

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 27, 2007

TO: Office of Commission Clerk (Cole)

FROM: Office of the General Counsel (Brubaker)
Division of Economic Regulation (Redemann, Rieger)

RE: Docket No. 070399-GU – Joint petition for approval of territorial agreement in Pasco County, master territorial agreement, and gas transportation agreement, by Peoples Gas System and Florida Division of Chesapeake Utilities Corporation.

AGENDA: 10/9/07 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: McMurrian

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\GCL\WP\070399.RCM.DOC

Case Background

On July 6, 2007, the Peoples Gas System (Peoples) and the Florida Division of Chesapeake Utilities Corporation (Chesapeake) filed for approval of a Territorial Agreement, a Master Territorial Agreement, and a Gas Transportation Agreement, whereby Chesapeake will provide gas service to customers in two areas in Pasco County and receive gas transportation service from Peoples' gas transmission line. Peoples operates a natural gas distribution system in the southern and eastern portions of Pasco County. Chesapeake does not currently have gas facilities in Pasco County.

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According to the application, although Peoples has a large gas main in place, it is not cost effective for Peoples to serve the planned developments because of its main extension policy. Chesapeake's main extension policy will, however, allow it to cost effectively serve the developments. The proposed agreements will allow Chesapeake to purchase capacity on the Florida Gas Transmission Company's (FGT) line from Peoples. Chesapeake will tap into Peoples existing main along County Road 577 to serve one area. Peoples will extend its main across I-75 to the second area, and Chesapeake will tap into that main to serve the second area. The Commission has jurisdiction pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve the Joint Petition for approval of the Territorial Agreement, the Master Territorial Agreement, and the Gas Transportation Agreement by the Peoples Gas System (Peoples) and the Florida Division of Chesapeake Utilities Corporation (Chesapeake)?

Recommendation: Yes. The Territorial Agreement, the Master Territorial Agreement, and the Gas Transportation Agreement by Peoples and Chesapeake (Exhibits 1-4) are in the public interest and should be approved. The Agreements should become effective upon the expiration of the appeal period following the issuance of the Consummating Order in this docket. Peoples and Chesapeake should be required to file revised tariff sheets within 30 days following the Consummating Order which reflect the change in their service territories. (Redemann, Rieger)

Staff Analysis: On July 6, 2007, Peoples and Chesapeake filed a petition, pursuant to Section 366.04(3)a, Florida Statutes, and Rule 25-7.0471, Florida Administrative Code, requesting an order approving the Territorial Agreement, the Master Territorial Agreement, and the Gas Transportation Agreement (Gas Agreement) that was filed as a special contract as provided under Rule 25-9.034, Florida Administrative Code. According to the application, Peoples operates a natural gas distribution system in Pasco County. Their current main extension policy includes a Maximum Allowable Construction Cost (MACC) equal to four years of projected revenue (less the cost of gas) from a given expansion project. Given the forecasted capital requirements to serve the planned developments and the anticipated build-out schedule, Peoples has determined that it cannot cost effectively extend its line to serve the two areas referenced in the Territorial Agreement.

The application states that Chesapeake has been evaluating propane service to several developing areas in Pasco County considered beyond the reach of natural gas due, in part, to the distance from the interstate pipelines. Propane distribution through Community Gas Systems is part of Chesapeake's unregulated business. During Chesapeake's discussions with the Pasco County developers, it became apparent that Peoples was not planning to extend gas service to the developments. Chesapeake investigated the possibility of providing natural gas service to the areas. Chesapeake's current main extension policy provides for a six-year MACC which, along with its existing rates and Area Extension Program, could allow cost feasible extensions to the two areas.

Initially, an interconnect with the FGT's interstate pipeline was evaluated; however, the closest FGT pipeline is over 15 miles from the service areas and was not an economically feasible alternative. In 2004, Peoples constructed a six-inch gas main along County Road 577 to loop their distribution system. This six-inch gas main was identified as the most cost effective means of transporting gas to the potential developments.

Gas Agreement

The parties executed a Gas Agreement in March 2007, as required by Rule 25-9.034, Florida Administrative Code, subject to approval by the Commission as a special contract (Exhibit 1). According to the Gas Agreement, Peoples will construct a 3.5 mile extension of its

existing distribution system to allow interconnection with Chesapeake's planned distribution facility just West of I-75 (Service Area A). In addition, Peoples will provide an interconnect with an existing gas distribution main on County Road 577 to the development planned East of I-75 (Service Area B). The Gas Agreement provides for receipt of gas at the Peoples interconnections with the FGT for transportation service across the Peoples distribution system to Chesapeake's distribution facilities. Peoples is capable of providing gas service to Chesapeake under the terms of the Gas Agreement without adversely impacting Peoples existing or future customers.

