

January 3, 2017

E-PORTAL FILING

Ms. Carlotta Stauffer, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: [New Filing] - In re: Joint Petition Requesting Approval of Territorial Agreement between the Florida Division of Chesapeake Utilities Corporation and the City of Pensacola d/b/a Pensacola Energy.

Dear Ms. Stauffer:

Attached for filing on behalf of the City of Pensacola d/b/a Pensacola Energy and Florida Division of Chesapeake Utilities Company, please find a Joint Petition Requesting Approval of Territorial Agreement, which includes and incorporates the referenced Territorial Agreement.

As always, please don't hesitate to let me know if you have any questions. Thank you for your assistance with this filing.

Kind regards,



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

cc:/ (Office of Public Counsel)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint Petition Requesting Approval of Territorial Agreement between the Florida Division of Chesapeake Utilities Corporation and the City of Pensacola d/b/a Pensacola Energy.

DOCKET NO.

FILED: January 3, 2017

JOINT PETITION REQUESTING APPROVAL OF TERRITORIAL AGREEMENT

Petitioners, the Florida Division of Chesapeake Utilities Corporation (“Chesapeake” or “CFG”) and the City of Pensacola d/b/a Pensacola Energy (“Pensacola,” “City,” or “PE”) (collectively, “Petitioners”), pursuant to Section 366.04(3)(a), Florida Statutes, and Rule 25-7.0471, Florida Administrative Code, jointly file this petition requesting approval of a territorial agreement for Escambia County between Pensacola and Chesapeake (“Escambia Territorial Agreement”). The referenced agreement is attached hereto as Exhibit A, and incorporated herein by reference. In support of this request, Petitioners state as follows:

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

Florida Division of Chesapeake
Utilities Corporation
1750 S 14th Street, Suite 200
Fernandina Beach FL 32034

Pensacola Energy
1625 Atwood Dr.
Pensacola, FL 32514-0075

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

Beth Keating, Esq.
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301-1839
(850) 521-1706
bkeating@gunster.com

Mike Cassel
Director, Regulatory and Governmental Affairs
Florida Public Utilities Company/Chesapeake
Utilities Corporation
1750 S 14th St., Suite 200
Fernandina Beach, FL 32034
mcassel@chpk.com

Joint Petition for Approval of Territorial Agreement

BACKGROUND

3. Chesapeake and Pensacola each own and operate natural gas distribution facilities in Florida. Chesapeake is a public utility, as defined in Section 366.02(1), Florida Statutes, and therefore, subject to the Commission's regulatory jurisdiction under Chapter 366, Florida Statutes. Although Pensacola is a municipal corporation and not a "public utility" for purposes of Chapter 366, Florida Statutes, Pensacola is a "natural gas utility" as defined in Section 366.04(3)(c), Florida Statutes. Thus, while Pensacola is not subject to the full scope of regulation under Chapter 366, the Commission is vested with jurisdiction to resolve territorial disputes and to approve territorial agreements involving Pensacola in accordance with Section 366.04(3), Florida Statutes.

4. Pensacola has historically provided natural gas service within the city's municipal boundaries and in certain other discrete areas within Escambia County. Over the past year, the City and Chesapeake entered into discussions regarding the feasibility of constructing a pipeline that would not only provide a direct interconnection between Pensacola and Florida Gas Transmission's ("FGT") interstate facilities, but would also allow certain other large customers in Escambia County to receive natural gas service that, to date, have been unable to obtain service. As a result of those discussions, an agreement was reached whereby Chesapeake will construct a pipeline originating at FGT's pipeline facility located at the northernmost edge of Escambia County traveling south to interconnect with Pensacola's distribution system. Upon completion of the pipeline, Chesapeake will provide transportation service for Pensacola pursuant to a firm transportation service agreement, which is attached hereto as Exhibit C. Here, the Petitioners note that, while Commission Rule 25-9.034 (1), Florida Administrative Code,

Joint Petition for Approval of Territorial Agreement

provides that agreements for commodity or service between public utilities and municipal entities need not be submitted for Commission approval, the Parties are submitting the transportation service agreement herewith for purposes of compliance with the filing requirement in subsection (2) of Rule 25-9.034, as well as for informational purposes.

