box 960

Winter Haven, Florida 33882

Contact Person: Transportation and Exchange Coordinator

Telephone: (941) 293-1053

Facsimile: (941) 294-3895

To Fernlea :

Fernlea Nurseries, Inc.

Route 4 Box 1372

Quincy, Florida 32351

Attention: Mr. Troy Bouk

Telephone: (850) 442-6188

Facsimile: (850) 442-9255

ARTICLE XIX: Miscellaneous

19.1 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.

19.2 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.

19.3 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 18.2 shall not be deemed nor require an amendment of this Agreement provided such change is communicated in accordance with section 18.1 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, FERC or its successor agency or authority.

19.4 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.

19.5 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.

19.6 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.

19.7 Independent Parties.

Chesapeake and Fernlea shall perform hereunder as independent parties and neither Chesapeake nor Fernlea 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.

19.8 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.

19.9 Minimum Consumption Obligation

In addition to service under this Transportation Services Agreement, Shipper will purchase gas from Chesapeake under Rate Schedule I. Shipper and Chesapeake agree that the non-fuel component of the rate will be the base tariff rate under the aforementioned rate schedule. To provide Shipper with such services at its facility located near Quincy, Florida, Chesapeake will construct certain facilities to deliver natural gas to Shipper's facility. To ensure Chesapeake's recovery of the cost of such facilities, Shipper agrees to consume a minimum quantity of natural gas during each year for five (5) years, beginning with the in-service date of the facilities, currently projected to be July 1, 1998, and consume a minimum total quantity during the entire five-year period, beginning at the in-service date of the facilities. The Minimum Annual Quantity shall be 550,000 therms and the Minimum Period Quantity shall be 2,750,000 therms.

*Transportation Services Agreement
Between Chesapeake Utilities Corporation
and Fernlea Nurseries, Inc.*

<u>Period</u>	<u>Minimum Consumption Obligation</u>
Jul. 1, 1998 - Jun. 30, 1999	550,000 Therms
Jul. 1, 1999 - Jun. 30, 2000	550,000 Therms
Jul. 1, 2000 - Jun. 30, 2001	550,000 Therms
Jul. 1, 2001 - Jun. 30, 2002	550,000 Therms
Jul. 1, 2002 - Jun. 30, 2003	550,000 Therms
Jul. 1, 1998 - Jun. 30, 2003	2,750,000 Therms

At the end of each twelve-month period, Chesapeake will determine the total quantity consumed by Shipper during the period under all Chesapeake Rate Schedules. If Shipper failed to consume its Minimum Obligation, it will be invoiced a deficiency charge equal to the deficient quantity times Chesapeake's base tariff non-fuel rate at the time of execution of this agreement under Rate Schedule FTS (\$.07348 per therm).

If Shipper satisfies its Minimum Period Quantity at any time during the five-year period, then Shipper will not have any Minimum Annual Quantity obligations after that point in time.

Article XX: Chesapeake's Tariff Provisions

20.1

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.

*Transportation Services Agreement
Between Chesapeake Utilities Corporation
and Fernlea Nurseries, Inc.*

IN WITNESS WHEREOF, the parties have duly executed this Agreement, in multiple originals, effective as of the date of execution by both parties.

Fernlea:
Fernlea Nurseries, Inc.

ATTEST: *Uma Brooks*

DATE: *1/7/98*

BY: *J. D. Brown*

TITLE: *Chief Financial Officer*

Chesapeake:
Chesapeake Utilities Corporation

ATTEST: *Dorothy Bays*

DATE: *1/16/98*

BY: *Michael C. Thompson*

TITLE: *Vice President*

Exhibit A

Point(s) of Receipt

Period	MDQ Dekatherms	Zone 1 POI #	Zone 1 Dekatherms	Zone 2 POI #	Zone 2 Dekatherms
Jan	282	408 7244	102	23062	180
Feb	261	408	94	23062 0/0441	167 Sabine Kaplan
Mar	218	408	78	23062	140 Kaplan
Apr	169	408	61	23062	108
May	64	408	0	10147	64
Jun	0	408	0	10147 10036	0
Jul	0	408	0	10147	0
Aug	0	408	0	10147	0
Sep	0	408	0	10147	0
Oct	103	408	37	23062	66 TECO A Chav/Alaya
Nov	235	408	85	23062 10241	150
Dec	240	408	86	23062	154

Chesapeake:
 Chesapeake Utilities Corporation

Fernlea:
 Fernlea Nurseries, Inc.

