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070399-6U

June 22, 2007

VIA HAND DELIVERY

Ms. Ann Cole
Division of Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32309

RECEIVED-FPSC
07 JUL -6 PM 3:46
COMMISSION CLERK
RVN

Re: Joint Petition for Approval of Territorial Agreement in Pasco County, Master Territorial Agreement, and Gas Transportation Agreement, by Peoples Gas System and Florida Division of Chesapeake Utilities Corporation

Dear Ms. Cole:

Enclosed for filing on behalf of Peoples Gas System and Florida Division of Chesapeake Utilities Corporation, please find the original and 15 copies of the Joint Petition for Approval of Territorial Agreement in Pasco County, Master Territorial Agreement, and Gas Transportation Agreement, by Peoples Gas System and Florida Division of Chesapeake Utilities Corporation

CMP
COM 5

CTR _____ Please acknowledge receipt of this filing by stamping and returning the extra copy of this letter to me. Your assistance in this matter is greatly appreciated, and if you have any questions, please do not hesitate to contact me.

GCL 2

OPC 1

RCA _____

SCR _____

SGA Enc.

SEC _____

OTH _____

Sincerely,

Beth Keating

DOCUMENT NUMBER-DATE

05681 JUL-6 6

FPSC-COMMISSION CLERK

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Joint Petition for approval of :
Territorial Agreement in Pasco County, :
Master Territorial Agreement, and :
Gas Transportation Agreement, by :
Peoples Gas System and Florida :
Division of Chesapeake Utilities :
Corporation :
_____ :

DOCKET NO. 070399-67u
Submitted for Filing:
7-6-07

JOINT PETITION

Petitioners, Peoples Gas System ("Peoples") and Florida Division of Chesapeake Utilities Corporation ("Chesapeake") (collectively, "Petitioners"), by their respective undersigned attorneys and pursuant to Section 366.04(3)(a), *Florida Statutes*, and Rule 25-7.0471, *Florida Administrative Code* ("F.A.C."), jointly file this petition for an order approving a territorial agreement in Pasco County, a Master Territorial Agreement, and a Gas Transportation Agreement filed as a special contract as provided under Rule 25-9.034 F.A.C., each agreement being between Peoples and Chesapeake. The referenced agreements are attached hereto as exhibits, and incorporated herein by reference. In support of this request, Petitioners state as follows:

1. The names and mailing addresses of the petitioners are:

Peoples Gas System	Chesapeake Utilities Corporation
P. O. Box 2562	1015 6 th Street NW
Tampa, Florida 33601-2562	Winter Haven, Florida 33881

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

DOCUMENT NUMBER-DATE
05681 JUL-6 8
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As to Peoples:

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

Paula K. Brown
Peoples Gas System
P. O. Box 2562
Tampa, Florida 33601-2562

As to Chesapeake:

Beth Keating, Esq.
Akerman Senterfitt
106 East College Avenue, Suite 1200
Tallahassee, Florida 32301

Thomas A. Geoffroy
Vice President
Chesapeake Utilities Corporation
1015 6th Street NW
Winter Haven, Florida 33881

3. Each petitioner owns and operates natural gas distribution facilities in Florida, and each is a public natural gas utility subject to the Commission's regulatory jurisdiction under Chapter 366, *Florida Statutes*.

Historical Overview

4. Peoples operates a natural gas distribution system in Pasco County, primarily in the southern and eastern sectors of the county. Peoples plans to continue expanding its distribution system in Pasco County as provided in its approved tariff Extension of Facilities Policy. The current policy includes a Maximum Allowable Construction Cost (MACC) equal to four years projected revenue (less cost of gas) from a given expansion project. There are several, primarily residential, developments in certain areas of Pasco County that would fail to meet the Peoples MACC or that would offer marginal returns on its distribution system investment. Given Peoples' tariffed MACC standards, the forecasted capital requirements to serve these certain residential developments, and the anticipated build-out schedule, Peoples has determined that it can best deploy its capital assets to serve other developments, both in and out of Pasco

County.

5. Over the past year, Chesapeake has been evaluating several developing areas in Pasco County, considered beyond the reach of natural gas due, in part, to the distance from the interstate pipelines, to assess the opportunity to construct underground propane distribution systems. Propane distribution through "Community Gas Systems" is part of Chesapeake's unregulated business strategy. Chesapeake has entered into discussions with several developers in Pasco County with the intent of constructing propane Community Gas Systems.

6. During Chesapeake's propane discussions with Pasco County developers, it became apparent that Peoples was not planning to extend natural gas to certain areas in Pasco County. Chesapeake began an investigation into the possibility of serving the developments in these areas with natural gas instead of propane. Chesapeake's Commission-approved tariff Extension of Facilities Policy provides for a six-year MACC which, along with its existing rates and Area Extension Program (AEP), could provide an opportunity to construct cost feasible extensions to areas where Peoples does not plan to extend its distribution system. Initially, the construction of a pipeline to interconnect with the Florida Gas Transmission Company ("FGT") interstate pipeline was evaluated. The closest FGT pipeline is over 15 miles from the designated service areas and does not provide an economically feasible alternative. In 2004, Peoples constructed a six-inch gas main along County Road 577 (Curley Road) as part of a distribution system looping project designed to support Peoples' distribution system expansion in the vicinity of Brooksville and Dade City, Florida. The Peoples gas main

on County Road 577 was identified as the most cost effective means of transporting gas to the potential Chesapeake distribution systems in Pasco County.

Gas Transportation Agreement

7. Based on the above assessment, Chesapeake requested wholesale transportation service from Peoples in Pasco County, and Peoples and Chesapeake entered into negotiations related to such service. These negotiations identified certain restrictions within the wholesale transportation service provisions of Peoples' tariff that would not support the proposed transactions. Instead, the parties executed a Gas Transportation Agreement in March 2007, subject to the approval of the Commission as a special contract. Under the terms of the agreement, Peoples would construct an approximately 3.5 mile extension of its existing distribution facilities to interconnect with Chesapeake's planned distribution facilities. Peoples would also provide an interconnection with Chesapeake on Peoples' existing County Road 577 gas main to serve a second developing area. The agreement provides for receipt of gas from Chesapeake, or its approved shippers, at the Peoples interconnection(s) with FGT, for transportation across the Peoples distribution system to the interconnections with Chesapeake's proposed Pasco County distribution system(s). Peoples is capable of providing service to Chesapeake under the terms and conditions of the Gas Transportation Agreement without adversely impacting existing Peoples customers or materially affecting Peoples' ability to serve additional customers on its distribution system. Chesapeake has exited the gas supply merchant function and provides only transportation service through its distribution systems, as authorized by the Commission

in Order No. PSC-02-1646-TRF-GU issued on November 25, 2002. The Gas Transportation Agreement recognizes that all Chesapeake gas customers receive gas supply service from third party gas suppliers (shippers). Chesapeake's current tariff provides the ability for Chesapeake to assign to its shippers the distribution capacity Reservation Charge contemplated in the proposed Gas Transportation Agreement for Pasco County. A copy of the Gas Transportation Agreement is attached to this petition as Exhibit 1 (the "special contract").

