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IN REPLY REFER TO:

March 23, 2004

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

VIA FEDEX

Blanca S. Bayo, Director
Division of Commission Clerk & Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: **Petition for approval of special contract with Pasco Cogen, Ltd., by Peoples Gas System**

Dear Ms. Bayo:

We enclose for filing with the Commission:

1. the original and 15 copies of the petition of Peoples Gas System referenced above (**confidential treatment** is being requested for a portion of Exhibit A to the petition);
2. the original and 11 copies of Peoples Gas System's Request for Confidential Treatment of a portion of Exhibit A to the above petition;
3. a single unredacted copy of Exhibit A to the petition in which the sensitive information for which confidential treatment is sought has been highlighted; and
4. a diskette containing the petition and the request for confidential treatment in Microsoft Word format.

In the original and all 15 "public" copies of the petition identified above, the sensitive information in Exhibit A has been redacted (*i.e.*, "whited out").

Please acknowledge your receipt and the date of filing of the enclosures, together

DOCUMENT NUMBER-DATE

03872 MAR 24 3

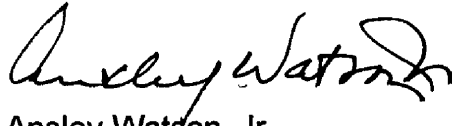
FPSC-COMMISSION CLERK

Blanca S. Bayo, Director
March 23, 2004
Page 2

with the docket number assigned, on the enclosed duplicate copy of this letter, and return the same to me in the preaddressed envelope which is also enclosed.

Thank you for your usual assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Ansley Watson, Jr.", written in a cursive style.

Ansley Watson, Jr.

AWjr/a
Enclosures

cc: Mrs. Kandi R. Floyd
Ms. Angela Llewellyn
Mr. Wayne R. Makin

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of)
special contract with Pasco Cogen,)
Ltd. by Peoples Gas System)
_____)

Docket No. 040259 -GW

Submitted for Filing:
3-24-04

PETITION OF PEOPLES GAS SYSTEM

Peoples Gas System ("Peoples" or the "Company"), by its undersigned attorneys, petitions the Commission for approval of a special contract with Pasco Cogen, Ltd. ("Pasco Cogen"), designed to reflect changes in the operation of Pasco Cogen's gas-fired cogeneration facility in Dade City, Florida, and to protect the interests of Peoples and its other customers without financial detriment to Pasco Cogen. In support of its petition, Peoples states:

1. The name of the petitioner and the mailing address of its principal office are:

Peoples Gas System
702 North Franklin Street, 7th Floor
Tampa, Florida 33602

2. The names and mailing addresses of the persons authorized to receive notices and communications with respect to this petition are:

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

and

DOCUMENT NUMBER - DATE

03872 MAR 24 04

FPSC-COMMISSION CLERK

Angela Llewellyn
Peoples Gas System
P. O. Box 2562
Tampa, Florida 33601-2562

3. Petitioner's substantial interests will be affected by the Commission's determination with respect to the relief sought by petitioner herein, as will be more fully set forth hereinafter.

Background

4. Peoples and Pasco Cogen are parties to an Amended and Restated Gas Transportation Agreement dated as of February 15, 1993 (the "Current Agreement"), which superseded the original Gas Transportation Agreement between the parties dated as of August 28, 1991. Pasco Cogen burns the gas it receives to operate combustion turbines, and a steam turbine generator, for the production of electricity, which it sells to Progress Energy Florida, Inc. (also known as Florida Power Corporation) pursuant to a negotiated power purchase agreement approved by the Commission. The term of the power purchase agreement initially had an expiration date of June 30, 2013 but, as amended in 1996 by an amendment approved by the Commission in 1997, is now scheduled to expire December 31, 2008.

5. Both the Current Agreement and the original agreement provided for Peoples' providing transportation service for Pasco Cogen at the transportation rate (now called a distribution charge) set forth in Peoples' Rate Schedule ISLV, which is available to interruptible customers who consume 50 million or more therms per year. At the time the parties entered into the original agreement, and until approximately January 1999, Peoples transported approximately 70 million therms annually to Pasco

Cogen's facility.

6. Several factors have combined to cause the quantities of gas used, and expected to be used in the future by Pasco Cogen, to decrease below Rate Schedule ISLV's 50-million-therm threshold. First, in 1995, the Commission approved a Progress Energy curtailment plan that permits it to curtail deliveries of energy by Pasco Cogen and other cogenerators when the demand for electricity on the Progress Energy system is low. Second, the amendment to the power purchase agreement mentioned in paragraph 4 above (which was entered into by Pasco Cogen and Progress Energy to settle lengthy and expensive litigation between them) also provides that Pasco Cogen receives firm energy payments under the power purchase agreement only during the "on peak" hours identified in the agreement. During all other hours, Pasco Cogen is paid Progress Energy's "as available" energy cost for electric energy delivered to the utility. At most times, the as-available rate does not cover Pasco Cogen's delivered cost of gas, and it is often forced to shut down at least one of its gas turbine generators in order to maintain economical operation of its cogeneration facility. Finally, in 1999, the citrus processing plant that takes thermal energy from Pasco Cogen in the form of steam ceased operating its evaporators used to produce citrus concentrate, resulting in a decrease in its demands for steam from Pasco Cogen.

7. In combination, the changes mentioned above, particularly those in the steam demands of the citrus processing plant which serves as Pasco Cogen's steam host for purposes of maintaining its qualifying facility status under the power purchase agreement with Progress Energy, caused Pasco Cogen to modify its operations in order to maintain such status. These changes in the operation of the cogeneration facility

caused the reduction in the demand for gas, which is now slightly less than the 50 million therms annually required for Pasco Cogen to qualify for the distribution charge in Rate Schedule ISLV.