By: Stephen C. Thompson

By: W.D. Cornus

Title: Vice President

Title: Chief Financial Officer

Date: 1-16-98

Date: 1/7/98

Exhibit B

Capacity at Delivery Point(s)

Description	Primary POI # 231742	Month	MDTQ (Dekatherms)
CUC-Quincy	tba	January	282
CUC-Quincy	tba	February	261
CUC-Quincy	tba	March	218
CUC-Quincy	tba	April	169
CUC-Quincy	tba	May	64
CUC-Quincy	tba	June	0
CUC-Quincy	tba	July	0
CUC-Quincy	tba	August	0
CUC-Quincy	tba	September	0
CUC-Quincy	tba	October	103
CUC-Quincy	tba	November	235
CUC-Quincy	tba	December	240

Chesapeake:
Chesapeake Utilities Corporation

Fernlea:
Fernlea Nursery, Inc.

By: Steve C. Thompson

By: W. S. Gorman

Title: Vice President

Title: Chief Financial Officer

Date: 1-16-98

Date: 1/7/98

**FIRST AMENDMENT TO TRANSPORTATION SERVICES
AGREEMENT BETWEEN CHESAPEAKE UTILITIES
CORPORATION AND FERNLEA NURSERIES, INC.**

THIS AMENDMENT, entered into effective as of the first day of the first full month following the in-service date of the facilities necessary to serve Fernlea Nurseries, Inc., is between Chesapeake Utilities Corporation, a Delaware corporation doing business in Florida as Central Florida Gas Company and hereinafter referred to as "Chesapeake", and Fernlea Nurseries, Inc., hereinafter referred to as "Fernlea."

WITNESSETH

WHEREAS, Chesapeake and Fernlea are parties to a certain Transportation Services Agreement ("Agreement"), under which Chesapeake agrees to receive certain quantities of gas for Fernlea's account, transport such quantities on Chesapeake's distribution system, and redeliver same to Fernlea's facility located at Route 4 Box 1372, Quincy, Florida; and

WHEREAS, Chesapeake and Fernlea desire to amend said Agreement in certain respects.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the Parties hereby amend said Agreement in the following respects:

1. Section 10.1 of said Agreement is amended by adding the following sentences prior to the beginning thereof:

"The transportation rate to be charged for each therm of gas delivered hereunder by Chesapeake, up to the MDTQ established by this agreement, shall be the base rate of \$.07348 per Therm, plus applicable surcharges, delivered for a period of two (2) years, beginning with the first day of the first full month following the in-service date of the facilities required to serve Fernlea. After said two (2) year period shall end, the rate will be as follows:"

2. Section 12.1 of said Agreement is amended by adding the following sentences prior to the beginning thereof:

"Fernlea agrees to pay Chesapeake for gas service under this Service Agreement at the non-fuel rate of \$.07348 dollars per Therm, plus applicable surcharges, for a period of two (2) years beginning with the in-service date for the facilities required to serve Fernlea and ending two (2) years later on the last day of the month in which the anniversary of the in-service date of the facilities required to serve Fernlea falls. After said two (2) year period shall end, the rate will be as follows:"

*First Amendment to Transportation Services Agreement
Between Chesapeake Utilities Corporation and Fernlea Nurseries, Inc.*

In all other respect, said Agreement remains unchanged. Pending approval of the Florida Public Service Commission of this amendment, Chesapeake and Fernlea hereby ratify, adopt and confirm said Agreement, as amended hereby, and acknowledge said Agreement to be presently existing and in full force and effect.

As evidence of the parties' agreements, Chesapeake and Fernlea have executed this amendment, effective as of the date first above written.

Fernlea:
Fernlea Nurseries, Inc.

ATTEST: *Anna Leathes*

BY: *Bill Cornes*

DATE: *1/2/98*

TITLE: *Chief Financial Officer*

Chesapeake:
Chesapeake Utilities Corporation

ATTEST: *Deacy Bays*

BY: *Steph L.C. Thompson*

DATE: *1/16/98*

TITLE: *Vice President*

EXHIBIT 2

COST OF SERVICE STUDY

**COST OF SERVICE STUDY
QUINCY CUSTOMERS**

**CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION**

ESTIMATED RATE BASE AND RETURN

<u>Description</u>	<u>Amount</u>
Cost of Plant: Gross investment in plant	\$630,632
A/D Provision:	(\$10,461)
	<hr/>
Net Plant	\$620,171
Working Capital	\$0
Accumulated Deferred Income Taxes	\$0
Deferred Investment Tax Credit	<hr/> \$0
Rate Base	<hr/>\$620,171
Long Term Debt @ 0.00%	0
Common Equity @ 0.00%	<hr/> 0
Total Return @ 8.52%	<hr/> \$52,839