Pasco County Territorial Agreement

8. During the deliberations related to the Gas Transportation Agreement, the parties deemed it appropriate to seek Commission approval of an agreement that specifically defines the territorial service areas of each petitioner in Pasco County. Chesapeake and Peoples have entered into the Amended and Restated Territorial Agreement – Pasco County dated July __, 2007 (the "Pasco County Agreement").¹ The Pasco County Agreement would enable as many persons and businesses as possible in portions of Pasco County to receive economical and reliable natural gas service, and to avoid any unnecessary duplication of facilities. Absent the Pasco County Agreement, and the other agreements included in this petition, residences and businesses constructed in the designated service areas would, most likely, not have an opportunity to receive natural gas service. A copy of the Pasco County Agreement is attached to this petition as Exhibit 2.

¹ As indicated in the Pasco County Agreement, the parties entered into an earlier agreement dated March 26, 2007. The Pasco County Agreement amends and restates the earlier agreement to revise the legal description of the parties' respective service areas and the map depicting the same.

9. The Pasco County Agreement includes two (2) distinct areas identified as “Chesapeake Service Area A” and “Chesapeake Service Area B”. The existing Peoples gas main on County Road 577, described above, bisects proposed Chesapeake Service Area B, although no customers are served by Peoples within the designated area. There are also no Peoples customers within Chesapeake Service Area A. As noted above, the Gas Transportation Agreement provides that Peoples would construct a 3.5 mile pipeline from its nearest existing distribution main on County Road 577, west along State Road 52 crossing Interstate 75 to the border of Chesapeake Service Area A. The parties anticipate that the terminal point of the 3.5 mile pipeline would be approximately at the southeast corner of Chesapeake Service Area A on State Road 52. A description of the agreed service areas and the boundary between those service areas is included in the Pasco County Agreement. The agreement does not provide for or involve the transfer of any customers or facilities.

10. At present, several development projects are planned for the two service areas addressed in this petition. Based on discussions with various developers and the Pasco County planning office, along with data on projected building lot inventories from American Metro Study, it is estimated that over the next twenty years, approximately 15,000 to 20,000 residences could be constructed in the combined areas. As residential growth occurs in each area, it is expected that various businesses that typically use natural gas (supermarkets, restaurants, various service businesses) would follow the residential development in the areas. Several residential projects are under consideration in these service areas. However, given the recent slow down in new

home construction, it is not known when construction would commence. As indicated by the American Metro Study data, the designated service areas have a high probability of high-density residential development as the Tampa metro area continues to expand northward.

11. Chesapeake currently operates a gas distribution system in Plant City, Florida. The distribution facilities planned for Pasco County would be approximately a forty-five minute drive from the nearest existing Chesapeake facilities. In addition, Chesapeake's Citrus County office is approximately a one hour drive from the proposed Pasco County service areas. Chesapeake has constructed and operates gas facilities in thirteen Florida counties, from Washington County in the Panhandle to DeSoto County in southwest Florida. Chesapeake has significant experience managing third party contractor facility construction activities regardless of their location throughout the state. Subsequent to activating a distribution system, Chesapeake typically handles on-going functions such as meter reading and various maintenance activities with internal resources until customer growth reaches a level that would support a third party agreement for such services. Typical non-emergency gas service calls initiated by a consumer would include Establishment of Service, Change of Account, Reconnection after Disconnection for Non-Pay and Termination of Service. Chesapeake would respond to the above service requests from Pasco County consumers in accordance with its approved tariff provisions. Consumers, and others, may also request that Chesapeake provide line locations for its distribution facilities. The response times for such line locates are established through Chesapeake's agreement with the one-call

underground utility location service provider. Emergency response for gas leaks, line breaks or other urgent service issues would be handled in accordance with Commission rule. Chesapeake is not aware of any substantive operational issues that would negatively impact its ability to provide safe, reliable service to consumers in Pasco County.

Master Territorial Agreement

12. Because the petitioners have entered into previous territorial agreements with respect to service areas in other portions of the state, and because they may enter into territorial agreements with respect to other service areas in the future, they have also entered into the Master Territorial Agreement dated March 26, 2007 (the "Master Territorial Agreement"). The Master Territorial Agreement contains terms and conditions which, unless varied by a specific territorial agreement, will govern each territorial agreement entered into by Peoples and Chesapeake. It also governs with respect to certain terms and conditions of the Pasco County Agreement. A copy of the Master Territorial Agreement is attached hereto as Exhibit 3.

Requested Relief

13. The parties seek Commission approval of the Pasco County Agreement and the Master Territorial Agreement. Each of these agreements stipulates that approval by the Commission is a condition precedent to the agreement's effectiveness. Any modification to the service areas described in the Pasco County Agreement must be reviewed and/or approved by the Commission. Prior to the second anniversary of the Commission's approval of the Pasco County Agreement, and no less frequently

than every five years thereafter, the petitioners will meet to review the status of the agreement and provide a written status report to the Commission.

14. Peoples and Chesapeake represent that approval and implementation of both the Pasco County Agreement and the Master Territorial Agreement will not cause a decrease in the availability or reliability of natural gas service by either company, or to the existing or future ratepayers of either company, and that the Commission's approval of both agreements would be consistent with the standards set forth in Section 366.04, *Florida Statutes*, and Rule 25-7.0471, *F.A.C.*

15. Peoples and Chesapeake also seek the Commission's approval of the Gas Transportation Agreement between Peoples and Chesapeake dated March 26, 2007. The Commission's approval is required because, rather than paying distribution charges for transportation service based on the quantity of gas actually transported by Peoples (as is provided in Peoples' Commission-approved natural gas tariff), Chesapeake will pay a reservation charge for such service, similar to the capacity reservation charge paid to a FERC-regulated interstate pipeline for transportation service. The reservation charge is based on the daily capacity Peoples reserves to provide such service, multiplied by the rate per therm set forth in the special contract, times the number of days in the month for which the payment is to be made.

