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August 27, 2007

VIA HAND DELIVERY

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32309

070570 - GP

In re: Petition for approval of natural gas transmission pipeline tariff by Peninsula Pipeline Company, Inc.

Dear Ms. Cole:

Enclosed for filing, please find an original and 7 copies of Peninsula Pipeline Company, Inc.'s Petition for Approval of Natural Gas Transmission Pipeline Tariff.

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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. If you have any questions whatsoever, please do not hesitate to contact me.

Sincerely,

Beth Keating
AKERMAN SENTERFITT
106 East College Avenue, Suite 1200
Tallahassee, FL 32302-1877
Phone: (850) 224-9634
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cc: Tom Geoffroy
Enclosures

{TL135098;1}

DOCUMENT NUMBER-DATE
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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition for approval of)
natural gas transmission pipeline)
tariff by Peninsula Pipeline)
Company, Inc.)

Docket No. 070570-EP
Filed: August 27, 2007

PETITION

Peninsula Pipeline Company, Inc., (Company), by and through its undersigned counsel, requests that the Florida Public Service Commission (Commission) approve Company's natural gas transmission pipeline tariff to become effective the date of the Commission's vote, and in support thereof states as follows:

1. The name and address of the Company are:

Peninsula Pipeline Company, Inc.
1015 6th Street N.W.
Winter Haven, Florida 33882

2. The name, address, telephone number, and facsimile number of Company's counsel are:

Beth Keating
Of Counsel
Akerman Senterfitt
106 East College Avenue, Suite 1200
Tallahassee, FL 32301
(850) 224-9634 (telephone)
(850) 222-0103 (fax)

Attorneys for Company,
Peninsula Pipeline Company, Inc.

3. The Company is a corporation established and in good standing under the laws of the state of Delaware. The Company is authorized to transact business in the State of Florida pursuant to Section 607.1505, Florida Statutes.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

4. The Company is a natural gas transmission company subject to the regulatory jurisdiction of this Commission as prescribed under Chapter 368.101, et seq., Florida Statutes, i.e., the Natural Gas Transmission Pipeline Intrastate Regulatory Act (NGTPIRA). Its substantial interests will be affected by the Commission's disposition of this petition in that the Company's tariff, operating rules and regulations will be thereby determined. At present, the Company has made no investment in pipeline facilities and serves no customers. Commission authorization of the tariff, attached as Exhibit A to this petition, would enable the Company to actively pursue Firm Transportation Service Agreements with customers, construct intrastate pipeline facilities and initiate gas transportation operations.
5. In April 2005, Peninsula Pipeline Company, Inc. was established as a wholly owned subsidiary of Chesapeake Utilities Corporation (Chesapeake). Chesapeake is a corporation established and in good standing under the laws of the State of Delaware, and authorized to transact business in the State of Florida pursuant to Section 607.1505, Florida Statutes. Chesapeake, a publicly owned corporation, is a diversified utility company engaged in natural gas distribution and transmission, propane distribution and wholesale marketing, advanced information services and other related businesses. Chesapeake is engaged in regulated businesses that include both natural gas distribution and transmission operations. Chesapeake's natural gas distribution operations serve approximately 48,000 residential, commercial and industrial customers in Delaware, Maryland and Florida. Chesapeake's wholly-owned subsidiary, Eastern Shore Natural Gas (ESNG), is an

interstate pipeline regulated by the Federal Energy Regulatory Commission (FERC), operating in Delaware, Maryland and Pennsylvania.

6. Chesapeake's natural gas and propane operations do business in Florida as Central Florida Gas Company. The Commission, in accordance with Chapter 366, Florida Statutes, regulates Chesapeake's natural gas distribution operations in Florida. Chesapeake's operations in Florida also include Peninsula Energy Services Company, Inc., a wholly-owned subsidiary, providing unregulated natural gas marketing services.
7. On September 2, 2005, the Company petitioned the Commission to issue a Declaratory Statement determining as a matter of law that Sec. 368.103(4), Florida Statutes, does not prohibit Petitioner from qualifying as a natural gas transmission company under NGTPIRA. The referenced statute provides that corporations that own or operate facilities primarily for the distribution of natural gas or that are subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act, 15 U.S.C. ss. 717 et seq., may not operate as a natural gas transmission company. The Company, a corporation in its own right, sought clarification from the Commission that it would not be precluded from operating a gas transmission company in Florida given that its parent corporation owns natural gas distribution facilities and that an affiliated corporation (ESNG) operates as a FERC regulated interstate pipeline. In January 2006, the Commission issued a Declaratory Statement (Order No. PSC-06-0023-DS-GP) (hereafter, "Declaratory Statement Order") authorizing the Company to operate as a transmission company

under the conditions outlined in the statutes and establishing certain other parameters of service which were agreed to by the Company during the Commission's Declaratory Statement proceeding. These non-statutory operating parameters were established primarily to ensure that the Company would not serve a customer within the existing service territory of a local distribution utility, without first obtaining Commission approval. The specific parameters of service are described in detail in the Declaratory Statement Order and are also restated later in this petition. In addition, the Company agreed to file for the Commission's review and approval, an intrastate pipeline tariff incorporating the operating rules and regulations by which the Company proposes to operate its transmission pipeline systems.

Intrastate Pipeline Statutory Overview

8. The 1992 Florida Legislature adopted two statutes providing for the regulation of intrastate pipelines: the Natural Gas Transmission Pipeline Intrastate Regulatory Act (NGTPIRA), ss. 368.101-368.112, Florida Statutes and the Natural Gas Transmission Pipeline Siting Act (NGTPSA), ss. 403.9401-9425, Florida Statutes. These laws were enacted in anticipation of a proposed major intrastate gas pipeline project (Sunshine Pipeline Partners) which was designed to serve local gas distribution companies and electric power generators throughout the state. Pursuant to the "Hinshaw Amendment" to the Natural Gas Act, section 1(c), 15 U.S.C. § 717(c), intrastate pipelines that operate exclusively in one State and with rates and services regulated by the State are exempt from FERC regulation. Thus, any

pipeline operating entirely in Florida and regulated by the State in accordance with the NGTPIRA and NGTPSA is exempt from FERC regulation. In accordance with these provisions, the Sunshine Pipeline Partners (SPP) intrastate pipeline would have been permitted and regulated by the State of Florida rather than FERC.¹

9. The Natural Gas Transmission Pipeline Siting Act, supra, was enacted to facilitate the construction and operation of intrastate pipelines. The NGTPSA², which is administered by the Florida Department of Environmental Protection (FDEP), provides for certification of such pipelines, such certification to satisfy all permitting and licensing required by all state and local agencies, through a highly structured process in which a pipeline's routes or corridors are determined. As a subset of this process, the Commission is responsible for determining the need for the pipeline, as well as the location of its commencement and terminus. The Commission is required to render its decision on the need determination within 90 days after the application is filed. Although not specifically required as such, the need determination by the Commission is expected to be issued before the filing for certification. The NGTPSA provides that no construction of a natural gas transmission pipeline³ may be undertaken without first obtaining certification by FDEP. This requirement does not apply to three categories of natural gas

¹ The Sunshine Pipeline project was never constructed and there are currently no intrastate pipelines operating in Florida.

² The NGTPSA is implemented by Chapter 62-807, Florida Administrative Code.

³ A "natural gas transmission pipeline" is defined under the NGTPSA as "the transmission pipeline and any related equipment, facility, or building used in the transportation of natural gas or its treatment or storage during the course of transportation. The term does not include a gathering line, but the term includes a transmission pipeline that transports gas from a gathering line or a storage facility to a distribution center or a storage facility or that operates at a hoop stress of 20 percent or more of specified minimum yield strength, as defined by federal law, or that transports gas within a storage field." Sec. 403.9403(16), Fla. Stat.

transmission pipelines, although an applicant can voluntarily elect to apply for such certification:

- a. those which are less than 15 miles in length or which do not cross a county line;
- b. those for which a certificate of public convenience and necessity has been issued under s.7(c) of the Natural Gas Act, 15 USC s.717, or a natural gas transmission pipeline certified as an associated facility to an electrical power plant pursuant to the Florida Electrical Power Plant Siting Act;
- c. those that are owned or operated by a municipality or any agency thereof, by any person primarily for the local distribution of natural gas, or a special district created by special act to distribute natural gas.

Natural gas transmission pipelines falling within any of these three exempt categories remain subject to all otherwise applicable permitting requirements.

Pipelines within the first two of the three exempt categories are required to notify FDEP prior to the start of construction, for informational purposes only.

10. The Natural Gas Transmission Pipeline Intrastate Regulation Act, *supra*, confers authority to regulate the rates of intrastate pipelines on the Commission. NGTPIRA provides for ratemaking in a manner substantially different from that provided for a “public utility”⁴ under Chapter 366, Florida Statutes. Within certain parameters, the

⁴In pertinent part, a “public utility” is defined by Sec. 366.02(1), Florida Statutes, as “...every person, corporation, partnership, association, or other legal entity and their lessees, trustees, or receivers supplying...gas (natural, manufactured, or similar gaseous substance) to or for the public within this state; but the term “public utility” does not include...any natural transmission pipeline company making only sales or transportation delivery of natural gas at wholesale and to direct industrial consumers” The term “natural gas transmission pipeline company” is not defined in Chapter 366.

NGTPIRA provides for negotiated rates between the intrastate pipeline and its customers.

11. Section 368.105(1), F.S., requires all rates or services of intrastate pipeline companies to be subject to schedules, rules and regulations on file with the Commission.
12. Section 368.105(2), F.S., provides that it is the duty of the Commission, "to ensure that all rates and services" of any natural gas transmission company are "just and reasonable and are not unreasonably preferential, prejudicial, or unduly discriminatory." Rates must be "sufficient, equitable, and consistent in application to each class of customers" and the Commission may treat two or more customers served as a single class if the Commission "considers that treatment to be appropriate."
13. Section 368.105(3), F.S., further provides in part that

Rates charged or offered to be charged by any natural gas transmission company for transactions with other natural gas transmission companies, transportation customers, and industrial, power plant, and other similar large-volume contract customers, but excluding direct sales-for-resale to gas distribution utilities at city gates, unless suspended and modified pursuant to this subsection, are deemed to be just and reasonable and approved by the commission, if both the natural gas transmission company and the customer file an affidavit with the commission affirming that:

- (a) Neither the natural gas transmission company nor the customer had an unfair advantage during the negotiations;
- (b) The rates are substantially the same as rates between the natural gas transmission company and two or more of those customers under the same or similar conditions of service; or

- (c) Competition does or did exist either with another natural gas transmission company, another supplier of natural gas, or with a supplier of an alternative form of energy.

14. However, s. 368.105(4), F.S., provides that the standard contained in (3)(a) above shall not apply to “rates charged or offered to an affiliated⁵ pipeline or to an entity in which the natural gas transmission company has an ownership interest.” Furthermore, none of the provisions of (3) above apply “if a complaint is filed with the commission by a natural gas transmission company regarding the justness and reasonableness of rates under which such natural gas transmission company purchases gas or receives transportation from another natural gas transmission company.”