**COST OF SERVICE STUDY
QUINCY CUSTOMERS**CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION**ESTIMATED INCOME TAXES**

<u>Description</u>	<u>Total</u>
Rate Base	<u>\$620,171</u>
Return On Rate Base (Line 1 x Rate of Return)	\$52,839
Less: Interest on Debt	<u>(\$18,853)</u>
Net Income after Taxes	\$33,985
Divide by 1- Tax Rate	<u>0.6237</u>
Taxable Income	<u>\$54,490</u>
Income Taxes @ 37.63%	<u>\$20,505</u>

**COST OF SERVICE STUDY
QUINCY CUSTOMERS**

CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION

COST OF SERVICE

Cost of Service	Amount
Operation & Maintenance	\$ 20,461
Depreciation	20,922
Taxes - Other Than Income 1/	10,120
Income Taxes	20,505
Return @ 8.52% 2/	52,839
 Total Operating Costs	 \$ 124,846
 Annual Projected Throughput	 1,708,825
Operating cost per therm	\$ 0.07306

NOTES:

1/ Taxes Other Than Income - Property and Revenue Related

1997 Property Tax Expense	\$340,755	Revenue Related Taxes	0.375%
13 month average gross plant	\$22,299,536	Projected Revenues	\$125,564
Average Tax Rate	\$0.0153	Revenue Related Taxes	\$471
x Gross Plant	\$630,632		
Property Tax Expense	\$9,649	Total taxes	\$10,120

2/ 8.52% Return is the Company's midpoint rate of return from 1997 surveillance report as filed with the FPSC.

**COST OF SERVICE STUDY
QUINCY CUSTOMERS**

**CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION**

ESTIMATED O&M EXPENSES

<u>Description</u>	<u>Amount</u>
1. Cathodic Protection Testing, Leak Survey, Line Marker Replacement, and Valve Maintenance - 24 hours/yr @ \$23/hr plus materials	\$849
2. Regulator and Meter Testing, Odorant, EFM Testing and Calibration - 80 hours/yr @ \$25/hr plus materials	\$4,623
3. Repaint Station every 3 years - 16 hours/yr @ \$21/hr plus materials	\$551
4. Meter Test every 5 years and Repair - 12.8 hours/yr @ \$25/hr plus materials	\$784
5. Meter Parts	\$150
6. Engineering and Design - 32 hours/yr @ \$34/hr plus expenses	\$1,352
7. Anode replacement - 16 hours/yr @ \$21/hr plus materials	\$1,157
8. Line Locating Expense	\$1,200
9. Billing & Customer Accounting - 2 hours/month @ \$24.88/hr	\$597
10. Percentage of time allocated from Management and Marketing personnel - 4 hrs/month @ \$53.25/hr	\$2,556
11. Telemetry Monitoring and T&E Functions - 5.5 hours/month @ \$24.88/hr	\$1,642
12. Miscellaneous / Emergency response / FGT	<u>\$5,000</u>
TOTAL ESTIMATED O & M EXPENSES	<u><u>\$20,461</u></u>

**COST OF SERVICE STUDY
QUINCY CUSTOMERS**

**CHESAPEAKE UTILITIES CORPORATION
FLORIDA DIVISION**

**CAPITALIZATION AS
FILED IN 1997 SURVEILLANCE REPORT**

<u>Amount</u>	
41.43%	Debt
<u>58.57%</u>	Common Equity, DIT, ITC, Customer Deps.
<u>100.00%</u>	
3.0400%	Weighted Average Cost of Service
\$620,171	Rate Base
<u>\$18,853</u>	Interest Expense

EXHIBIT 3

REVENUE IMPACT OF SPECIAL CONTRACTS

**FLORIDA DIVISION
CHESAPEAKE UTILITIES CORPORATION
REVENUE IMPACT OF SPECIAL CONTRACTS**

Customer	Projected Annual Throughput (Therms)	Contract Rate/Therm	Annual Contract Incremental Revenue	Tariff Rate "T" Effective May 2, 1998	Annual Tariff Incremental Revenue	Revenue Impact Contract vs. Tariff
Quincy Farms	903,299	\$0.07348	\$66,374	\$0.07889	\$71,261	(\$4,887)
Femlea Nurseries, Inc.	805,526	\$0.07348	\$59,190	\$0.07889	\$63,548	(\$4,358)
Total	1,708,825		\$125,564		\$134,809	(\$9,245)