16. The Gas Transportation Agreement includes a provision that links the effective dates of Chesapeake's Reservation Quantity commitment, and the associated reservation charge, to the in-service date of Peoples' interconnection to the Chesapeake distribution system(s). Under the agreement, Chesapeake will not incur

Reservation Charges prior to achieving the ability to transport gas to its Pasco County facilities and Peoples will begin to recover its capital investment for any facility construction upon the in-service date of such facilities. The Reservation Charge rate design is appropriate because the majority of Peoples' costs to provide service to Chesapeake under the Gas Transportation Agreement are fixed and therefore should be collected in a manner consistent with a Straight Fixed Variable rate design.

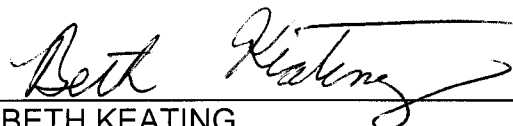
WHEREFORE, Chesapeake and Peoples respectfully request that the Commission enter its order approving (i) the Pasco County Agreement, (ii) the Master Territorial Agreement, and (iii) the Gas Transportation Agreement special contract.

Respectfully submitted,



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Attorneys for Peoples Gas System



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Attorneys for Chesapeake Utilities
Corporation

GAS TRANSPORTATION AGREEMENT

EXHIBIT 1

This Gas Transportation Agreement (the "Agreement") is made and entered into as of the 26 day of March, 2007, by and between **Peoples Gas System, a Division of Tampa Electric Company**, a Florida corporation ("PGS"), and **Chesapeake Utilities Corporation**, a Delaware corporation ("Chesapeake"), 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).

"Day" means "Delivery Gas Day" as defined in FGT's FERC Tariff.

"FGT" means Florida Gas Transmission Company, a Delaware corporation, and its successors and assigns.

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

"Interconnect" means the point(s) of interconnection between the distribution systems of PGS and Chesapeake located in Pasco County, Florida.

"Maximum Delivery Quantity" or "MDQ" means the maximum amount of Gas that PGS is obligated to cause to be delivered to Chesapeake pursuant to this Agreement on any Day at the PGS Delivery Point(s), 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.

"Month" means "Delivery Month" as defined in FGT's FERC Tariff.

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

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

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

"Reservation Quantity" means the quantity of PGS distribution system capacity reserved for the purpose of transporting Gas received at the Receipt Point(s) from Chesapeake, or its agent(s), and delivering such Gas to Chesapeake at the Delivery Point(s), expressed as Therms per Day.

"Retainage" means 0.35% of gas received by PGS for the account of Chesapeake at the PGS Receipt Point(s), which PGS shall retain at no cost to PGS to cover lost and unaccounted for gas between the PGS Receipt point(s) and PGS Delivery Point(s) and which may change from time to time.

"Shipper(s)" means an entity causing gas to be delivered to the PGS Receipt Point(s) that has executed a CI Shipper Agreement or TTS Shipper Agreement with Chesapeake in accordance with the Chesapeake FPSC Tariff, and who has also executed an Agency Agreement with Chesapeake and PGS.

"Territorial Agreement" means the Territorial Agreement – Pasco County between Chesapeake and PGS dated March _____, 2007 delineating the service areas of Chesapeake and PGS in Pasco County, Florida, as the same may be amended from time to time.

ARTICLE II - TERM

This Agreement is effective on the date first written above. The term shall commence at the beginning of the Day commencing upon final approval of this Agreement by the Florida Public Service Commission and continue until the termination of the Territorial Agreement.

ARTICLE III - TRANSPORTATION SERVICE

Section 3.1 Services. Chesapeake engages PGS, and PGS accepts such engagement, to receive Gas for Chesapeake'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 Chesapeake at the PGS Delivery Point(s). Such transportation service shall be governed by PGS's FPSC Tariff and this Agreement. If there is a conflict between the tariff and this Agreement, the Agreement shall control.

Section 3.2 Installation of Distribution Facilities and Equipment. PGS shall install the Gas system distribution facilities and equipment required to provide transportation service to Chesapeake at the Interconnect. The facilities and equipment which PGS must install to provide service hereunder (the "Facilities and Equipment"), if any, and the estimated cost thereof, are listed in Appendix C. Unless the parties agree otherwise, all facilities used to provide service to Chesapeake hereunder (including without limitation the Facilities and Equipment) shall be owned, operated and maintained by PGS.

ARTICLE IV - NOMINATIONS

Section 4.1 General. For each Day Chesapeake desires service hereunder, Chesapeake shall provide a Nomination to PGS pursuant to Section 4.2. 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 Chesapeake, 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 Suppliers, 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 Chesapeake on any Day (which shall not exceed the MDQ) is the Transportation Quantity established pursuant to this article.

Section 4.2 Nomination for Transportation. Unless otherwise agreed, Chesapeake shall, for each Month, and each Day during such Month that Chesapeake seeks to change any aspect of any prior Nomination, notify PGS by providing a completed Nomination. Chesapeake'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 Chesapeake 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 Chesapeake pursuant to this section greater than the quantity of capacity released to Chesapeake under the provisions of the parties' Interstate Pipeline Capacity Release Agreement dated March, 2007, plus Retainage.

Section 4.3 Other Responsibilities. Chesapeake shall promptly notify PGS in writing of any change in the Transportation Quantity for any Day, and PGS will use commercially reasonable efforts to accept any such requested change as soon as practicable.

Section 4.4 Confirmation. If Transporter asks PGS to verify a nomination for Chesapeake's account, PGS shall confirm the lesser of such nomination, the Transportation Quantity, or that quantity equal to the quantity of capacity released to Chesapeake under the provisions of the parties Interstate Pipeline Capacity Release Agreement dated March, 2007, plus Retainage. PGS has no obligation with respect to verification or rejection of quantities not requested by Chesapeake.

Section 4.5 Mutually Beneficial Transactions. Chesapeake 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 Chesapeake 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 Chesapeake may agree to, a change in the quantity of Gas to be delivered for the account of Chesapeake 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 Chesapeake. 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 4.6 Full Requirements. During the term of this Agreement and any extension thereof, Chesapeake agrees that all Gas used by Chesapeake's customers downstream of the Interconnect that are served by Chesapeake as a result of the Territorial Agreement will, subject to the provisions of this Agreement, be transported by PGS on PGS's distribution system.

ARTICLE V – RESERVATION QUANTITY AND CHARGE

Section 5.1 Reservation Quantity. The parties acknowledge that the gas transportation service to Chesapeake at the PGS Delivery Point(s) contemplated by this Agreement requires access by Chesapeake, or its agents, to PGS distribution system capacity.

