

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
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DATE: October 12, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Office of the General Counsel (Brubaker, Jaeger) *BRB*
Division of Economic Regulation (Daniel, Redemann, Rieger) *DR* *198*

RE: Docket No. 060489-GU – Joint petition for approval of territorial agreement whereby Florida Public Utilities Company would provide service to customers within a development bounded by Indiantown Gas Company, Inc.'s current service area.

Docket No. 060492-GU – Petition for approval of firm transportation service agreement between Indiantown Gas Company and Florida Public Utilities Company.

AGENDA: 10/24/06 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Arriaga (060489-GU)
Administrative (060492-GU)

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\GCL\WP\060489.RCM.DOC

Case Background

On July 7, 2006, Indiantown and Florida Public Utilities Company, Inc. (FPUC) filed a petition for approval of a Territorial agreement (Docket No. 060489-GU) whereby FPUC will provide natural gas service to approximately 97 future residential customers in a planned

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FPSC-COMMISSION CLERK

development which is bounded by Indiantown. On July 12, 2006, Indiantown and FPUC filed a petition for approval of a Firm Transportation service Agreement (Docket No. 060492-GU) which contains the rates, terms, and conditions by which Indiantown will receive and deliver natural gas to FPUC to serve the new development.

FPUC provides natural gas service to customers in Palm Beach, Seminole, and Volusia Counties. Within its service areas, FPUC provides transportation and distribution of natural gas to residential and commercial customers and an optional transportation only service to commercial customers.

Indiantown's service area includes the Indiantown Urban Services area as designated by Martin County. By Order No. PSC-02-1655-TRF-GU,¹ dated November 26, 2002, the Commission approved a petition by Indiantown to convert all of its remaining sales customers to transportation service and to terminate the merchant function by Indiantown. Thus, Indiantown does not sell natural gas to its customers, but is primarily a transporter. Its customers receive gas supply service through a pool manager.

Several additional areas in Indiantown's current service area are expected to be developed in the near future. However, Indiantown does not intend to extend its facilities to serve the new development at this time. Therefore, Indiantown and FPUC have entered into an agreement whereby Indiantown will transport gas from Florida Gas Transmission lines on lines owned by Indiantown to FPUC. FPUC will construct, own, and maintain the distribution facilities needed to serve customers in the area addressed in the agreement.

The Commission has jurisdiction pursuant to sections 366.04, 366.05, and 366.06, Florida Statutes.

¹ Docket No. 020471-GU, In re: Petition for authority to convert all remaining sales customers to transportation service and to terminate merchant function by Indiantown Gas Company.

Discussion of Issues

Issue 1: Should the Commission approve the Territorial Agreement filed by Indiantown Gas Company, Inc. and Florida Public Utilities Company?

Recommendation: Yes. The Territorial Agreement filed by Indiantown Gas Company, Inc. and Florida Public Utilities Company is in the public interest and should be approved. The Agreement should become effective upon the expiration of the appeal period following the issuance of the Consummating Order in this docket. Indiantown and FPUC should be required to file revised tariffs within 30 days following the Consummating Order which reflect the approved territorial descriptions. (Redemann, Rieger)

Staff Analysis: On July 7, 2006, Indiantown and FPUC filed a petition for approval of a Territorial Agreement shown in Attachment A, pursuant to section 366.04(3)(a), Florida Statutes, and Rule 25-7.0471, Florida Administrative Code. According to the petition, the Indiantown area in general and the area subject to this Agreement is and will be experiencing additional growth and a corresponding increase of new residential and commercial natural gas customers. To enable as many customers as possible to receive natural gas service and to avoid any unnecessary duplication of facilities, the Agreement provides that FPUC will provide natural gas service to customers in the area which is bounded by Indiantown. FPUC has executed a Development Agreement with the homebuilder in anticipation of providing service to approximately 97 future residential customers in the planned development known as Sandy Oaks. The construction schedule indicates active gas service will be required in January 2007.

The petition states that since receiving approval to exit the merchant function pursuant to Order No. PSC-02-1655-TRF-GU, Indiantown has focused its efforts on gas transportation service. An extensive plant expansion by Indiantown would be difficult with Indiantown's limited financial resources. This agreement allows Indiantown to continue the gas transportation service, while allowing FPUC to utilize its resources to serve customers within the planned development. FPUC will construct and own the gas distribution facilities within the development and Indiantown will transport gas from the Florida Gas Transmission lines to FPUC's facilities.

According to the petition, this arrangement is the most efficient and effective arrangement in that it allows each of the parties to pursue their service focus and insures that customers within the development receive the benefits of reliable natural gas service. While the arrangement may result in adjacent customers being served by different utilities, the rates are similar and the economics with FPUC providing the service are such that both customer groups derive benefit from the Agreement. Indiantown customers benefit through the additional revenues generated by the transportation service and FPUC customers realize the benefits of growth. Further, Indiantown and FPUC represent that approval and implementation of the Agreement will not cause a decrease in the availability or reliability of natural gas service to Indiantown, FPUC, or the existing or future ratepayers of either company. The Agreement does not provide for or involve the transfer of any customers or facilities.

The Agreement will remain in effect for 30 years from the effective date and will be automatically renewed for successive ten year periods unless either party gives at least one year's

written notice of intent to terminate. According to the Agreement, any modification of the service areas must be reviewed and/or approved by the Commission. In addition, prior to the second anniversary of the Commission's approval of the Agreement, and no less frequently than every five years thereafter, the parties will meet to review the status of the Agreement and will provide a written status report to the Commission. Attachments B and C contain detailed legal descriptions of Indiantown's and FPUC's resulting service territories in Martin County.

Based on the above, staff recommends that the Territorial Agreement filed by Indiantown and FPUC is in the public interest and should be approved. The legal description of the agreed service territories, the boundary between those service areas, and a map depicting the territories are included in Exhibit A of the Agreement. The Agreement should become effective upon the expiration of the appeal period following the issuance of the Consummating Order in this docket. Indiantown and FPUC should be required to file revised tariffs within 30 days following the Consummating Order which reflect the approved territorial descriptions contained in Attachments B and C.

Issue 2: Should the Commission approve the Firm Transportation Service Agreement filed by Indiantown Gas Company, Inc. and Florida Public Utilities Company?

Recommendation: Yes. The Firm Transportation Service Agreement filed by Indiantown Gas Company, Inc. and Florida Public Utilities Company is in the public interest and should be approved. The Agreement should become effective upon the expiration of 30 days after the final order approving the Agreement. (Daniel)

Staff Analysis: On July 12, 2006, Indiantown and FPUC filed a petition for approval of a Firm Transportation Service Agreement, pursuant to Chapter 366, Florida Statutes, and Rule 25-9.034, Florida Administrative Code. The Agreement, shown in Attachment D, provides that Indiantown will receive and deliver natural gas to FPUC on a firm basis at a delivery point in Indiantown. At the delivery point, the gas will then be delivered to customers through FPUC's distribution lines.

The Transportation Agreement, which has an initial term of 30 years and automatic renewals thereafter, contains provisions addressing the responsibilities of the parties as to points of delivery, quantity, scheduling, ownership, remedies and similar contractual provisions. The Agreement provides for a sufficient quantity of gas for current and anticipated needs and also contains the rates to be charged for the transportation service to be provided. The rates, shown in Exhibit A to the Transportation Agreement, consist of a Reservation Charge of \$0.04 multiplied by the Maximum Daily Transportation Quantity (500 decatherms) multiplied by the number of days in a billing month (approximately \$600 per month), and a Firm Transportation Charge of \$0.15 per therm measured at the Delivery Point. The developer plans to construct 97 single-family homes in the area subject to this agreement. The annual gas consumption per residence is estimated to average 230 therms. Total annual revenues would equal approximately \$10,000 per year to Indiantown for its transportation service and approximately \$20,000 per year to FPUC for retail service. If approved, the agreement would become effective upon the expiration of 30 days after the final order approving the Agreement.