Relief Requested

8. Peoples seeks the Commission's approval of the special contract (Second Amended and Restated Gas Transportation Agreement) between Peoples and Pasco Cogen attached hereto as Exhibit A (the "special contract"). The Commission's approval is required because the distribution charges to be paid to Peoples by Pasco Cogen, and set forth in the special contract, are less than the distribution charges which would otherwise be payable under Peoples' Commission-approved natural gas tariff. See Rule 25-9.034, *Fla. Admin. Code*.

9. Peoples submits that approval of the special contract is warranted for a number of reasons:

a. Approval of the special contract will preserve the minimum revenue stream to Peoples contemplated by both Peoples and Pasco Cogen at the time Pasco Cogen initially contracted for transportation service. At the former ISLV rate of \$0.0109 per therm, Pasco Cogen's consumption of 70 million therms provided non-fuel revenue of approximately \$763,000 annually. The tiered rate levels for various levels of consumption in the special contract are designed to preserve this revenue stream for the benefit of Peoples and its ratepayers, while providing Pasco Cogen with certainty regarding its rate at each level of consumption. This will also provide Pasco Cogen with flexibility in operating its facility to meet other possible changes in circumstances over which it has no

direct control.

b. Applying the full IS rate of \$0.03522 per therm would adversely affect Pasco Cogen and, potentially, Peoples' other ratepayers. The higher rate could cause Pasco Cogen to run its facility even less in off-peak hours, or, worse yet, could contribute to the closure of the facility.

c. Reduction in quantities of gas to be taken by Pasco Cogen was neither known nor anticipated when Peoples filed its most recent rate case. Pasco Cogen's annual consumption of gas (based on a 12-month rolling average) did not drop below 50 million therms until December 2002, the month of the final hearing in Peoples' most recent rate case (Docket No. 020384-GU). Had Peoples known at the time it filed the case that Pasco Cogen's consumption would be reduced in the immediate future, it would have sought in its filing approval of a special contract, similar to the one for which the Commission's approval is now sought, in order to preserve the revenue stream to the Company associated with this important customer, while preserving a competitive, market-based rate for the customer.

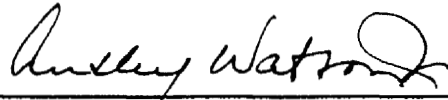
10. As a practical matter, had Rate Schedule ISLV not been in effect at the time Pasco Cogen's cogeneration facility became commercially operable in 1993, Peoples would have had to seek the Commission's approval for special contracts, not only for Pasco Cogen, but for three other cogenerators (Orlando Cogen, Lake Cogen and Auburndale Power Partners), all of which had planned cogeneration facilities to be served by Peoples. The transportation rate in Rate Schedule IS would not have been economical for any of these four cogenerators, and three of them had the ability to

bypass the Peoples system. Had Peoples been unable to obtain the Commission's approval for a rate less than the IS rate, it would have had to forego the substantial additional load these four cogenerators provided on its system, together with the corresponding benefits which accrued to Peoples' other ratepayers as a result of such additional system throughput.

11. Peoples does not seek to recover the differential in revenues resulting from the special contract.

WHEREFORE, Peoples respectfully requests that the Commission grant the relief sought by this petition, and enter its order approving the special contract between Peoples and Pasco Cogen attached hereto as Exhibit A, such approval to become effective as of the date of the Commission's vote.

Respectfully submitted,



Ansley Watson, Jr.
Macfarlane Ferguson & McMullen
P. O. Box 1531
Tampa, Florida 33601-1531
Telephone: (813) 273-4200 or -4321
Facsimile: (813) 273-4396 or -4397
E-mail: aw@macfar.com
Attorneys for Peoples Gas System

SECOND AMENDED AND RESTATED GAS TRANSPORTATION AGREEMENT

This Second Amended and Restated Gas Transportation Agreement (the "Agreement") is made and entered into as of the 1st day of January, 2004, by and between **Peoples Gas System, a Division of Tampa Electric Company** (successor by merger to Peoples Gas System, Inc.), a Florida corporation ("PGS"), and **Pasco Cogen, Ltd.**, a Florida limited partnership ("Shipper"), who hereby agree as follows:

ARTICLE I - DEFINITIONS

As used herein, the following terms shall have the meanings set forth below. Capitalized terms used herein, but not defined below, have the meanings given for such terms in PGS's FPSC Tariff.

"Business Day" means the Days Monday through Friday (excluding any federal banking holiday falling on any such Day).

"City Gate Agreement" means that certain City Gate Gas Sales Agreement between Shipper and PGS dated as of February 15, 1993, as the same may be amended from time to time.

"Contract Year" means (i) with respect to the first Contract Year, a period of twelve (12) consecutive months commencing on the date first written above and ending at the commencement of the Gas Day commencing on the anniversary of such date, and (ii) with respect to subsequent Contract Years, each successive like 12-month period during the term of this Agreement.

"Facility" means Shipper's Gas-fired cogeneration facility with a net electrical generating capacity of approximately 106,000 kilowatts, an annual average steam production capacity of approximately 50,000 pounds per hour and a maximum steam production capacity of approximately 200,000 pounds per hour, located in Dade City, Florida.

"FGT Agreement" means that certain Service Agreement for Firm Transportation Service between FGT and PGS dated November 1, 1989, including (a) FGT's currently effective Rate Schedule FTS-1 and (b) General Terms and Conditions filed with the FERC (and incorporated in said agreement by reference), as such agreement, rate schedule and general terms and conditions may be amended from time to time during the term of this Agreement, and any successor agreement, rate schedule or general terms and conditions thereto.