15. Section 368.105(6), F.S., further provides

A natural gas transmission company shall provide transmission access, subject to available capacity, on a basis that is not unreasonably preferential, prejudicial, or unduly discriminatory; however, a natural gas transmission company shall not be required to provide transmission access to a person at rates that are not just and reasonable. A natural gas transmission company shall construct any necessary pipeline lateral facilities and related facilities for interconnection with a customer if that customer agrees to fully compensate the natural gas transmission company for reasonable costs incurred. The commission shall resolve any controversy between the natural gas transmission company and a person desiring transmission access, including access availability, type of service, applicable rates, or interconnection costs.

⁵“Affiliated” is defined “when used in relation to any person” to mean “another person who owns or controls, is owned or controlled by, or is under common ownership or control with, such person.” Sec. 368.103(1), Florida Statutes.

16. Other provisions of ss. 368.105, F.S., provide that the Commission may suspend proposed rates within 45 days after their filing, and that such suspension shall not exceed 5 months after such filing; and that the Commission may administratively approve any decrease in rates proposed by the company and agreed to by all parties directly affected, unless the Commission finds that such decrease is not in the public interest.
17. The NGTPIRA, in s. 368.105(3), F.S., appears to contemplate that gas transportation service provided by an intrastate pipeline would be based on negotiated agreements that reflect market competition and the specific needs of a given customer. Rates for service negotiated and agreed to by the parties, under s. 368.105(3), F.S., would be affirmed by each party in affidavits filed with the Commission and, if so affirmed, “deemed to be just and reasonable and approved by the Commission.” However, Sec. 368.105(3) specifically excludes rates established for “direct sales-for-resale to gas distribution utilities at city gates” from the aforementioned affirmation process.
18. The Company is proposing to provide open access transportation service of customer-owned gas for all customers, including LDCs. Title to the gas transported on the Company’s intrastate pipelines would not, at any point, transfer to the Company. The Company has no plans to engage in sales-for-resale of gas to LDCs. Given the transportation only nature of its service, the Company believes that it is not required by statute to file minimum and maximum rates in its proposed tariff. The Company and the customer would comply with the statutory requirement to file

an affidavit for the rates charged or offered to be charged for Commission approval, and would also make available its negotiated Firm Transportation Service agreements for Commission review.

19. Section 368.109, F.S., provides for the payment of regulatory assessment fees by intrastate transmission pipeline companies. The Company would propose to begin paying such fees upon the approval of its proposed tariff and issuance of a Consummating Order by the Commission in this docket.
20. The sole decisional law under the NGTPIRA consists of two Orders: a 1993 Commission Order Approving Initial Regulated Rates for Five Flags Pipeline Company, whose ultimate parent was Sunshine Interstate Pipeline Partners, and a 1997 Commission Order reaffirming the initially approved rates.⁶ The Five Flags intrastate pipeline, originally constructed in 1972 and expanded in 1974, provided natural gas transportation service to customers in Santa Rosa and Escambia Counties in the Florida Panhandle. Prior to the passage of the NGTPIRA, the pipeline's rates were derived by settlement agreement and approved by the FERC. FERC approved the Company's request to subject the rates to Commission jurisdiction under the NGTPIRA, with the conditions that the rates would be no greater than that approved by FERC and that Five Flags file to obtain a new cost-based determination from the Commission at least once every three years. The rates were supported by affidavits of the pipeline and the customers affirming the

⁶In Re: Filing of Initial Regulated Rates by Five Flags Pipeline Company, 93 Commission 11: 246 (11/18/93); In Re: Petition for Approval of Existing Firm and Interruptible System Transportation Rates by Five Flags Pipeline Company, 97 Commission 5: 581 (5/28/97).

satisfaction of the requirements of s. 368.105(3), Florida Statutes, described hereinabove.

Declaratory Statement Order

21. As described earlier in this petition, the Commission issued a Declaratory Statement Order in January, 2005 finding that the Company was eligible to operate as a natural gas transmission company. In its Declaratory Statement Order, the Commission noted that the Company's petition presented a case of first impression as there were no intrastate pipelines currently operating in Florida. The Commission issued the requested Declaratory Statement Order to, "... provide meaningful guidance to [the Company] with respect to its proposal and establish the broad parameters of the statute's application without placing undue limitations on future use of the statute." Therein the Commission noted:

"... it is important to distinguish between the operations of the two types of companies [LDCs and transmission pipelines] so that the captive ratepayers of Florida's LDCs and the competitive market for natural gas in Florida are not harmed by the transmission companies operations. A transmission pipeline's projects should not lead to less investment in the LDCs facilities or stranded costs, "cherry-picking" of the LDCs large industrial customers, territorial disputes, or unfair competition with other transmission providers."

22. The Company agreed with the Commission's concerns and proposed several general parameters within which it would operate, in addition to those statutory and rule requirements already in place. The Declaratory Statement Order includes the following:

1. [The Company] will be permitted to construct facilities to provide transportation service to industrial, electric

generation, or other large volume customers if:

- a) the customer is currently not being served with natural gas by another entity; and
 - b) the location of the facilities to be served is greater than one mile in distance from existing gas facilities operated by an investor-owned gas utility, a gas municipality, or gas district. "Existing gas facilities" is defined as a City Gate Station or gas main actively providing service or substantially under construction at the date of the execution of a [the Company] Service Agreement with the customer.
2. [The Company] will be permitted to interconnect with other FERC regulated interstate pipelines or Commission intrastate pipelines to provide transportation service to an LDC.

The Declaratory Statement Order expressed the Commission's belief that "... these operations are appropriate for a natural gas transmission company operating under Chapter 368, Florida Statutes, and would not require our prior approval." The Company agreed that any potential intrastate pipeline that falls outside of the above parameters would be submitted to the Commission for approval prior to the initiation of such project.

23. During the Commission's review of the Company's petition for Declaratory Statement, the Company clarified its intentions with respect to certain other operational issues. As stated earlier, the Company will provide open access transportation service and will not engage in the retail sale of gas to any customer. Furthermore, in the event a dispute arises between the Company and an LDC over the right to serve a particular customer, the Company agrees that the Commission

has sufficient authority under s. 366.04(3), F. S., to resolve the dispute. The Company also agreed to file a tariff for Commission approval that would provide the rules and regulations under which the Company would operate its intrastate pipelines.

Discussion Of Intrastate Pipeline Market Opportunity

24. Chesapeake formed the Company with the intent of pursuing business opportunities to provide natural gas transmission service in certain niche markets throughout Florida. Several regulatory and market factors contributed to Chesapeake's decision to create a natural gas transmission company.
 - a. The demand for natural gas in Florida, as in most North American markets, has significantly increased over the past decade. Market research indicates continued growth in Florida's population, with an associated increase in housing, commercial business and electric generation requirements. A June 8, 2007 article in the Lakeland Ledger cited a recent University of Florida study, "Florida in the Year 2060," which projects the state population at 38 million residents in that year. The University of Florida's Bureau of Economic and Business Research (BEBR) forecasts new home starts to continue at well over 100,000 units per year over the next ten years, even with the current slow-down in the housing market.
 - b. Customers in all segments of the marketplace choose clean-burning natural gas for a variety of economic, environmental and operational reasons. Natural gas is widely recognized as a reliable, competitively priced, primarily

domestic fuel source with a minimal carbon footprint compared to most other fuel sources. In the Company's view, the economic and environmental advantages of natural gas will ensure that the overall demand for natural gas continues to grow.

- c. In Florida, the majority of new and re-powered electric generation projects in the state since 1990 have been fueled with natural gas. Although diversifying the fuel mix used for generation is a topic of much discussion recently, it is likely that natural gas will continue to play an important future role in fueling electric generation facilities in Florida.
- d. To meet the growing demand for gas in Florida, especially in the electric generation market, FERC regulated interstate natural gas pipelines have significantly increased their transportation capacity into Florida over the past decade. Florida Gas Transmission (FGT), Gulfstream Natural Gas System and the new Cypress pipeline have completed expansion projects that have more than tripled total interstate pipeline delivery capabilities. Continued growth in Florida will most likely result in future expansions of interstate gas transmission capacity into the state.
- e. Florida's natural gas Local Distribution Companies (LDCs) have also been actively expanding existing gas distribution systems to keep pace with Florida's rapid population growth. However, many of the traditional development areas, especially in south Florida, are building out. Others are facing environmental and local service limitations (zoning, transportation and

utility infrastructure, impact fees, etc.) that restrict the number of building lots. Throughout the State developers are acquiring land in locations that heretofore were not considered for development. The University of Florida study referenced earlier, also projects that seven million acres of undeveloped agricultural land will be required to accommodate the estimated population growth through 2060. Many of the developing areas are significant distances from existing gas distribution systems.

- f. Many LDCs have capital constraints that limit their ability to construct distribution facilities to serve newly developing areas.
- g. While the interstate pipelines serving Florida have been expanding mainline facilities both volumetrically and geographically, it is generally not economically feasible to construct interstate pipeline facilities to serve individual industrial customers or LDCs trying to reach small volume residential and commercial accounts. Most interstate pipeline system expansions will require customers to commit to long-term (20-year) agreements for pipeline capacity, usually at prevailing tariff rates. Most industrial facilities are unwilling to execute capacity reservation agreements of this length, and look to the secondary capacity release market or third party gas marketers to provide their interstate capacity requirements. LDCs typically hold sufficient quantities of interstate pipeline capacity to support extensions to serve residential and small commercial customers in new areas. LDCs may be unwilling to commit to long-term interstate capacity

agreements, which would add to their existing capacity holdings, in return for an interstate pipeline lateral to a potential new service area. In addition, FERC has continued to mandate increased pipeline operating flexibility by requiring a robust secondary capacity trading market, reasonable backhaul rates, capacity segmentation and similar provisions that are intended to enable LDCs, and other shippers, to optimize the use of existing interstate capacity assets. Absent a capacity purchase by the LDC, the interstate pipeline has little incentive to construct laterals to serve new development areas.

- h. Many potential LDC system expansion projects require the construction of significant footages (several miles) of primary feeder or approach main to reach the developing area. In most cases, development in these projects follows a predictable pattern. Initially, residences are constructed and over time commercial businesses are added to provide services to the residents. It is rare that a large anchor load such as an industrial plant or electric generating facility that could support a lengthy pipeline extension is constructed close to the residential area. As indicated previously, there is little interest on the part of interstate pipelines or LDCs in the construction of interstate pipeline laterals to these developing areas. Given the relatively low gas margins for residential customers and the extended build-out period of most development projects, in many cases it is problematic for the LDC to construct its own distribution system primary feeder main. Frequently, such

projects fail to meet LDC feasibility tests when the interstate pipeline interconnect cost and the LDC primary feeder or approach main costs are included in the economic analysis.