Upon the in-service date of PGS's meter station and interconnect to serve "Chesapeake Service Area B" as described in the Territorial Agreement, PGS shall grant and Chesapeake shall accept a Reservation Quantity of 5,000 Therms per Day subject to the terms of this Agreement.

Upon the in-service date of the PGS distribution line, which is scheduled to be between January 1, 2008 and April 30, 2008 to serve "Chesapeake Service Area A" as described in the Territorial Agreement, PGS shall grant and Chesapeake shall accept a total Reservation Quantity of 20,000 Therms per Day subject to the terms of this Agreement.

In the event, Chesapeake requires a Reservation Quantity that exceeds 20,000 Therms per Day, the

parties shall negotiate in good faith to establish a mutually acceptable quantity.

Section 5.2 Reservation Charge. Each Month during the term of this Agreement, Chesapeake shall pay to PGS for the reservation of firm capacity and transportation service on the PGS distribution system an amount equal to \$0.028125 multiplied by the Reservation Quantity multiplied by the number of Days in that Month.

ARTICLE VI - BILLING AND PAYMENT

Section 6.1 Billing. PGS will bill Chesapeake each Month, as provided in Section 5.2, and for any other amounts due hereunder. If, during the preceding Month, PGS has purchased Gas from Chesapeake pursuant to an interruption or curtailment order, such bill shall show a credit for the estimated amount due Chesapeake for such purchase(s). If the estimated amount owed by PGS to Chesapeake exceeds the amount Chesapeake owes PGS, PGS shall pay Chesapeake the net amount estimated to be due Chesapeake at the time PGS bills Chesapeake.

Section 6.2 Payment. Chesapeake 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 Chesapeake (or credited or paid by PGS) shall be considered delinquent.

Section 6.3 Billing Disputes. In the event of a bona fide billing dispute, Chesapeake 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 Chesapeake for purchases by PGS pursuant to an interruption or curtailment order, PGS shall make any adjustment necessary to reflect the actual amount due Chesapeake on account of such purchases in the next bill rendered to Chesapeake 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 Chesapeake 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 Chesapeake and without terminating this Agreement, suspend further deliveries to Chesapeake 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 Chesapeake for PGS purchases pursuant to an interruption or curtailment order within five (5) Days after Chesapeake's written notice thereof, Chesapeake, 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 Chesapeake's Gas pursuant to an interruption or curtailment order, but Chesapeake 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 – REGULATORY JURISDICTION

Section 8.1 FPSC Jurisdiction. The parties recognize and agree that, as public utilities, the gas transportation service contemplated by this Agreement to the areas defined in the Territorial Agreement is subject to regulation by the FPSC. Compliance by either party with any rule or order of the FPSC or any other federal, state, or local governmental authority acting under claim of jurisdiction issued before or after the effective date of this Agreement shall not be deemed to be a breach hereof; provided, however, that each party shall use commercially reasonable efforts (which are consistent with the party's status as a public utility) to mitigate any materially adverse effect its compliance with the terms of any such rule or order would have on either party's rights under this Agreement.

Section 8.2 Adverse Orders. In the event the FPSC, or other governmental authority asserting jurisdiction issues an order, ruling, decision or regulation which (i) requires that PGS terminate gas transportation service to Chesapeake, or (ii) substantively modifies the terms and conditions under which PGS provides the transportation of gas as such terms and conditions are provided in this Agreement, so as to result in a materially adverse effect on either party's rights and benefits under this Agreement, or (iii) requires that the parties terminate the Territorial Agreement, each party shall use commercially reasonable efforts and shall cooperate with the other to pursue all necessary approvals and authorizations, if any, of the FPSC, or other applicable governmental authority, to amend the terms and conditions of this Agreement as may be reasonably required in order that the transportation of gas contemplated by this Agreement may commence and/or continue; provided that neither party shall be required to take any action pursuant to this section which is reasonably likely to have a materially adverse effect on such party's rights and benefits under this Agreement. Except as provided herein, neither party shall seek to terminate this Agreement or request or support administrative or judicial modification of any term hereof without the other party's prior written consent and, in the event such termination or modification is requested by any other person, each of the parties shall exercise reasonable commercial and legal efforts in opposition thereto.

Section 8.3 Responses to Adverse Orders. In the event of (i) issuance, or receipt by either party, of any order, approval, authorization or evidence of any event described in Section 8.2 above, or (ii) the occurrence of any event described in Section 8.2 above, the party receiving such order, approval, authorization or evidence of such occurrence shall promptly transmit to the other party a copy or notice thereof as appropriate, and each party shall, within ten (10) days after delivery of such notice, give notice to the other party whether the terms and conditions of such order, approval, authorization or evidence of such occurrence are reasonably likely to have a materially adverse effect on such party or its rights and obligations under this Agreement, setting forth the reasons therefor. If the parties are unable, after the exercise of the efforts and cooperation required pursuant to Sections 8.1 and 8.2, to agree to amendments to this Agreement which will permit the transportation of gas contemplated by this Agreement, and to obtain any regulatory authorizations necessary, in order that the transportation of gas contemplated by this Agreement may commence and/or continue, then this Agreement shall terminate subject to the provisions of paragraph 8 of the Territorial Agreement.

ARTICLE IX - MISCELLANEOUS

Section 9.1 Assignment and Transfer. Neither party shall assign this Agreement or its rights hereunder without the prior written consent of the other party, which consent may be withheld in the exercise of its sole discretion; provided, however, either party may, without the consent of the other party (i) transfer or assign this Agreement to an affiliate of such party which affiliate's creditworthiness is equal to or higher than that of such party, or (ii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets of the assigning party; provided, however, that in each such case, any such assignee shall agree in writing to be bound by

the terms and conditions hereof, and 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.

Section 9.2 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 9.3 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 9.4 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 9.5 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 9.6 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: J. R. McLelland
Telephone: (813) 228-4664
Facsimile: (813) 228-4742

Invoices and Payment:
Peoples Gas System
702 Franklin Street
P. O. Box 2562
Tampa, Florida 33601-2562
Attention: Bruce Narzissenfeld
Telephone: (813) 228-4526
Facsimile: (813) 228-4194

Customer:

Administrative Matters:
Chesapeake Utilities Corporation
1015 6th Street NW
Winter Haven, Florida 33881
Attention: Thomas A. Geoffroy, Asst. Vice President
Telephone: (863) 293-2125
Facsimile: (863) 294-3895

Invoices and Payment:
Chesapeake Utilities Corporation
1015 6th Street NW
Winter Haven, Florida 33881
Attention: Thomas A. Geoffroy, Asst. Vice President
Telephone: (863) 293-2125
Facsimile: (863) 294-3895

Section 9.7 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 9.6.