According to the petition, these rates generate revenues in excess of the cost to serve and have been arrived at through negotiation and reflect terms that are fair and reasonable to both Indiantown, FPUC, and the customers of each utility. Approval of the Transportation Service Agreement provides benefits to Indiantown and its customers through the revenue derived from the transportation service provided. FPUC and its customers receive benefits through having a means of transporting gas for customers and expanding its customer base without the necessity of constructing facilities which duplicate Indiantown's existing facilities.

Based on the above, staff recommends that the Commission should approve the Firm Transportation Service Agreement shown in Attachment D filed by Indiantown and FPUC. The Agreement should become effective upon the expiration of 30 days after the final order approving the Agreement.

Docket Nos. 060489-GU, 060492-GU
Date: October 12, 2006

Issue 3: Should this docket be closed?

Recommendation: Yes. If no protest is filed by a substantially affected person within 21 days of the date of the Proposed Agency Action Order, this docket should be closed upon the issuance of a Consummating Order. If a protest is filed by a person whose substantial interests are affected within 21 days of the Order the docket should remain open. (Brubaker, Jaeger)

Staff Analysis: If no protest is filed by a substantially affected person within 21 days of the date of the Proposed Agency Action Order, this docket should be closed upon the issuance of a Consummating Order. If a protest is filed by a person whose substantial interests are affected within 21 days of the Order the docket should remain open.

TERRITORIAL AGREEMENT

This TERRITORIAL AGREEMENT, ("Agreement") is made and entered into on the 1st day of July 2006, by and between Indiantown Gas Company, Inc., a Florida corporation and hereinafter referred to as ("IGC" and "Party"), and Florida Public Utilities Company, Inc., a Florida corporation hereinafter referred to as ("FPUC" and "Party"), collectively hereinafter referred to as the "Parties."

WITNESSETH:

WHEREAS, the Parties are both natural gas distribution companies and public utilities authorized by the Florida Public Service Commission ("FPSC") to serve customers in the State of Florida; and

WHEREAS, there exists an unprecedented increase in the long-term projected residential and commercial growth rate in the vicinity of unincorporated Indiantown in Martin County, Florida ("Indiantown") and the IGC gas distribution service territory; and

WHEREAS, in order to ensure that gas distribution service is available to as many persons in the vicinity of Indiantown as possible and to avoid any uneconomic duplication of distribution facilities used to provide such service, the Parties desire to enter into this Agreement;

NOW, THEREFORE, in fulfillment of the purposes and desires aforesaid, and in consideration of the mutual covenants and agreements set forth herein, the Parties agree as follows:

1. The Parties' service areas in the vicinity of Indiantown shall be as designated in the attached Exhibit A, which is incorporated herein by reference and made a part hereof. The service area reserved hereunder for IGC shall be the entire Indiantown Urban Services Boundary as designated by Martin County and such additional area designated as "IGC Service Area" in Exhibit A, except for that shaded area designated as "FPUC Service Area" on the territory map included in Exhibit A, which area is more fully described in the legal description of "FPUC Service Area" also included in Exhibit A.
2. It is the intent of the Parties that this Agreement shall establish the provisions under which certain additional areas in the vicinity of Indiantown may, subject to agreement between the Parties, and further subject to FPSC approval as described herein, be reserved for each Party. As future residential and commercial development occurs in the IGC

Service Area, the Parties may, from time to time, agree to an amended delineation of service territory for each Party. It is further intended by the Parties that such delineation shall be considered on a case-by-case basis as specific development projects materialize in and around the IGC Service Area. In the event the Parties agree to amend the service territory boundaries as described in Exhibit A, subsequent to the Effective Date of the Agreement the Parties shall execute new Exhibits depicting such territorial agreement.

3. Each Party shall have the authority to serve all customers within their respective service areas as designated in this Agreement, under the terms and conditions of their respective FPSC approved tariffs.
4. IGC shall not provide natural gas service to any customer within the designated service area of FPUC, without the express written consent of FPUC and the approval of the FPSC. FPUC shall not provide natural gas service to any customer within the designated service area of IGC, without the express written consent of IGC and the approval of the FPSC. Notwithstanding the above, either Party may request that the other Party provide natural gas service to potential customers within the first Party's service area. The Party receiving the request may elect to provide service to such potential customers in its sole discretion, subject to approval of the FPSC.
5. Neither of the Parties shall solicit potential or existing natural gas customers within the other Party's service area as defined in this Agreement. Each Party agrees to refrain from installing distribution facilities that would duplicate facilities of the other Party, or that would intrude into the other Party's service area, except as specifically provided in this Agreement.
6. Except as otherwise set forth in this Agreement, neither party shall provide service to an applicant for natural gas service if the applicant is located outside a Party's designated service area, and inside the designated service area of the other Party unless ordered to do so by the FPSC or by a Court of competent jurisdiction.
7. Should a development project or customer requesting natural gas service be located in such a manner that the development project or customer location is bisected by the service area boundary lines established in this Agreement, the Party executing an agreement with said development project or customer for service shall serve the entire development project or customer and the boundary line shall be modified to include the entire area of the development project or customer within the service area of that Party, subject to the approval of the FPSC. In such circumstance the Parties shall jointly and expeditiously seek approval of the FPSC for

amendment of this Agreement to reflect the modified service area boundary lines.

8. In the event that FPUC declines to serve a development project or customer or FPUC is unable to execute a service agreement with a development project or customer, IGC retains the right to amend the FPUC Service Area to exclude the entire area of the development project or customer location and to a) provide service to such project or customer through IGC facilities or, b) negotiate a territorial agreement with another public utility to provide such service. Any such modification of service area boundary lines shall be subject to approval of the FPSC.
9. In the event that a Party determines, in specific instances, that good engineering practice or economic constraints on that Party indicate that any small service area and/or any future natural gas customer within that Party's service area as defined in this Agreement should not be served by that Party, such Party shall notify the other Party and request the other Party to serve such small service area and/or customer. If the Parties reach agreement thereon, the Parties shall jointly and expeditiously seek approval of the FPSC for amendment of this Agreement to reflect the modified service area boundary lines.
10. This Agreement does not provide for the transfer of any existing customers or facilities.
11. The provisions and the Parties' performance of the Agreement are subject to the regulatory authority of the FPSC, whose approval of the Agreement shall be an absolute condition precedent to the validity, enforceability and applicability of the Agreement. This Agreement shall have no force or effect whatsoever until approval has been obtained from the FPSC and the Parties hereby agree to jointly petition the FPSC for such approval. This Agreement shall become effective on the date of expiration of the appeal period following the issuance by the FPSC of an order approving this Agreement ("the Effective Date"). In the event the FPSC declines to approve this Agreement, the same shall be of no force or effect, and neither Party shall have any claim against the other arising out of this Agreement.
12. This Agreement, the service areas, and any territorial boundary lines set forth herein may be modified only upon agreement of the Parties and the approval of the FPSC.
13. The Parties have entered into this Agreement solely for the purpose of adhering to state policy favoring territorial agreements between public utilities. This Agreement is governed by Section 368.04(3), Florida Statutes, which expressly confers authority to the FPSC to approve

territorial agreements between natural gas utilities. Upon approval this Agreement shall merge into and become part of the FPSC order approving the Agreement.