TERRITORIAL AGREEMENT

5. The service arrangement described above also contemplates that Chesapeake will be allowed to extend this new pipeline to serve a specified category of customers within Escambia County that are not currently served by the City. As such, the Petitioners entered into the Escambia Territorial Agreement to clarify and limit Chesapeake's ability to serve customers in Escambia County. Pursuant to the Escambia Territorial Agreement, in addition to serving Pensacola itself, Chesapeake will be allowed to serve a specific category of large industrial customers, identified by the defined term "New Industrial Customers," which means:

. . . those customers that meet all of the following criteria: (1) not currently served by PE; (2) meet the definition of "industrial consumer" as that term is defined in CFG's tariff on file with the Florida Public Service Commission; (3) projected annual load in excess of 600 dekatherms; (4) capable of being served economically from a natural gas lateral extended from the Escambia Line; (5) not otherwise located within the service territory, as defined in a Commission-approved territorial agreement, of another natural gas utility, natural gas district, or municipal natural gas service provider; and (6) PE has affirmatively declined to serve in accordance with Section V of this Agreement.¹

Thus, under the Escambia Territorial Agreement, Chesapeake's service area will consist only of service extensions to serve "New Industrial Customers," and will not be characterized by a defined service territory, mapped area, or land boundary. Pensacola will otherwise continue to serve customers in the City of Pensacola and surrounding areas of Escambia County, except as

¹ Escambia Territorial Agreement, Section I.

Joint Petition for Approval of Territorial Agreement

contemplated by the territorial agreement.

6. The Parties agree that the Escambia Territorial Agreement will allow Pensacola to avail itself of an economical transportation service arrangement, while also allowing Chesapeake to provide service to customers that might otherwise not be able to receive natural gas service. This Escambia Territorial Agreement will also avoid uneconomic duplication of facilities in the area by ensuring that there is a clear delineation of the customers Chesapeake is allowed to serve and by requiring communication between the Parties in order to confirm that prospective customers of Chesapeake meet the definition of "New Industrial Customers." The territorial agreement provides for no transfers of existing customers between the Parties. A description of the agreed service rights is included in Sections I and II of the Escambia Territorial Agreement.

7. The Escambia Territorial Agreement will enable as many persons and businesses in Escambia County as possible to receive economical and reliable natural gas service, avoid any territorial dispute between Pensacola and Chesapeake, which would inevitably delay the provision of natural gas service by either of the parties, and enable the parties to avoid any unnecessary duplication of facilities. Absent the Escambia Territorial Agreement, and the Gas Transportation Service Agreement between Pensacola and Chesapeake, certain businesses in Escambia County would most likely not have an opportunity to receive natural gas service. A map depicting the pipeline by which service rights are defined and which is referred to in the Escambia Territorial Agreement as the "Escambia Line" and in the transportation service agreement as the "Pensacola Lateral," is attached to this joint petition as Exhibit B.

GAS TRANSPORTATION AGREEMENT

8. In order to enable as many persons as possible to receive natural gas service in Escambia County, Chesapeake will construct a new, 12-inch, steel pipeline line extending from Chesapeake's interconnection point with FGT located due west of mile post 238.6 in northern Escambia County near the Florida/Alabama border to a terminus 35 miles south at the City of Pensacola's Meter Station. The Pensacola Meter Station will be constructed by Chesapeake immediately upstream of the interconnecting flange with Pensacola's distribution system.

9. The facilities constructed by Chesapeake for purposes of fulfilling the transportation service agreement will be owned by Chesapeake and not transferred to Pensacola under the arrangement. The transportation service agreement provides Pensacola with an option, however, to purchase an undivided interest in a certain amount of capacity on the pipeline in the event of termination of the transportation service agreement.

10. In addition, the Maximum Daily Transportation Quantity under the Transportation Service Agreement is 28,500, plus an amount equating to .1% of the gas received for Pensacola, beginning in year 6 of the agreement, with service being provided consistent with the Flexible Gas Service provisions in Chesapeake's Florida tariff.

Requested Relief

11. Pensacola and Chesapeake seek Commission approval of the Escambia Territorial Agreement, which stipulates that approval by the Commission is a condition precedent to the agreement's effectiveness. Any modification to the contemplated service extension arrangement described in the Escambia Territorial Agreement must be reviewed and/or approved by the

Joint Petition for Approval of Territorial Agreement

Commission. Prior to the second anniversary of the Commission's approval of the agreement, and no more frequently than every five years thereafter, Pensacola and Chesapeake will meet to review the status of the agreement and provide a written status report to the Commission.

12. Pensacola and Chesapeake represent that approval and implementation of the Escambia Territorial Agreement will not cause a decrease in the availability or reliability of natural gas service provided by either entity, or to the existing or future ratepayers of either entity, and that the Commission's approval of the agreement will be consistent with the standards set forth in Section 366.04, Florida Statutes, and Rule 25-7.0471, Florida Administrative Code.

13. The Petitioners further attest that the Escambia Territorial Agreement is in the public interest, will not adversely impact any customers, will not result in the transfer of any customers, and will, in fact, enable service to certain customers who, otherwise, may not have been able to obtain natural gas service.

14. In addition, Chesapeake hereby submits the Gas Transportation Service Agreement with Pensacola for filing and inclusion with the Company's tariffed rate schedules, in accordance with Rule 25-9.034(2), Florida Administrative Code.