- i. As described in the University of Florida report referenced above, it is anticipated that a substantial amount of the future growth in Florida will occur in areas of the State that are distant from the existing interstate pipeline facilities. The Company believes that intrastate pipelines will lead to an increase in LDC investments in distribution facilities providing gas service to these developing areas that, in today's market, typically become all electric development projects. The Company would provide the capital to construct the pipelines to the growth areas, and interconnect with an LDC, which would then invest in the local distribution infrastructure as usual. The LDC would have the opportunity to utilize its existing interstate pipeline capacity to deliver gas to the intrastate pipeline for transportation to its distribution system. The rates charged by the intrastate pipeline to recover its investment and operating costs would be rolled into the LDC's fuel cost recovery mechanism in a manner identical to that historically authorized for interstate capacity charges. Increasing gas service through this combination of intrastate investment in primary feeder pipelines and the LDC investment in distribution systems would offer a natural gas fuel option to greater numbers of consumers and play an important role in helping to mitigate the growth of electric demand in Florida.

- j. Large volume gas users, as an alternative to receiving service from intrastate pipelines, could construct their own pipelines and connect to interstate gas transmission systems. However, in the Company's view, most industrial customers have little interest in investing capital outside of their primary business function. For most industrial customers, the desired payback threshold for capital investments is typically much shorter than can be achieved through this option. In addition to the economic constraints associated with pipeline construction, industrial customers usually do not want to be responsible for the ongoing operation and maintenance of the pipeline facilities as regulated by Federal Department of Transportation standards.
- k. In today's market environment industrial customers are interested in customizing their gas transportation rates and service conditions to meet their specific operational or economic needs. FERC-regulated pipelines have a limited ability to adjust their tariff recourse rates for primary firm capacity or otherwise customize their services, especially if they are extending facilities. Due to the limited flexibility and/or lack of motivation for FERC-regulated pipelines to adjust capacity recourse rates, coupled with the long-term contract requirements, few industrial customers directly connect to interstate pipelines.
- l. The increased customization of industrial rates and service terms places LDCs in an increasingly difficult position. For any service provider, the level

of risk in serving industrial customers is inherently higher than residential and commercial accounts. Extending service to an industrial customer frequently requires significant capital investment. If the customer terminates or reduces service, the investment could become stranded, potentially exposing the remaining ratepayers to rate increases in order to pay for these facilities. Investor-owned LDCs also potentially expose their shareholders to risk in the event the Commission does not allow recovery of a stranded LDC investment. Additionally, LDCs serving industrial customers with off-tariff discounts and customized service terms expose themselves to claims of discriminatory treatment from those long-term existing customers who are receiving tariff service. Pressure from these customers to obtain the “special terms” could put pressure on the LDCs’ overall cost recovery, necessitating rate adjustments for smaller volume customers. Attempting to remove the majority of risk from the deal through the requirement of credit security or other provisions (security deposit, letter of credit, etc.) from the customer frequently derails or terminates negotiations. The Company believes that the NGTPIRA offers an opportunity to craft creative agreements that include appropriate risk/reward provisions for the intrastate pipeline, without putting LDC ratepayers at risk.

25. The Company believes that the factors listed above provide the following opportunities to construct intrastate pipeline facilities, under the conditions defined by statute, rule and Commission-approved tariff:

- a. Construction of facilities originating at a FERC-regulated interstate pipeline and extended to serve one or more new or existing industrial or electric generation customers.
 - b. Construction of facilities originating at a FERC-regulated interstate pipeline and extended to interconnect with a regulated or municipal LDC. These projects could provide service to areas of new LDC distribution expansion or provide additional gas supply or pressure support to an existing distribution system.
 - c. Construction of facilities that interconnect one LDC with another LDC.
26. Commission policy has historically encouraged and supported the Florida gas industry in its efforts to expand natural gas facilities to serve greater numbers of Florida homeowners, businesses and industrial plants. The Company believes that investing in regulated intrastate pipeline projects provides distinct advantages to all stakeholders. Intrastate pipelines operated under the NGTPIRA and NGTPSA could support several of the State's economic development and environmental efforts by providing a preferred fuel source to expanding LDC service territories and industrial customers. Customers served by intrastate pipeline facilities will be afforded the protection of Commission regulation of the Company's rates and conditions of service. The Company will be able to execute agreements that address market competition and provide flexible solutions to customer requirements, while continuing to operate in a Commission-regulated arena. Providing industrial consumers and LDCs expanded options for receiving gas service strengthens the

overall gas industry by keeping such services fairly and competitively priced. Approval of the Company's proposed tariff would enable it to launch operations and use the existing statutory and regulatory framework for intrastate pipelines to support continued gas system expansion in Florida.

Proposed Adoption of the Company's Original Tariff

27. With this petition, the Company is submitting its proposed Original Volume No. 1 tariff, attached as Exhibit A, which incorporates the rules and regulations and standard forms necessary to operate an open access natural gas transmission pipeline system. The Company has generally followed the format for utility tariffs provided in Commission Rule Chapter 25-9, F.A.C., even though the rule does not specifically apply to gas transmission companies. The most significant departure from the tariff format familiar to the Commission for utilities is the absence of rate schedules in the proposed tariff. As described above, the Company is proposing to provide transportation service to customers without engaging in the retail sale of gas, and specifically would not be engaged in transactions for direct gas sales-for-resale to gas distribution utilities at city gates. As such, the Company would establish rates for each customer through the contract provisions included in the NGTPIRA. The tariff rules and regulations are relatively straightforward given that the majority of the Company's anticipated projects would provide "mid-stream" interconnections between FERC regulated pipelines and LDCs, industrial end-users or electric generators. As a mid-stream transporter, the Company would be able to rely on many of the operational functions and data of the interstate pipeline. For

example, the Company would rely on the interstate pipeline's gas nominations, scheduled quantity data, operational order notices and requirements, Delivery Point measurement data and gas quality standards, among other items. Many of the functions included in a FERC regulated transmission pipeline tariff, (such as capacity release procedures, imbalance trading and non-firm transportation service offerings) would not be applicable to the Company's proposed intrastate pipelines, at least not in the near term. The following discussion summarizes the Company's principal tariff proposals.

28. System Description and Map (Original Sheet No. 3): The Company anticipates investing in intrastate pipeline projects throughout Florida. Upon completion of an intrastate pipeline project the Company would file with the Commission a description and map of the project's physical location for inclusion in the Company's tariff. The Company proposes to administratively file such information within thirty (30) days of the in-service date of the pipeline. Because the Company has, at present, no pipelines in operation, the proposed tariff does not include descriptions or maps.
29. Technical Terms and Abbreviations (Original Sheet No.5): The definition of terms in this tariff is consistent with the definitions in common use in the natural gas transmission industry.

The following items are included in the proposed Rules and Regulations section of the tariff:

30. Regulatory Authority (Original Sheet No. 11): As discussed in detail above, the

NGTPIRA and NGTPSA contain a number of provisions that govern the permitting, project approval and rate setting for intrastate pipelines. Given that the application of these statutes in the manner proposed by the Company represents a case of first impression for the Commission, as well as potential customers, the Company believes that it is appropriate to at least reference the Acts and the salient provisions in the tariff. In addition, the Company agreed to certain parameters of service as described in the Declaratory Statement Order. The Company has outlined these service parameters in the subsections headed "Pipeline Projects Not Requiring Prior Commission Approval" and "Pipeline Projects Requiring Commission approval". The gist of these service parameters is that the Company may, without prior Commission approval, serve industrial or electric generation customers that are not current gas customers of another entity and are located at least one-mile from an existing gas distribution system; or provide service to a non-affiliated LDC. All other proposed projects would require prior Commission approval.

31. Shipper Services (Original Sheet No. 12): The Company is proposing to provide Firm Transportation Service as its only gas delivery service. Customers of the Company's intrastate pipelines are referred to in the proposed tariff as "Shippers". The Company is also proposing to provide certain Administrative Services to Shippers that support the needs of the interstate pipelines requirements for a Delivery Point Operator (DPO).
32. Request for Service (Original Sheet No. 13): The Company proposes to require a Firm Transportation Service Application for all potential new Shippers, or existing

Shippers requesting a modification to their existing service. Each Shipper would be required to establish creditworthiness through cash deposit, letter of credit, rating organization debt rating, or corporate guarantee. The proposed credit standards are widely used in the industry, and are similar to Commission approved LDC tariff credit standards for Shippers delivering gas to LDC distribution systems. The Company proposes a credit amount equal to the Maximum Daily Transportation Quantity (MDTQ) established in the Shipper's Firm Transportation Service Agreement multiplied by \$50.00 per Dt. This credit amount is designed to cover approximately seventy-five days of intrastate capacity payments at a rate of \$0.50 per Dt. (such rate assumed solely for the purpose of defining credit). The credit standard is also designed to cover the Company's exposure for monthly imbalance resolution charges and operational control order charges billed to the Company, in its role as DPO, by the upstream interstate pipelines, in the event Company is unable to collect these charges from a Shipper. The section also provides that each Shipper would be required to execute a Firm Transportation Service Agreement prior to the commencement of transportation service. A standard Firm Transportation Service Agreement is included in the Standard Forms section of the proposed tariff.

33. Termination of Shipper Status (Original Sheet No. 14): The reasons for termination of a Shippers rights to Firm Transportation Service under the tariff and Shipper's Firm Transportation Service Agreement are typical in the industry, and in most commercial contracts for similar services of this type.

34. Obligation to Serve (original Sheet No. 14): This section outlines several concepts related to the Company's obligation to its Shippers. First, the Company proposes that service to a new Shipper would be subject to pipeline capacity availability. Obviously, if there is no existing pipeline then there is no existing capacity and a service application would result. The proposed language is primarily intended to ensure that the Company has no obligation to serve a Shipper desiring to take new or increased levels of service on an existing pipeline where such service could be detrimental to other existing Shippers. Second, the language in this section includes in the proposed tariff the service obligation concepts specified in the NGTPIRA (Sec. 368.105(6), F.S). Service would be provided on a basis that is not unreasonably preferential, prejudicial or unduly discriminatory. The company would have no obligation to provide service at rates that are not just and reasonable. Third, the proposed tariff language makes it clear to Shippers that the Company has no obligation to provide gas supply commodity services.
35. Company Facilities (Original Sheet No. 14): The proposed language is standard in the industry. The transmission facilities (mains, meters, regulators, valves, electronic devices, etc.) that make up an intrastate pipeline system are to be constructed, owned, operated and maintained by the Company. The section clarifies that the Company has certain rights to interrupt service for maintenance of facilities and in emergencies. The Company proposes a three (3) day notice period to Shippers prior to any scheduled maintenance that requires a service interruption.
36. Metering (Original Sheet No. 15): The metering section included in the proposed

tariff is based on the metering provisions in Commission Rule 25-7 for LDCs. There is no significant difference in the meters, other gas measurement equipment, location of meters or meter test procedures used by regulated LDCs compared to those that will be used by the Company.