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

"Gas Supply Arrangements" shall mean collectively (i) that certain Gas Purchase Agreement between North Canadian Marketing Corporation ("NCM") and Shipper executed on January 24, 1992 and dated as of August 28, 1991, as the same may be amended from time to time, and any supplemental or substitute agreements entered into by Shipper with NCM, its successors or assigns, to procure Gas for the Facility, (ii) that certain Natural Gas Sales Agreement between TECO Gas Services, Inc. (formerly known as Gator Gas Marketing, Inc.) and Shipper dated as of August 28, 1991, as the same may be amended from time to time, (iii) the City Gate Agreement, (iv) that certain Pipeline Capacity Release Agreement between PGS and Shipper dated as of February 15, 1993, as the same may be amended from time to time and (v) any agreement entered into by Shipper and Supplier(s) for the purchase of Gas.

"Maximum Delivery Quantity" or "MDQ" means the maximum amount of Gas that PGS is obligated to cause to be delivered to Shipper pursuant to this Agreement on any Day at the PGS Delivery Point, and is stated in Appendix B.

"Maximum Transportation Quantity" or "MTQ" means the maximum amount of Gas that PGS shall be obligated to receive pursuant to this Agreement on any Day at the PGS Receipt Point(s), and is stated in Appendix A.

"Nomination" means a notice delivered by Shipper to PGS in the form specified in PGS's FPSC Tariff, specifying (in MMBtu) the quantity of Gas Shipper desires to purchase, or to have PGS receive, transport and redeliver, at the PGS Delivery Point. "Nominate" means to deliver a completed Nomination.

"PGS Delivery Point" means the point listed in Appendix B.

"PGS Receipt Point(s)" means the point(s) of physical interconnection between Transporter and PGS listed in Appendix A.

"Power Purchase Agreement" means that certain Negotiated Contract For The Purchase Of Firm Capacity And Energy From A Qualifying Facility entered into on March 13, 1991, by and between Shipper and Florida Power Corporation, as

heretofore amended and as amended or modified from time to time.

“Prior Agreement” means that certain Amended and Restated Gas Transportation Agreement between PGS and Shipper dated as of February 15, 1993, as amended.

“QF” means a qualifying cogeneration facility meeting the criteria for such qualification as set forth in 18 C.F.R. §§292.205 *et seq.* (1990) promulgated by the FERC under the Public Utility Regulatory Policies Act of 1978.

“Supplier(s)” means person(s) (other than PGS) from which Shipper purchases Gas transported hereunder.

“Transportation Quantity” means a daily quantity of Gas nominated by Shipper and confirmed by PGS pursuant to the provisions of Article IV hereof, up to the Maximum Transportation Quantity, consisting of Gas purchased by or on behalf of Shipper pursuant to the Gas Supply Arrangements and delivered to PGS for Shipper’s account at the PGS Receipt Point(s) for transportation and delivery hereunder by PGS to the PGS Delivery Point.

ARTICLE II - TERM

Section 2.1 Term. Subject to the provisions of Section 2.3, this Agreement shall be binding on the date it is executed on behalf of both of the parties hereto and, unless terminated sooner pursuant to the provisions of Section 2.2 hereof, shall continue until the beginning of the Day commencing on the date on which the Power Purchase Agreement expires (the “Termination Date”).

Section 2.2 Early Termination. This Agreement shall terminate upon the occurrence of any of the following: (a) the permanent discontinuance of the operation of the Facility by Shipper or its successors and assigns; or (b) the termination of this Agreement by Shipper, in its sole discretion and on giving thirty (30) Days’ prior written notice to PGS, if (i) the FERC denies (or revokes) certification of the Facility as a QF, or (ii) the City Gate Agreement is terminated for any reason other than by reason of its being replaced by PGS’s release to Shipper of a portion of PGS’s rights under the FGT Agreement sufficient to permit Shipper to contract with FGT for the firm transportation of the Maximum Transportation Quantity from the Supplier Delivery Point(s) (as defined in the City Gate Agreement) to the PGS Receipt Point(s). If this Agreement is terminated pursuant to this Section 2.2, neither party shall have any further liability to the other hereunder (except as to obligations which have accrued prior to such termination).

Section 2.3 FPSC Approval. Notwithstanding any other provision of this Agreement, the same shall be of no force or effect until approved by a final non-appealable order of the FPSC. In the event the FPSC denies approval of this Agreement, the same shall be of no force or effect, and the Prior Agreement shall remain in full force and effect according to its terms.

ARTICLE III - SALES AND TRANSPORTATION SERVICE

Section 3.1 Services. (a) PGS desires to sell and Shipper desires to purchase from PGS, from time to time, for use in the Facility (but not for resale), Gas in quantities which, at Shipper’s request, PGS may, in its sole discretion exercised in a not unduly discriminatory manner, agree to sell to Shipper. Shipper also engages PGS, and PGS accepts such engagement, to receive Gas for Shipper’s account, up to the MTQ, at the PGS Receipt Point(s), and to cause an equivalent quantity, less the Retainage, to be redelivered to Shipper. Such sales and transportation shall be governed by PGS’s FPSC Tariff and this Agreement. If there is a conflict between the tariff and this Agreement, the provisions of this Agreement shall control unless compliance by PGS with the provisions hereof would cause PGS to be unable to comply with its tariff approved by the FPSC, in which case the provisions of the tariff shall control; provided, however, that during the term of this Agreement the distribution charges set forth in Section 5.1 shall control as provided in said Section 5.1. PGS shall have no obligation to make sales to Shipper in lieu of the transportation of Gas contemplated by this Agreement.