Rather than paying distribution charges for transportation service based on the quantity of gas actually transported by Peoples, Chesapeake will pay a reservation charge similar to the capacity reservation charge paid to a FERC-regulated interstate pipeline for transportation service. The rates, shown in Exhibit 1 to the Gas Agreement, consist of a Reservation Quantity of 5,000 Therms per Day when the first development (Service Area B) is connected, and a total Reservation Quantity of 20,000 Therms per Day when the second development (Service Area A) is connected. The Reservation Charge is \$0.028125 multiplied by the Reservation Quantity multiplied by the number of days in that month. Chesapeake will not incur a Reservation Charge prior to achieving the ability to transport gas to its Pasco County facilities and Peoples will begin to recover its capital investment for any facility construction upon the in-service date of such facilities. The Reservation Charge rate design is appropriate because the majority of Peoples' cost to provide service are fixed. Chesapeake has exited the gas supply merchant function and provides only transportation service. The Gas Agreement recognizes that all Chesapeake gas customers receive gas service from third party gas suppliers (shippers). Chesapeake's tariff allows Chesapeake to assign its shippers the distribution capacity Reservation Charge in the proposed Gas Agreement for Pasco County. The Gas Agreement complies with Section 366.06, Florida Statutes, and Rule 25-9.034, Florida Administrative Code.

Territorial Agreement

The parties entered into an Amended and Restated Pasco County Territorial Agreement (Territorial Agreement) dated July 2007. The Territorial Agreement allows Chesapeake to serve these areas which are in close proximity to Peoples' service area. This will allow as many persons and businesses as possible to receive economic and reliable natural gas service and avoid unnecessary duplication of facilities. A copy of the Territorial Agreement is attached as Exhibit 2. On July 26, 2007, Peoples and Chesapeake filed a joint letter clarifying and amending the Gas Agreement and Territorial Agreement (Exhibit 3).

The agreement does not provide for or involve the transfer of any customers or facilities. It is estimated that over the next twenty years approximately 15,000-20,000 residences and several new businesses could be built in the proposed areas. The nearest existing Chesapeake facilities are about 45 minutes away and another office is located about one hour away from the proposed service areas. Subsequent to activating a distribution system, Chesapeake typically handles operational and maintenance activities with internal resources until customer growth reaches a level that would support a third party agreement for services. Chesapeake is not aware of any operational issues that would negatively impact its ability to provide safe, reliable gas service to consumers in Pasco County.

Master Territorial Agreement

Since the parties have entered into previous territorial agreements regarding other areas of the state, and they may enter into other agreements in the future, they have entered into a Master Territorial Agreement (Exhibit 4) dated March 26, 2007. This Master Territorial Agreement contains terms and conditions that will govern all territory agreements entered into by Peoples and Chesapeake. Peoples and Chesapeake represent that approval of these agreements will not cause a decrease in the availability or reliability of natural gas by either existing companies or future customers.

The Territorial Agreement and the Master Territorial Agreement will not become effective until the Commission approves them. Any modification of the service areas must be reviewed and/or approved by the Commission. In addition, prior to the second anniversary of the Commission's approval of the agreements, and no less frequently than every five years thereafter, the parties will meet to review the status of the agreement and will provide a written status report to the Commission. The Territorial Agreement and the Master Territorial Agreement comply with Section 366.04, Florida Statutes, and Rule 25-7.0471, Florida Administrative Code.

Based on the above, the Territorial Agreement, the Master Territorial Agreement, and the Gas Transportation Agreement by Peoples and Chesapeake (Exhibits 1-4) are in the public interest and should be approved. The Agreements should become effective upon the expiration of the appeal period following the issuance of the Consummating Order in this docket. Peoples and Chesapeake should be required to file revised tariff sheets within 30 days following the Consummating Order which reflect the change in their service territories.

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Issue 2: Should this docket be closed?