37. Billing (Original Sheet No. 17): The Company proposes to bill on or about the first day of each month the monthly reservation charge for Firm Transportation Service to be provided during that month. The billing amount would be based on the Shipper's Maximum Daily Transportation Quantity (MDTQ) expressed in Dekatherms, as established in the Firm Transportation Service Agreement. The Firm Transportation Service Agreement would also, in Exhibit A to the agreement, set a rate per Dekatherm. The Shipper's rate would be multiplied by the MDTQ and that product multiplied by the number of days in a billing month. The Company would also each month resolve the prior month's delivery imbalance with the Shipper (see paragraph 43). The Company would provide detailed information each month on measured gas quantities scheduled by the Shipper at the Transporter's Delivery Point(s) and quantities actually delivered at the Shipper's Point(s) of Delivery, and would maintain other such information as may be needed to document the Company's billing.
38. Payments (Original Sheet No. 17): The Company proposes that all bills to Shipper's shall be paid by wire transfer on or before the tenth (10th) calendar day of the billing month. In addition, a fee for late payments is proposed on the balance of all past due charges at a rate of 1.5% or \$5.00, whichever is greater, except for

governmental entities which shall be at a rate no greater than allowed by applicable law. Other non-payment remedies, including suspension of service are also outlined. Adjustments of any over or underpayments identified within twelve (12) months of a payment date would be resolved within sixty (60) days of the determination of the over or under payment. The customers that will receive service on the Company's intrastate pipelines are sophisticated purchasers of gas supplies and transportation services. The proposed payment standards are typical in the interstate pipeline and gas commodity businesses.

39. Gas Quality (Original Sheet No.18): The Company would adopt by reference the gas quality standards of the interstate pipelines delivering Shipper's gas to the Delivery Point(s).
40. Warranty, Control and Indemnification (Original Sheet No. 18): The proposed requirements related to i) the title to gas received by the Company for transportation, ii) identification of which party is in control and possession of the gas during each point in the transportation process and iii) indemnification from claims, described in this section are standard in the interstate pipeline and LDC industries. The Commission has approved virtually identical language in each regulated Florida LDC tariff.
41. Quantity (Original Sheet No. 19): The Quantity section would require that each Shipper reserve a quantity of pipeline capacity on the Company facilities equal to Shipper's MDTQ. The Company would be obligated to receive Shipper's gas, up to the MDTQ, at the Delivery Point(s) and deliver such gas to the Shipper's Point(s) of

Delivery during a Gas Day. As described earlier in this petition, the MDTQ is the primary billing determinant for Firm Transportation Service. The Company also would require Shipper's to identify the maximum quantity of gas required for delivery on an hourly basis. The Maximum Hourly Transportation Percentage (MHTP) quantity is important for system design purposes. In addition, it is important to ensure that the Shipper's MHTP is not inconsistent with the maximum hour delivery constraints at the interstate pipeline Delivery Point(s). The Quantity section provides that in the event a Shipper's usage exceeds its contract MDTQ an unauthorized overrun would occur. Such overruns would be subject to the penalty provisions established in the Shipper's Service Agreement. Finally, this section states that the Company would not allow the release of intrastate pipeline capacity from one Shipper to another nor would Company have any recall rights to Shipper's capacity on Company's facilities.

42. Nominations (Original Sheet No. 20): The Company would require Shippers, or Shipper's Designees (third parties acting as agent for Shipper) to provide all gas delivery nominations submitted to Transporters to the Company.
43. Monthly Balancing (Original Sheet No. 20): The Company, or its agent, will be the designated DPO under the Transporter's FERC gas tariff for all interconnection points between the Transporter and the Company's intrastate pipelines. The DPO is the Transporter's designated party for the resolution of imbalances between gas scheduled for delivery at the Transporter's Delivery Point(s) and gas actually delivered at the points. The Transporter will bill the DPO for all imbalances since the

transporter has no way of knowing the actual gas usage for customers on the downstream intrastate pipeline. In turn, the Company would need to recover its imbalance costs from the Shippers actually causing such imbalance. Each month the Company would resolve imbalances between a respective Shipper's scheduled gas deliveries to the Company's Delivery Point(s) on the interstate pipelines and the actual gas used by Shipper's during the month. The Company is proposing to resolve such imbalances through a cash-out methodology similar to that used by interstate pipelines and LDCs. The commodity pricing indices, Imbalance Level tolerance percentages and the pricing adjustment factors based on the Shipper's actual Imbalance Level are identical to those recently approved by the Commission for Chesapeake's Florida Division (Order No. PSC-07-0427-TRF-GU, issued on May 15, 2007).

44. Operational Controls (Original Sheet No. 21): The proposed language states that the Company is not responsible for providing Transporter Operational Control order notices to Shippers and that Shipper has the responsibility to comply with all Transporter Operational Control orders (Alert Days, OFO's , etc.). The Company would equitably assign Transporter Operational Control order charges received by the Company as the DPO to the party(s) causing the charge. The Company proposed tariff provides for the calculation of Alert Day and OFO charges and application to the responsible Shipper's if, and only if, such charges are incurred by the Company. Any remaining charges not directly assigned to the responsible Shippers would be held in the Company's Operational Balancing Account (OBA)

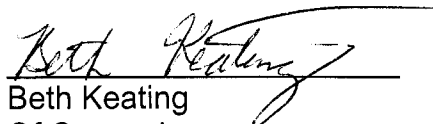
and periodically disbursed to Shippers as provided below.

45. Operational Balancing Account (Original Sheet No. 23): The proposed Operational Balancing Account (OBA) provides a mechanism to accumulate and ultimately dispose of credits and charges resulting from the Company's imbalance and Operational Control transactions with upstream Transporters in its role as DPO and its assignment of such credits and charges to the Shippers. Although, as noted above, delivery imbalances are resolved each month with Shippers, the pricing methodology (primarily the cash-out indices) used by the Company may be different than those used by an upstream Transporter. This pricing disconnect between upstream and downstream parties is common in the gas industry and is generally resolved by the adoption of an OBA-like mechanism. Any difference in the total cash-out amount from the Company's upstream imbalance transaction with a Transporter and the Company's downstream imbalance transaction with its Shipper would be assigned to the OBA. The proposed tariff language would establish definitive parameters for the periodic distribution or collection of the Company's OBA balances (debit or credit balance). The Company would dispose of the OBA balance (credit or debit) to Shippers within forty-five (45) days of the end of any calendar quarter. The refund or charge to Shippers would be based on each Shipper's proportional share of the total gas quantities scheduled over an applicable OBA disposition period.
46. Force Majeure (Original Sheet No. 23): The proposed language is standard in the gas transmission and distribution industries.

47. Mutually Beneficial Transactions (Original Sheet No. 24): This section would allow the Company to request a Shipper(s) to adjust daily delivery quantities if such an adjustment would be in the best interest of all Shippers. All transactions would be negotiated between the parties and confirmed in writing. The Company's proposed language is similar to the Mutually Beneficial Transaction language approved by the Commission in Chesapeake's Florida Division utility tariff (Original Sheet No. 67) and the Peoples Gas System tariff (Gas Transportation Agreement, First Revised Sheet No. 8.114 and Firm Delivery and Operational Balancing Agreement, First Revised Sheet No. 8.119).
48. Standard Forms (Original Sheet No. 25-41): The Company has included five standard forms of service in its proposed tariff; i) Firm Transportation Service Application; ii) Firm Transportation Service Agreement; iii) Company Affidavit required by s. 368.105(3) F.S.; iv) Customer Affidavit required by s. 368.105 (3) F.S.; and, v) Shipper's Designee Form.

WHEREFORE, Peninsula Pipeline Company, Inc., respectfully requests that the Commission grant this petition and approve the accompanying proposed original tariff sheets, to become effective as of the date of the Commission's vote.

Respectfully submitted this 27th day of August, 2007,

By: 
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*Attorneys for Petitioner
Peninsula Pipeline Company, Inc.*

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of this Petition has been served upon the following by Hand Delivery (*) and/or U.S. Mail this 27th day of August, 2007.

Connie Kummer, Bureau Chief *
Division of Economic Regulation
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Florida Public Service Commission
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*Attorneys for the Peninsula Pipeline
Company, Inc.*

EXHIBIT A

**Peninsula Pipeline Company, Inc.
Proposed Natural Gas Transmission Pipeline Tariff
Original Volume No. 1**

NATURAL GAS TRANSMISSION PIPELINE TARIFF
ORIGINAL VOLUME NO. 1
OF
PENINSULA PIPELINE COMPANY, INC.
FILED WITH
FLORIDA PUBLIC SERVICE COMMISSION

Communications concerning this Tariff should be addressed to:

Peninsula Pipeline Company, Inc.
P. O. Box 960
Winter Haven, Florida 33882-0960

Attn: President

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SYSTEM DESCRIPTION AND MAP

Peninsula Pipeline Company, Inc. (hereinafter called "Company") is a natural gas transmission company engaged in the business of transporting Gas in the State of Florida.

The Company's pipeline facilities provide Firm Transportation Service to certain discrete areas in Florida, as listed herein.

County

City

To be determined

Peninsula Pipeline Company, Inc.
Original Volume No. 1

Original Sheet No. 4

SYSTEM DESCRIPTION AND MAP

RESERVED FOR FUTURE USE

Issued by: Stephen C. Thompson, President
Peninsula Pipeline Company, Inc.

Effective:

TECHNICAL TERMS AND ABBREVIATIONS

1. ALERT DAY
Any Gas Day where Transporter notifies Shipper(s) of restrictions on deliveries of Shipper's Gas to Company Delivery Point(s) within certain specified tolerances.
2. BUSINESS DAY
All days except Saturdays and Sundays on which the U.S. Postal Service delivers mail.
3. CENTRAL CLOCK TIME
The clock time in the United States Central Time Zone, as adjusted for Daylight Savings Time and Standard Time.
4. COMMISSION
Florida Public Service Commission
5. COMPANY
Peninsula Pipeline Company, Inc.
6. DEKATHERM
A unit of heating value equivalent to one million (1,000,000) British Thermal Units.
7. DELIVERY POINT(S)
The point(s) at the connection of the facilities of Transporter and Company at which the Gas leaves the outlet side of Transporter's custody transfer point(s) and enters the Company's pipeline facilities.
8. FAC
Florida Administrative Code.
9. FERC
Federal Energy Regulatory Commission.
10. FIRM TRANSPORTATION SERVICE
Service provided by Company where Shipper-owned Gas is received by Company at the Delivery Point(s), transported on a firm basis through Company's pipeline system, and delivered by Company at the Point(s) of Delivery to Shipper. For the purpose of this definition, "firm basis" shall mean that transportation service may be interrupted only, as specifically provided in this tariff, as a result of Force Majeure,

TECHNICAL TERMS AND ABBREVIATIONS

(Continued)

emergency situations, scheduled maintenance of facilities, Shipper default or other conditions.

11. GAS

Gas that is in conformance with the quality specifications of Transporter(s).

12. GAS DAY

A period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time.

13. GAS MONTH

A period beginning at 9:00 a.m. Central Clock Time on the first day of a calendar month and ending at 9:00 a.m. Central Clock Time of the first day of the next succeeding calendar month.

14. MAXIMUM DAILY TRANSPORTATION QUANTITY or MDTQ

The maximum quantity of Gas, expressed in Dekatherms, to be transported by Company for a Shipper on a Gas Day, as established in a Firm Transportation Service Agreement and in accordance with the provisions of this tariff.

15. MAXIMUM HOURLY TRANSPORTATION PERCENTAGE or MHTP

The maximum percentage of scheduled Gas to be transported by Company for a Shipper on an hourly basis, as established in a Firm Transportation Service Agreement and in accordance with the provisions of this tariff.

