

ORIGINAL

MACFARLANE FERGUSON & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

900 HIGHPOINT CENTER
108 EAST COLLEGE AVENUE
TALLAHASSEE, FLORIDA 32301
(850) 681-7381 FAX (850) 681-0281

400 NORTH TAMPA STREET SUITE 2300
P.O. BOX 1531 ZIP 33601
TAMPA, FLORIDA 33602
(813) 273-4200 FAX (813) 273-4398

625 COURT STREET
P.O. BOX 1869 ZIP 33757
CLEARWATER, FLORIDA 33760
(813) 441-8908 FAX (813) 442-8471

August 28, 1998

IN REPLY REFER TO:

Ansley Watson, Jr.
P.O. Box 1531
Tampa, Florida 33601
e-mail awj@macfar.com

VIA FEDERAL EXPRESS

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

981087-GL

Re: Petition for approval of Natural Gas Transportation Agreement between Peoples Gas System and Sebring Gas System, Inc., by Peoples Gas System

Dear Ms. Bayo:

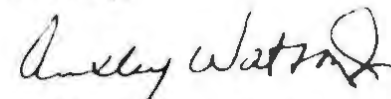
Enclosed for filing with the Commission on behalf of Peoples Gas System ("Peoples"), please find the original and 15 copies of Peoples' petition for an order approving a Natural Gas Transportation Agreement between Peoples and Sebring Gas System, Inc., as a special contract.

I also enclose a diskette containing the petition in Wordperfect 5.1 format.

Please acknowledge your receipt and the date of filing of the enclosures on the duplicate copy of this letter and return the same to the undersigned in the enclosed preaddressed envelope.

Thank you for your usual assistance.

Sincerely,


ANSLEY WATSON, JR.

RECEIVED
AUG 31 10 25 AM '98
ADMINISTRATION
MAIL ROOM

AWjr/a
Enclosures

DOCUMENT FILED DATE
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Blanca S. Bayo
August 28, 1998
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cc: Mrs. Cheryl Bulecza-Banks, Bureau of Gas Regulation
Mr. J. Brent Caldwell, Peoples Gas System

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of Natural Gas Transportation Agreement between Peoples Gas System and Sebring Gas System, Inc., by Peoples Gas System.

Docket No.: 981087-GU Submitted: August 31, 1998

PETITION

Peoples Gas System, ("Peoples" or "Petitioner"), by its undersigned attorneys, and pursuant to Rule 25-9.034, F.A.C., files this petition for approval of the Natural Gas Transportation Agreement set forth on Original Sheets Nos. 9.002-1 through 9.002-7 of Peoples' Natural Gas Tariff, Original Volume No. 1 (attached hereto as Exhibit A), as a special contract. In support of its petition, Peoples says:

- 1. The name and address of the Petitioner is:

Peoples Gas System Post Office Box 2562 Tampa, Florida 33601-2562

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

Ansley Watson, Jr., Esquire Macfarlane Ferguson & McMullen Post Office Box 1531 Tampa, Florida 33601-1531

- 3 The new tariff sheets comprising Exhibit A contain a Natural Gas Transportation Agreement dated September 16, 1987 between Sebring Utilities Commission ("SUC") and Sebring

9463 AUG 31 1998

Gas System, a division of Coker Fuel, Inc. (now known as Sebring Gas System, Inc.) ("SGS"), hereinafter called the "SGS Transportation Agreement." Peoples became a party to the SGS Transportation Agreement indirectly through a series of transactions occurring between 1987 and June 1997, such transactions being generally referred to hereafter as the "Assignments."