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

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

GAS TRANSPORTATION AGREEMENT

EXHIBIT 1

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

ARTICLE I - DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II - TERM

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

ARTICLE III - TRANSPORTATION SERVICE

Section 3.1 Services. Chesapeake engages PGS, and PGS accepts such engagement, to receive Gas for Chesapeake's account, up to the MTQ, at the PGS Receipt Point(s), and to cause an equivalent quantity, less the Retainage, to be redelivered to Chesapeake at the PGS Delivery Point(s). Such transportation service shall be governed by PGS's FPSC Tariff and this Agreement. If there is a conflict between the tariff and this Agreement, the Agreement shall control.

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

ARTICLE IV - NOMINATIONS

Section 4.1 General. For each Day Chesapeake desires service hereunder, Chesapeake shall provide a Nomination to PGS pursuant to Section 4.2. All Nominations shall be made to PGS at its web site (www.pgsum.com) provided that, in an emergency, a Nomination may be delivered via facsimile using the form set forth in PGS's FPSC Tariff. Quantities confirmed by PGS for delivery shall be Scheduled Quantities. If requested by Chesapeake, PGS will allow increases or decreases in Scheduled Quantities after the Nomination deadlines set forth in this article, if the same can be confirmed by PGS, Transporters and Suppliers, and can be accomplished without detriment to services then scheduled on such Day for PGS and other shippers. The maximum quantity PGS shall be obligated to make available for delivery to Chesapeake on any Day (which shall not exceed the MDQ) is the Transportation Quantity established pursuant to this article.

Section 4.2 Nomination for Transportation. Unless otherwise agreed, Chesapeake shall, for each Month, and each Day during such Month that Chesapeake seeks to change any aspect of any prior Nomination, notify PGS by providing a completed Nomination. Chesapeake's Nomination for Gas to be made available for delivery on the first Day of any Month shall be given by 10 a.m. on the second Business Day prior to the Day on which a nomination must be delivered to Transporter for receipt of deliveries at the PGS Receipt Point(s) on such Day. Daily Nominations for Gas to be made available for delivery other than on the first Day of a Month shall be given to PGS by 10 a.m. on the Business

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Day prior to the Day on which a nomination must be delivered to Transporter for the receipt of deliveries at the PGS Receipt Point(s) on such Day. PGS shall confirm to Chesapeake the quantity PGS will make available for redelivery on such Day (the "Transportation Quantity," which shall also be a "Scheduled Quantity") no later than 5:00 p.m. Eastern Time on the Business Day immediately preceding such Day. PGS has no obligation to confirm a quantity Nominated by Chesapeake pursuant to this section greater than the quantity of capacity released to Chesapeake under the provisions of the parties' Interstate Pipeline Capacity Release Agreement dated March, 2007, plus Retainage.

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

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

Section 4.5 Mutually Beneficial Transactions. Chesapeake recognizes that PGS maintains the operation and system integrity of the PGS distribution system on a daily basis, and that PGS, as the delivery point operator for its points of interconnection with interstate pipelines, is subject to the rules and regulations of such pipelines with regard to operational flow rates, pressures and penalties. As such, PGS may from time to time need Chesapeake to vary its Nominated quantities of Gas to be delivered at the PGS Receipt Point(s). On such occasions, PGS may in its sole discretion request, and Chesapeake may agree to, a change in the quantity of Gas to be delivered for the account of Chesapeake at the PGS Receipt Point(s). No such change in the quantity of Gas to be delivered shall be made pursuant to this section without the consent of Chesapeake. Terms and conditions of any such transaction will be agreed upon between the parties at the time of the transaction and will be recorded and confirmed in writing within two Business Days of the transaction.

Section 4.6 Full Requirements. During the term of this Agreement and any extension thereof, Chesapeake agrees that all Gas used by Chesapeake's customers downstream of the Interconnect that are served by Chesapeake as a result of the Territorial Agreement will, subject to the provisions of this Agreement, be transported by PGS on PGS's distribution system.

ARTICLE V – RESERVATION QUANTITY AND CHARGE

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

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

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

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

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

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

ARTICLE VI - BILLING AND PAYMENT

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

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

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

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

ARTICLE VII - FAILURE TO MAKE PAYMENT

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

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

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credited or paid by PGS.

ARTICLE VIII – REGULATORY JURISDICTION

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

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

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

ARTICLE IX - MISCELLANEOUS

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

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the terms and conditions hereof, and the assigning or transferring party shall furnish or cause to be furnished to the other party a true and correct copy of such assignment or transfer and assumption of duties and obligations.