16. NOMINATION

A request by a Shipper to a Transporter and/or Company for receipt and delivery of a physical quantity of Gas pursuant to the Transporter's and/or Company's tariff. A Nomination specifies (1) the quantity of Gas per day, measured in Dekatherms, to be received or delivered on behalf of the Shipper; (2) the Receipt Point(s) at which the Gas is to be received by Transporter; (3) the Delivery Point(s) at which the Gas is to be received by Company; (4) the period of time in which the delivery is to take place; and, (5) any other such information as may be required by Transporter's and/or Company's tariff.

17. OPERATIONAL FLOW ORDER or OFO

Any Gas Day where Transporter notifies Shipper(s) of conditions that could threaten the safe operation or system integrity of the Transporter and where deliveries of Shipper's Gas to Company Delivery Point(s) are required to be within certain

TECHNICAL TERMS AND ABBREVIATIONS

(Continued)

specified hourly or daily Gas flow quantities.

18. POINT(S) OF DELIVERY

The point(s) at the interconnection between the pipeline facilities of Company and a Shipper at which the Gas leaves the outlet side of Company's custody transfer point(s) and enters the Shipper's facilities.

19. RECEIPT POINT(S)

The point(s) at the interconnection between the facilities of Transporter and upstream system at which the Gas enters the facilities of Transporter.

20. SHIPPER

An entity causing Gas to be delivered to Company's Delivery Point(s) that has executed a FTS Agreement with the Company.

21. SHIPPER'S DESIGNEE

A Company-authorized agent of Shipper.

22. TRANSPORTER

Any interstate pipeline, intrastate pipeline, or local distribution company that transports Gas to Company's Delivery Point(s).

Other definitions, technical terms and expressions used in these Rules and Regulations and not herein defined are to be given the meaning usually accepted in the industry.

Words used in this tariff that indicate a singular number shall include the plural in each case and vice versa and words that import a person shall include legal entities, firms and corporations.

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RULES AND REGULATIONS

A. REGULATORY AUTHORITY

1. Natural Gas Transmission Pipeline Siting Act (the "Siting Act")

Any Company pipeline, which lies within Florida, crosses a county line, and is 15 miles in length or longer, is subject to the requirements of the Siting Act (Chapter 62-807, Florida Statutes).

2. Natural Gas Transmission Pipeline Intrastate Regulatory Act (the "Regulatory Act")

The rates and charges for Firm Transportation Service to customers shall comply with Section 368.105 (3) of the Regulatory Act, which, in part, states as follows:

"Rates charged or offered to be charged by any natural gas transmission company for transactions with other natural gas transmission companies, transportation customers, and industrial, power plant, and other similar large-volume contract customers, but excluding direct sales-for-resale to gas distribution utilities at city gates, unless suspended and modified pursuant to this subsection, are deemed to be just and reasonable and approved by the commission, if both the natural gas transmission company and the customer file an affidavit with the commission affirming that:

- (a) Neither the natural gas transmission company nor the customer had an unfair advantage during the negotiations;
- (b) The rates are substantially the same as rates between the natural gas transmission company and two or more of those customers under the same or similar conditions of service; or
- (c) Competition does or did exist either with another natural gas transmission company, another supplier of natural gas, or with a supplier of an alternative form of energy."

3. Pipeline Projects Not Requiring Prior Commission Approval

Interconnection of Company pipeline facilities, which are exempt from the Siting Act, with a FERC regulated interstate pipeline or Commission regulated intrastate pipeline to provide transportation service to industrial, electric generation, or other large volume customers is authorized without prior Commission approval if:

- a. Proposed industrial or electric generation customer is not currently receiving Gas service from another entity and the location of proposed customer's facilities is greater than one mile in distance from existing gas facilities operated by an investor-owned gas utility, a gas municipality, or gas district. "Existing gas facilities" is defined as a City Gate Station or gas main actively providing service or substantially under construction at the date of the execution of a FTS Agreement with the customer; or

RULES AND REGULATIONS
(Continued)

- b. Proposed facilities are to provide transportation service to a non-affiliated local distribution company ("LDC").
4. Pipeline Projects Requiring Prior Commission Approval
The following Company pipeline projects shall require Commission approval prior to construction:
 - a. Interconnection of Company facilities to an LDC for the purpose of providing downstream service to customer(s);
 - b. Interconnection of Company facilities to provide service from one LDC to another LDC;
 - c. Use of Company facilities to provide service to existing LDC customers or new customers within the one-mile boundary identified in Section A.3.a.; and,
 - d. Any other projects not specifically described in Section A.3.

B. SHIPPER SERVICES

1. Firm Transportation Service (FTS)
Firm Transportation Service provided to a Shipper in accordance with a Firm Transportation Service Agreement, the Regulatory Act and the Rules and Regulations set forth in this tariff.
2. Administrative Services
Company shall provide to Shipper(s) receiving Firm Transportation Service, the following administrative service: 1) receipt and administration of scheduled Gas quantities for Shipper(s) account; 2) compilation of measured Gas quantities at the Point(s) of Delivery; 3) resolution of monthly imbalances with Transporter (difference between scheduled Gas quantities for all Shippers and measured Gas quantities at the Delivery Point(s)), using approved book-out and/or cash-out processes of Transporter; 4) resolution of monthly imbalances with Shipper(s) (difference between scheduled Gas quantities and measured Gas quantities at the Point(s) of Delivery), in accordance with this tariff; 5) administration of the OBA account, in accordance with this tariff; 6) administration of Transporter operational control notices and/or orders, including financial transactions, if any, in accordance with this tariff; and 7) other services as Company may determine necessary to administer Gas deliveries by Shipper(s). Company may contract with a third party to act as its agent for any or all of the above listed services.

RULES AND REGULATIONS
(Continued)

C. REQUEST FOR SERVICE

1. Firm Transportation Service Application

All parties seeking new service or a change to existing service from Company (the "Requesting Party") shall submit a completed Firm Transportation Service (FTS) Application (see Sheet No. 26). In the event Company determines that Requesting Party's FTS Service Application is not satisfactorily completed, Company shall promptly notify Requesting Party of the deficiencies and the additional information or changes required to complete the FTS Service Application. Requesting Party shall have ten (10) calendar days to correct the deficiencies for evaluation by Company. If Requesting Party's FTS Service Application, as supplemented, remains deficient, then Requesting Party's application shall be deemed void.

2. Establishment of Credit

a. All Shippers shall establish credit prior to commencing deliveries of Gas hereunder, and shall maintain such credit during the term hereof, by one of the following methods:

- i. Payment of a cash deposit with Company in an amount equal to the MDTQ times \$50;
- ii. Furnishing an irrevocable letter of credit from a bank in an amount equal to the MDTQ times \$50;
- iii. Possessing and maintaining a Standard & Poor's Long Term Debt Rating of A- or better, a Moody's rating of A3 or better, or a comparable rating by another nationally recognized rating organization acceptable to Company; or,
- iv. Providing an acceptable corporate guarantee in an amount equal to the MDTQ times \$50.

b. If at any time Shipper's credit or ability to perform under its FTS Agreement(s) does not meet or exceed the criteria in Section C.2.a., Company may, upon ten (10) calendar days' written notice to Shipper, suspend performance of service pending assurance of payments in accordance with Section C.2.a.

3. Firm Transportation Service Agreement

If Requesting Party's FTS Service Application is accepted, Company shall tender a Firm Transportation Service (FTS) Agreement to Requesting Party. The FTS Agreement shall be executed by Company and Requesting Party before such requested service is initiated. In the event the FTS Agreement is not executed by Requesting Party and returned within thirty (30) calendar days after Company tendered the FTS Agreement, Company shall consider the request for service invalid and the FTS Agreement shall be deemed void.

RULES AND REGULATIONS
(Continued)

D. TERMINATION OF SHIPPER STATUS

Unless excused by Force Majeure, Company may terminate the Shipper's rights for the following:

1. Shipper fails to comply with the Rules and Regulations of this tariff and the FTS Agreement;
2. Shipper voluntarily suspends the transaction of business where there is an attachment, execution or other judicial seizure of any portion of their respective assets;
3. Shipper becomes insolvent or unable to pay its debts as they mature or makes an assignment for the benefit of creditors;
4. Shipper files, or there is filed against it, a petition to have it adjudged bankrupt or for an arrangement under any law relating to bankruptcy;
5. Shipper 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; or,
6. Shipper engages in any unlawful activities.

E. OBLIGATION TO SERVE

Company shall provide service, subject to available Company pipeline capacity and without impairment of Company's ability to meet its existing service obligations to all other Shippers, on a basis that is not unreasonably preferential, prejudicial, or unduly discriminatory. If Company determines that capacity is not available to satisfy a request for service, then Company shall so notify Requesting Party in writing within ten (10) calendar days of such determination. If the request for service requires Company to construct pipeline facilities, said request shall also be subject to the provisions of Section F of these Rules and Regulations. In no circumstances whatsoever shall Company be required to provide transportation service to any customer at rates that are not just and reasonable. In addition, Company shall have no obligation to provide sales service to any customer.

F. COMPANY FACILITIES

1. Company Ownership

Company shall construct, own, operate and maintain all intrastate pipeline facilities necessary to provide service to Shipper's that have: a) executed an FTS Agreement with Company; and, b) executed for filing with the Commission an affidavit in accordance with the Regulatory Act.

2. Service Interruption Rights

Company shall have the right to perform maintenance on the pipeline facilities in accordance with standard industry practices and in compliance with applicable regulatory rules. Company may interrupt service to Shipper(s) in order to perform maintenance and shall provide, when feasible, three (3) Business Days notice to Shipper prior to commencement of maintenance work. Company may

RULES AND REGULATIONS
(Continued)

interrupt service to Shipper(s) without three (3) Business Days notice when standard industry practices and/or regulatory required maintenance activities must be performed within the three (3) Business Days notice period. Company shall have the right to interrupt service in an emergency situation immediately and without notice to Shipper.

G. METERING

1. Use of Meters and Measuring Equipment

- a. Company shall provide, install and properly maintain at its own expense such meter or meters, recording devices and metering equipment necessary to measure the quantity of Gas received by Shipper.
- b. Shipper, upon thirty (30) days notice to Company, may install, maintain and operate at Shipper's expense such check measuring equipment on Shipper's facilities as desired, provided that such equipment shall be so installed as not to interfere with the safe and efficient operation of Company's equipment.
- c. Company may furnish and install such regulating and/or flow control equipment and devices as it deems to be in the best interest of Shipper served, or of the system in general.
- d. Only duly authorized agents of the Company or persons authorized by law shall set or remove, turn on or turn off, or in any way handle Company's meters. Only Company's duly authorized agents shall make connections to the Company's pipeline facilities. Unauthorized connections to, or tampering with, the Company's meter or metering equipment, or indications or evidence thereof, subjects Shipper to immediate discontinuance of service, prosecution under the laws of the State of Florida, adjustment of prior bills for transportation service furnished, and reimbursement of Company for all expenses incurred on this account.