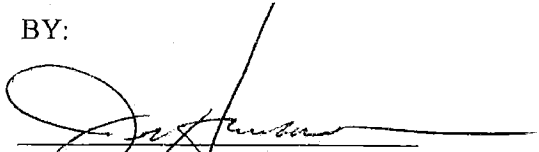
WHEREFORE, the Florida Division of Chesapeake Utilities Corporation and the City of Pensacola d/b/a Pensacola Energy respectfully request that the Commission enter its order

Joint Petition for Approval of Territorial Agreement

approving the Escambia Territorial Agreement.

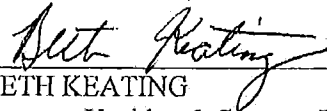
Respectfully submitted this 3rd day of January, 2017,

BY:



JEFFERY M. HOUSEHOLDER
President, Florida Division of Chesapeake
Utilities Corporation/Florida Public Utilities
Company
1750 S 14th St., Suite 200
Fernandina Beach, FL 32034

*On behalf of the
Florida Division of Chesapeake
Utilities Corporation*



BETH KEATING
Gunster, Yoakley & Stewart, P.A.
215 South Monroe Street, Suite 601
Tallahassee, Florida 32301-1839
(850) 521-1706
BKeating@gunster.com

*Attorneys for the City of Pensacola d/b/a
Pensacola Energy*

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served upon the following by Electronic Mail this 3rd day of January, 2017.

Jennifer Crawford Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 jcrawfor@psc.state.fl.us	J.R. Kelly Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 <u>Kelly.JR@leg.state.fl.us</u>
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By: 
Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

EXHIBIT A

*ESCAMBIA COUNTY TERRITORIAL
AGREEMENT*

ESCAMBIA COUNTY TERRITORIAL AGREEMENT

THIS ESCAMBIA COUNTY TERRITORIAL AGREEMENT (this "Agreement") is made and entered into this 15th day of November 2016 by and between the City of Pensacola d/b/a Pensacola Energy, a political subdivision of the State of Florida ("PE"), and the Florida Division of Chesapeake Utilities Corporation d/b/a Central Florida Gas ("CFG"). PE and CFG are hereinafter sometimes referred to singularly as a "party" and collectively as the "parties."

WITNESSETH:

WHEREAS, CFG and PE are natural gas utilities subject to the jurisdiction of the Florida Public Service Commission ("Commission") under Chapter 366.04(3), *Florida Statutes*; and

WHEREAS, PE has for many years provided natural gas service to approximately 43,000 customers in Escambia County, Florida;

WHEREAS, PE has entered into agreements for interstate pipeline capacity with Florida Gas Transmission Company; and

WHEREAS, PE and CFG have entered into agreements whereby CFG will construct pipeline facilities necessary for the delivery of additional, specified gas quantities to PE from Florida Gas Transmissions' located due west of mile post 238.6 delivery point ("Escambia Line") and will provide transportation service to PE for the delivery of such quantities of natural gas; and

WHEREAS, the parties intend that CFG will provide natural gas transportation service to PE; and

WHEREAS, the parties intend that PE will continue to serve its existing customers, as well as customers within its traditional service footprint; and

WHEREAS, the parties intend that CFG will be allowed to serve certain large industrial customers that may be served from lateral extensions off the Escambia Line with PE having a right of first refusal to serve any such customers; and

WHEREAS, independent pursuit by each of the parties of their respective Escambia County expansion plans would have inevitably led to a territorial dispute between the parties; and

WHEREAS PE and CFG have entered into agreements which will facilitate the provision of natural gas service to additional customers in Escambia County, while increasing reliability of such natural gas service; and

WHEREAS, in order to enable as many persons and businesses as possible within Escambia County to receive economical and reliable natural gas service, PE and CFG have entered into this Agreement to avoid any unnecessary or uneconomic duplication of natural gas facilities which would be contrary to Commission policies and detrimental to the interests of their respective customers and

the general public, and to more rapidly expand the availability of natural gas service to potential customers in Escambia County by avoiding a lengthy and expensive territorial dispute; and

WHEREAS, the Commission is empowered by the legislature of the State of Florida, pursuant to Section 366.04(3)(a), *Florida Statutes*, to approve and supervise territorial agreements between and among natural gas utilities.

NOW, THEREFORE, in fulfillment of the purposes aforesaid, and in consideration of the mutual covenants and agreements herein contained, which shall be construed as being interdependent, the parties, subject to and upon the terms and conditions herein set forth, agree as follows:

Section I.