Section 9.2 Governing Law. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of Florida and shall be subject to all applicable laws, rules and orders of any Federal, state or local governmental authority having jurisdiction over the parties, their facilities or the transactions contemplated. Venue for any action, at law or in equity, commenced by either party against the other and arising out of or in connection with this Agreement shall be in a court, located within the State of Florida, having jurisdiction.

Section 9.3 Severability. If any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

Section 9.4 Entire Agreement; Appendices. This Agreement sets forth the complete understanding of the parties as of the date first written above, and supersedes any and all prior negotiations, agreements and understandings with respect to the subject matter hereof. The appendices attached hereto are an integral part hereof. All capitalized terms used and not otherwise defined in the appendices shall have the meanings given to such terms herein.

Section 9.5 Waiver. No waiver of any of the provisions hereof shall be deemed to be a waiver of any other provision whether similar or not. No waiver shall constitute a continuing waiver. No waiver shall be binding on a party unless executed in writing by that party.

Section 9.6 Notices. (a) All notices and other communications hereunder shall be in writing and be deemed duly given on the date of delivery if delivered personally or by a recognized overnight delivery service or on the fifth day after mailing if mailed by first class United States mail, registered or certified, return receipt requested, postage prepaid, and properly addressed to the party as set forth below.

PGS:

Administrative Matters:
Peoples Gas System
702 Franklin Street
P. O. Box 2562
Tampa, Florida 33601-2562
Attention: J. R. McLelland
Telephone: (813) 228-4664
Facsimile: (813) 228-4742

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

Customer:

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

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

Section 9.7 Amendments. This Agreement may not be amended except by an instrument in writing signed by the party against which enforcement of the amendment is sought. A change in (a) the place to which notices hereunder must be sent or (b) the individual designated as Contact Person shall not be deemed nor require an amendment hereof provided such change is communicated pursuant to Section 9.6.

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Section 9.8 Legal Fees. In the event of litigation between the parties hereto arising out of or in connection with this Agreement, then the reasonable attorneys' fees and costs of the party prevailing in such litigation shall be paid by the other party.

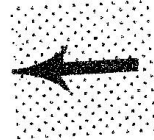
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

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

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

CHESAPEAKE UTILITIES CORPORATION

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



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APPENDIX A - GAS TRANSPORTATION AGREEMENT

PGS RECEIPT POINT(S)

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

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

PGS to be Determined DRN No. XXXXXX

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

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APPENDIX B - GAS TRANSPORTATION AGREEMENT

PGS DELIVERY POINT(S)

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

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

**APPENDIX C - GAS TRANSPORTATION AGREEMENT
FACILITIES AND EQUIPMENT**

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

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

Cost of telemetry equipment - \$4,800.00

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

EXHIBIT 2

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

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

WITNESSETH:

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

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

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

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

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

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

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

Chesapeake Utilities Corporation

By: Thomas A. Geoffroy
Thomas A. Geoffroy
Vice President

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

By: William N. Cantrell
William N. Cantrell
President

EXHIBIT A

Legal Description of Chesapeake Service Area "A"

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

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

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

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

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

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

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

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

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

Legal Description of Chesapeake Service Area "B"

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

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

That Part of Section 21 lying South and East of the right-of-way for Tyndall Road and lying South and East of the right-of-way for McKendree Road;
That Part of Section 22 lying Southerly of the right-of-way for Tyndall Road;
Section 23 LESS any part thereof lying Northerly of the right-of-way for Tyndall Road, lying Northerly of Kiefer Road and lying Easterly of the right-of-way for Curley road
That Part of Section 24 lying Southerly of the right-of-way for Kiefer Road;
ALL of Section 25;
ALL of Section 26;
ALL of Section 27;
That Part of Section 28 lying Southerly of the right-of-way for McKendree Road;
That Part of Section 29 lying Easterly of the right-of-way for U.S. Interstate Highway 75, LESS any part thereof lying Northerly of the right-of-way for McKendree Road as it runs East and West near the North boundary of Section 29;
That Part of Section 32 lying Easterly of the right-of-way for U.S. Interstate Highway 75;
ALL of Section 33;
ALL of Section 34;
ALL of Section 35;
ALL of Section 36;

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

That Part of Section 19 lying Southerly of the right-of-way for Kiefer Road, and lying Westerly of the right-of-way for Handcart Road;
That Part of Section 30 lying Westerly of the right-of-way for Handcart Road;
That Part of Section 31 lying Westerly of the right-of-way for Handcart Road;