ASSIGNMENTS OF THE SGS TRANSPORTATION AGREEMENT

4. Transportation under the SGS Transportation Agreement is conducted through a pipeline extending from a point of interconnection with Florida Gas Transmission Company at Avon Park to the Dinner Lake plant together with a pipeline extending from the Dinner Lake plant to SUC's Park Street electric plant (the "pipeline"). The Assignments occurred as follows:

a. In 1987 the pipeline, constructed in approximately 1965, was owned and operated by SUC and used to supply gas to its electric generating facilities. On September 16, 1987, SUC entered into the SGS Transportation Agreement pursuant to which SUC was required to transport natural gas through the pipeline for the benefit of SGS, charging SGS \$0.35 per MCF for the service.

b. On February 28, 1991, SUC and Tampa Electric Company ("Tampa Electric") entered into a series of agreements which effected a transfer of SUC's electric facilities to Tampa Electric. As part of this transaction SUC and Tampa Electric entered into another transportation agreement (the "Tampa Electric Transportation Agreement") which provided for the transportation by SUC of natural gas through the pipeline for the benefit of Tampa Electric to be used at the electric generating facilities Tampa Electric was acquiring. Pursuant to a Facilities Purchase and Sale Agreement entered into as part of the transaction, Tampa Electric acquired from SUC a vested right to take, at a future date, title to and

ownership of the pipeline, as well as an assignment of SUC's rights under the SGS Transportation Agreement. By amendment to the Tampa Electric Transportation Agreement dated May 26, 1993, which amendment was a precondition for the City of Sebring's acceptance of a conveyance of the pipeline from SUC, SUC agreed that within fifteen (15) days of a request by Tampa Electric to do so, it would convey the pipeline and assign the SGS Transportation Agreement to Tampa Electric.

c. On July 26, 1993, by an Assignment and Assumption of Natural Gas Transportation Agreement among SUC, the City of Sebring and Tampa Electric, SUC assigned to the City of Sebring, with the approval and consent of Tampa Electric, the Tampa Electric Transportation Agreement and the amendment thereto, whereupon the City of Sebring assumed all of SUC's obligations under the Tampa Electric Transportation Agreement, including the obligations to convey the pipeline and assign the SGS Transportation Agreement to Tampa Electric.

d. By letter dated June 16, 1997, Tampa Electric formally requested that the City of Sebring convey the pipeline pursuant to the terms of the Tampa Electric Transportation Agreement and the amendment thereto.

e. By Bill of Sale effective as of June 10, 1997, the City of Sebring transferred its interest in the pipeline, and assigned the SGS Transportation Agreement, to Tampa Electric, and thereafter the Peoples division of Tampa Electric assumed responsibility for operation of the pipeline and administration of the SGS Transportation Agreement.

5. As a result of the Assignments described above, Peoples assumed the rights and obligations originally held by SUC under the SGS Transportation Agreement. Therefore, Peoples

became obligated in June of 1997 to transport natural gas through the pipeline for the benefit of SGS at the \$0.35 per MCF rate established in Article VII of the SGS Transportation Agreement.

RELIEF REQUESTED

6. Rule 25-9.034(2), F.A.C., requires a utility to file with the Commission a conformed copy of all "special contracts" (as defined in the rule) "which are currently in effect and which have not been previously filed."

7. The transportation rate specified by the SGS Transportation Agreement differs from the rate set forth in Peoples' Natural Gas Tariff, Original Volume No. 1, which might otherwise be applicable to transportation performed by Peoples for SGS. Therefore, the agreement falls within the category of a "special contract" covered by Rule 25-9.034. Peoples therefore seeks the Commission's approval of the SGS Transportation Agreement as a special contract, and authority to include the new tariff sheets comprising Exhibit A as a part of its tariff.

8. Subsection (1) of Rule 25-9.034 requires that, when a utility "enters into" a special contract, such contract must be "approved by the Commission *prior to its execution.*" (emphasis supplied) In the case of the SGS Transportation Agreement -- which was executed by SUC in 1987 -- Peoples was not in a position (because it was not originally a party to the agreement) to seek Commission approval "prior to its execution," or to place it on file with the Commission "prior to its effective date." Peoples seeks approval of the SGS Transportation Agreement as a special contract pursuant to subsection (2) of the rule, which requires the filing with the Commission of a conformed copy of any special contract "which [is] currently in effect and which [has] not been previously filed." The agreement should have been filed at or about the time Peoples' merger into Tampa Electric Company was consummated (in mid-June 1997), but its filing was inadvertently

overlooked.