14. As soon as practicable following the Effective Date of this Agreement, each Party agrees to file with the FPSC any revisions to its FPSC approved tariff which may be required as a result of the FPSC approval of this Agreement. Each Party shall provide a copy of the revised approved tariff to the other Party.
15. This Agreement shall become void and unenforceable should the FPSC's jurisdiction in service territorial matters be ruled invalid by a Court of final jurisdiction.
16. This Agreement shall become effective on the Effective Date and shall remain in effect for, a) an initial period of thirty (30) years and shall automatically renew for successive ten (10) year periods unless either Party gives written notice of intent to terminate at least one (1) year prior to the end of the initial term or any renewal period or, b) until modified or vacated by a final and non-appealable order of the FPSC or a Court of competent jurisdiction.
17. Prior to the second anniversary of the effective date of FPSC approval of this Agreement, and no less frequently than every fifth anniversary thereafter, the Parties shall review the status of this Agreement and shall submit a joint status report to the FPSC or any successor agency with power to consider approval or modification hereof. The parties agree that failure to timely submit such joint report shall not affect the effectiveness of this Agreement nor shall it affect the FPSC continuing oversight of this Agreement.
18. The parties shall enter into a Transportation Service Agreement whereby, pursuant to such agreement, IGC shall receive FPUC gas at the IGC delivery point with Florida Gas Transmission and transport such gas through the IGC distribution system for delivery to the IGC delivery point(s) with FPUC. IGC shall construct, own, and maintain gas facilities capable of transporting quantities of gas, up to the MDTQ established in the Transportation Services Agreement, to the IGC delivery point(s) with FPUC. FPUC agrees to transport all gas quantities required to serve customers in all FPUC Service Areas designated under this Agreement, through the IGC distribution system as provided by the IGC Transportation Service Agreement.
19. Nothing in this agreement shall be construed to preclude either Party from requesting service from FGT and/or Gulfstream Natural Gas System to construct and operate a delivery point(s) for the purpose of providing gas

service to development projects or customers outside the designated areas.

20. This Agreement is only between IGC and FPUC and only involves the retail distribution of natural gas and shall not affect or bind other affiliates or subsidiaries of IGC or FPUC.
21. Should either Party become a party in a legal action or administrative proceeding to which the other Party is not a party and which action relates to this Agreement, the Party to such action shall notify the other Party of such legal action, and provide such other Party with copies of the then-existing pleadings filed in such action. Such notice with accompanying pleadings shall be provided no later than ten (10) days after initiating, formally seeking to intervene in, or being served with a pleading naming that Party as a defendant in any such action.
22. All notices under this Agreement must be in writing and may be sent by facsimile, a nationally recognized courier service, first class mail or hand-delivered, to the Parties at the addresses and facsimile numbers set forth below:

To IGC:

Brian Powers
President
Indiantown Gas Company
16600 S.W. Warfield
P.O. Box 8
Indiantown, Florida 34956
Phone: 772-597-2168
Facsimile: 772-597-2068

To FPUC:

C.L. Stein
Senior Vice President & C.O.O.
Florida Public Utilities Company
401 S. Dixie Highway
P.O. Box 3395
West Palm Beach, Florida 33402
Phone: 561-838-1760
Facsimile: 561-833-8562


with a copy to:


Marc L. Schneiderman

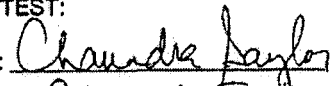
Director Corporate Services
Florida Public Utilities Company
401 S. Dixie Highway
P.O. Box 3395
West Palm Beach, Florida 33402
Phone: 561-838-1767
Facsimile: 561-833-8562

23. This Agreement shall be binding upon the Parties hereto and their successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first stated above.

ATTEST:
By: 
Name: Marc S. Seagrave

Indiantown Gas Company, Inc.
By: 
Name: Brian Powers
Title: President

ATTEST:
By: 
Name: Chandra Saylor

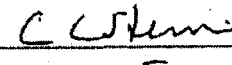
Florida Public Utilities Company ^{MS}
By: 
Name: C.L. STEIN
Title: SRV.P/LOO

EXHIBIT A

Territorial Agreement
Between
Indiantown Gas Company, Inc.
And
Florida Public Utilities Company

Legal Description of IGC Service Area

A parcel of land located in Martin County, Florida being more particularly described as follows:

Beginning at the Northeast corner of Section 24, Township 39 South, Range 39 East; Thence West along the North lines of Sections 24, 23, 22, 21, 20, and 19, Township 39 South, Range 39 East, to the Northwest corner of said Section 19; Thence, along the North lines of Sections 24 and 23, Township 39 South, Range 38 East, to the Northwest corner of said Section 23; Thence South, along the West lines of Sections 23 and 26, Township 39 South, Range 38 East, to the intersection with the Northeasterly right-of-way line of State Road 710 (Warfield Boulevard); Thence Northwesterly along said Right-of-Way line, to the intersection with the West line of Section 22, Township 39 South Range 38 East; Thence South along the West lines of Sections 22, 27, and 34, Township 39 South, Range 38 East, to the Southwest corner of said Section 34; Thence South along the West line of Section 3, Township 40 South, Range 38 East, to the intersection with the South line of the St. Lucie Canal as described in Plat Book 2, Page 35 and Plat Book 10, Page 84, of the public records of Martin County, Florida; Thence Easterly along said South Right-of-Way line of the St. Lucie Canal through Sections 3, 10, 11, and 12, Township 40 South, Range 38 East; Thence continue along said South Right-of-Way line through Sections 7 and 8, of Township 40 South, Range 39 East, to the intersection with the Southerly Right-of-Way line of State Road 710 (Warfield Boulevard); Thence Southeasterly along said Southeasterly right-of-way line to the intersection with the Southerly prolongation of the Easterly Right-of-Way line of S.W. Indiantown Avenue; Thence Northeasterly along said prolongation and the Easterly Right-of-Way line of S.W. Indiantown Avenue and the Northerly prolongation thereof to the intersection with the South Right-of-Way line of aforementioned St. Lucie Canal; Thence Northeasterly, along said Right-of-Way line through Sections 8, 9, 4, 3,

and 2, Township 40 South, Range 39 East and Sections 35 and 36, Township 39 South, Range 39 East to the intersection with the East line of said Section 36; Thence North along the East line of Sections 36, 25, and 24, Township 39 South, Range 39 East to the Northeast corner of said Section 24 and the Point of Beginning.

Legal Description of FPUC Service Area

A parcel of land located in the Northwest one-quarter (NW ¼) of Section 5, Township 40 South, Range 39 East, and in the Southwest one-quarter (SW ¼) of Section 32, Township 39, Range 39 East, Martin County, Florida, being more particularly described as follows:

From the Northeast corner of said Northwest one-quarter, bear South 89°20'20" West, along the North line of said Northwest one-quarter of Section 5, a distance of 681.63 feet to the intersection with the West line of the Third Addition To Indiantown Park as recorded in Plat Book 5, Page 21, Martin County, Florida, Public Records, and the Point of Beginning; thence South 00°39'40" East, along said West line of the Third Addition To Indiantown Park, a distance of 305.00 feet; thence North 89°20'20" East, along the South line of said Third Addition To Indiantown Park, a distance of 148.19 feet; thence South 00°01'20" East, along the West line of said Third Addition To Indiantown Park, a distance of 1227.44 feet to the point of curvature of a curve concave to the Northwest, said curve having a central angle of 35°48'20" and a radius of 125.00 feet; thence Southwesterly along the arc of said curve, a distance of 78.12 feet to the point of tangency; thence South 35°47'00" West, along the tangent line of said curve, a distance of 231.80 feet to the intersection with a curve concave to the Southwest, having a radius of 3115.00 feet, and whose center bears South 35°47'00" West; thence Northwesterly, along the arc of said curve, through a central angle of 13°12'52.4", a distance of 718.44 feet; thence North 78°43'03.7" West, a distance of 25.49 feet; thence North 00°01'20" West, a distance of 1464.85 feet; thence North 89°20'20" East, a distance of 658.07 feet; thence South 00°39'40" East, a distance of 35.00 feet to the Point of Beginning.