Section 9.8 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.

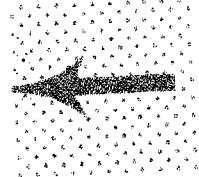
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

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

By: *William N. Cantrell*
William N. Cantrell
President

CHESAPEAKE UTILITIES CORPORATION

By: *Stephen C. Thompson*
Stephen C. Thompson
Sr. Vice President



2000

APPENDIX A - GAS TRANSPORTATION AGREEMENT

PGS RECEIPT POINT(S)

Maximum Transportation Quantity (MTQ): The MTQ shall equal the quantity of the "Released Capacity" as defined from time to time in the parties' Interstate Pipeline Capacity Release Agreement dated March , 2007, plus the Retainage

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

PGS to be Determined DRN No. XXXXXX

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

APPENDIX B - GAS TRANSPORTATION AGREEMENT**PGS DELIVERY POINT(S)**

Gas transported or sold pursuant to this Agreement shall be delivered by PGS to Chesapeake at the following point(s):

<u>NAME</u>	<u>PGS METER#</u>	<u>MAXIMUM DELIVERY QUANTITY</u>
Meter at the Interconnect	TBD	The quantity of the "Released Capacity" as defined in the parties' Interstate Pipeline Capacity Release Agreement dated March , 2007.

APPENDIX C - GAS TRANSPORTATION AGREEMENT
FACILITIES AND EQUIPMENT

Area A: Cost of 3.5 miles of gas main and related facilities - \$798,000

Area B: Cost of meter and related facilities - \$4,263.12

Cost of telemetry equipment - \$4,800.00

Chesapeake shall provide a dedicated phone line to the Interconnect with telephone service capable of dialing a 1-800 telephone number.

**AMENDED AND RESTATED
TERRITORIAL AGREEMENT – PASCO COUNTY**

This AMENDED AND RESTATED TERRITORIAL AGREEMENT – PASCO COUNTY (this “Agreement”) is made and entered into this ___ day of July, 2007, by and between **Chesapeake Utilities Corporation**, a Delaware corporation (“Chesapeake”), and **Peoples Gas System, a Division of Tampa Electric Company**, a Florida corporation (“PGS”), each of Chesapeake and PGS being sometimes referred to herein individually as a “Party” or collectively as the “Parties.”

WITNESSETH:

WHEREAS, potential disputes have arisen between Chesapeake and PGS regarding service to potential natural gas customers located in Pasco County, Florida, and to avoid any unnecessary and uneconomic duplication of distribution facilities used to provide such service, the Parties entered into the Territorial Agreement – Pasco County, dated March 26, 2007 (the “Prior Agreement”); and

WHEREAS, the Parties desire to amend and restate the Prior Agreement to revise the legal descriptions of the Parties’ respective service areas in Pasco County and the maps depicting the same;

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

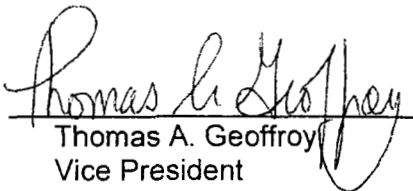
1. Capitalized terms used and not otherwise defined herein shall have the meanings given for such terms in the Master Territorial Agreement between the Parties dated March 26, 2007, as the same may be amended from time to time (the “Master Agreement”).
2. Unless otherwise specifically provided herein, this Agreement shall be governed by the terms and conditions of the Master Agreement.
3. As between the Parties, Chesapeake’s service area in Pasco County, Florida (the “Chesapeake Service Area”) shall be as set forth on Exhibit A, which is incorporated herein by reference and made a part hereof. The Chesapeake Service Area is also depicted on the territory map attached hereto and made a part hereof as Exhibit C as those areas shaded and designated respectively as “Chesapeake Service Area A” and “Chesapeake Service Area B”, which areas are more fully described in the legal description set forth in Exhibit A.
4. As between the Parties, PGS’s service area in Pasco County, Florida (the “PGS Service Area”) shall be as set forth on Exhibit B, which is incorporated herein by reference and made a part hereof. The PGS Service Area is also depicted on the territory map attached hereto and made a part hereof as Exhibit C as those areas shaded and designated as “PGS’s Service Area”, which area is more fully described in the description set forth in Exhibit B.
5. The Parties have entered into a Gas Transportation Agreement dated as of March 26, 2007, pursuant to which PGS will transport through the PGS distribution system gas received for the account of Chesapeake and/or gas marketers supplying gas to the

customers located in the Chesapeake Service Area from Florida Gas Transmission Company, Gulfstream Natural Gas System, LLC, and/or other natural gas transporters, and deliver such gas to point(s) of interconnection between the distribution systems of PGS and Chesapeake (the "Interconnect(s)") (the "Gas Transportation Agreement"). Peoples shall, at its sole cost, construct, own, and maintain such facilities as may be required to receive, transport, and deliver to the Interconnect(s) quantities of gas, up to the MDTQ established in the Gas Transportation Agreement. Chesapeake agrees that all gas quantities required to serve customers in the Chesapeake Service Area designated in this Agreement shall be transported, by Chesapeake or its agents, through the PGS distribution system pursuant to the Gas Transportation Agreement.

6. If a regulatory order, ruling or decision is issued by the FPSC, or any other federal, state or local governmental authority acting under claim of jurisdiction issued before or after the Effective Date of this Agreement, requires the termination and/or modification of this Agreement or the Gas Transportation Agreement, the Parties agree to exercise commercially reasonable efforts to agree to amendments to the terms and conditions of this Agreement and/or the Gas Transportation Agreement, and petition the applicable governmental authority for approval of such amendments, in order that all of the terms, conditions and requirements of this Agreement and/or the Gas Transportation Agreement may continue. Notwithstanding the foregoing, neither Party shall be required to take any action pursuant to this paragraph 6 which is reasonably likely to have a materially adverse effect on such Party's rights and benefits under this Agreement. If the Parties are unable, after negotiating in good faith for a period of sixty (60) days, to reach agreement on amendments to this Agreement and/or the Gas Transportation Agreement, or if any agreed amendments are not accepted by the FPSC (or other governmental authority asserting jurisdiction), this Agreement shall terminate, and the areas (together with all customers then located therein) designated as the Chesapeake Service Area shall be transferred to PGS. Within sixty (60) days of any such termination of this Agreement, PGS shall purchase from Chesapeake the distribution facilities owned by Chesapeake and used to provide gas service to customers located in the Chesapeake Service Area. PGS shall pay to Chesapeake as consideration for such distribution facilities Chesapeake's recorded net book value of such facilities, plus an amount which recovers Chesapeake's cost of debt and equity applicable to such facilities, as approved in Chesapeake's most recent rate proceeding, over the period such facilities have been in service. Except as provided herein, neither party shall seek to terminate this Agreement or request or support administrative or judicial modification of any term hereof without the other party's prior written consent and, in the event such termination or modification is requested by any other person, each of the parties shall exercise reasonable commercial and legal efforts in opposition thereto.
7. If the Gas Transportation Agreement is terminated pursuant to the terms as provided in Article VIII of said agreement, this Agreement shall terminate and the provisions of paragraph 6 shall apply as if this Agreement had terminated pursuant to the provisions of such paragraph 6.
8. This Agreement supersedes and replaces, effective as of the date first stated above, the Prior Agreement.