For purposes of this Agreement, the following capitalized terms shall have the meanings set forth below:

“New Industrial Customers” means those customers that meet all of the following criteria: (1) not currently served by PE; (2) meet the definition of “industrial consumer” as that term is defined in CFG’s tariff on file with the Florida Public Service Commission; (3) projected annual load in excess of 600 dekatherms; (4) capable of being served economically from a natural gas lateral extended from the Escambia Line; (5) not otherwise located within the service territory, as defined in a Commission-approved territorial agreement, of another natural gas utility, natural gas district, or municipal natural gas service provider; and (6) PE has affirmatively declined to serve in accordance with Section V of this Agreement.

“PE Service Area” means (i) Pensacola; and (ii) Escambia County. Expressly excluded from this definition are New Industrial Customers.

Section II.

(a) The service area reserved hereunder for PE shall consist of the PE Service Area. As between the parties, PE shall have the authority to serve all customers within said area.

(b) The service area reserved hereunder for CFG shall consist only of service extensions to serve New Industrial Customers, as that term is defined in Section I. As between the parties, CFG shall have the authority to serve all New Industrial Customers consistent with the definition thereof.

(c) Except as otherwise provided herein, each party agrees that it will not provide or offer to provide natural gas service to existing or potential customers reserved to the other party by the terms of this Agreement.

(d) Except as specifically otherwise provided herein, nothing in this Agreement is intended to affect the gate stations, regulators, or gas mains of one party which are now or which may in the future be located in the service area of the other party, and any problems between the parties involving these types of facilities shall be settled at the general office level of the parties. No

such facilities shall be used by one party to provide natural gas service to customers located in the service area reserved hereunder to the other party.

(e) This Agreement shall have no effect on the boundaries of the respective service areas of the parties hereto as the same may now or hereafter exist except as specifically provided herein.

Section III Notwithstanding the provisions of Section II, either party may request that the other party provide natural gas service to potential customers within the service area reserved hereunder to the requesting party. The party receiving the request may elect to provide service to such potential customers in its sole discretion subject to the approval of the Commission.

Section IV. If a party determines, in a specific instance, that good engineering practices or economic constraints on that party indicate that any small service area and/or future natural gas customer within that party's service area under Section II hereof should not be served by that party, such party shall notify the other party and request the other party to serve such small service area and/or potential customer. If the parties reach agreement thereon, the parties shall jointly and expeditiously seek approval of the Commission for modification of this Agreement in order to permit the appropriate party to provide such service to such small service area and/or future natural gas customer.

Section V. In the event that CFG receives a request for natural gas transportation service from a potential customer, and such potential customer meets the criteria set forth in 1-6 of the definition of a New Industrial Customer, CFG shall take the following actions: (1) notify the potential customer that it is obligated to determine whether PE declines to serve the potential customer; and (2) promptly notify PE that it has received such request for service, which notification shall include sufficient information as may be necessary, and as allowed by the customer, for PE to make a determination as to whether it will decline the opportunity to serve the potential customer.

PE shall thereafter issue notice in writing to CFG within 10 business days stating whether it declines to serve the potential customer or instead wishes to pursue contractual arrangements to serve the potential customer.

In the event that PE indicates that it intends to pursue contractual arrangements to enable it to serve the potential customer, such potential customer will not meet the definition of a New Industrial Customer for purposes of this Agreement. Thereafter, CFG shall not pursue contractual arrangements to serve the potential customer, unless and until it receives a request from PE to do so in accordance with Section III of this Agreement.

In the event that PE declines to serve the potential customer, or fails to issue the notice required in this Section within 10 business days, such customer may then be deemed a New Industrial Customer for purposes of this Agreement if it otherwise continues to meet the criteria in the definition set forth in this Agreement, whereupon CFG may, in its sole discretion and subject to the approval of the Commission, pursue contractual arrangements to meet the New Industrial Customer's request to serve.

Section VI. This Agreement, after execution by the parties, shall be submitted jointly by the parties to the Commission for approval. It shall become effective on the date that a Commission order approving it becomes final and effective (the "Effective Date"), and continue in effect until termination or modification shall be mutually agreed upon by the parties and approved by the Commission, or until termination or modification shall be mandated by a governmental entity or court with appropriate jurisdiction. In the event that the Commission declines to approve this Agreement, the same shall be of no force or effect, and neither party shall have any claim against the other arising out of this Agreement.

Section VII. Prior to the second anniversary of the Effective Date and no more than every fifth anniversary thereafter, the Parties shall meet to review the status of this Agreement and shall submit a joint status report to the Commission (or any successor agency with power to consider approval or modification hereof).

Section VIII. As soon as practicable after the Effective Date, each party agrees to file any revisions to its tariffs on file with the Commission which may be required as a result of the Commission's approval of this Agreement, and shall provide a copy of any such tariff revisions to the other party upon their filing with the Commission.