Together with a parcel of land adjacent to the South, being more particularly described as follows:

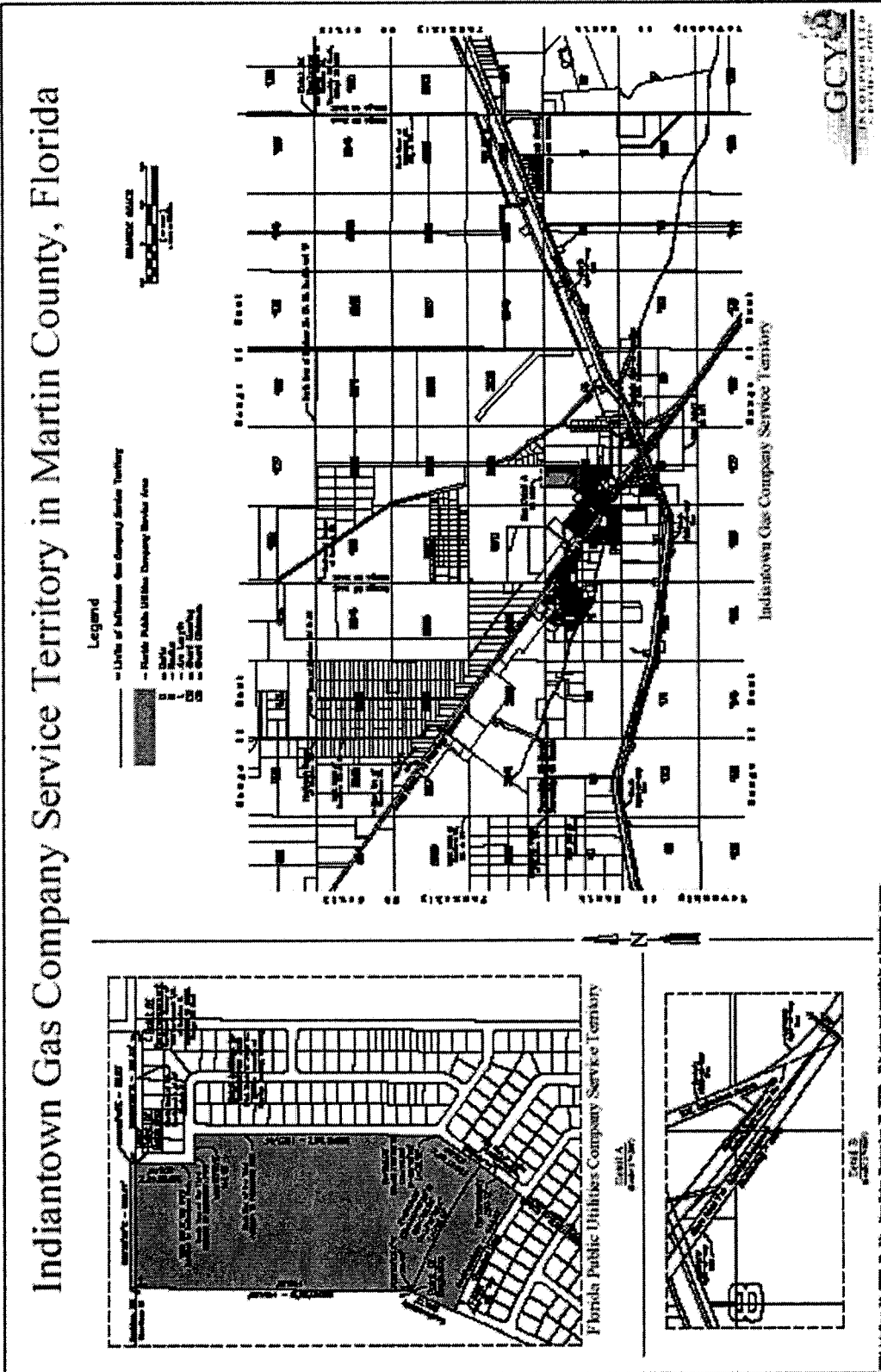
Beginning 1429.85 feet South of and 1339.7 feet West of the Northeast corner of the Northwest one-quarter of said Section 5, thence run Southwesterly 250.12 feet to the North right-of-way of Cherokee Drive; thence run Southeasterly 684.62 feet along the said North right-of-way of Cherokee Drive; thence run Northeasterly 250.12 feet along the Northwesterly right-of-way of Lee Avenue to the intersection with a curve concave to the Southwest, having a radius of

3115.00 feet, and whose center bears South 35°47'00" West; thence Northwesterly, along the arc of said curve, through a central angle of 13°12'52.4", a distance of 718.44 feet; thence North 78°43'03.7" West, a distance of 25.49 feet to the Point of Beginning.

**EXHIBIT A
(Continued)**

**Territorial Agreement
Between
Indiantown Gas Company, Inc.
And
Florida Public Utilities Company**

IGC and FPUC Service Area Map



Florida Public Utilities Company

Martin County

Gas Service Area for Sandy Oaks

A parcel of land located in the Northwest one-quarter (NW ¼) of Section 5, Township 40 South, Range 39 East, and in the Southwest one-quarter (SW ¼) of Section 32, Township 39, Range 39 East, Martin County, Florida, being more particularly described as follows:

From the Northeast corner of said Northwest one-quarter, bear South 89°20'20" West, along the North line of said Northwest one-quarter of Section 5, a distance of 681.63 feet to the intersection with the West line of the Third Addition To Indiantown Park as recorded in Plat Book 5, Page 21, Martin County, Florida, Public Records, and the Point of Beginning; thence South 00°39'40" East, along said West line of the Third Addition To Indiantown Park, a distance of 305.00 feet; thence North 89°20'20" East, along the South line of said Third Addition To Indiantown Park, a distance of 148.19 feet; thence South 00°01'20" East, along the West line of said Third Addition To Indiantown Park, a distance of 1227.44 feet to the beginning of a curve concave to the Northwest having a radius of 125.00 feet, the chord of which bears South 17°52'50" West a distance of 76.85 feet; Thence Northwesterly along the arc of said curve through a central angle of 35°48'20", a distance of 78.12 feet; Thence South 35°47'00" West, along the tangent line of said curve, a distance of 231.80 feet to the intersection with a curve concave to the Southwest, having a radius of 3115.00 feet, the chord of which bears North 60°49'26" West a distance of 716.84 feet; Thence Northwesterly along the arc of said curve through a central angle of 13°12'52.4", a distance of 718.44' and whose center bears South 35°47'00" West; Thence North 78°43'03.7" West, a distance of 25.49 feet; thence North 00°01'20" West, a distance of 1464.85 feet; thence North 89°20'20" East, a distance of 658.07 feet; thence South 00°39'40" East, a distance of 35.00 feet to the Point of Beginning.

Together with a parcel of land adjacent to the South, being more particularly described as follows:

Beginning 1429.85 feet South of and 1339.7 feet West of the Northeast corner of the Northwest one-quarter of said Section 5, thence run Southwesterly 250.12 feet to the North right-of-way of Cherokee Drive; thence run Southeasterly 684.62 feet along the said North right-of-way of Cherokee Drive; thence run Northeasterly 250.12 feet along the Northwesterly right-of-way of Lee Avenue to the intersection with a curve concave to the Southwest, having a radius of 3115.00 feet, the chord of which bears North 60°49'26" West a distance of 716.84 feet; Thence Northwesterly along the arc of said curve through a central angle of 13°12'52.4", a distance of 718.44' and whose center bears South 35°47'00" West; Thence North 78°43'03.7" West, a distance of 25.49 feet to the Point of Beginning.

Indiantown Gas Company, Inc.