(b) Sales and transportation hereunder are interruptible in accordance with PGS's FPSC Tariff and curtailment plan on file with the FPSC. If Shipper's service is interruptible, Shipper may select one or more of the options described in Appendix C, which may enable Shipper to continue receiving delivery of Gas during periods of curtailment or interruption. In addition, PGS agrees that, prior to interrupting or curtailing Shipper, PGS will, when operationally feasible, permit Shipper to elect whether to be curtailed either (i) on a pro rata basis with other customers of PGS in the same (or higher) curtailment priority as Shipper on each Day of such curtailment period or (ii) on alternating Days (*i.e.*, receiving different levels of curtailment on different Days so that, on average over the period of curtailment, Shipper is curtailed at the same level as other customers having the same curtailment priority). Subject to Shipper's execution of an agreement (in the form attached hereto as Appendix D) to maintain the confidentiality thereof, PGS also agrees to provide to Shipper a list of PGS's other interruptible customers in the same (or higher) curtailment priority as Shipper so that Shipper may attempt to enter into agreements with one or more of such customers pursuant to which such customers would agree to be curtailed or interrupted by PGS in order to permit Shipper to continue to receive service from PGS during periods of curtailment or interruption. PGS agrees to honor any such agreement between Shipper and such other customers if such customers agree to hold PGS harmless from and against any liability to such customers arising therefrom.

Section 3.2 Telemetry and Other Required Equipment. PGS has installed telemetry and other equipment required for the provision of service hereunder (the "Equipment"), which is listed in Appendix C. Unless the parties agree otherwise, all facilities used to provide service to Shipper hereunder (including without limitation the Equipment, but excluding any facilities owned by Transporter) shall be installed, owned, operated and maintained by PGS.

ARTICLE IV - NOMINATIONS

Section 4.1 General. For each Day Shipper desires service hereunder, Shipper shall provide a Nomination to PGS pursuant to Sections 4.2 and/or 4.3 for each meter at the Facility. The total quantity for the Facility may be Nominated to a single meter, with "zero" Nominations being made for any additional meters located at the Facility. All Nominations shall be made to PGS at its web site (www.pgsunom.com) provided that, in an emergency, a Nomination may be delivered via facsimile using the form set forth in PGS's FPSC Tariff. Quantities confirmed by PGS for delivery shall be Scheduled Quantities. If requested by Shipper, PGS will allow increases or decreases in Scheduled Quantities after the Nomination deadlines set forth in this article, if the same can be confirmed by PGS, Transporters and Supplier(s), and can be accomplished without detriment to services then scheduled on such Day for PGS and other shippers. The maximum quantity PGS shall be obligated to make available for delivery to Shipper on any Day (which shall not exceed the MDQ) is the sum of (a) the Transportation Quantity and (b) the Sales Quantity (if any) established pursuant to this article.

Section 4.2 Nomination for Purchase. Unless otherwise agreed, Shipper shall Nominate Gas for purchase hereunder not less than seven (7) Business Days prior to the first Day of any Month in which Shipper desires to purchase Gas. Daily notices shall be given to PGS at least two (2) Business Days (but not less than forty-eight (48) hours) prior to the commencement of the Day on which Shipper desires delivery of the Gas. If Shipper has timely Nominated a quantity for a particular Month, PGS shall confirm to Shipper the quantity PGS will tender for purchase by Shipper (the "Sales Quantity," which shall also be a "Scheduled Quantity") no later than 5:00 p.m. Eastern Time on the Business Day immediately preceding each Day during such Month.

Section 4.3 Nomination for Transportation. Unless otherwise agreed, Shipper shall, for each Month, and each Day during such Month that Shipper seeks to change any aspect of any prior Nomination, notify PGS by providing a completed Nomination. Shipper's Nomination for Gas to

be made available for delivery on the first Day of any Month shall be given by 10 a.m. on the second Business Day prior to the Day on which a nomination must be delivered to Transporter for receipt of deliveries at the PGS Receipt Point(s) on such Day. Daily Nominations for Gas to be made available for delivery other than on the first Day of a Month shall be given to PGS by 10 a.m. on the Business Day prior to the Day on which a nomination must be delivered to Transporter for the receipt of deliveries at the PGS Receipt Point(s) on such Day. PGS shall confirm to Shipper the quantity PGS will make available for redelivery on such Day (the "Transportation Quantity," which shall also be a "Scheduled Quantity") no later than 5:00 p.m. Eastern Time on the Business Day immediately preceding such Day. PGS has no obligation to confirm a quantity Nominated by Shipper pursuant to this section greater than the quantity which, in PGS's reasonable judgment, equals the Facility's likely consumption for a Day plus Retainage, less any Sales Quantities confirmed for delivery on such Day.

Section 4.4 Other Responsibilities. Shipper shall promptly notify PGS in writing of any change in the Sales Quantity or Transportation Quantity for any Day, and PGS will use commercially reasonable efforts to accept any such requested change as soon as practicable.

Section 4.5 Confirmation. If Transporter asks PGS to verify a nomination for Shipper's account, PGS shall confirm the lesser of such nomination, the Transportation Quantity or, in the case of non- or partial operation of the Facility, that quantity which in PGS's reasonable judgment (after consultation with Shipper) is likely to be consumed at the Facility. PGS has no obligation with respect to verification or rejection of quantities not requested by Shipper.