Section IX. The failure of either party to enforce any provision of this Agreement in any instance shall not be construed as a waiver or relinquishment on its part of any such provision but the same shall nevertheless be and remain in full force and effect.

Section X. This Agreement shall become void and unenforceable if the Commission's jurisdiction with respect to approval and supervision of territorial agreements between natural gas utilities is terminated by statute or ruled invalid by a court of final appellate jurisdiction.

Section XI. This Agreement does not provide for the transfer of any existing customers or facilities.

Section XII. All notices under this Agreement shall be in writing and may be sent by a nationally recognized overnight courier service, first class mail, electronic mail, or hand delivery, to the parties at the addresses set forth below:

To PE:

Director
City of Pensacola d/b/a Pensacola Energy
1625 Atwood Drive
Pensacola FL 32514
dsuarez@pensacolaenergy.com

To CFG:

Vice President/Business Development and Gas
Operations
Florida Division of Chesapeake Utilities
Corporation
1750 S 14th Street
Suite 200
Fernandina Beach, FL 32034

In instances where electronic mail is the method of notification, such electronically delivered notice shall be promptly followed by a hard copy notice delivered by one of the other means of delivery specified herein.

Notices shall be deemed given when received on a business day by the addressee. In the case of electronic mail, receipt of notice shall be determined based upon receipt by the addressee of the hard copy delivered subsequent to electronic mail notification. In the absence of proof of the actual receipt date, the following presumptions shall apply. . Notice by overnight mail or courier shall be deemed to have been received on the next business day after it was sent or such earlier time as is confirmed by the receiving party. Notice by first class mail shall be deemed to have been received on the third business day following deposit in the mail. A party may from time to time change the address to which notice hereunder is to be sent by providing notice to the other party pursuant to this section.

Section XIII. This Agreement, on and after the Effective Date, shall be binding in accordance with its terms upon the parties hereto and their respective successors and assigns with regard to the retail distribution of natural gas. This Agreement shall not affect or bind affiliates or subsidiaries of PE and CFG.

Section XIV. 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 or governmental agency of the State of Florida having jurisdiction.

Section XV. The prevailing party in any action, claim or proceeding arising out of this Agreement shall be entitled to attorney's fees and costs from the losing party.

Section XVI. The parties acknowledge and agree to fulfill all obligations respecting required contract provisions in any contract entered into or amended after July 1, 2016, in full compliance pursuant to Section 119.0701, Florida Statutes, and obligations respecting termination of a contract for failure to provide public access to public records. The parties expressly agree specifically that the contracting parties hereto shall comply with the requirements within Attachment "A" attached hereto and incorporated by reference.

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

[SIGNATURE PAGE FOLLOWS]

CITY OF PENSACOLA, FLORIDA D/B/A PENSACOLA ENERGY

City of Pensacola

EW Hayward III

FOR

Ashton J. Hayward, III.
Mayor

Attest:

Ericka L. Burnett



City Clerk, Ericka L. Burnett

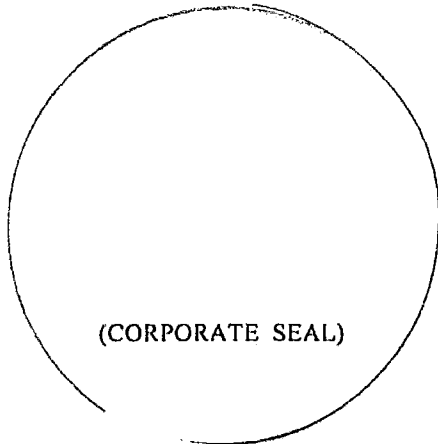
Approved as to substance:

Don Suarez
Title: Don Suarez, Department Director

Legal in form and valid as drawn:

Dydia H. Bowling

City Attorney



(CORPORATE SEAL)

FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

By: *Jeffrey M. Householder*
Jeffrey M. Householder, Officer
Chesapeake Utilities Corporation

Attest:

Cheryl Martin
A.V.P. Regulatory Affairs, Cheryl Martin

Attachment "A"

PUBLIC RECORDS: Consultant/Contractor/Vendor shall comply with Chapter 119, Florida Statutes. Specifically, Consultant/ Contractor/Vendor shall:

- A.** Keep and maintain public records required by the City to perform the service.
- B.** Upon request from the City's custodian of public records, provide the City with a copy of the requested records or allow the records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in Chapter 119, Florida Statutes, or as otherwise provided by law.
- C.** Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of the Agreement term and following the completion of the Agreement if Consultant/ Contractor/Vendor does not transfer the records to the City.
- D.** Upon completion of the Agreement, transfer, at no cost, to City, all public records in possession of Consultant/Contractor/Vendor or keep and maintain public records required by the City to perform the service. If Consultant/Contractor/Vendor transfers all public records to City upon completion of the Agreement, Consultant/ Contractor/Vendor shall destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. If Consultant/Contractor/Vendor keeps and maintains public records upon completion of the Agreement, Consultant/Contractor/Vendor shall meet all applicable requirements for retaining public records. All records stored electronically must be provided to the City, upon request of the City's custodian of public records, in a format that is compatible with the information technology systems of the City.