Martin County

Gas Service Area

A parcel of land located in Martin County, Florida being more particularly described as follows:

Beginning at the Northeast corner of Section 24, Township 39 South, Range 39 East; Thence West along the North lines of Sections 24, 23, 22, 21, 20, and 19, Township 39 South, Range 39 East, to the Northwest corner of said Section 19; Thence, along the North lines of Sections 24 and 23, Township 39 South, Range 38 East, to the Northwest corner of said Section 23; Thence South, along the West lines of Sections 23 and 26, Township 39 South, Range 38 East, to the intersection with the Northeasterly right-of-way line of State Road 710 (Warfield Boulevard); Thence Northwesterly along said Right-of-Way line, to the intersection with the West line of Section 22, Township 39 South Range 38 East; Thence South along the West lines of Sections 22, 27, and 34, Township 39 South, Range 38 East, to the Southwest corner of said Section 34; Thence South along the West line of Section 3, Township 40 South, Range 38 East, to the intersection with the South line of the St. Lucie Canal as described in Plat Book 2, Page 35 and Plat Book 10, Page 84, of the public records of Martin County, Florida; Thence Easterly along said South Right- of-Way line of the St. Lucie Canal through Sections 3, 10, 11, and 12, Township 40 South, Range 38 East; Thence continue along said South Right-of-Way line through Sections 7 and 8, of Township 40 South, Range 39 East, to the intersection with the Southerly Right-of-Way line of State Road 710 (Warfield Boulevard); Thence Southeasterly along said Southerly right-of-way line 4110 feet more or less to a point of intersection with the Southerly prolongation of the Easterly Right-of-Way line of S.W. Indiantown Avenue; Thence Northeasterly perpendicular to the last described line 425 feet more or less to a point on the Northerly Right-of-Way line of said State Road 710 (Warfield Boulevard); Thence Northwesterly along said Northerly Right-of-Way line and the Easterly Right-of-Way line of S.W. Indiantown Avenue to a point on the Southerly right-of-way line of aforementioned St. Lucie Canal; Thence Northeasterly, along said Right-of-Way line through Sections 8, 9, 4, 3, and 2, Township 40 South, Range 39 East and Sections 35 and 36, Township 39 South, Range 39 East to the intersection with the East line of said Section 36; Thence North along the East line of Sections 36, 25, and 24, Township 39 South, Range 39 East to the Northeast corner of said Section 24 and the Point of Beginning.

Less and Except the next two parcels.

A parcel of land located in the Northwest one-quarter (NW $\frac{1}{4}$) of Section 5, Township 40 South, Range 39 East, and in the Southwest one-quarter (SW $\frac{1}{4}$) of Section 32, Township 39, Range 39 East, Martin County, Florida, being more particularly described as follows:

From the Northeast corner of said Northwest one-quarter, bear South 89°20'20" West, along the North line of said Northwest one-quarter of Section 5, a distance of 681.63 feet to the intersection with the West line of the Third Addition To Indiantown Park as recorded in Plat

Book 5, Page 21, Martin County, Florida, Public Records, and the Point of Beginning; thence South 00°39'40" East, along said West line of the Third Addition To Indiantown Park, a distance of 305.00 feet; thence North 89°20'20" East, along the South line of said Third Addition To Indiantown Park, a distance of 148.19 feet; thence South 00°01'20" East, along the West line of said Third Addition To Indiantown Park, a distance of 1227.44 feet to the beginning of a curve concave to the Northwest having a radius of 125.00 feet, the chord of which bears South 17°52'50" West a distance of 76.85 feet; Thence Northwesterly along the arc of said curve through a central angle of 35°48'20", a distance of 78.12 feet; Thence South 35°47'00" West, along the tangent line of said curve, a distance of 231.80 feet to the intersection with a curve concave to the Southwest, having a radius of 3115.00 feet, the chord of which bears North 60°49'26" West a distance of 716.84 feet; Thence Northwesterly along the arc of said curve through a central angle of 13°12'52.4", a distance of 718.44' and whose center bears South 35°47'00" West; Thence North 78°43'03.7" West, a distance of 25.49 feet; thence North 00°01'20" West, a distance of 1464.85 feet; thence North 89°20'20" East, a distance of 658.07 feet; thence South 00°39'40" East, a distance of 35.00 feet to the Point of Beginning.

Together with a parcel of land adjacent to the South, being more particularly described as follows:

Beginning 1429.85 feet South of and 1339.7 feet West of the Northeast corner of the Northwest one-quarter of said Section 5, thence run Southwesterly 250.12 feet to the North right-of-way of Cherokee Drive; thence run Southeasterly 684.62 feet along the said North right-of-way of Cherokee Drive; thence run Northeasterly 250.12 feet along the Northwesterly right-of-way of Lee Avenue to the intersection with a curve concave to the Southwest, having a radius of 3115.00 feet, the chord of which bears North 60°49'26" West a distance of 716.84 feet; Thence Northwesterly along the arc of said curve through a central angle of 13°12'52.4", a distance of 718.44' and whose center bears South 35°47'00" West; Thence North 78°43'03.7" West, a distance of 25.49 feet to the Point of Beginning.

FIRM TRANSPORTATION SERVICE AGREEMENT

This FIRM TRANSPORTATION SERVICE AGREEMENT, ("Agreement") is made and entered into on the 15th day of July, 2006, to be effective on the first day of the Month following approval by the Florida Public Service Commission (FPSC) (the "Effective Date"), by and between Indiantown Gas Company, Inc., a Florida corporation and hereinafter referred to as "Company", and Florida Public Utilities Company, a Florida corporation hereinafter referred to as "Shipper". Company and Shipper shall also be referred to from time to time herein as "Party" or, collectively, as "Parties."

WITNESSETH:

WHEREAS, Company operates Distribution Facilities for the Transportation of natural gas in Martin County, Florida; and

WHEREAS, Shipper operates facilities for the distribution of natural gas in Martin County, Florida which are physically interconnected to Company's Gas Distribution Facilities at the Delivery Point(s); and

WHEREAS, Shipper has requested that Company receive certain quantities of Gas at its Receipt Point with Transporter and redeliver such quantities on a Firm basis on Company's Distribution Facilities to the Delivery Point(s), and Company agrees to provide such service in accordance with the terms hereof; and

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Parties, the Parties mutually agree as follows:

ARTICLE I
Definitions

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

1.1 "Btu" means the amount of heat required to raise the temperature of one pound of water from 59 degrees Fahrenheit to 60 degrees Fahrenheit at a constant pressure of 14.73 p.s.l.a.

1.2 "Day" means a period of 24 consecutive hours beginning and ending at 9:00 a.m. Central Clock Time ("CCT"); provided that, in the event of a change in the definition of the corresponding term in the tariff of Transporter(s) 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(s).

- 1.3 "Dekatherm" or "Dt" means 1,000,000 Btus or ten (10) Therms.
- 1.4 "Delivery Point" means the point at the connection of Company's Distribution Facilities and Shipper's facilities at which the Gas leaves the outlet side of Company's measuring equipment and enters Shipper's facilities.
- 1.5 "Distribution Facilities" means Company-owned facilities starting from the interconnection with a Transporter's pipeline and ending with the outlet side of the measuring equipment of Company's facilities.
- 1.6 "Gas" means natural gas which is in conformance with the quality specifications of the Transporter.
- 1.7 "Maximum Daily Transportation Quantity" or "MDTQ" means the largest quantity of Gas, expressed in Dt's, that Company is obligated to transport and make available for delivery to Shipper under this Agreement.
- 1.8 "Month" means a period beginning at 9:00 a.m. 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 Transporter(s) on file with the 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(s).
- 1.9 "Operational Order" means an Alert Day Notice, Operational Flow Order, Pack or Draft Notice, Curtailment Order or Other Operational Control Order or any other notice or order requiring action on the part of Shipper relative to scheduled or delivered gas quantities, in accordance with Transporter's FERC Gas Tariff and/or Indiantown's FPSC Tariff.
- 1.10 "p.s.i.a." means pounds per square inch absolute.
- 1.11 "p.s.i.g." means pounds per square inch gauge.
- 1.12 "Receipt Point" means the point(s) of interconnection between Company and Transporter in Martin County, Florida.
- 1.13 "Shipper's Designee" means an agent named by Customer to perform Shipper's obligations with regard to nominations, confirmations and any other administrative duties under this agreement. Shipper's Designee must be a duly approved Shipper with Transporter upstream of the Receipt Point.
- 1.14 "Therm" means a unit of heat equal to 100,000 Btu's.
- 1.15 "Transporter" means the interstate pipeline transmission company, intrastate pipeline company or local distribution company utilized to effect

delivery of Shipper's Gas to Company at the Receipt Point(s) for redelivery to the Delivery Point(s)

ARTICLE II
Points of Receipt and Delivery

2.1 Shipper shall cause Transporter to deliver to Company at the Receipt Point, the quantity of Gas to be transported by Company on a Firm basis hereunder. Company shall deliver such quantity of Gas received at the Receipt Point to the Delivery Point(s) with Shipper. Company shall have no responsibility for transportation of Shipper's Gas on Company's Distribution Facilities prior to receipt of such Gas from the Transporter at the Receipt Point. For the purpose of this Agreement, "Firm" shall mean that Company may interrupt its delivery of Shipper's Gas only to the extent that such delivery is prevented by reasons of Force Majeure or as may be authorized by Company's FPSC Natural Gas Tariff.