2. Location of Meters

- a. Shipper shall furnish a convenient, accessible and safe place in which the meter and/or other such facilities can be installed, operated and maintained without charge to Company. This location insofar as practical shall be outside and free of excessive temperature variations or potential causes of damage that might affect meter operation or accuracy.
- b. If changes in conditions on Shipper's facilities adversely affect the convenience, accessibility or safety of the meter location, Shipper shall be responsible for the cost of relocating the meter, its appurtenances, and related piping to a location meeting the above requirements.

RULES AND REGULATIONS
(Continued)

3. Meter Accuracy at Installation
 - a. A new Gas meter shall be within plus or minus one percent (1%) of accuracy to be installed for Company's use.
 - b. Each meter removed from service when opened for repairs shall be adjusted to be not more than 1 percent (1%) fast or 1 percent (1%) slow before being reset. If not opened for repairs, the meter may be reset without adjustment if found to be not more than 1 percent (1%) fast or not more than 1 percent (1%) slow provided the meter is otherwise in good condition.
 - c. No meter may be installed unless it has been tested within the previous 12 months and found to be within the accuracy limits established herein.
4. Periodic Meter Tests

Meters installed will be tested periodically at reasonable intervals and in accordance with Commission Rule 25-7.064 FAC.
5. Meter Test by Request
 - a. Upon written request of a Shipper, Company shall, without charge, make a test of the accuracy of the meter in use at Shipper's facility; provided, first, that the meter has not been tested by Company or by the Commission within twelve months previous to such request.
 - b. Should any Shipper request a meter test more frequently than provided above, Company shall require a deposit to defray the cost of testing in accordance with Commission Rule 25-7.065 FAC.
 - c. If the meter is found to be more than two percent (2%) fast, the deposit shall be refunded, but if below this accuracy limit, the deposit shall be retained by the Company as a service charge for conducting the test.
6. Meter Test - Referee
 - a. In the event of a dispute, upon written application to the Commission by any Shipper, a test of Company's meter at Shipper's facility shall be made or supervised as soon as practicable by a representative of the Commission.
 - b. The meter shall in no way be disturbed after the Company has received notice that application has been made for such referee test unless a representative of the Commission is present or unless authority to do so is first given in writing by the Commission or by Shipper.
 - c. A written report of the results of the test shall be made by the Commission to Shipper.

RULES AND REGULATIONS
(Continued)

H. BILLING

1. Rendering of Bills

On or about the first calendar day of the Month, Company shall render its bill to Shipper for the monthly reservation charge for Firm Transportation Service, as specified in the FTS Agreement, for the current month. An imbalance statement for the preceding month shall be rendered prior to or with the invoice for Firm Transportation Service charges.

2. Supporting Data

Company and Shipper shall each provide to the other for examination such pertinent records, including imbalance statements, as shall be reasonably necessary to verify the accuracy of any required statement or computation made in accordance with this tariff or applicable FTS Agreement(s).

3. Backbilling

Company may backbill Shipper for any period of up to twelve (12) months for any undercharge in billing which is the result of Company's error. In such instance, Company shall allow Shipper to pay over the same time period as the time period during which the underbilling occurred or some other mutually agreeable time period.

I. PAYMENTS

1. Payment of Bills

Shipper shall pay to Company by wire transfer of immediately available funds on or before the tenth (10th) calendar day of the month Company's bill(s) rendered pursuant to Section H of these Rules and Regulations.

2. Failure to Pay

Should Shipper fail to pay the entire amount of any bill as herein provided when such amount is due, Shipper shall pay a charge for late payment which shall be included by Company on the next regular monthly bill rendered to Shipper under Section H of these Rules and Regulations. The balance of all past due charges for services rendered are subject to a late payment charge of 1.5% or \$5.00, whichever is greater, except for accounts of federal, state, and local governmental entities, agencies and instrumentalities shall be at a rate no greater than allowed, and in a manner permitted by applicable law. If such failure to pay continues for thirty (30) calendar days after payment is due, Company, in addition to any other remedy it may have under the applicable FTS Agreement(s), may suspend further delivery of Gas until such amount is paid, inclusive of interest charges. Provided, however, that if Shipper, in good faith shall dispute the amount of any such bill or part thereof in writing, including documentation identifying the basis of dispute, and shall pay to Company such amounts as it concedes to be correct at any time thereafter within thirty (30) calendar days of a demand made by Company, and

RULES AND REGULATIONS

(Continued)

Shipper furnishes good and sufficient surety bond guaranteeing payment to Company of the amount ultimately found due upon such bill after a final determination which may be reached either by agreement or judgment of the courts, as may be the case, then Company shall not suspend further delivery of Gas unless and until default be made in the conditions of such bond. If Shipper furnishes good and sufficient surety bond and amounts are ultimately not due to Company, then Company shall bear unrecovered surety bond costs incurred by Shipper.

3. Adjustment of Overpayment or Underpayment

If within twelve (12) months of the date of payment it shall be found that Shipper has been over-charged or under-charged in any form whatsoever under the provisions hereof, and Shipper shall have actually paid the bill(s) containing such over- or under-charges, then within sixty (60) calendar days after the final determination thereof, Company shall either refund the amount of any such over-charge, or invoice the amount of any such under-charge, with interest thereon from the time such over- or under-charge occurred to the date of refund or invoicing. Interest shall be computed as described in Section I.2. herein.

J. GAS QUALITY

The quality of Gas delivered by Shipper to the Company shall meet the same specifications as the FERC-approved or Commission-approved tariff requirements of the Transporter interconnected with Company.

K. WARRANTY, CONTROL AND INDEMNIFICATION

1. Warranty

Shipper shall warrant that it will have good and merchantable title to, or that it has good right to deliver, all Gas delivered by Transporter to Company for Shipper's account at the Delivery Point(s), 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 or, 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.

2. Control and Possession

Shipper shall be deemed to be in control and possession of Gas prior to delivery to the Delivery Point(s) and after delivery by Company at the Point(s) of Delivery; and Company shall be deemed to be in control and possession of the

RULES AND REGULATIONS
(Continued)

Gas to be transported by it upon delivery of such Gas by Transporter to Company at the Delivery Point(s), and until it shall have been delivered to Shipper at the Point(s) of Delivery. Each party, while deemed to be in control and possession of such Gas, shall be responsible for, and shall indemnify and hold the other harmless from any and all claims, actions, suits, including attorney's fees, arising out of or relating in any way to custody and control of such Gas.

3. Indemnification

Shipper shall waive and release Company from any claims for any and all damages, costs, losses or expenses resulting from or arising out of interruption or curtailment of service, whether caused by capacity constraints on Company's system; provided, however, that the foregoing shall not result in the waiver or release of a claim against Company for Company's negligence, bad faith, fault or willful misconduct. Further, Shipper shall indemnify and hold Company harmless from any and all suits, actions, debts, accounts, damages, costs, losses and/or expenses brought by or accruing to or for the benefit of the end-users downstream of a Point(s) of Delivery, where Shipper controls and operates the facilities downstream of such Point(s) of Delivery or where Shipper has arranged for the transportation and delivery of Gas on behalf of such end-user, resulting from or arising out of interruption or curtailment of service, whether caused by capacity constraints on Company's system; provided, however, that the foregoing shall not require Shipper to indemnify and hold Company harmless from a claim against Company for Company's negligence, bad faith, fault or willful misconduct. Nothing in this section shall prevent a Shipper from asserting a claim against another Shipper; in the event of such a claim between Shippers, Company shall make available such information in its possession relevant to such claim.

L. QUANTITY

1. Maximum Daily Transportation Quantity (MDTQ)

Shippers executing an FTS Agreement shall reserve and receive access to, on a firm basis, a quantity of pipeline capacity on Company's facilities equal to Shipper's MDTQ, subject to the provisions of this tariff and the FTS Agreement. Company shall have no obligation to receive at the Delivery Point(s) or deliver at the Point(s) of Delivery a quantity of Gas which exceeds Shipper's MDTQ during any Gas Day.

2. Maximum Hourly Transportation Percentage (MHTP)

Company shall not be required to deliver to Shipper, at the Point(s) of Delivery, a quantity of Gas, in any one hour period, greater than the MHTP as agreed to in the FTS Agreement.

RULES AND REGULATIONS
(Continued)

3. Unauthorized Use

If, on any Day, Company measures, at Shipper's Point(s) of Delivery, Gas quantities in excess of the established MDTQ, such unauthorized use of Gas shall be resolved in accordance with the FTS Agreement.

4. Capacity Release Rights

Unless specifically authorized by Company, Shipper shall not release, remarket or assign to a third party, except for authorized Shipper Designees, any portion of Shipper's capacity rights on Company's pipeline facilities.

5. Capacity Recall Rights

Company shall not have any Shipper's capacity recall rights on Company's pipeline facilities.

M. NOMINATIONS

Each Shipper or Shipper Designee shall promptly submit to Company all Nomination information submitted to Transporter(s). In addition, Shipper or Shipper Designee shall provide Company with the Point(s) of Delivery for all Nomination quantities.

N. MONTHLY BALANCING

The balancing of the total quantity of Gas scheduled for Shipper(s), at the Delivery Point(s) and the total quantity of Gas measured at the Point(s) of Delivery for Shipper(s) shall be done on a monthly basis. The Company and Shipper(s) shall resolve all monthly imbalance quantities at the end of each Gas Month, as follows:

1. If the monthly imbalance quantity is positive (aggregated scheduled quantities of Shipper's Gas is greater than aggregated measured quantities of Shipper's Gas at the Point(s) of Delivery), the Company shall purchase from Shipper such monthly imbalance quantity at a price per therm (the "Unit Price") calculated by taking: (i) the lowest weekly average (weeks where Friday is within the calendar month) of the "Daily price survey" for Gas under the "Midpoint" column for "Florida Gas, zone 1", "Florida Gas, zone 2" or "Florida Gas, zone 3", as reported in *Platts Gas Daily*, for the Gas Month in which the positive monthly imbalance quantity was incurred, multiplied by the applicable factor set forth below:

<u>Imbalance Level</u>	<u>Factor</u>
0% to 5%	1.00
Greater than 5% to 20%	0.90
Greater than 20%	0.80

and subtracting: (ii) the monthly per Dekatherm charge billed to Company from delivery point operator ("DPO") agent (if any), as such DPO agent charges are specifically approved by the Commission. This charge is calculated by dividing

RULES AND REGULATIONS

(Continued)

the billed DPO charges by the sum of the absolute value of all Shippers positive monthly imbalance quantities and all Shippers negative monthly imbalances quantities.

The total amount due Shipper shall be the product of the Unit Price and the positive monthly imbalance.