Failure by Consultant/Contractor/Vendor to comply with Chapter 119, Florida Statutes, shall be grounds for immediate unilateral cancellation of this Agreement by City.

**IF CONSULTANT/CONTRACTOR/VENDOR HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO THE CONTRACTOR'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS AGREEMENT, CONTACT THE CUSTODIAN OF PUBLIC RECORDS AT: THE OFFICE OF THE CITY ATTORNEY,(850)435-1715,
PUBLICRECORDS@CITYOFPENSACOLA.COM, 222 WEST MAIN STREET, PENSACOLA, FL 32502.**

EXHIBIT B

PENSACOLA LATERAL MAP

Florida Division of Chesapeake Utilities Corporation
Northwest Florida Natural Gas Expansion

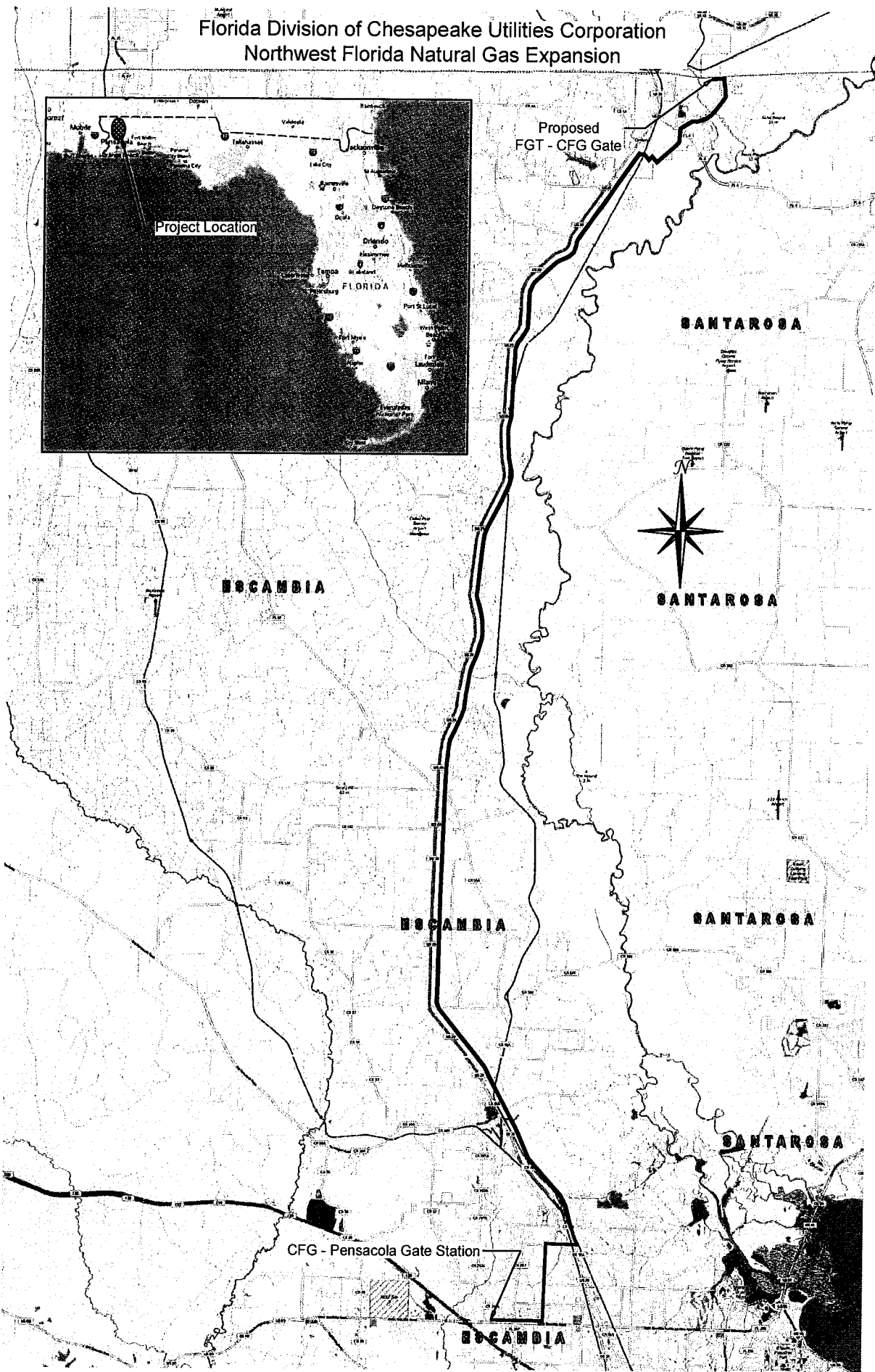


EXHIBIT C

*GAS TRANSPORTATION SERVICE
AGREEMENT*

**Florida Division Of Chesapeake Utilities Corporation
Gas Transportation Service Agreement**

THIS AGREEMENT entered into this 16th day of September, 2016, by and between Florida Division of Chesapeake Utilities Corporation, a corporation of the State of Delaware (herein called "CUC"), and City of Pensacola, Florida d/b/a/ Pensacola Energy, a municipal corporation created and existing under the laws of the State of Florida (herein called "Shipper" or "Pensacola Energy").

WITNESSETH

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

WHEREAS, such service will be provided by CUC 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, CUC and Shipper do covenant and agree as follows:

**ARTICLE I
DEFINITIONS**

As used herein, the following terms shall have the meaning set forth below. Unless otherwise defined below, all definitions for terms used herein have the same meaning as provided in CUC's tariff on file and approved by the FPSC, (as hereinafter defined).

"Agency Agreement" means an agreement in the form attached hereto as Appendix A among a Pensacola Energy Shipper, Pensacola Energy, and CUC, and shall be a prerequisite for the performance by CUC of transportation service for a Pensacola Energy Shipper pursuant to this Agreement.

"Business Day" means Monday through Friday excluding days on which the banks in the State of Florida are closed.

"Contract Year" means the period of 12 successive Months commencing on the In-Service Date, and each successive 12-Month period thereafter during the term of this Agreement.

"CUC" means The Florida Division of Chesapeake Utilities Corporation, a Delaware Corporation, its successors and assigns.

"CUC Delivery Point" means the point of physical interconnection between CUC and Pensacola Energy listed in Exhibit A or any revisions thereto.

**Florida Division Of Chesapeake Utilities Corporation
Gas Transportation Service Agreement**

“CUC Receipt Point” means the point of physical interconnection between FGT and CUC listed in Appendix A.

“CUC FPSC Tariff” means CUC’s tariff on file with and approved by the FPSC, as the same may be amended from time to time during the term of this Agreement.

“Day” means “Delivery Gas Day” as defined in Transporter’s Tariff.