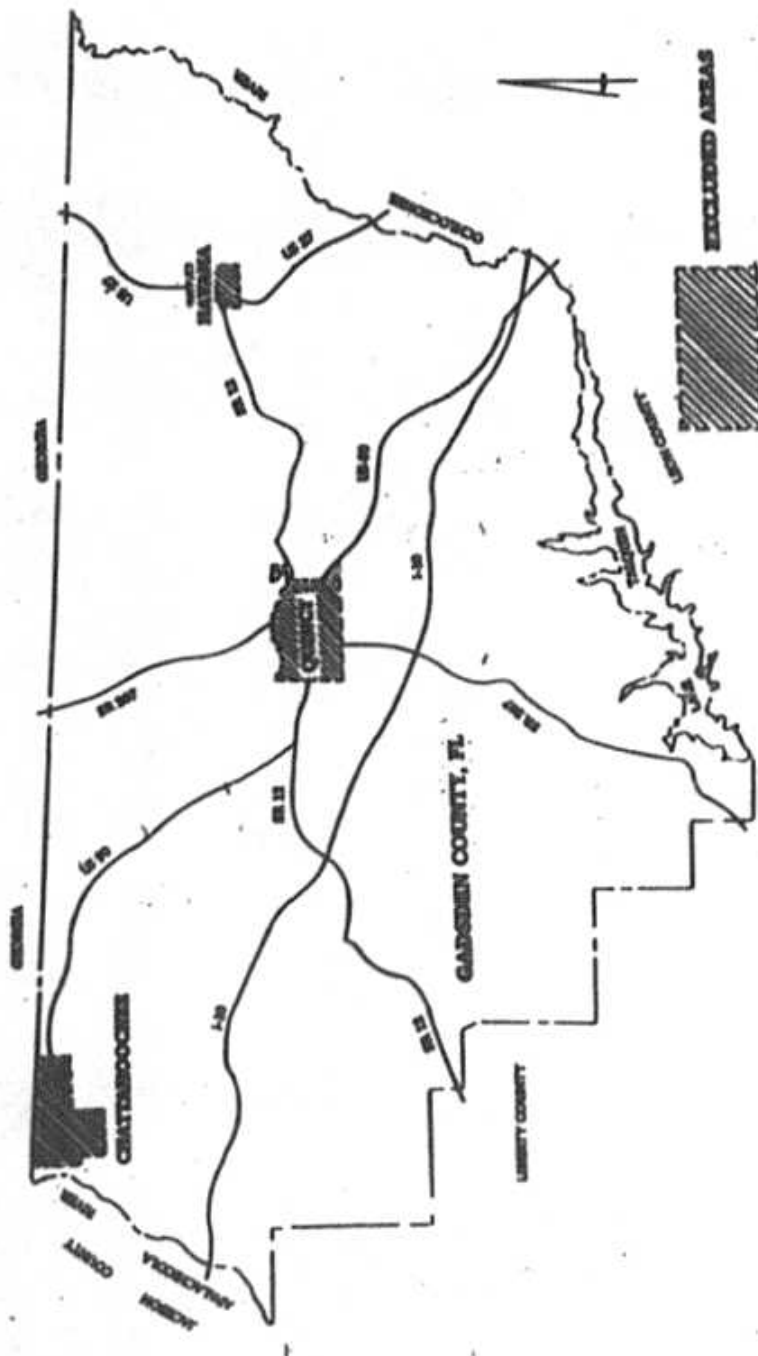
EXHIBIT 4

PROPOSED TARIFF SHEETS

GENERAL DESCRIPTION OF TERRITORY SERVED

Florida Division of Chesapeake Utilities Corporation (hereinafter called "Company") is a natural gas distribution company engaged in the business of purchasing and selling natural gas in the State of Florida.