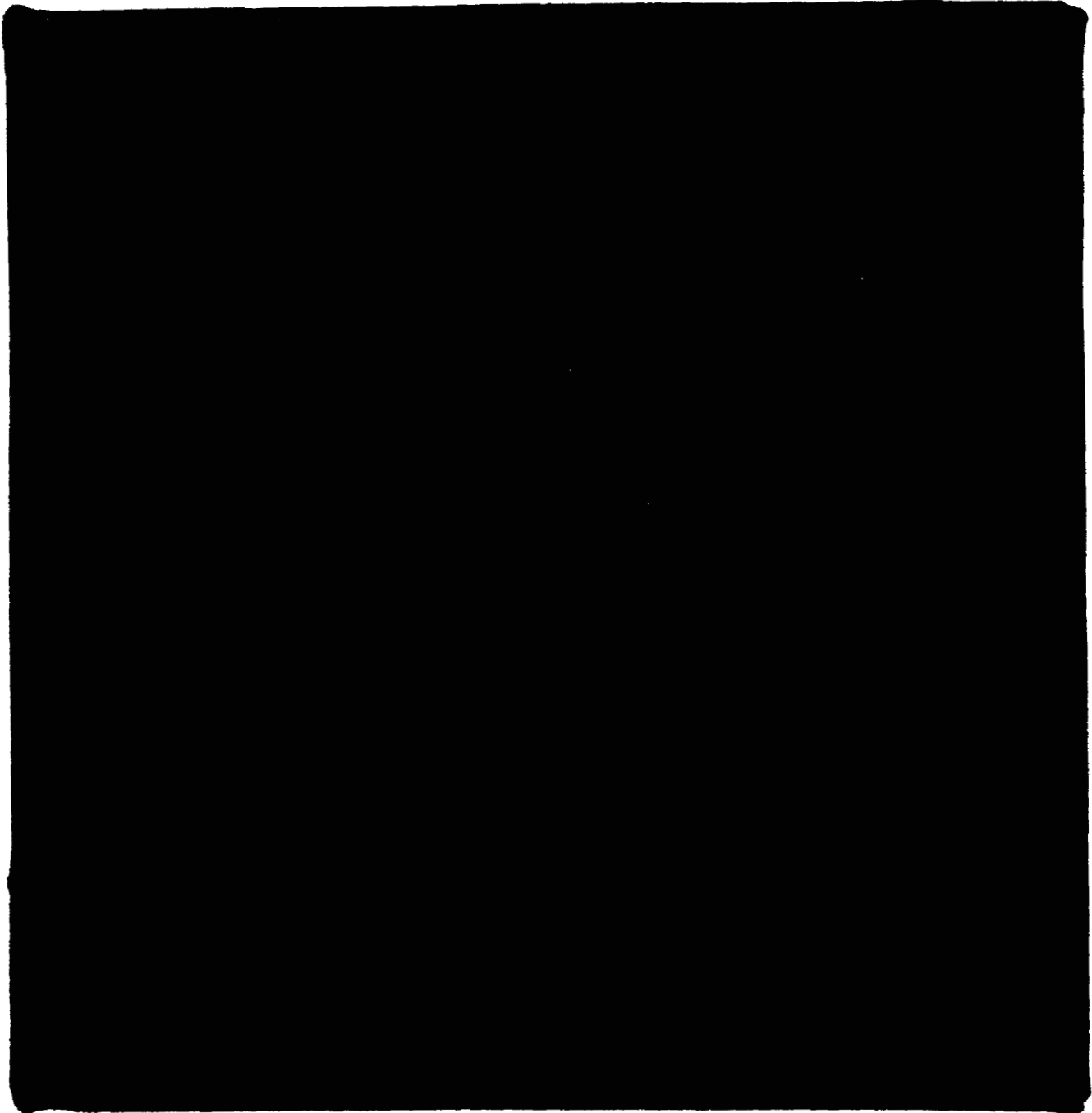
Section 4.6 Mutually Beneficial Transactions. Shipper recognizes that PGS maintains the operation and system integrity of the PGS distribution system on a daily basis, and that PGS, as the delivery point operator for its points of interconnection with interstate pipelines, is subject to the rules and regulations of such pipelines with regard to operational flow rates, pressures and penalties. As such, PGS may from time to time need Shipper to vary its Nominated quantities of Gas to be delivered at the PGS Receipt Point(s). On such occasions, PGS may in its sole discretion request, and Shipper may agree to, a change in the quantity of Gas to be delivered for the account of Shipper at the PGS Receipt Point(s). No such change in the quantity of Gas to be delivered shall be made pursuant to this section without the consent of Shipper. Terms and conditions of any such transaction will be agreed upon between the parties at the time of the transaction and will be recorded and confirmed in writing within two Business Days of the transaction.

Section 4.7 Full Requirements. During the term of this Agreement and any extension thereof, Shipper agrees that all Gas used in the Facility will, at Shipper's option (subject to the provisions of this Agreement), either be purchased from or transported by PGS on PGS's distribution system, except to the extent Shipper's requirements for the Facility are not delivered by PGS in accordance with this Agreement.

ARTICLE V - TRANSPORTATION AND OTHER CHARGES

Section 5.1 Distribution Charges. Shipper shall pay PGS each Month for transportation service rendered by PGS, and/or for Gas purchased from PGS, in accordance with PGS's Rate Schedule CIS filed with and approved by the FPSC; provided, however, that during the term of this Agreement, the distribution charge for service under Rate Schedule CIS shall be:





Section 5.2 Changes in Tariff. If the applicable rates or rate schedules change or are amended or superseded, the newly applicable rates or rate schedules shall be applicable to service hereunder. Nothing contained herein shall prevent PGS from filing with the FPSC (or Shipper from opposing) changes to the rates and other provisions in PGS's FPSC Tariff. PGS agrees to give Shipper reasonable notice of (a) all filings (except filings in FPSC Docket No. 030003-GU, In Re: Purchased Gas Adjustment (PGA) True-Up, and successor dockets) which PGS makes with the FPSC and (b) all other FPSC proceedings of which PGS becomes aware, which PGS (in the exercise of reasonable judgment) determines would affect PGS's rates or the services to be performed by PGS under this Agreement.

ARTICLE VI - BILLING AND PAYMENT

Section 6.1 Billing. PGS will bill Shipper each Month for all Actual Takes during the preceding Month, and for any other amounts due hereunder. If, during the preceding Month, PGS has purchased Gas from Shipper pursuant to an interruption or curtailment order, such bill shall show a credit for the estimated amount due Shipper for such purchase(s). If the estimated amount owed by PGS to Shipper exceeds the amount Shipper owes PGS, PGS shall pay Shipper the net amount estimated to be due Shipper at the time PGS bills Shipper.