“FERC” means the Federal Energy Regulatory Commission or any successor agency.

“FGT” means Florida Gas Transmission Company, LLC, a Delaware limited liability company, its successors and assigns.

“Firm” shall mean that either party may interrupt its performance only to the extent that such performance is prevented for reasons of Force Majeure.

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

“In-Service Date” means the later of either the Day on which the Pensacola Lateral and Pensacola Meter Station are placed in service by CUC following completion and testing or April 1, 2018.

“MMBtu” means one million BTUs and shall be deemed equivalent to one Dekatherm (“Dt”).

“Month” means Delivery Month as defined in Transporter’s Tariff.

“Nomination” means notice delivered by Pensacola Energy to CUC in the form specified in CUC’s FPSC Tariff, specifying (in MMBtu) the quantity of Gas Pensacola Energy desires to have CUC receive at the CUC Receipt Point, transport, and re-deliver to the Point(s) of Delivery.

“OFO” means an Operational Flow Order issued pursuant to the pertinent operation conditions and provisions set forth in the Transporter’s Tariff.

“Pensacola Lateral” means the twelve-inch steel pipeline to be constructed by CUC extending approximately 35 miles from the CUC-FGT interconnection located at the Alabama and Florida border to the Pensacola Meter Station, together with necessary appurtenances thereto (including permits, easements and other rights of way required for construction, operation and maintenance thereof).

“Pensacola Energy Shipper” means any customer of Pensacola Energy that has executed a transportation service agreement with Pensacola Energy that causes Gas to be

**Florida Division Of Chesapeake Utilities Corporation
Gas Transportation Service Agreement**

delivered to the CUC Receipt Point for consumption in Escambia County, Florida and has executed an Agency Agreement.

“Pensacola Meter Station” means the meter station to be constructed by CUC immediately downstream from the Pensacola Lateral and upstream of the outlet of the interconnecting flange with Pensacola’s Energy’s Gas distribution system.

“Shipper” means Pensacola Energy.

“Transporter” means Florida Gas Transmission Company, LLC.

“Transporter’s Tariff” means the FERC NGA Gas Tariff of FGT on file with the Federal Energy Regulatory Commission, as the same may be amended from time to time during the term of this Agreement.

“Western Division Project” means a proposed expansion of FGT’s Western Division facilities which requires FGT, subject to FERC approval, to construct, install, own, maintain and operate certain pipeline facilities including mainline looping and a hot tap, valves, connection piping, and electronic flow measurement to provide firm transportation service to a new interconnection to be constructed at the Florida/Alabama border in its Western Division.