9. Peoples submits that approval of the SGS Transportation Agreement as a special contract is in the best interests of Peoples customers and of SGS. Peoples' total investment in the pipeline used to transport gas to SGS under the agreement is \$57,998, comprised of SUC's depreciated book value of \$233 at the time the line was acquired by Peoples, and \$57,765 in improvements made by Peoples after the line's acquisition. The \$0.35 per MCF rate charged by Peoples to SGS under the agreement produces revenue to Peoples of almost \$2,000 per month, or about \$24,000 annually. The annual operating and maintenance expense associated with the pipeline is approximately \$2,500. Therefore, Peoples' customers benefit from the return derived from the \$0.35 per MCF rate provided by the agreement.

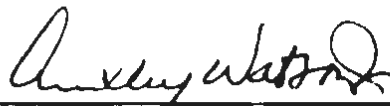
10. The \$0.35 per MCF rate has been paid by SGS since the SGS Transportation Agreement was executed in 1987. The agreement in essence provides for firm, as opposed to interruptible, transportation service to SGS. In the event the agreement is not approved as sought by this petition, Peoples would be required to charge SGS a monthly customer charge of \$45.00, plus \$0.16155 per therm (or \$1.6155 per MCF) for the transportation now covered by the agreement. This is currently the lowest rate applicable for firm transportation under Peoples' tariff. See Rate Schedule GTSLV-2, Original Sheet No. 7.308 of Peoples' Tariff, Volume 1. As a result, SGS's cost for Peoples' transportation of the gas currently being transported would increase approximately 460%.

11. In essence, this petition seeks approval for the SGS Transportation Agreement as a special contract in order to preserve the \$0.35 per MCF rate set forth in the contract -- a rate to which the then parties to the contract agreed in 1987, a rate with which the current parties to the contract

still agree, and a rate which provides benefit to other customers served by Peoples. Peoples requests that such approval be effective as of July 1, 1997, the date on which Peoples became obligated to transport gas to SGS under the agreement as a result of the Assignments hereinabove described.

WHEREFORE, Peoples respectfully requests that the Commission consider this petition on an expedited basis, and approve the SGS Transportation Agreement as a special contract effective July 1, 1997, such approval to effective on the date of the Commission's vote.

Respectfully submitted,



Ansley Watson, Jr.
MACFARLANE FERGUSON & McMULLEN
Post Office Box 1531
Tampa, Florida 33601-1531
(813) 273-4321
Attorneys for Peoples Gas System

NATURAL GAS TRANSPORTATION AGREEMENT

EXHIBIT "A"

THIS AGREEMENT made and entered this 16th day of September, 1987, by and between SEBRING UTILITIES COMMISSION, herein called "Commission", and the SEBRING GAS SYSTEM, a Division of Coker Fuel, Inc., herein referred to as "Distributor".

Witnesseth:

WHEREAS, the Commission owns and operates a natural gas 6" steel pipeline extending from a connection with Florida Gas Transmission Company, herein (FGT), at Avon Park to Commission's Dinner Lake electric generating plant in the City of Sebring, and this gas line is being extended with a 4" plastic line to the Distributor's gate station located at North Eucalyptus Street and Avocado Street, Sebring, Florida; and

WHEREAS, the Distributor will extend, at its expense the Commission's natural gas line from the Commission's Dinner Lake steam plant through the Distributor's present bulk storage plant on Hawthorne to the Distributor's gate station located at North Eucalyptus and Avocado Street. When the extension is completed the extended line will become the sole property of the Commission; and

WHEREAS, the Commission is willing to transport gas to be purchased by Distributor through the Commission's pipeline facilities to a connection or connections of the gas distribution facilities of Distributor,

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, it is mutually agreed as follows:

ARTICLE I

Term of Agreement

This Agreement shall become effective on the date hereof, with the primary term commencing on the date of the first delivery of gas hereunder, after the approval by the Federal Energy Regulatory Commission (FERC) of the sale and delivery of gas by FGT to Distributor, and continuing for so long as Distributor or its successors and assigns has a franchise to distribute gas in the City of Sebring.