Section 6.2 Payment. Shipper shall pay such bills, minus any disputed amounts, at the address specified in the invoice by the 20th Day following the date of PGS's mailing (as signified by the postmark) or other delivery of the bill. All sums not so paid by Shipper (or credited or paid by PGS) shall be considered delinquent.

Section 6.3 Billing Disputes. In the event of a bona fide billing dispute, Shipper or PGS, as the case may be, shall pay (or credit) to the other party all amounts not in dispute, and the parties shall negotiate in good faith to resolve the amount in dispute as soon as reasonably practicable. If a party has withheld payment (or credit) of a disputed amount, and the dispute is resolved, the non-prevailing party shall pay to the other party the amount determined to be due such other party, plus interest thereon at an annual rate equal to the prime interest rate of Citibank, N.A., New York, New York, plus one percent (1%), calculated on a daily basis from the date due until paid (or credited).

Section 6.4 Errors or Estimates. If an estimate is used to determine the amount due Shipper for purchases by PGS pursuant to an interruption or curtailment order, PGS shall make any adjustment necessary to reflect the actual amount due Shipper on account of such purchases in the next bill rendered to Shipper after determination of the actual amount due. An error in any bill, credit or payment shall be corrected in the next bill rendered after the error is confirmed by PGS.

ARTICLE VII - FAILURE TO MAKE PAYMENT

Section 7.1 Late Payment Charge. Charges for services due and rendered which are unpaid as of the past due date are subject to a Late Payment Charge of 1.5%.

Section 7.2 Other Remedies. If Shipper fails to remedy a delinquency in any payment within five (5) Days after written notice thereof by PGS, PGS, in addition to any other remedy may, without incurring any liability to Shipper and without terminating this Agreement, suspend further deliveries to Shipper until the delinquent amount is paid, but PGS shall not do so if the failure to pay is the result of a bona fide billing dispute, and all undisputed amounts have been paid. If PGS fails to remedy a delinquency in providing a credit (or making payment) to Shipper for PGS purchases pursuant to an interruption or curtailment order within five (5) Days after Shipper's written notice thereof, Shipper, in addition to any other remedy, may, without incurring liability to PGS and without terminating this Agreement, suspend PGS's right to retain and purchase Shipper's Gas pursuant to an interruption or curtailment order, but Shipper shall not do so if PGS's failure to provide a credit (or make payment) is the result of a bona fide billing dispute, and all undisputed amounts have been credited or paid by PGS.

ARTICLE VIII - MISCELLANEOUS

Section 8.1 Assignment and Transfer. Neither party may assign this Agreement without the prior written consent of the other party (which shall not be unreasonably withheld) and the assignee's written assumption of the assigning party's obligations hereunder; provided, however, that this Agreement may be assigned by Shipper without the consent of PGS in order for Shipper to obtain, or to comply with the terms of, any construction or permanent financing for the Facility

or substitution thereof; provided further, however, that if a lender requests PGS to consent in writing to such an assignment for financing purposes despite the fact that such consent is not required hereunder, PGS shall do so promptly. PGS further agrees that in connection with the execution of a consent to the assignment of this Agreement required by any lender, PGS will, if requested by the lender: (i) advise the lender whether Shipper has been or is in default of the Agreement and whether there have been previous assignments of the Agreement; (ii) agree (a) to provide the lender with written notice of any defaults, (b) to provide the lender with sixty (60) days after any cure period provided to Shipper hereunder to cure the default if the lender, at its sole option, elects to cure such default and (c) not to amend the Agreement without the prior written consent of the lender; and (iii) provide such other information and agree to such other provisions in the consent that the lender reasonably requests. Subject to the foregoing provisions, the terms and provisions of this Agreement and the respective rights and obligations of PGS and Shipper hereunder shall be binding upon, and inure to the benefit of, their respective successors and assigns.

Section 8.2 Governing Law. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of Florida and shall be subject to all applicable laws, rules and orders of any Federal, state or local governmental authority having jurisdiction over the parties, their facilities or the transactions contemplated. 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, located within the State of Florida, having jurisdiction.

Section 8.3 Severability. If any provision hereof 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.

Section 8.4 Entire Agreement; Appendices. This Agreement sets forth the complete understanding of the parties as of the date first written above, and supersedes any and all prior negotiations, agreements and understandings with respect to the subject matter hereof. The appendices attached hereto are an integral part hereof. All capitalized terms used and not otherwise defined in the appendices shall have the meanings given to such terms herein.

Section 8.5 Waiver. No waiver of any of the provisions hereof shall be deemed to be a waiver of any other provision whether similar or not. No waiver shall constitute a continuing waiver. No waiver shall be binding on a party unless executed in writing by that party.

Section 8.6 Notices. (a) All notices and other communications hereunder shall be in writing and be deemed duly given on the date of delivery if delivered personally or by a recognized overnight delivery service or on the fifth day after mailing if mailed by first class United States mail, registered or certified, return receipt requested, postage prepaid, and properly addressed to the party as set forth below.

PGS:

Administrative Matters:
Peoples Gas System
702 Franklin Street
P. O. Box 2562
Tampa, Florida 33601-2562
Attention: Vice President - Marketing
Telephone: (813)

Payment:
Peoples Gas System

Shipper:

Administrative Matters:
Pasco Cogen, Ltd.
c/o Aquila Energy
20 West 9th
Kansas City, Missouri 64105
Attention: Andy Williams
Telephone: (816) 701-6370
Facsimile: (816) 502-5370

Invoices:
Pasco Cogen, Ltd.