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

Chesapeake Utilities Corporation

By: 
Thomas A. Geoffroy
Vice President

**Peoples Gas System, a Division of
Tampa Electric Company**

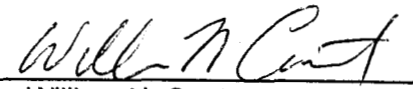
By: 
William N. Cantrell
President

EXHIBIT A

Legal Description of Chesapeake Service Area "A"

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

In Township 24 South, Range 19 East, Pasco County, Florida:

ALL of Section 33;
ALL of Section 34;
ALL of Section 35;
ALL of Section 36, LESS any part thereof lying Northerly of, or within, the right-of-way for Darby Road

In Township 24 South, Range 20 East, Pasco County, Florida:

That Part of Section 31 lying Southerly of the right-of-way for Darby Road;
That part of Section 32 lying Southerly of the right-of-way for Darby Road, and lying Westerly of the right-of-way for U.S. Interstate Highway 75;

In Township 25 South, Range 19 East, Pasco County, Florida:

ALL of Section 1;
ALL of Section 2;
ALL of Section 3;
ALL Section 4;
That part of Section 9 lying Northerly of the right-of-way for State Road 52;
That part of Section 10 lying Northerly of the right-of-way for State Road 52;
That part of Section 11 lying Northerly of the right-of-way for State Road 52;
That part of Section 12 lying Northerly of the right-of-way for State Road 52;

In Township 25 South, Range 20 East, Pasco County, Florida:

That part of Section 5 lying Westerly of the right-of-way for U.S. Interstate Highway 75;
ALL of Section 6;
That part of Section 7 lying Northerly of the right-of-way for State Road 52;
That part of Section 8 lying Northerly of the right-of-way for State Road 52, and lying Westerly of the right-of-way for U.S. Interstate Highway 75;

Legal Description of Chesapeake Service Area "B"

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

In Township 25 South, Range 20 East, Pasco County, Florida:

That Part of Section 21 lying South and East of the right-of-way for Tyndall Road and lying South and East of the right-of-way for McKendree Road;

That Part of Section 22 lying Southerly of the right-of-way for Tyndall Road;

Section 23 LESS any part thereof lying Northerly of the right-of-way for Tyndall Road, lying Northerly of Kiefer Road and lying Easterly of the right-of-way for Curley road

That Part of Section 24 lying Southerly of the right-of-way for Kiefer Road;

ALL of Section 25;

ALL of Section 26;

ALL of Section 27;

That Part of Section 28 lying Southerly of the right-of-way for McKendree Road;

That Part of Section 29 lying Easterly of the right-of-way for U.S. Interstate Highway 75, LESS any part thereof lying Northerly of the right-of-way for McKendree Road as it runs East and West near the North boundary of Section 29;

That Part of Section 32 lying Easterly of the right-of-way for U.S. Interstate Highway 75;

ALL of Section 33;

ALL of Section 34;

ALL of Section 35;

ALL of Section 36;

In Township 25 South, Range 21 East, Pasco County, Florida:

That Part of Section 19 lying Southerly of the right-of-way for Kiefer Road, and lying Westerly of the right-of-way for Handcart Road;

That Part of Section 30 lying Westerly of the right-of-way for Handcart Road;

That Part of Section 31 lying Westerly of the right-of-way for Handcart Road;

In Township 26 South, Range 20 East, Pasco County, Florida:

ALL of Section 1

ALL of Section 2

ALL of Section 11

ALL of Section 12

That Part of Section 13 lying Northerly and Easterly of the right-of-way for State Road 54;

That Part of Section 14 lying Northerly and Easterly of the right-of-way for State Road 54;

In Township 26 South, Range 21 East, Pasco County, Florida:

That Part of Section 6 lying Westerly of the right-of-way for Handcart Road, and lying Westerly of the right-of-way for Eiland Boulevard;

That part of Section 7 lying Westerly of the right-of-way for Eiland Boulevard;

That part of Section 18 lying Northerly of the right-of-way for State Road 54, and Westerly of the right-of-way for Eiland Boulevard;