Issued By: William N. Cantrell, President
Issued On:

Effective: July 1, 1987

ARTICLE II

Transportation Service

The Commission, hereby, agrees to provide transportation service to Distributor. All gas purchased by Distributor for transportation by Commission shall be delivered to Commission at FGT's Avon Park delivery station. Commission shall deliver Distributor's gas to Distributor at one or more connections between Distributor's gas distribution system and Commission's pipeline. The original connection under this Agreement is the gate station at Eucalyptus and Avocado Street as per Figure "2" in attached Schedule "II". The parties shall specify the location of such additional connections as needed, by addenda to this Agreement. The Distributor's connection to the Commission's pipeline shall be constructed according to Figure "I", in said Schedule "II". Said Figure "I" also indicates the point of separation of the two systems.

The Commission agrees to reserve for Distributors the capacity of its gas line in excess of the needs of the Commission. In addition to the Commission's needs, the Commission reserves the right to serve the gas requirements of any future co-generation facilities of its customers, from which the Commission is required to purchase any or all of the electrical output. Based on Commission's present maximum capacity for generation, it is estimated that maximum excess capacity of 10,000 cubic feet per hour based on 100 pound inlet pressure at FGT's facilities in Avon Park will be available. If engineering studies indicate the pressure can be increased, Commission agrees to cooperate with Distributor to do so should increased capacity be necessary.

ARTICLE III

Availability and Priority of Service

The gas received by the Commission at Avon Park for itself and for the account of Distributor will be gas purchased from FGT or gas purchased from other sources, but transported and delivered by FGT. Those deliveries by FGT will be governed by terms and conditions of FGT's tariff which establishes the

availability and priority of service. In the event FGT issues an order requiring the curtailment of deliveries to any end-user of gas transported by Commission, both parties agree to be governed by such FGT curtailment order.

In the event of an emergency whereby Commission's line experiences a reduction in capacity, Commission agrees to give priority of service to Distributor during the period of reduced capacity.

ARTICLE IV

Measuring and Measuring Equipment

The total volume of commingled gas purchased by Commission and Distributor will be delivered at the FGT metering station at Avon Park. Distributor agrees to install a meter or meters at the points of connection between facilities operated by Distributor and those operated by Commission. Volumes measured will be reported to FGT which will then bill Commission and Distributor for the supplies of gas services rendered on the basis of the information from the respective FGT and Distributor meters.

Commission and Distributor acting jointly may install, maintain and operate such check measuring equipment as desired, provided that such equipment will be so installed as not to interfere with the safe and efficient operation of Distributor's equipment.

Only duly authorized agents of Distributor or persons authorized by law shall set or remove, turn on or turn off or in any way handle such meters. The accuracy of meters shall be tested in accordance with Distributor's tariff filed with the Florida Public Service Commission.

ARTICLE V

Quality and Pressure

The quality of gas shall be governed by the general terms and conditions of FGT's tariff filed with FERC.

Gas shall be delivered at such uniform pressure as Distributor may reasonably require up to, but not exceeding, 65 lb./sq. inch gauge at the points of delivery. Distributor shall

install, operate and maintain such regulating devices as may be necessary to regulate the pressure after delivery to Distributor.

ARTICLE VI

Gas Sales

While present regulations prevent Commission from selling gas to distributors, or other users, it is anticipated these regulations may change. If regulations allow and it is deemed feasible for the parties, and Commission has gas available for sale, the Distributor agrees to enter into negotiations for gas purchases from Commission.

ARTICLE VII

Charge for Service Billing

Commission will render monthly bills for transportation service. The transportation fee is calculated as follows: 35¢ per MCF (1,000 cu. ft.). The cubic feet billed will be based on FGT meter readings taken at the end of each month. The first such bill will be due on the tenth (10th) of the month following commencement of transportation service. This transportation fee shall continue for a period of three (3) years, after which, the said fee (35¢ per MCF) will increase five (5) percent per year each year thereafter unless otherwise agreed between the parties hereto. There shall be an annual minimum charge equal to at least twenty (20) percent of the previous years charge. In addition to the above mentioned charges, the Distributor shall reimburse the Commission for any increase in Commission's insurance costs directly related to the service rendered to the Distributor hereunder.