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

ALL of Section 1
ALL of Section 2
ALL of Section 11
ALL of Section 12
That Part of Section 13 lying Northerly and Easterly of the right-of-way for State Road 54;
That Part of Section 14 lying Northerly and Easterly of the right-of-way for State Road 54;

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

That Part of Section 6 lying Westerly of the right-of-way for Handcart Road, and lying Westerly of the right-of-way for Eiland Boulevard;
That part of Section 7 lying Westerly of the right-of-way for Eiland Boulevard;
That part of Section 18 lying Northerly of the right-of-way for State Road 54, and Westerly of the right-of-way for Eiland Boulevard;

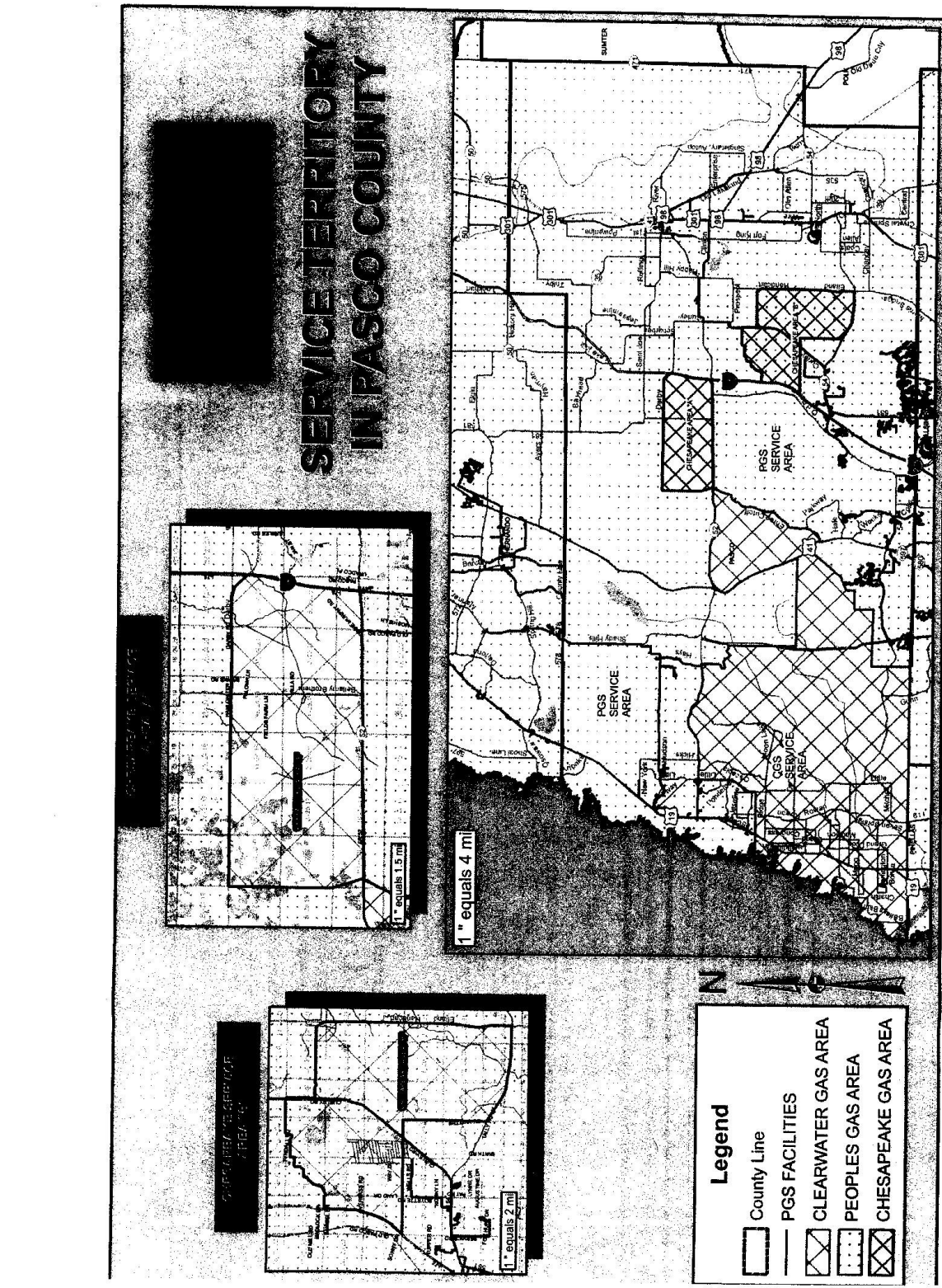
EXHIBIT B

Description of Peoples Service Area

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

EXHIBIT C

Chesapeake and Peoples Pasco County, Florida Service Area Map





July 26, 2007

ORIGINAL

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

Re: **Agreements between Peoples Gas System, a Division of Tampa Electric Company ("PGS"), and Chesapeake Utilities Corporation ("Chesapeake") involved in FPSC Docket No. 070399-GU**