2.2 Company shall not oppose any request by Shipper to transfer a quantity of Shipper's firm delivery rights and excess use rights to the Receipt Point, up to the MDTQ, or such other quantity as the Parties may mutually agree, as such rights are provided in FGT's FERC Gas Tariff, as amended from time to time. Company recognizes that Shipper will report its gas deliveries on Florida Gas Transmission Company's (FGT) pipeline to the FGT Data Verification Committee in Shipper's name.

ARTICLE III
Quantity

3.1 Subject to the terms and conditions of this Agreement, Company agrees to receive from the Transporter, at the Receipt Point, on a daily basis, a quantity of Gas up to Shipper's MDTQ, and Company agrees to transport and deliver equivalent quantities at the agreed minimum pressure to Shipper's Delivery Point(s). Shipper's MDTQ and Company's minimum delivery pressure requirements under this Agreement shall be as shown in Exhibit A to this Agreement, which is incorporated herein by reference and made a part hereof.

ARTICLE IV
Scheduling and Balancing

4.1 Shipper, or Shipper's Designee, shall be responsible for nominating and scheduling quantities of Gas to be delivered by Transporter to the Receipt Point and transported by Company to Shipper's Delivery Point(s). Copies of all Shipper nominations to Transporter shall be provided to Company within a reasonable period following submittal to Transporter. Monthly imbalances between Gas quantities scheduled for delivery by the Transporter to the Receipt Point to be delivered by Company to Shipper's Delivery Point(s), and Gas quantities actually

delivered by the Transporter and Company hereunder, and any charges or credits from Transporter resulting from Operational Orders for Gas quantities transported under this Agreement shall be resolved in accordance with the applicable provisions of Company's FPSC Natural Gas Tariff, as such provisions may be amended from time to time, subject to approval by the FPSC.

4.2 By the 15th Day (or subsequent Business Day if a weekend or holiday), of the following Month, Company shall provide a statement to Shipper which shall include the imbalance total in MMBtu's and, for Positive Imbalances, the amount due Shipper from Company, and for Negative Imbalances the amount due Company from Shipper. Imbalance resolution amounts payable by Shipper to Company, shall be rendered in accordance with the payment provisions in Article X of this Agreement. Imbalance resolution amounts due to Shipper from Company shall be payable to Shipper on or before the last Day of the Month following the Month in which the imbalance occurred. Resolution of disputed payment amounts by either party shall be as provided in Article X of this Agreement.

ARTICLE V
Curtailment

5.1 This Agreement in all aspects shall be and remain subject to the applicable provisions of Company's Curtailment Plan, as filed with the FPSC (as such Curtailment Plan may be amended from time to time), which is made a part hereof by reference. For purposes of the Curtailment Plan only, Shipper shall be deemed to be in the same priority class as Company's TS-1 Classification customers.

ARTICLE VI
Title and Control

6.1 Shipper warrants that it will have good and merchantable title, or have the ability to obtain such title, to all Gas delivered by the Transporter to Company for Shipper's account at the Receipt Point, and that such Gas will be free and clear of all liens, encumbrances, and claims whatsoever. In the event any adverse claim in respect to said Gas is asserted, or Shipper breaches its warranty herein, Company shall not be required to perform its obligations to transport and deliver said Gas to Shipper's Facility, subject to receipt of any necessary regulatory authorization, to continue service hereunder for Shipper until such claim has been finally determined; provided, however, that Shipper may receive service if (i) in the case of an adverse claim, Shipper furnishes a bond to Company, conditioned for the protection of Company with respect to such claim; or (ii) in the case of a breach of warranty, Shipper promptly furnishes evidence, satisfactory to Company, of Shipper's title to said Gas.

6.2 The Parties acknowledge that Transporter has control and possession of the Gas prior to delivery to the Receipt Point pursuant to the terms of an agreement between Transporter and Shipper and nothing herein is intended to

modify or change that Agreement in any manner. The Company shall be deemed to be in control and possession of the Gas to be transported by it upon delivery of such Gas by Transporter to the Receipt Point, and until it shall have been delivered to Company's Delivery Point. The Company, 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 control and possession of such Gas.

ARTICLE VII
Indemnification

7.1 (A) For value received and to induce Company to enter into this Agreement, Shipper agrees to protect, defend (at Shipper's expense and by counsel satisfactory to Company), indemnify, and save and hold harmless Company, its officers, directors, shareholders, employees, agents, successors and assigns, from and against all direct or indirect costs, expenses, damages, losses, obligations, lawsuits, appeals, claims, or liabilities of any kind or nature (whether or not such claim is ultimately defeated), including in each instance, but not limited to, all costs and expenses of investigating and defending any claim at any time arising and any final judgments, compromises, settlements, and court costs and attorneys' fees, whether foreseen or unforeseen (including all such expenses, court costs, and attorneys' fees in the enforcement of Company's rights hereunder), incurred by Company in connection with or arising out of or resulting from or relating to or incident to:

1. any breach of any of the representations, warranties, or covenants of Shipper contained in this Agreement or in any Exhibit, Schedule, or other document attached hereto and/or incorporated by reference herein, specifically including but not limited to:
 - a. any Transporter penalties or other expenses or liabilities for unauthorized overrun Gas, for monthly imbalances, for failure to comply with its FERC Tariff, or for failure to comply with a curtailment notice or to take deliveries as scheduled, pursuant to Sections 3.1 and 4.1 of this Agreement; and
 - b. any breach by Shipper of warranty of title to Gas and related obligations, pursuant to Sections 6.1 and 6.2 of this Agreement;
2. any claim by a creditor of Shipper as a result of any transaction pursuant to or contemplated by this Agreement; and
3. any claim against Company relating to any obligation or liability of Shipper, or its affiliates, or any of them of any kind or nature.

In the event that any claim or demand for which Shipper would be liable to Company hereunder is asserted against or sought to be collected from Company

by a third party, Company shall promptly notify Shipper of such claim or demand, specifying the nature of such claim or demand and the amount or the estimated amount thereof, if determination of an estimate is then feasible (which estimate shall not be conclusive of the final amount of such claim or demand) (the "Claim Notice"). Shipper shall have twenty (20) days, or such shorter period as the circumstances may require if litigation is involved, from the personal delivery or mailing of the Claim Notice (the "Notice Period") to notify Company:

1. whether or not it disputes its liability to Company hereunder with respect to such claim or demand; and,
2. whether or not it desires, at its sole cost and expense, to defend Company against such claim or demand.