EXHIBIT B

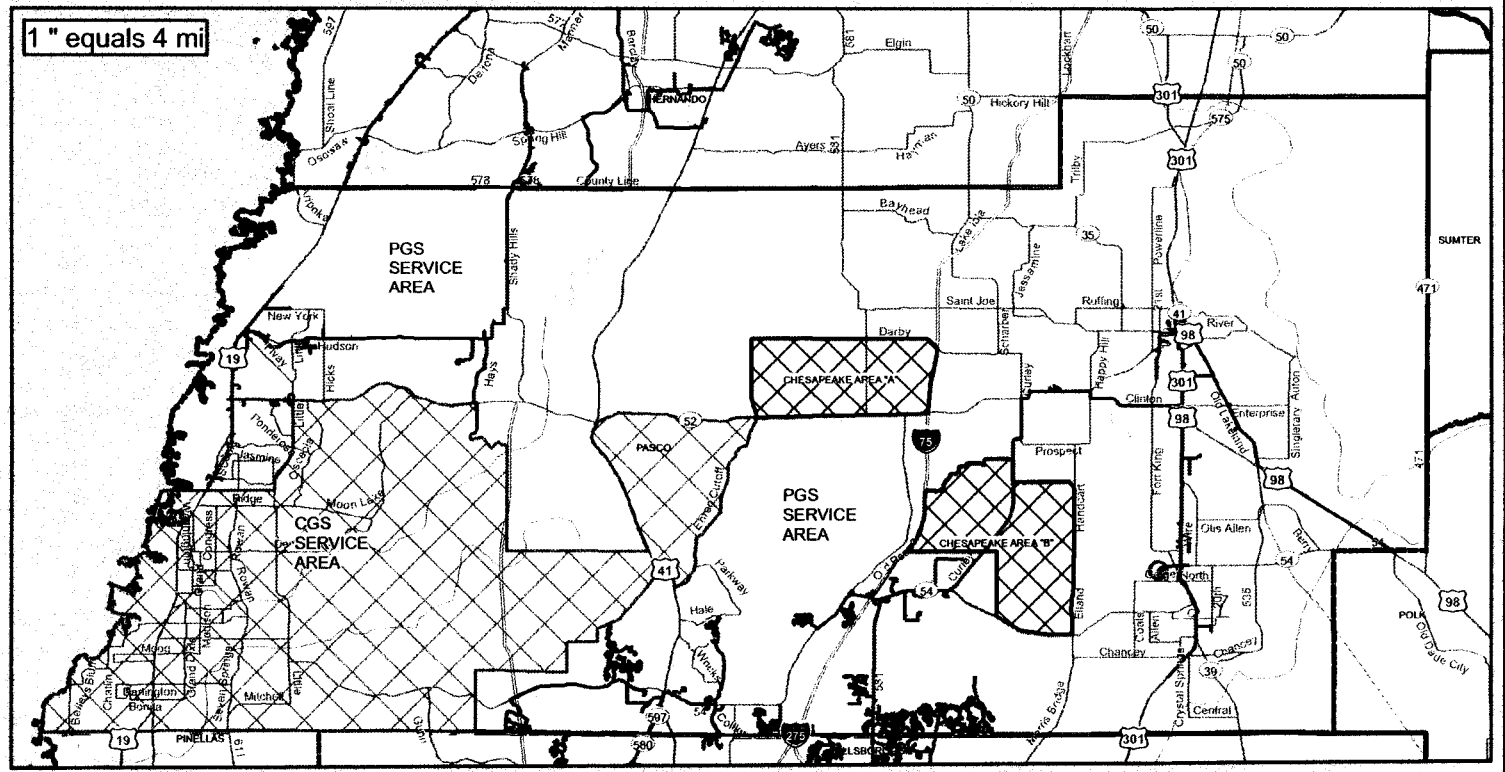
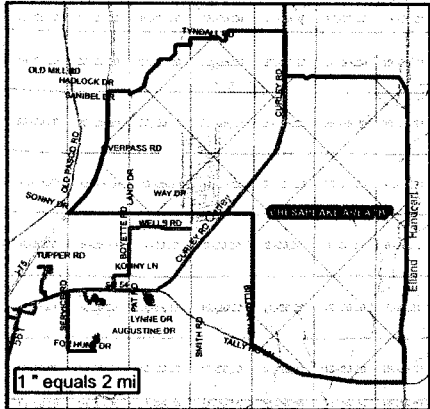
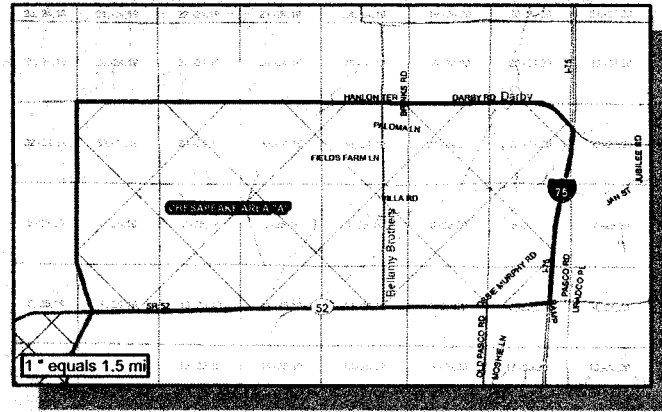
Description of Peoples Service Area

As used herein, the term "PGS Service Area" shall mean the areas labeled Peoples Gas System Pasco County Service Area on Exhibit C to this Agreement, such areas consisting of all areas within Pasco County which are not located within the Chesapeake Service Area described in Exhibit A of this Agreement.






EXHIBIT C

Chesapeake and Peoples Pasco County, Florida Service Area Map

SERVICE TERRITORY IN PASCO COUNTY



Legend

-  County Line
-  PGS FACILITIES
-  CLEARWATER GAS AREA
-  PEOPLES GAS AREA
-  CHESAPEAKE GAS AREA



MASTER TERRITORIAL AGREEMENT

THIS MASTER TERRITORIAL AGREEMENT (this "Master Agreement"), is made and entered into on the 26 day of March, 2007, by and between Chesapeake Utilities Corporation, a Delaware corporation ("Chesapeake"), and Peoples Gas System, a Division of Tampa Electric Company, a Florida corporation ("PGS"), each of Chesapeake and PGS being sometimes referred to herein individually as a "Party" or collectively as the "Parties."

WITNESSETH:

WHEREAS, each Party is a natural gas distribution company and public utility subject to the regulatory jurisdiction of the Florida Public Service Commission ("FPSC") and serves customers in the State of Florida; and

WHEREAS, potential disputes have arisen between Chesapeake and PGS, and may arise in the future, regarding service to potential natural gas customers, and to avoid any unnecessary and uneconomic duplication of distribution facilities used to provide such service, the Parties desire to enter into this Master Agreement;

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

1. Definitions.

- A. "Territorial Agreement" means an agreement between the Parties relating to the allocation, as between the Parties, of geographic service areas to the Parties, and any other terms and conditions related thereto, and includes the existing Amended and Restated Territorial Boundary Agreement between the Parties dated July 9, 1999 approved by FPSC Orders Nos. PSC-99-2228-PAA-GU and PSC-99-2395-CO-GU (the "Existing Territorial Agreement").
- B. "Effective Date" means, when used with respect to this Master Agreement or with respect to a Territorial Agreement, the date of expiration of the appeal period following the issuance by the FPSC of an order approving such agreement.

2. Applicability. Unless otherwise specifically agreed, each Territorial Agreement shall be governed by this Master Agreement. Any inconsistency between any terms of this Master Agreement and any terms of a Territorial Agreement shall be resolved in favor of such Territorial Agreement.

3. Territorial Agreement Terms and Conditions.

- A. Each Party shall have the authority to provide natural gas service to all customers within its respective service area(s), as designated in a Territorial Agreement, under the terms and conditions of its FPSC approved tariff.
- B. Unless ordered to do so by the FPSC or by a court of competent jurisdiction, neither Party shall provide natural gas service to any customer within the service area(s) of the other Party defined in a Territorial Agreement without the express written consent

of the other Party and the approval of the FPSC; provided, however, that either Party may request that the other Party provide natural gas service to potential customer(s) within the requesting Party's service area(s) defined in a Territorial Agreement. The Party receiving any such request may, in its sole discretion, elect to provide service to such potential customer(s), subject to approval of the FPSC.