Dear Tom:

As you are aware, PGS and Chesapeake entered into the following agreements on March 26, 2007:

- Gas Transportation Agreement;
- Interstate Pipeline Capacity Release Agreement;
- Master Territorial Agreement; and
- Territorial Agreement – Pasco County.

The Territorial Agreement – Pasco County was subsequently amended and restated by the Amended and Restated Territorial Agreement – Pasco County dated July 5, 2007.

On July 6, 2007, our attorneys submitted for filing with the Florida Public Service Commission ("FPSC") PGS's and Chesapeake's joint petition seeking approval of (a) the Gas Transportation Agreement (which was attached to the joint petition as Exhibit 1), (b) the Amended and Restated Territorial Agreement – Pasco County (Exhibit 2 to the joint petition), and (c) the Master Territorial Agreement (Exhibit 3 to the joint petition).

Subsequent to the filing of the joint petition, the FPSC Staff has inquired of our attorneys regarding some aspects of the agreements mentioned in the above paragraph, all of the inquiries involving dates (or the lack of complete dates) at certain points in the agreements.

The purpose of this letter is both to clarify for the FPSC Staff the dates in question, and to amend – as between PGS and Chesapeake – the agreements in question. Those amendments are as follows:

Amendments to Agreements

1. The definition of "Territorial Agreement" in Article I of the Gas Transportation Agreement is hereby amended and restated in its entirety to read as follows:

"Territorial Agreement" means the Territorial Agreement – Pasco County between Chesapeake and PGS dated March 26, 2007 delineating the service areas of Chesapeake and PGS in Pasco County, Florida, as the same may be amended from time to time.

PEOPLES GAS
702 NORTH FRANKLIN STREET
P. O. BOX 2562
TAMPA, FL 33601-2562
AN EQUAL OPPORTUNITY COMPANY

WWW.PEOPLES GAS.COM
DOCUMENT NUMBER-DATE
06679 AUG-30
FPSC-COMMISSION CLERK

Mr. Thomas A. Geoffroy
July 26, 2007
Page 2

2. Section 4.2 of the Gas Transportation Agreement is amended by deleting the words "March , 2007" in line 14 thereof, and replacing them with the words "March 26, 2007".

3. Section 4.4 of the Gas Transportation Agreement is amended by deleting the words " March , 2007" in line 4 thereof, and replacing them with the words "March 26, 2007".

4. Appendix A to the Gas Transportation Agreement is amended by deleting the words "Interstate Pipeline Capacity Release Agreement dated March , 2007" and replacing them with the words "Interstate Pipeline Capacity Release Agreement dated March 26, 2007".

5. Appendix B to the Gas Transportation Agreement is amended by deleting the words "Interstate Pipeline Capacity Release Agreement dated March , 2007" and replacing them with the words "Interstate Pipeline Capacity Release Agreement dated March 26, 2007".

6. The Amended and Restated Territorial Agreement – Pasco County is amended by deleting the blank ("___") in the second line thereof, and replacing it with the number "5".

Amendment to Joint Petition in Docket No. 070399-GU

Finally, our attorneys should be authorized to (i) communicate to the FPSC Staff that the joint petition in FPSC Docket No. 070399-GU should be amended by inserting the number "5" in the blank ("___") in line 5 of paragraph 8 of the joint petition, and (ii) submit a copy of this letter agreement to the FPSC for filing in the above docket.

The amendments and authorizations set forth above shall be effective as of July 6, 2007.

If Chesapeake is in agreement with the amendments and authorizations set forth above, please sign both copies of this letter where indicated below, and return one executed copy to me for PGS's files.