In the event that Shipper notifies Company within the Notice Period that it desires to defend Company against such claim or demand and except as hereinafter provided, Shipper shall have the right to defend Company by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by Shipper to a final conclusion in any manner as to avoid any risk of Company becoming subject to any liability for such claim or demand or for any other matter. If Company desires to participate in, but not control, any defense or settlement, it may do so at its sole cost and expense. If Shipper elects not to defend Company against such claim or demand, whether by not giving Company timely notice as provided above or otherwise, then the amount of any such claim or demand, or, if the same is contested by Shipper or by Company (Company having no obligation to contest any such claim or demand), then that portion thereof as to which such defense is unsuccessful, shall be conclusively deemed to be a liability of Shipper and subject to indemnification as provided hereinabove.

(B) For value received and to induce Shipper to enter into this Agreement, Company agrees to protect, defend (at Company's expense and by counsel satisfactory to Shipper), indemnify, and save and hold harmless Shipper, its officers, directors, shareholders, employees, agents, successors and assigns, from and against all direct or indirect costs, expenses, damages, losses, obligations, lawsuits, appeals, claims, or liabilities of any kind or nature (whether or not such claim is ultimately defeated), including in each instance, but not limited to, all costs and expenses of investigating and defending any claim at any time arising and any final judgments, compromises, settlements, and court costs and attorneys' fees, whether foreseen or unforeseen (including all such expenses, court costs, and attorneys' fees in the enforcement of Shipper's rights hereunder), incurred by Shipper in connection with or arising out of or resulting from or relating to or incident to:

1. any breach of any of the representations, warranties, or covenants of Company contained in this Agreement or in any Exhibit, Schedule, or other document attached hereto and/or incorporated by reference herein, specifically including but not limited to:

- a. any breach by Company of warranty of title to Gas and related obligations, pursuant to Sections 6.1 and 6.2 of this Agreement;
2. any claim by a creditor of Company as a result of any transaction pursuant to or contemplated by this Agreement; and,
3. any claim against Shipper relating to any obligation or liability of Company, or its affiliates, or any of them of any kind or nature.

In the event that any claim or demand for which Company would be liable to Shipper hereunder is asserted against or sought to be collected from Shipper by a third party, Shipper shall promptly notify Company of such claim or demand, specifying the nature of such claim or demand and the amount or the estimated amount thereof, if determination of an estimate is then feasible (which estimate shall not be conclusive of the final amount of such claim or demand). Company shall have twenty (20) days, or such shorter period as the circumstances may require if litigation is involved, from the personal delivery or mailing of the Claim Notice to notify Shipper:

1. whether or not it disputes its liability to Shipper hereunder with respect to such claim or demand; and,
2. whether or not it desires, at its sole cost and expense, to defend Shipper against such claim or demand.

In the event that Company notifies Shipper within the Notice Period that it desires to defend Shipper against such claim or demand and except as hereinafter provided, Company shall have the right to defend Shipper by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by Company to a final conclusion in any manner as to avoid any risk of Shipper becoming subject to any liability for such claim or demand or for any other matter. If Shipper desires to participate in, but not control, any defense or settlement, it may do so at its sole cost and expense. If Company elects not to defend Shipper against such claim or demand, whether by not giving Shipper timely notice as provided above or otherwise, then the amount of any such claim or demand, or, if the same is contested by Company or by Shipper (Shipper having no obligation to contest any such claim or demand), then that portion thereof as to which such defense is unsuccessful, shall be conclusively deemed to be a liability of Company and subject to indemnification as provided hereinabove.

(C) The foregoing indemnification and hold harmless agreement shall benefit both parties from the date hereof and shall survive the termination of this Agreement.

ARTICLE VIII
Failure to Perform, Default and Remedies

8.1 The following shall constitute an event of default:

- (a) Shipper or Company fails to satisfy in full the terms and conditions of this Agreement and/or the applicable provisions of Company's FPSC Natural Gas Tariff.
- (b) Shipper or Company voluntarily suspends the transaction of business where there is an attachment, execution or other judicial seizure of any portion of their respective assets;
- (c) Shipper or Company becomes insolvent or unable to pay its debts as they mature or makes an assignment for the benefit of creditors;
- (d) Shipper or Company files, or there is filed against it, a petition to have it adjudged bankrupt or for an arrangement under any law relating to bankruptcy; or
- (e) Shipper or Company applies for or consents to the appointment of a receiver, trustee or conservator for any portion of its properties or such appointment is made without its consent.

8.2 If either party fails to perform its obligations under this Agreement, the non-defaulting party shall notify the defaulting party in writing (the "Default Notice") within three (3) days after the non-defaulting party obtained knowledge of such failure to perform. Each such Default Notice shall describe in detail the act or event constituting the non-performance by the defaulting party. The defaulting party shall have five (5) days after its receipt of the Default Notice to cure any such failure to perform, unless such cure can not be accomplished using reasonable efforts within said five (5) day period, in which case the defaulting party shall have such additional time as may be necessary, using reasonable efforts, to cure such non-performance (the "Default Cure Period").

8.3 In the event of a default that is not cured within the Default Cure Period, the non-defaulting party may, at its option, exercise any, some or all of the following remedies, concurrently or consecutively:

- (a) any remedy specifically provided for in this Agreement;
- (b) terminate the Agreement by written notice to the defaulting party; and/or,
- (c) any remedy existing at law or in equity.

ARTICLE IX
Force Majeure

9.1 Except with regard to a party's obligation to make payment(s) due under the terms of this Agreement, neither party shall be liable to the other for failure to perform any of its obligations, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 9.2.

9.2 Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of crops, wells or lines of pipe; (iii) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (iv) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Company and Contractor shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

9.3 Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or, (ii) economic hardship.

9.4 Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

9.5 The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligations under this Agreement, from the onset of the Force Majeure event to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

ARTICLE X
Rates, Billing and Payment

10.1 The rates for gas transportation service provided hereunder shall be as set forth in Exhibit A.

10.2 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 Company under this Agreement, any such additional tax required by law to be paid by Company shall, in Company's discretion, insofar as such discretion is provided for under applicable law, be separately stated on Company's bill for service. 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 Company under this Agreement, the reduction in such tax required to be paid by Company shall, in Company's discretion, insofar as such discretion is provided for under applicable law, be separately stated as a deduction to the total amount of the Company's bill for service.

10.3 Meters at Company's Delivery Point to Shipper shall be read by Company at regular monthly intervals. Invoices for Gas Service provided during a month will be rendered by the 15th Day (or subsequent Business Day if a weekend or holiday), of the following month and shall be due and payable by mail no later than ten (10) days following receipt of invoice. Company shall provide to Shipper each month, along with its invoice, reasonable supporting information (including a statement of the gas quantities delivered by Company to Shipper at the Delivery Point on each day of such month) sufficient to justify the charges included thereon. If Shipper fails to make payment to Company in a timely manner, and such failure is not remedied within five (5) Days after written notice from Company, then Company may seek such remedies to collect the payment as are provided in this Agreement, the Company's FPSC Natural Gas Tariff and by law, including but not limited to termination of this Agreement. Company shall not seek such remedies if a bona fide billing dispute exists, and the parties are negotiating in good faith to resolve the dispute.

10.4 Gas quantities delivered to Company for transportation and redelivery to Shipper shall be as measured by Transporter at the Receipt Point. Gas quantities transported and redelivered to Shipper shall be as measured by Company at the Delivery Point.

10.5 Shipper shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine the books and records of Company to the extent reasonably necessary to verify the accuracy of any invoice. Any such audit and any claim based upon errors in any statement must be made within two (2) years of the date of such statement or last revision thereof.

10.6 In the event an error is discovered in the amount billed in any invoice rendered hereunder such error shall be rectified by payment within twenty (20) days after notice of the discovery of the error or if mutually agreed, credited against the next invoice. In the event a dispute arises as to the amount payable in any invoice rendered hereunder, Shipper shall nevertheless pay when due the amount not in dispute under such invoice, and shall provide written notice to Seller indicating the disputed amount and the reason for such dispute. During

this time of reconciliation, there shall be no late charges or interest imposed on Shipper related to payment for such difference. Such payment shall not be deemed to be a waiver of the right by Shipper to recoup any overpayment, nor shall acceptance of any payment be deemed to be a waiver by Company of any underpayment.