If Distributor has not paid within twenty (20) days from due date thereof, a collection charge of (1) percent shall be added thereto, which increased amount shall be the amount to be paid in such event. When such twentieth day falls on Saturday, Sunday, or any legal holiday, the first legal business day thereafter shall be added to the twenty-day period.

ARTICLE VIII

General Terms and Conditions

The general terms and conditions contained in FGT's PERC Gas

Tariff, Volume I, shall be applicable to service provided herein to the extent applicable.

ARTICLE IX

Force Majeure

In the event of either party being rendered, wholly or in part by force majeure, unable to carry out its obligations under this Agreement, it is agreed that when such party has given notice and full particulars of such force majeure in writing or by telegraph to the other party which shall be done as soon as practicable after the occurrence of the causes relied on, then the obligations of the parties hereto, other than its obligation to make payments of amounts due hereunder so far as they are affected by such force majeure, shall be suspended during the continuance of any disability so caused, but for no longer period, and such cause shall, so far as possible, be remedied with all reasonable dispatch.

The term "Force Majeure" as employed herein shall include, but shall not be limited to, acts of God, acts of public enemy or terrorists, wars, blockades, insurrections, riots, landslides, lightning, earthquakes, fires, storms, flood, washouts, explosions, breakage or accident to machinery or lines or pipe, and causes of like or similar kind, whether herein enumerated or not, and not within control of the party claiming suspension, and which by the exercise of due diligence such party is unable to overcome.

ARTICLE X

Transfer, Assignment or Cancellation

Any entity which shall succeed by purchase, merge or consolidation to the properties, substantially as an entirety, of either party, as the case may be, shall be entitled to the rights and benefits and shall be subject to the obligations of its predecessor in title under this Agreement.

The Commission shall have the right to cancel this Agreement upon default by the Distributor under the terms hereof. Default shall include, but not be limited to the following:

- a) Non-payment of charges or costs billed the

Distributor under this Agreement;

- b) Filing of bankruptcy by the Distributor or parent company;
- c) Failure of the Distributor to provide insurance coverage required by this Agreement by an insurance firm approved by the Florida Insurance Commission;
- d) Failure by the Distributor to operate and maintain its gas facilities according to State and Federal Safety regulations.

If an event of default occurs the Commission must notify the Distributor in writing stating the event of default and date on which Commission's obligations under the Agreement are to cease. If the default involves a question of public safety the Commission may cease supplying gas immediately.

ARTICLE XI

INDEMNITY

Distributor shall indemnify and save harmless from any and all liability, loss, damage, expense, causes of action, suits, claims or judgments arising from injury to death to person or property resulting from or based upon the actual or alleged use of the gas after it has been delivered to Distributor by Commission and Distributor shall, at its own cost and expense, defend any and all suits which may be brought against Commission, either alone or in conjunction with others upon any such liability or claim or claims and shall satisfy, pay and discharge any and all judgments and fines that may be recovered against Commission in any such action or actions, provided however, that the Distributor shall give Commission written notice of any such claim or demand.

The indemnification provisions shall be insured with a Comprehensive General Liability Policy with an insurance carrier approved by the Florida State Insurance Commissioner. The minimum required coverages are as described in Schedule I - Comprehensive General Liability.

ARTICLE XII

Notices

Notices to Sebring Gas System under this Agreement shall be addressed to Box 817, Mauchula, Florida 33873. Notices to Sebring Utilities Commission shall be in writing and addressed to P.O. Box 971, Sebring, Florida 33871-0971.

Either party may change its address under this Article by written notice to the other party.

EXECUTED for the parties hereto, by their proper officers duly authorized so to do, this 16th day of September, 1987.

SEBRING GAS SYSTEM

SEBRING UTILITIES COMMISSION

BY Jerry H. Melendy Jr.

BY: JW Jones

ATTEST:

ATTEST:

[Signature]

James E. Merchant