The present system of the Company is comprised of interconnected distribution facilities serving that area within and adjacent to the communities of Winter Haven, Auburndale, Bartow, Baseball City, Davenport, Loughman, Haines City, Mountain Lake, Lake Alfred, Eagle Lake, Lake Wales, Dundee, Lake Hamilton, Highland City, Waverly, Mulberry and Nichols in Polk County, Plant City in Hillsborough County and St. Cloud in Osceola County. The Company's distribution system also serves all areas within Gadsden County outside the city limits of Quincy, Havana, and Chattahoochee. The Company maintains its general offices, books and records in Winter Haven, Florida, where a copy of all rate schedules, rules and regulations, contracts, and standard forms are readily available for public inspection.



Issued by: John R. Schimkaitis, President
Chesapeake Utilities Corporation

Effective:

Corner S 2, T 25S, R 25E then north to NE Corner S 34, T 24S, R 25E, then west to NW Corner S 32, T 24S, R 25E then all area south and west as described and agreed upon between Central Florida Gas Company and Peoples Gas System to the point on the north side of Hwy. 60 in S 30, T 29S, R 23E. Then north along county line boundary to SW Corner S 31, T 26S, R 23E then west along Polk-Pasco-Hillsborough county lines to NW S 5, T 27S, R 21E, being the point of beginning.

Additionally, the Company serves all areas within Gadsden County with the exception of those areas within the city limits of Quincy, Havana, and Chattahoochee.

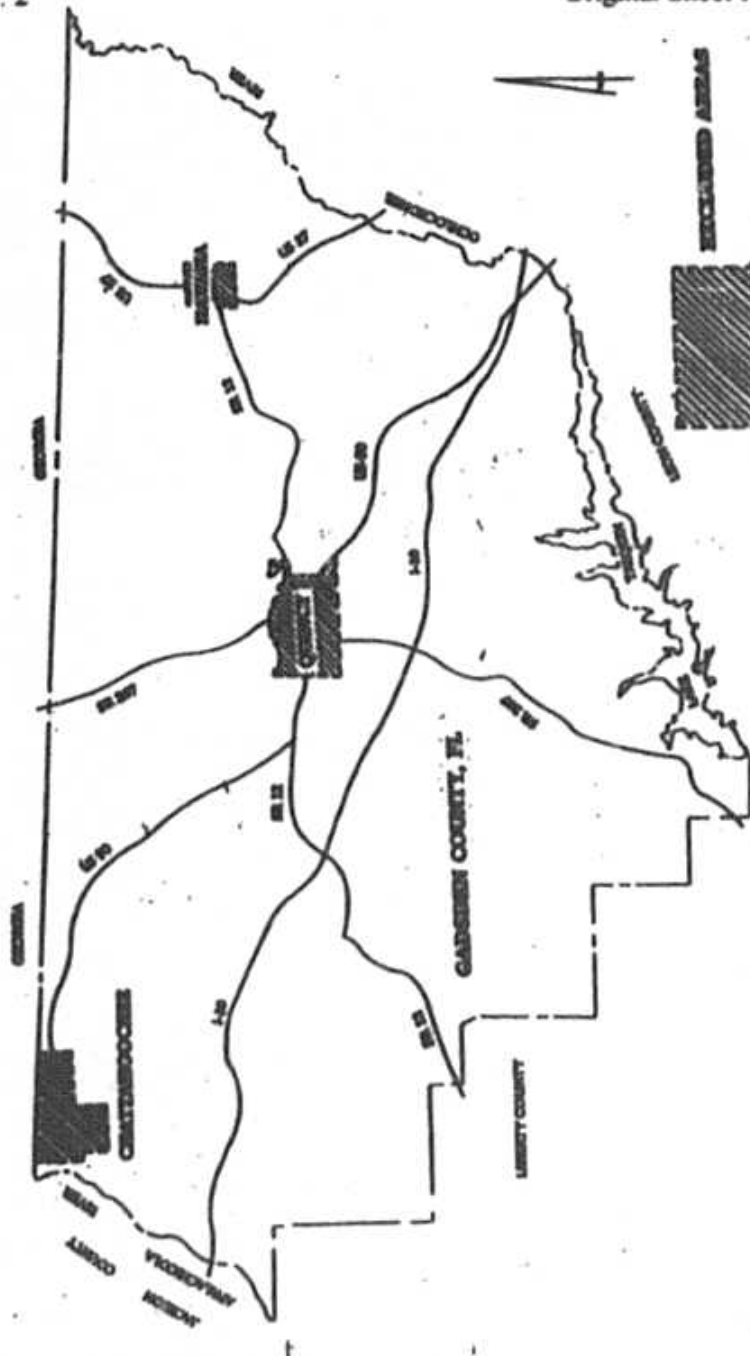
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