- C. Neither Party shall solicit potential or existing natural gas customers within the other Party's service area(s) as defined in a Territorial Agreement. Except as provided in a Territorial Agreement, neither Party shall install distribution facilities that would duplicate the distribution facilities of the other Party, or that would intrude into the other Party's service area(s) defined in a Territorial Agreement.
- D. The service areas and any territorial boundary lines set forth in any Territorial Agreement may be modified only upon mutual agreement of the Parties and the approval of the FPSC.
- E. If a customer or any portion of a development project requesting natural gas service is located outside of a Chesapeake service area established by a Territorial Agreement, PGS shall have the right to serve such customer or portion of such development project. If PGS elects not to serve such customer or portion of such development project, Chesapeake shall have the right to serve the same upon receiving the written consent of PGS. In such circumstance the Parties shall jointly and expeditiously seek approval of the FPSC for an amendment to the applicable Territorial Agreement to reflect the modified service area. Under no circumstance shall Chesapeake seek to modify the boundary lines or service area descriptions set forth in a Territorial Agreement without the prior written consent of PGS.

If a customer or any portion of a development project requesting natural gas service is located outside of a PGS service area established by a Territorial Agreement, Chesapeake shall have the right to serve such customer or portion of such development project. If Chesapeake elects not to serve such customer or portion of such development project, PGS shall have the right to serve the same upon receiving the written consent of Chesapeake. In such circumstance the Parties shall jointly and expeditiously seek approval of the FPSC for an amendment to the applicable Territorial Agreement to reflect the modified service area. Under no circumstance shall PGS seek to modify the boundary lines or service area descriptions set forth in a Territorial Agreement without the prior written consent of Chesapeake.

- F. Nothing in a Territorial Agreement shall be construed to preclude either Party from requesting that Florida Gas Transmission Company, Gulfstream Natural Gas System, LLC and/or other natural gas transporters provide service or construct and operate a delivery point(s) for the purpose of providing gas service to development projects or customers outside any of the service areas defined in all Territorial Agreements.
- G. As soon as practicable following the Effective Date of a Territorial Agreement, each Party shall file with the FPSC any revisions to its FPSC approved tariff which may be required as a result of the FPSC's approval of such Territorial Agreement. Each Party shall provide a copy of any such revisions to the other Party.

H. Prior to the second anniversary of the Effective Date of a Territorial Agreement, and no less frequently than every fifth anniversary thereafter, the Parties shall review the status of such Territorial Agreement and shall submit a joint status report to the FPSC or any successor agency with power to consider approval or modification of such agreement. Failure of the Parties to timely submit such joint report shall not affect the effectiveness of a Territorial Agreement nor shall it affect the FPSC's continuing oversight with respect to such agreement.

4. Terms and Conditions Applicable to this Master Agreement and Each Territorial Agreement.

- A. The provisions and the Parties' performance of this Master Agreement and any Territorial Agreement are subject to the regulatory authority of the FPSC, whose approval of any such agreement in its entirety shall be an absolute condition precedent to the validity, enforceability and applicability of such agreement. Any such 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 approval of this Master Agreement and each Territorial Agreement not heretofore approved by the FPSC. Each such agreement shall become effective on its Effective Date. If the FPSC declines to approve this Master Agreement, such agreement shall be of no force or effect, and neither Party shall have any claim against the other arising out of this Master Agreement; provided, however, that the FPSC's failure to approve this Master Agreement shall have no effect on the Existing Territorial Agreement, and such agreement shall remain in full force and effect according to its terms.
- B. This Master Agreement and any Territorial Agreement shall become effective on the Effective Date of such agreement and shall remain in effect thereafter unless modified or vacated by a final and non-appealable order of the FPSC or a court of competent jurisdiction.
- C. The Parties have entered into this Master Agreement and the Existing Territorial Agreement, and will enter into any current or future Territorial Agreement, solely for the purpose of adhering to state policy favoring territorial agreements between public utilities. Each such agreement is and shall be governed by Section 366.04(3), Florida Statutes, which expressly authorizes the FPSC to approve territorial agreements between natural gas utilities. Upon approval by the FPSC, each such agreement shall merge into and become part of the FPSC order approving the same.
- D. This Agreement, the Existing Territorial Agreement and any other approved Territorial Agreement shall become void and unenforceable should the FPSC's jurisdiction to approve territorial agreements between natural gas utilities be ruled invalid by a final and non-appealable order of a court of competent jurisdiction. Except as provided herein, neither party shall seek to terminate this Agreement or request or support administrative or judicial modification of any term hereof or termination of the FPSC's jurisdiction to approve territorial agreements between natural gas utilities without the other party's prior written consent and, in the event such terminations or modification is requested by any other person, each of the parties shall exercise reasonable commercial and legal efforts in opposition thereto.

- E. Each of this Master Agreement and any Territorial Agreement is only between Chesapeake and PGS and only involves the distribution of natural gas and shall not affect or bind other affiliates or subsidiaries of Chesapeake or PGS.
- F. 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 Master Agreement or any Territorial Agreement, the Party to such action or proceeding shall notify the other Party of such action or proceeding, and provide to such other Party copies of the then-existing pleadings and other documents filed in such action or proceeding. Such notice and accompanying pleadings and/or other documents shall be provided no later than ten (10) days after the Party required to give notice as aforesaid becomes a party to such action or proceeding.
- G. All notices under this Master Agreement and any Territorial Agreement shall be in writing and be sent by facsimile, a nationally recognized courier service, first class mail or hand-delivery, to a Party at the Party's address and facsimile number set forth below:

To Chesapeake:

Thomas A. Geoffroy
Assistant Vice President
Chesapeake Utilities Corporation
1015 6th Street NW
Winter Haven, Florida 33881
Phone: 863-293-2125
Facsimile: 863-294-3895

To PGS:

Bruce Narzissenfeld
Vice-President, Operations
Peoples Gas System
702 North Franklin Street
Tampa, Florida 33602
Phone: 813-228-4526
Facsimile: 813-228-4643

- H. This Master Agreement and any Territorial Agreement shall be binding upon the Parties and their successors and assigns.

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

Chesapeake Utilities Corporation

By: *Stephen C. Thompson*
Stephen C. Thompson
Sr. Vice President

**Peoples Gas System, a Division of
Tampa Electric Company**

By: *William N. Cantrell*
William N. Cantrell
President