10.7 Shipper shall have the right to install check measurement equipment immediately downstream of Company's measurement equipment. Shipper shall install and maintain any such check measurement equipment in accordance with standard industry practice and in full compliance with all applicable governmental regulations.

ARTICLE XI **Term and Termination**

11.1 This Agreement is subject to the regulatory authority of the FPSC, whose approval of this Agreement, shall be an absolute condition precedent to the validity, enforceability and applicability of the Agreement. This Agreement shall have no force or effect whatsoever until such time as the date of expiration of the appeal period following the issuance by the FPSC of an order approving this Agreement. In the event the FPSC declines to approve this Agreement, the same shall be of no force or effect, and neither Party shall have any claim against the other arising out of this Agreement.

11.2 This Agreement shall become effective on the date an FPSC order approving this Agreement and the Territorial Agreement becomes final and effective, and shall remain in effect for a primary term ending ten (10) years from such date. Upon conclusion of the primary term, this Agreement shall automatically renew for four (4) consecutive additional five-year terms. Notwithstanding the foregoing, (a) FPUC may terminate this Agreement at the end of the primary term or any subsequent five-year term by serving written notice on IGC not less than one hundred eighty (180) days prior to the end of the then-current term, and (b) either Party may terminate the Agreement at any time in the event of a material default by the other Party in the performance of its duties and obligations under this Agreement, which default is not substantially cured within thirty (30) days following receipt of written notice by the defaulting party from the non-defaulting party specifying such default.

ARTICLE XII **Company's Tariff Provisions**

12.1 The applicable sections of the Company's FPSC Natural Gas Tariff, 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 provisions of Company's FPSC Tariff and specific provisions of this Agreement, the latter shall prevail.

ARTICLE XIII
Safe Design And Operation

13.1 Company shall own, operate and maintain the Distribution Facilities delivering Gas to Shipper's Delivery Point(s) in accordance with the Federal Department of Transportation ("FDOT") Regulations, Section 191 and 192 and Chapter 25-12, Florida Administrative Code ("F.A.C."), as such rules and regulations may be amended from time to time, regarding the design, installation, operation and maintenance of natural gas systems.

13.2 It shall be the responsibility of Shipper to maintain all Shipper-owned equipment, beginning at the outlet side of the measurement equipment at the Delivery Point(s).

ARTICLE XIV
Notices

14.1 Any notice, request, demand, statement or payment provided for in this Agreement, unless otherwise specified, shall be sent to the parties hereto at the following addresses:

To IGC:

Brian Powers
President
Indiantown Gas Company
16600 S.W. Warfield
P.O. Box 8
Indiantown, Florida 34956
Phone: 772-597-2168
Facsimile: 772-597-2068

To FPUC:

C.L. Stein
Senior Vice President & C.O.O.
Florida Public Utilities Company
401 S. Dixie Highway
P.O. Box 3395
West Palm Beach, Florida 33402
Phone: 561-838-1780
Facsimile: 561-833-8582

with a copy to:

Barry Kennedy
General Manager-South Florida
Florida Public Utilities Company
401 S. Dixie Highway
P.O. Box 3395
West Palm Beach, Florida 33402
Phone: 561-838-1729
Facsimile: 561-833-8562

ARTICLE XV
Mutually Beneficial Transactions

15.1 Company may, from time to time, request Shipper to vary its daily deliveries from the scheduled delivery quantities. On those occasions, Company may request, at its sole discretion, and the Shipper may agree, at its sole discretion, that Shipper change its nominated Gas supply quantities. Terms and conditions of such transactions shall be agreed upon at the time of the transaction and shall be recorded and confirmed in writing within two (2) business days after the transaction.

ARTICLE XVI
Miscellaneous Provisions

16.1 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.

16.2 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.

16.3 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 14.1 shall not be deemed nor require an amendment of this Agreement provided such change is communicated in accordance with Section 14.1 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, the FPSC or its successor agency or authority.

16.4 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.

16.5 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.

16.6 Attorneys' Fees and Costs. In the event of any litigation between the parties arising out of or relating to this Agreement, the prevailing party shall be entitled to recover all costs incurred and reasonable attorneys' fees, including attorneys' fees in all investigations, trials, bankruptcies and appeals.

16.7 Independent Parties. Company and Shipper shall perform hereunder as independent parties and neither Company or Shipper 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.

16.8 Assignment and Transfer. No assignment of this Agreement by either party may be made without the prior written approval of the other party (which approval shall not be unreasonably withheld) and unless the assigning or transferring party's assignee or transferee shall expressly assume, in writing, the duties and obligations under this Agreement of the assigning or transferring party, and upon such assignment or transfer and assumption of the duties and obligations, the assigning or transferring party shall furnish or cause to be furnished to the other party a true and correct copy of such assignment or transfer and assumption of duties and obligations.

16.9 Governmental Authorizations: Compliance with Law. This Agreement shall be subject to all valid applicable state, local and federal laws, orders, directives, rules and regulations of any governmental body, agency or official having jurisdiction over this Agreement and the transportation of Gas hereunder. Company and Shipper shall comply at all times with all applicable federal, state, municipal, and other laws, ordinances and regulations. Company and/or Shipper will furnish any information or execute any documents required by any duly constituted federal or state regulatory authority in connection with the performance of this Agreement. Each party shall proceed with diligence to file

any necessary applications with any governmental authorities for any authorizations necessary to carry out its obligations under this Agreement. The Company shall file within ten (10) business days an appropriate petition with the FPSC seeking approval of the Special Contract. In the event this Agreement or any provisions herein shall be found contrary to or in conflict with any such law, order, directive, rule or regulation, the latter shall be deemed to control, but nothing in this Agreement shall prevent either party from contesting the validity of any such law, order, directive, rule, or regulation, nor shall anything in this Agreement be construed to require either party to waive its respective rights to assert the lack of jurisdiction of any governmental agency other than the FPSC over this Agreement or any part thereof. In the event of such contestation, and unless otherwise prohibited from doing so under this Section 16.9, Company shall continue to transport and Shipper shall continue to take Gas pursuant to the terms of this Agreement. In the event any law, order, directive, rule, or regulation shall prevent either party from performing hereunder, then neither party shall have any obligation to the other during the period that performance is precluded.

16.10 Applicable Law and Venue. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of Florida. Unless otherwise agreed in writing by the parties, venue for any legal action hereunder shall be in Martin County, Florida.

16.11 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.

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

ATTEST:

By: Kimberly M. Berk
Name: KIMBERLY M. BERK

Indiantown Gas Company, Inc.

By: Brian Powers
Name: Brian Powers
Title: President

ATTEST:

By: Chandra Saylor
Name: Chandra Saylor

Florida Public Utilities Company

By: C.L. Stein
Name: C.L. Stein
Title: SR. Vice President, COO

EXHIBIT A

To
Firm Transportation Service Agreement
Between
Indiantown Gas Company, Inc.
And
Florida Public Utilities Company

Transportation Rate: The rates for gas transportation service provided to Shipper by Company under this Agreement shall be as follows:

Reservation Charge: \$0.04 per Dekatherm X MDTQ X
Number of Days in a billing month.

Firm Transportation Charge: \$0.15 per therm measured at the
Delivery Point.

MDTQ: 500 Dt/day

Delivery Pressure: 30 psig at the Delivery Point

IN WITNESS WHEREOF, the parties have executed this Exhibit A on the dates stated below.

Indiantown Gas Company, Inc.

Florida Public Utilities Company

By: Brian Power

By: C. L. Stein P

Name: Brian Power

Name: C. L. Stein

Title: President

Title: SR. Vice President, COC

Date: 7/1/06

Date: 6/27/06