Sincerely,

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

By: William N. Cantrell
William N. Cantrell
President

ACCEPTED AND AGREED:

Chesapeake Utilities Corporation

By: Thomas A. Geoffroy
Thomas A. Geoffroy
Vice President

EXHIBIT 3

MASTER TERRITORIAL AGREEMENT

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

WITNESSETH:

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

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

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

1. Definitions.
 - A. "Territorial Agreement" means an agreement between the Parties relating to the allocation, as between the Parties, of geographic service areas to the Parties, and any other terms and conditions related thereto, and includes the existing Amended and Restated Territorial Boundary Agreement between the Parties dated July 9, 1999 approved by FPSC Orders Nos. PSC-99-2228-PAA-GU and PSC-99-2395-CO-GU (the "Existing Territorial Agreement").
 - B. "Effective Date" means, when used with respect to this Master Agreement or with respect to a Territorial Agreement, the date of expiration of the appeal period following the issuance by the FPSC of an order approving such agreement.
2. Applicability. Unless otherwise specifically agreed, each Territorial Agreement shall be governed by this Master Agreement. Any inconsistency between any terms of this Master Agreement and any terms of a Territorial Agreement shall be resolved in favor of such Territorial Agreement.
3. Territorial Agreement Terms and Conditions.
 - A. Each Party shall have the authority to provide natural gas service to all customers within its respective service area(s), as designated in a Territorial Agreement, under the terms and conditions of its FPSC approved tariff.
 - B. Unless ordered to do so by the FPSC or by a court of competent jurisdiction, neither Party shall provide natural gas service to any customer within the service area(s) of the other Party defined in a Territorial Agreement without the express written consent

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

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

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

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

- H. Prior to the second anniversary of the Effective Date of a Territorial Agreement, and no less frequently than every fifth anniversary thereafter, the Parties shall review the status of such Territorial Agreement and shall submit a joint status report to the FPSC or any successor agency with power to consider approval or modification of such agreement. Failure of the Parties to timely submit such joint report shall not affect the effectiveness of a Territorial Agreement nor shall it affect the FPSC's continuing oversight with respect to such agreement.
4. Terms and Conditions Applicable to this Master Agreement and Each Territorial Agreement.
- A. The provisions and the Parties' performance of this Master Agreement and any Territorial Agreement are subject to the regulatory authority of the FPSC, whose approval of any such agreement in its entirety shall be an absolute condition precedent to the validity, enforceability and applicability of such agreement. Any such agreement shall have no force or effect whatsoever until approval has been obtained from the FPSC and the Parties hereby agree to jointly petition the FPSC for approval of this Master Agreement and each Territorial Agreement not heretofore approved by the FPSC. Each such agreement shall become effective on its Effective Date. If the FPSC declines to approve this Master Agreement, such agreement shall be of no force or effect, and neither Party shall have any claim against the other arising out of this Master Agreement; provided, however, that the FPSC's failure to approve this Master Agreement shall have no effect on the Existing Territorial Agreement, and such agreement shall remain in full force and effect according to its terms.
- B. This Master Agreement and any Territorial Agreement shall become effective on the Effective Date of such agreement and shall remain in effect thereafter unless modified or vacated by a final and non-appealable order of the FPSC or a court of competent jurisdiction.
- C. The Parties have entered into this Master Agreement and the Existing Territorial Agreement, and will enter into any current or future Territorial Agreement, solely for the purpose of adhering to state policy favoring territorial agreements between public utilities. Each such agreement is and shall be governed by Section 366.04(3), Florida Statutes, which expressly authorizes the FPSC to approve territorial agreements between natural gas utilities. Upon approval by the FPSC, each such agreement shall merge into and become part of the FPSC order approving the same.
- D. This Agreement, the Existing Territorial Agreement and any other approved Territorial Agreement shall become void and unenforceable should the FPSC's jurisdiction to approve territorial agreements between natural gas utilities be ruled invalid by a final and non-appealable order of a court of competent jurisdiction. Except as provided herein, neither party shall seek to terminate this Agreement or request or support administrative or judicial modification of any term hereof or termination of the FPSC's jurisdiction to approve territorial agreements between natural gas utilities without the other party's prior written consent and, in the event such terminations or modification is requested by any other person, each of the parties shall exercise reasonable commercial and legal efforts in opposition thereto.

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

To Chesapeake:

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

To PGS:

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

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

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

Chesapeake Utilities Corporation

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

Peoples Gas System, a Division of
Tampa Electric Company

By: William N. Cantrell
William N. Cantrell
President