2. If the monthly imbalance quantity is negative (aggregated scheduled quantities of Shipper's Gas is less than aggregated measured quantities of Shipper's Gas at the Point(s) of Delivery), the Company shall sell to Shipper such monthly imbalance quantity at a price per therm (the "Unit Price") calculated by taking the sum of (i) the highest weekly average (weeks where Friday is within the calendar month) of the "Daily price survey" for Gas posted under the "Midpoint" column for "Florida Gas, zone 1", "Florida Gas, zone 2" or "Florida Gas, zone 3", as reported in *Platts Gas Daily*, for the Gas Month in which the negative monthly imbalance quantity was incurred, multiplied by the applicable factor set forth below:

<u>Imbalance Level</u>	<u>Factor</u>
0% to 5%	1.00
Greater than 5% to 20%	1.10
Greater than 20%	1.20

and (ii) the Gulfstream Natural Gas System capacity rate per Dekatherm for 6% maximum hourly flow tariff rate (as it may change from time to time) plus the Florida Gas Transmission FTS-1 usage rate per Dekatherm (inclusive of all applicable surcharges), and (iii) the monthly per Dekatherm charge billed to Company from DPO agent (if any), as such DPO agent charges are specifically approved by the Commission. This charge is calculated by dividing the billed DPO charges by the sum of the absolute value of all Shippers positive monthly imbalance quantities and all Shippers negative monthly imbalances quantities.

The total amount due Company shall be the product of the Unit Price and the negative monthly imbalance.

O. OPERATIONAL CONTROLS

1. Transporter Notices

All Shippers and Shipper's Designees shall take all necessary actions to ensure that Transporter provides Transporter operational control notices directly to Shipper or Shipper's Designee. Company shall have no obligation to provide Transporter operational control notices to Shippers or Shipper's Designees.

RULES AND REGULATIONS
(Continued)

2. Shipper Obligations
Shipper or Shipper's Designee shall be responsible for complying with all applicable Transporter's operational control notices and/or orders.
3. Operational Flow Order (OFO) or Equivalent Control
If Company as the DPO (or Company's agent acting in such capacity under contract with Company), incurs OFO penalties from Transporter, Company shall identify all Shippers that exceeded the OFO tolerances. Company shall charge the responsible Shipper(s), at Transporter's OFO rate, for all Shipper measured quantities that deviate from scheduled quantities. After all OFO charges are applied to the responsible Shipper(s), if any OFO charges remain, such charges shall be applied to the Operating Balancing Account ("OBA") and disposed of in accordance with Section P. of these Rules and Regulations.
4. Alert Day or Equivalent Control
If Company as the DPO (or Company's agent acting in such capacity under contract with Company), incurs Alert Day charges from Transporter, Company shall identify all Shippers that exceeded the Alert Day tolerances. Company shall charge the responsible Shipper(s), at Transporter's Alert Day rate, for all Shipper measured quantities that deviate from scheduled quantities. After all Alert Day charges are applied to the responsible Shipper(s), if any Alert Day charges remain, such charges shall be applied to the OBA and disposed of in accordance with Section P. of these Rules and Regulations.
5. Other Operational Balancing Controls
If Company as the DPO (or Company's agent acting in such capacity under contract with Company), incurs operational balancing tool charges from Transporter, Company shall identify all Shippers that exceeded the operational balancing control tolerances. Company shall charge the responsible Shipper(s), at Transporter's operational balancing control rate, for all Shipper measured quantities that deviate from scheduled quantities. After all operational balancing control charges are applied to responsible Shipper(s), if any operational balancing control charges remain, such charges shall be applied to the OBA and disposed of in accordance with Section P. of these Rules and Regulations.
6. Operational Control Charges
All charges collected by the Company under Section O. shall be applied to the OBA. Company shall not, under any circumstances, retain any of the charges collected from Shippers resulting from the application of the operational controls.

RULES AND REGULATIONS

(Continued)

P. OPERATIONAL BALANCING ACCOUNT

1. Authorization for Recovery or Refund

Company shall be authorized to recover or refund any and all charges or credits related to the provision of this service. Company shall not profit from nor absorb any loss, under any circumstances, resulting from the administration of the OBA.

2. Charges or Credits

The OBA provides the mechanism by which the Company accumulates and allocates the following charges or credits, which include but are not limited to:

- a. Charges or credits associated with balancing, on a monthly basis, the measured Gas quantities and scheduled Gas quantities at the Delivery Point(s).
- b. Charges or credits associated with the Monthly Balancing provisions defined in Section N.
- c. Charges or credits associated with the Operational Controls provisions defined in Section O.

3. Disposition of OBA Balance

The Company shall, on a frequency of at least each calendar quarter, dispose of any OBA balance with Shippers, within 45 days of the end of each OBA disposition period. Each Shipper's refund or charge shall be calculated by taking the quantity of Gas scheduled by each Shipper and dividing it by the total quantity of Gas scheduled by all Shippers for each OBA disposition period.

Q. FORCE MAJEURE

1. In the event either Company or Shipper is unable wholly or in part by Force Majeure to carry out its obligations under this tariff other than to make payments due thereunder, it is agreed that on such party giving notice and full particulars of such Force Majeure to the other party as soon as possible after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch.
2. The term "Force Majeure", as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, hurricanes or evacuation orders due to hurricanes, floods, washouts, arrests and restraints of government and people, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, the necessity for making repairs or alterations to machinery or lines of pipe, freezing of well or lines of

RULES AND REGULATIONS
(Continued)

pipe, partial or entire failure of source of supply, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such term shall likewise include (a) in those instances where either party is required to obtain servitudes, rights of way grants, permits, or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitude, rights of way grants, permits, or licenses; and (b) in those instances where either party is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure grants or permissions from any governmental agency to enable such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions.

3. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the party having the difficulty.

R. MUTUALLY BENEFICIAL TRANSACTIONS

Shipper recognizes that Company maintains the operation and integrity of Company's pipeline system on a daily basis. Shipper also recognizes that as DPO for the interstate pipeline interconnects, Company or its agent is subject to the rules and regulations of the Transporters with regard to operational flow rates, pressures and penalties. As such, Company may desire Shipper to vary its daily delivery from its scheduled quantities. On those occasions, Company may request, at its sole discretion, and Shipper may agree to, a change to Shipper's scheduled Gas 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.

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STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE APPLICATION

1. General information:

(a) Any party seeking new service or a change to existing service from Peninsula Pipeline Company, Inc. ("Company") shall complete a Firm Transportation Service (FTS) Application pursuant to the Rules and Regulations of Company's tariff. Such party shall be known as the "Requesting Party".

(b) Completed FTS Applications shall be forwarded to:
Director of Customer Services
Peninsula Pipeline Company, Inc.
P.O. Box 960
Winter Haven, Florida 33882

2. Information to be provided by the Requesting Party:

(a) Requesting Party's Identification:

Legal Name: _____
Address: Street: _____
P.O. Box: _____
City: _____
State: _____
Zip Code: _____

Type of Legal Entity: _____
State of Incorporation: _____

Requesting Party is (Check One):

Local Distribution Company
 Industrial Customer
 Electric Generator
 Other (specify): _____

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
SERVICE APPLICATION
(Continued)

(b) If Requesting Party is acting as agent in arranging this service, specify below each principal (complete legal name, type of legal entity and state of incorporation) and its respective type of company. Requesting Party must supply agency agreements for each principal.

(c) Name and full title of individual who is authorized to execute an FTS Agreement with Company on behalf of Requesting Party:

Name: _____
Title: _____

(d) Contact person for this Request:

Name: _____
Address: Street: _____
P.O. Box: _____
City: _____
State: _____
Zip Code: _____
Telephone Number: _____
Facsimile Number: _____

(e) The Firm Service Transportation Quantity, in Dekatherms, requested is:

Maximum Daily Transportation Quantity (MDTQ) _____

Maximum Hourly Transportation Percentage (MHTP) _____ %

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
SERVICE APPLICATION
(Continued)

(f) Term of Service:

Date service is proposed to commence: _____
Date service is proposed to terminate: _____

(g) Credit Evaluation:

Requesting Party shall provide information regarding its credit rating for one or more of the following:

Standard & Poor's Long Term Debt Rating
Moody's
Comparable Nationally Recognized Rating Organization

3. Requesting Party understands that this FTS Application, complete and unrevised as to format, plus any supplemental information requested by Company, must be received by Company before the request for service will be accepted and processed. Requesting Party further understands that Company is an intrastate pipeline subject to the Regulations of the Florida Public Service Commission. Requesting Party, by its signature, represents to Company that all of the information provided in this FTS Application is correct and accurate.

Signature of Requesting Party: _____
Typed or Printed Name of Requesting Party: _____
Title of Requesting Party: _____

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE AGREEMENT

THIS AGREEMENT entered into this ____ day of _____, _____, by and between Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called "Company"), and _____, a corporation of the State of _____ (herein called "Shipper").

WITNESSETH

WHEREAS, Shipper desires to obtain Firm Transportation Service from Company and Company is willing to provide Firm Transportation Service for Shipper; and

WHEREAS, such service will be provided by Company for Shipper in accordance with the terms hereof.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Company and Shipper do covenant and agree as follows:

ARTICLE I
DEFINITIONS

Unless otherwise defined in this Agreement, all definitions for terms used herein have the same meaning as provided in Company's tariff.

ARTICLE II
QUANTITY; UNAUTHORIZED USE

2.1 The Maximum Daily Transportation Quantity ("MDTQ") and the Maximum Hourly Transportation Percentage ("MHTP") shall be set forth on Exhibit A attached hereto. The applicable MDTQ shall be the largest daily quantity of Gas, expressed in Dekatherms, which Company is obligated to transport on a firm basis and make available for delivery for the account of Shipper under this FTS Agreement on any one Gas Day.

2.2 If, on any Day, Shipper utilizes transportation quantities, as measured at the Point(s) of Delivery, in excess of the established MDTQ, as shown on Exhibit A, such unauthorized use of transportation quantities (per Dekatherm) shall be billed at a rate of 2.0 times the rate to be charged for each Dekatherm of the MDTQ as set forth on Exhibit A of this Agreement.

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE AGREEMENT
(Continued)

ARTICLE III
FIRM TRANSPORTATION SERVICE RESERVATION CHARGE

3.1 The monthly reservation charge for Firm Transportation Service provided under this Agreement shall be equal to the MDTQ for the respective month multiplied by the number of days in each respective month multiplied by the rate per Dekatherm set forth on Exhibit A of this Agreement.

3.2 The parties agree to execute and administratively file with the Commission an affidavit, in the form provided in this tariff, to comply with the provisions of the Regulatory Act.

3.3 If, during the term of this Agreement, the Federal Government, or any State, municipality or subdivision of such Government, should increase or decrease any present tax or levy any additional or eliminate any existing tax, relating to the service provided by Company under this Agreement, such change shall be implemented immediately upon the effective date of such change.

ARTICLE IV
TERM AND TERMINATION

4.1 Subject to all other provisions, conditions, and limitations hereof, this Agreement shall be effective upon its date of execution by both parties and shall continue in full force and effect for an initial period of ____ years from the in-service date. Thereafter, the Agreement shall be extended on a _____ basis unless terminated by either party, with at least _____ day's written notice to the other party prior to the termination date.

4.2 Any portion of this Agreement necessary to resolve monthly balancing and operational controls under this Agreement, pursuant to the Rules and Regulations of Company's tariff, shall survive the other parts of this Agreement until such time as such monthly balancing and operational controls have been resolved.

4.3 In the event Shipper fails to pay for the service provided under this Agreement or otherwise fails to meet Company's standards for creditworthiness, otherwise violates the Rules and Regulations of Company's tariff, or defaults on this Agreement, Company shall have the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's tariff.