702 Franklin Street
P. O. Box 2562
Tampa, Florida 33601-2562
Attention: Vice President - Marketing
Telephone: (813)
Facsimile: (813)

c/o Aquila Energy
20 West 9th
Kansas City, Missouri 64105
Attention: Andy Williams
Telephone: (816) 701-6370
Facsimile: (816) 502-5370

Section 8.7 Amendments. This Agreement may not be amended except by an instrument in writing signed by the party against which enforcement of the amendment is sought. A change in (a) the place to which notices hereunder must be sent or (b) the individual designated as Contact Person shall not be deemed nor require an amendment hereof provided such change is communicated pursuant to Section 8.6.

Section 8.8 Legal Fees. In the event of litigation between the parties hereto arising out of or in connection with this Agreement, then the reasonable attorneys' fees and costs of the party prevailing in such litigation shall be paid by the other party.

Section 8.9 Independent Parties. PGS and Shipper shall perform hereunder as independent parties and neither PGS nor Shipper is in any way or for any purpose, by nature 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 third persons.

Section 8.10 PGS Cooperation. PGS agrees to deliver certified copies of its articles of incorporation and by-laws, certified copies of relevant corporate resolutions, incumbency certificates, good standing certificates, tax clearance certificates and any other certificates or other instruments reasonably requested by any lender in connection with the closing of any financing for the Facility.

Section 8.11 Requirements of Lenders. The parties recognize that this Agreement is subject to approval by the lenders and if any such lender requires any reasonable modifications to the provisions of this Agreement, Shipper shall request that PGS consent to such modifications, which consent shall not be unreasonably withheld. PGS may withhold its consent if the requested modification is inconsistent with the regulatory requirements of the FPSC or any other body having jurisdiction over the parties or will have a material adverse effect on PGS.

Section 8.12 Opinion of Counsel. At the request of Shipper, PGS shall provide to any lender an opinion of its counsel addressed to any such lender concerning such matters as such lender requests, including without limitation that (i) the execution, delivery and performance of this Agreement is within PGS's power, has been duly authorized and is not in conflict with any agreement to which PGS is a party or by which it is bound or affected, (ii) there is no law, rule or regulation, nor is there any judgment, decree or order of any court or governmental entity binding on PGS, which would be contravened by the execution, delivery, performance or enforcement of the Agreement by PGS and (iii) the Agreement is a legal, valid and binding obligation of PGS, enforceable against it in accordance with its terms except to the extent that such enforcement would be limited by any bankruptcy or other similar laws.

Section 8.13 Representations and Warranties. Each party represents and warrants to the other party that: (i) such party has the full power and authority to execute, deliver and perform its obligations under this Agreement and to carry out the transactions contemplated hereby; (ii) the execution and delivery of this Agreement by such party and the carrying out by such party of the transactions contemplated hereby have been duly authorized by all requisite corporate action or partnership action, as the case may be, and this Agreement has been duly executed and delivered

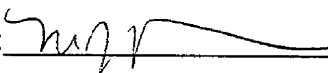
by such party and constitutes the legal, valid and binding obligation of such party, enforceable against it in accordance with the terms hereof, subject, as to enforceability of remedies, to limitations imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally and to general principles of equity; (iii) no authorization, consent, approval or order of, notice to or registration, qualification, declaration or filing with any governmental authority is required for the execution, delivery and performance by such party of this Agreement or the carrying out by such party of the transactions contemplated hereby; and (iv) none of the execution, delivery and performance by such party of this Agreement, the compliance with the terms and provisions hereof and the carrying out of the transactions contemplated hereby, conflict with or result in a breach or violation of any of the terms, conditions or provisions of any law in existence on the date of the execution hereof or the articles of incorporation or partnership documents, as amended, or by-laws, as amended, of such party in existence on the date of the execution hereof, or any applicable order, writ, injunction, judgment or decree of any court or governmental agency against such party or by which it or any of its properties is bound, or any loan agreement, indenture, mortgage bond, note, resolution, contract or other agreement or instrument to which such party is a party or by which it or any of its properties is bound or constitutes a default thereunder or will result in the imposition of any lien, mortgage or other encumbrance upon any of its properties.

Section 8.14 Prior Agreement. Subject to the provisions of Section 2.3, this Agreement shall supersede and replace, as of the date first above written, the Prior Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

**PEOPLES GAS SYSTEM, a division of
TAMPA ELECTRIC COMPANY**

PASCO COGEN, LTD.
By NCP Dade Power Incorporated,
General Partner

By:  _____

By:  _____

Name: Mary Jo Pennino

Name: Jeremy Monzon

Title: VP - Energy Delivery

Title: VP Asset Mgmt.

APPENDIX A – SECOND AMENDED AND RESTATED GAS TRANSPORTATION AGREEMENT

PGS RECEIPT POINT(S)

Maximum Transportation Quantity: 26,119 MMBtu per Day plus the Retainage

PGS will accept Gas from Shipper, or for its account, for transportation pursuant to this Agreement at the following point(s):

<u>NAME</u>	<u>DRN</u>
Lakeland North	3051

The above point(s) may be changed by PGS from time to time on written notice to Shipper.

APPENDIX B – SECOND AMENDED AND RESTATED GAS TRANSPORTATION AGREEMENT

PGS DELIVERY POINT

Gas transported or sold pursuant to this Agreement shall be delivered by PGS to Shipper at the following point:

<u>NAME</u>	<u>MAXIMUM DELIVERY QUANTITY</u>
Meter at the Facility	26,119 MMBtu per Day

PGS agrees to use commercially reasonable efforts to deliver Gas at the Delivery Point at a pressure of not less than 450 p.s.i.g. and agrees that, unless excused, PGS shall deliver Gas at a pressure of not less than 350 p.s.i.g. (the "Minimum Delivery Pressure") so long as it receives delivery of Gas from Transporter at a pressure of not less than 550 p.s.i.g. In the event that Transporter delivers Gas to PGS at the Receipt Point at a pressure less than 550 p.s.i.g., the Minimum Delivery Pressure shall be reduced proportionally (e.g., if Transporter delivers Gas to PGS at a pressure of 495 p.s.i.g., the Minimum Delivery Pressure shall be reduced ten percent to 315 p.s.i.g.).