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE AGREEMENT
(Continued)

ARTICLE V
COMPANY'S TARIFF PROVISIONS

5.1 Company's tariff approved by the Commission, including any amendments thereto approved by the Commission during the term of this Agreement, is hereby incorporated into this Agreement and made a part hereof for all purposes. In the event of any conflict between Company's tariff and the specific provisions of this Agreement, the latter shall prevail, in the absence of a Commission Order to the contrary.

ARTICLE VI
REGULATORY AUTHORIZATIONS AND APPROVALS

6.1 Company's obligation to provide service is conditioned upon receipt and acceptance of any necessary regulatory authorization to provide Firm Transportation Service for Shipper in accordance with the Rules and Regulations of Company's tariff.

ARTICLE VII
DELIVERY POINT(S) AND POINT(S) OF DELIVERY

7.1 The Delivery Point(s) for all Gas delivered for the account of Shipper into Company's pipeline system under this Agreement, shall be as set forth on Exhibit A attached hereto.

7.2 The Point(s) of Delivery shall be as set forth on Exhibit A attached hereto.

7.3 Shipper shall cause Transporter to deliver to Company at the Delivery Point(s) on the Transporter's system, the quantities of Gas to be transported by Company hereunder. Company shall have no obligation for transportation of Shipper's Gas prior to receipt of such Gas from the Transporter at the Delivery Point(s). Company shall deliver such quantities of Gas received from the Transporter at the Delivery Point(s) for Shipper's account to Company's Point(s) of Delivery identified on Exhibit A.

ARTICLE VIII
SCHEDULING AND BALANCING

8.1 Shipper shall be responsible for nominating quantities of Gas to be delivered by the Transporter to the Delivery Point(s) and delivered by Company to the Point(s) of Delivery. Shipper shall promptly provide notice to Company of all such nominations. Imbalances between quantities (i) scheduled at the Delivery Point(s) and the Point(s) of Delivery, and (ii) actually delivered by the Transporter and/or Company

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE AGREEMENT
(Continued)

hereunder, shall be resolved in accordance with the applicable provisions of Company's tariff, as such provisions, and any amendments to such provisions, are approved by the Commission.

8.2 The parties hereto recognize the desirability of maintaining a uniform rate of flow of Gas to Shipper's facilities over each Gas Day throughout each Gas Month. Therefore, Company agrees to receive from the Transporter for Shipper's account at the Delivery Point(s) and deliver to the Point(s) of Delivery up to the MDTQ as described in Exhibit A, subject to any restrictions imposed by the Transporter and to the provisions of Article IX of this Agreement, and Shipper agrees to use reasonable efforts to regulate its deliveries from Company's pipeline system at a daily rate of flow not to exceed the applicable MDTQ for the Month in question, subject to any additional restrictions imposed by the Transporter or by Company pursuant to Company's tariff provisions.

ARTICLE IX
MISCELLANEOUS PROVISIONS

9.1 Notices and Other Communications. 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:

Company: Peninsula Pipeline Company, Inc.
Post Office Box 960
Winter Haven, Florida 33882
Attention: Customer Services

Shipper: _____

9.2 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.

9.3 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

Issued by: Stephen C. Thompson, President
Peninsula Pipeline Company, Inc.

Effective:

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE AGREEMENT
(Continued)

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.

9.4 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 9.1 shall not be deemed nor require an amendment of this Agreement provided such change is communicated in accordance with Section 9.1 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 that are or may be necessary to comply with the requirements of, or are otherwise approved by, the Commission or its successor agency or authority.

9.5 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 in good faith an equitable adjustment in the provisions of this Agreement.

9.6 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, unless otherwise specifically identified as such in writing. No waiver shall be binding unless executed in writing by the party making the waiver.

9.7 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.

9.8 Independent Parties. Company and Shipper shall perform hereunder as independent parties. Neither Company nor 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

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE AGREEMENT
(Continued)

duty, standard of care or liability with respect to any third person.

9.9 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. Upon such assignment or transfer, as well as 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 the assumption of duties and obligations.

9.10 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. In the event this Agreement or any provisions herein shall be found contrary to or in conflict with any applicable 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 Commission, over this Agreement or any part thereof. In the event of such contestation, and unless otherwise prohibited from doing so under this Section 9.10, 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 under the Agreement is precluded.

9.11 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. The venue for any action, at law or in equity, commenced by either party against the other and arising out of or in connection with this Agreement shall be in a court of the State of Florida having jurisdiction.

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE AGREEMENT
(Continued)

9.12 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 hereto have caused this Agreement to be executed by their duly authorized officers or representatives effective as of the date first written above.

COMPANY
Peninsula Pipeline Company, Inc.
By: _____
Title: _____

SHIPPER

By: _____
Title: _____

(To be attested by the corporate secretary if not signed by an officer of the company)

Attested By: _____
Title: _____
Date: _____

Attested By: _____
Title: _____
Date: _____

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE AGREEMENT
(Continued)

EXHIBIT A

TO

FIRM TRANSPORTATION SERVICE AGREEMENT

BETWEEN

PENINSULA PIPELINE COMPANY, INC.

AND

DATED
_____, _____

<u>Description of Delivery Point(s)</u>	<u>Description of Point(s) of Delivery</u>	<u>MDTQ, in Dekatherms, excluding Fuel Retention</u>
---	--	--

Total MDTQ (Dekatherms): _____

MHTP: _____%

Fuel Retention Percentage: _____%

Reservation Charge per Dekatherm: \$ _____ / Dekatherm

Issued by: Stephen C. Thompson, President
Peninsula Pipeline Company, Inc.

Effective:

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
COMPANY AFFIDAVIT

COMPANY AFFIDAVIT

STATE OF FLORIDA

COUNTY OF _____

BEFORE ME, the undersigned authority, personally appeared Stephen C. Thompson, President of Peninsula Pipeline Company, Inc. ("PPC") who, being by me first duly sworn, says:

1. That he is the President of PPC, an intrastate natural gas transmission company, and duly authorized to present this Affidavit to the Florida Public Service Commission pursuant to Section 368.105, Florida Statutes.
2. That he has knowledge of the certain Firm Transportation Service (FTS) Agreement between PPC ("Natural Gas Transmission Company"), and _____ (Customer), and that:
 - a. Neither the Natural Gas Transmission Company nor the Customer had an unfair advantage during the negotiations culminating in said FTS Agreement, and
 - b. That competition to the offerings of the Natural Gas Transmission Company does or did exist either with another natural gas transmission company, another supplier of natural gas, or with a supplier of an alternative form of energy at the time that the FTS Agreement referred to herein was entered into by the Natural Gas Transmission Company and the Customer.

DONE AND EXECUTED this ___ day of _____, 20__.

Stephen C. Thompson
President

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
COMPANY AFFIDAVIT
(Continued)

STATE OF FLORIDA

COUNTY OF _____

I HEREBY CERTIFY that on this day before me, the undersigned authority, personally appeared Stephen C. Thompson, President of Peninsula Pipeline Company, Inc., to me known to be the person who executed this Affidavit of his own free act and deed.

WITNESS my hand and official seal the ____ day of _____, 20__.

(SEAL)

NOTARY PUBLIC
My Commission Expires:

Personally known ____ OR Produced Identification ____
Type of Identification Produced _____

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
CUSTOMER AFFIDAVIT

CUSTOMER AFFIDAVIT

STATE OF FLORIDA

COUNTY OF _____

BEFORE ME, the undersigned authority, personally appeared _____, on behalf of _____ ("Customer") who, being by me first duly sworn, says:

1. That s/he is an authorized representative of the Customer and is further authorized to present this Affidavit to the Florida Public Service Commission pursuant to Section 368.105, Florida Statutes.

3. That s/he has knowledge of the certain Firm Transportation Service (FTS) Agreement between Peninsula Pipeline Company, Inc. ("Natural Gas Transmission Company"), an intrastate natural gas transmission company, and Customer, and that:
 - a. Neither the Natural Gas Transmission Company nor the Customer had an unfair advantage during the negotiations culminating in said FTS Agreement, and
 - b. That competition to the offerings of the Natural Gas Transmission Company does or did exist either with another natural gas transmission company, another supplier of natural gas, or with a supplier of an alternative form of energy at the time that the FTS Agreement referred to herein was entered into by the Natural Gas Transmission Company and the Customer.

DONE AND EXECUTED this ___ day of _____, 20__.

(Name)
(Title)

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
CUSTOMER AFFIDAVIT
(Continued)

STATE OF FLORIDA

COUNTY OF _____

I HEREBY CERTIFY that on this day before me, the undersigned authority, personally appeared _____, the representative of _____, to me known to be the person who executed this Affidavit of his own free act and deed.

WITNESS my hand and official seal the ____ day of _____, 20__.

(SEAL)

NOTARY PUBLIC
My Commission Expires:

Personally known ___ OR Produced Identification ___
Type of Identification Produced _____

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
SHIPPER'S DESIGNEE FORM

Peninsula Pipeline Company, Inc.

SHIPPER DESIGNEE FORM

_____ (“Shipper”) hereby notifies Peninsula Pipeline Company, Inc. (“PPC”) that _____ (“Designee”) as its agent to perform the following identified (*i.e.*, marked with an “X”) obligations of Shipper as provided by the PPC tariff and the applicable Firm Transportation Service (“FTS”) Agreement:

- | | |
|--|---|
| <input type="checkbox"/> Invoicing/Payment | <input type="checkbox"/> Monthly Imbalance Resolution |
| <input type="checkbox"/> Nominations | <input type="checkbox"/> Operational Control Order Responsibility |

Shipper, Designee and PPC hereby agree, for all purposes relating to the functions identified above, that:

1. The designation by Shipper of Agent as Shipper’s Agent shall be effective as of the beginning of the Gas Day commencing on _____.
2. Communications by PPC to Designee shall be deemed to be notice to Shipper. PPC has the right to rely on any written or verbal communication from Designee.
3. Designee shall perform the functions identified above in a manner consistent with the PPC tariff on file with the Florida Public Service Commission (FPSC), as the same may be amended from time to time.
4. Shipper shall remain liable to PPC (a) with respect to any act or omission of Designee in the performance of the functions identified above and, (b) for all charges arising from services provided to Shipper by PPC as provided by PPC’s tariff and/or the FTS Agreement. Shipper shall indemnify, hold harmless and defend PPC from and against any and all acts or omissions of Designee.

STANDARD FORMS

PENINSULA PIPELINE COMPANY, INC.
SHIPPER'S DESIGNEE FORM
(Continued)

SHIPPER INFORMATION <i>(Full Company Legal Name)</i>	DESIGNEE INFORMATION <i>(Full Company Legal Name)</i>
SHIPPER:	DESIGNEE:
DUNS NO:	DUNS NO:
MAILING ADDRESS:	MAILING ADDRESS:
CITY:	CITY:
STATE AND ZIP CODE:	STATE AND ZIP CODE:
CONTACT PERSON:	CONTACT PERSON:
TELEPHONE:	TELEPHONE:
FAX:	FAX:
E-MAIL:	E-MAIL:

For Shipper:

For Designee:

By: _____

By: _____

Name: _____

Name: _____

Date: _____

Date: _____

Accepted for PPC by: _____

Date: _____