APPENDIX C – SECOND AMENDED AND RESTATED GAS TRANSPORTATION AGREEMENT

ALTERNATIVES DURING PERIODS OF INTERRUPTION OR CURTAILMENT

Shipper may select one or more of the “Options” hereinafter described prior to or during a period of curtailment or interruption. The Options set forth below describe means through which PGS will attempt to continue deliveries to Shipper during such a period if PGS can do so in a manner that is consistent with the order of priorities of service set forth in its curtailment plan on file with the FPSC and that will not prevent service to customers in higher priorities of service than Shipper.

If PGS is entitled under this Agreement or PGS’s FPSC Tariff to interrupt deliveries to Shipper for reasons other than Force Majeure, PGS will notify Shipper to that effect, such notice to include the estimated duration of the interruption and the estimated cost of gas required for PGS to continue deliveries to Shipper during the period of interruption. Shipper shall notify PGS within two (2) hours after receipt of PGS’s notice of interruption of the option (from Options A through C below) Shipper elects during the period of interruption. If Shipper fails to respond to PGS’s notice within the aforesaid two-hour period, it shall be conclusively presumed that Shipper has elected the Option(s) (if any) previously selected by Shipper in writing. If Shipper has failed to make *any* election, either prior to PGS’s notice or during the two-hour period, it shall be conclusively presumed that Shipper has elected Option D. The Options are as follows:

Option A: Shipper desires PGS to continue deliveries during the period of interruption and Shipper agrees to make available for its account (*i.e.*, to make all arrangements necessary to cause the delivery of) at the PGS Receipt Point(s) additional quantities of Gas equal to those quantities which PGS is entitled to interrupt.

Option B: Shipper desires PGS to continue deliveries during the period of interruption and agrees to make available for its account (*i.e.*, to make all arrangements necessary to cause the delivery of) at the applicable point(s) of receipt into FGT’s pipeline system additional quantities of Gas (including the Retainage) equal to those quantities which PGS is entitled to interrupt, and desires PGS to release to Shipper (or to a Supplier designated by Shipper), for the duration of the period of interruption and at the maximum rate applicable to the capacity released, primary firm capacity on FGT sufficient to transport such additional quantities of Gas to the PGS Receipt Point(s). By election of this Option B, Shipper agrees to be responsible for the payment of all charges imposed by FGT with respect to the capacity so released by PGS to Shipper (or Shippers Supplier), or the use of such capacity, for the period during which such release is effective. If Shipper elects to continue deliveries during the period of interruption pursuant to this Option B, PGS agrees to release the capacity requested by Shipper if PGS determines in its sole discretion that (i) such capacity is available for release to Shipper during the period of interruption, (ii) such release can be accomplished readily and without detriment to PGS’s system operations, and (iii) such release is practicable within the time constraints and requirements of FGT’s FERC Tariff and the ready availability of PGS staff and resources.

Option C: Shipper desires PGS to continue deliveries during the period of interruption, appoints PGS as its agent to acquire (at the PGS Receipt Point(s)) additional quantities of Gas at market-based price, equal to those quantities which PGS is entitled to interrupt, to be used by Shipper during the period of curtailment, and agrees to reimburse PGS, in addition to all amounts otherwise payable for Gas pursuant to this Agreement, for the incremental additional per-Therm costs incurred by PGS (as Shipper’s agent) to acquire for the account of Shipper, at the PGS Receipt Point(s), Gas to be used by Shipper during the period of interruption. As used in this Option C, “incremental additional costs” shall mean the weighted average per-

Therm costs incurred by PGS to acquire, for the accounts of Shipper and other interruptible customers of PGS who have elected this Option C during a particular period of interruption, the additional quantities of Gas mentioned above to be used by Shipper and such other interruptible customers of PGS during such period of interruption, including but not limited to commodity, transportation, storage and other charges incurred by PGS.

Option D: Shipper agrees to cease taking Gas pursuant to PGS's notice during the period of interruption.

If Shipper has elected to continue deliveries pursuant to Option A, Option B or Option C, PGS will, in implementing its interruption notice, take and pay for Shipper's Gas as provided in PGS's FPSC Tariff, but will not discontinue deliveries to Shipper unless (i) if Shipper has elected Option A, Shipper fails to make additional Gas available at the PGS Receipt Point(s), or (ii) if Shipper has elected Option B, either (a) PGS has no primary firm capacity on FGT available for release to Shipper (or Shipper's Supplier) during the period of interruption without detriment to service required by PGS's customers in a curtailment category having a higher priority than Shipper's curtailment category under PGS's curtailment plan, or (b) PGS determines either that the release of capacity contemplated by Option B would not result in Shipper's (or Shipper's Supplier's) being able to make the additional quantities of Gas available at the PGS Receipt Point(s) for delivery to Shipper during the period of interruption or that the release of capacity cannot be made pursuant to Option B, or (iii) if Shipper has elected Option C, PGS, having exercised commercially reasonable efforts, is unable to acquire for Shipper's account, at the PGS Receipt Point(s), additional Gas for delivery to Shipper during the period of interruption. In the event of the occurrence of any of the circumstances described in items (i) through (iii), PGS will provide Shipper with not less than two (2) hours' notice to cease taking Gas during the period of interruption, and Shipper shall not have the benefit of Options A through C above.