**ARTICLE II
TRANSPORTATION SERVICE**

2.1 Maximum Daily Quantity. Shipper engages CUC, and CUC accepts such engagement, to receive Gas for the account of Shipper up to the Maximum Daily Transportation Quantity (“MDTQ”), at the CUC Receipt Point, and to cause an equivalent quantity, less retained fuel (if applicable), to be redelivered for the account of Shipper at the CUC Delivery Point. Such transportation service shall be considered Flexible Gas Service (FGS) governed by the CUC FPSC Tariff and this Agreement.

2.2 Facilities. CUC shall install the Gas distribution facilities and equipment required to provide the transportation service to the CUC Delivery Point. Unless the parties agree otherwise in writing, all facilities used by CUC to provide service hereunder shall be owned, operated and maintained by CUC at its sole cost and expense.

2.3 Pressure. Gas delivered by Shipper to the meter at the CUC Receipt Point(s) specified in Exhibit A shall be delivered to the inlet side of the point of receipt at the same pressure as the Shipper’s own Gas is delivered by Transporter to the inlet side of the Receipt Point meter. Gas redelivered by CUC to the Point(s) of Delivery shall be redelivered by CUC to the inlet side of the meter at the Point(s) of Delivery at a minimum pressure of two-hundred fifteen (215) pounds per square inch gauge.

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2.4 Additional Delivery Points. Shipper may request that additional delivery points to be added to the Pensacola Lateral, which points upon completion of the required facilities shall be added to the CUC Delivery Point(s) specified in Exhibit A under this Agreement. To the extent the addition of a delivery point requires construction of additional facilities, Shipper may construct such facilities itself or, at Shipper's election, CUC shall construct such facilities subject to reimbursement by Shipper of the actual costs incurred by CUC to install such facilities.

2.5 Assignment of Capacity Rights. Shipper may assign all or part its capacity and such capacity may be used by customers taking service from Shipper's Gas distribution system. Unless otherwise agreed, CUC shall invoice Pensacola Energy and Pensacola Energy shall remain responsible for all payments due CUC for the capacity assigned by Pensacola Energy to a Pensacola Energy Shipper at the rates and terms defined herein.

2.6 Damages for Delay in the In-Service Date. CUC shall complete the Pensacola Lateral and Pensacola Meter station and place such facilities into service on or before July 1, 2017. In the event that the Pensacola Lateral and Pensacola Meter Station are not placed into service on or before March 31, 2018, and such delay is not due to an event of Force Majeure, CUC shall reimburse Pensacola Energy for any pipeline transportation costs, penalties, or increased Gas costs incurred by Pensacola Energy that result for Pensacola Energy's inability to take service under this Agreement from April 1, 2018 until the In-Service Date. Amounts owed by CUC to Pensacola Energy for damages for delay in the In-Service Date shall not exceed \$5,700 in any Day, \$176,700 in any Month, \$2,120,400 in any Year, or \$3,200,000 in total during the term of this Agreement.

ARTICLE III

**FIRM TRANSPORTATION QUANTITY, QUANTITIES IN EXCESS OF THE
MDTQ, AND UNAUTHORIZED USE**

3.1 Maximum Daily and Hourly Quantities. The 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 CUC is obligated to transport on a Firm basis and make available for delivery for the account of Shipper under this Agreement on any one Gas Day.

3.2 Excess Quantities. Notwithstanding any other provision of this Agreement, (a) confirmation by CUC of Nominations for a Day in excess of the MDTQ and (b) delivery of hourly quantities in excess of the limitation set forth herein are subject to CUC's Firm deliveries to customers other than Shipper.

3.3 Operational Flow Orders. If, on any day Transporter issues an OFO and Shipper receives quantities, as measured at the Point(s) of Delivery, in excess of the quantity nominated by Pensacola Energy to FGT and confirmed by CUC, such

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Gas Transportation Service Agreement**

unauthorized use of transportation quantities shall be billed pursuant to the Rules and Regulations (Operational Controls) of the CUC FPSC Tariff.

ARTICLE IV

**FIRM TRANSPORTATION SERVICE RESERVATION CHARGE,
USAGE 2 CHARGE, AND OTHER CHARGES**

4.1 Rates and Charges. Starting on the In-Service Date, 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. If any other customer of CUC with a MDTQ equal to or less than Shipper is offered a Firm transportation rate (including a Reservation Charge or Fuel Retainage Percentage) for use of the Pensacola Lateral which is more favorable than the terms provided to Shipper under this Agreement, CUC shall adjust the pricing under this Agreement to conform to the more favorable terms from the date such pricing is effective for such other customer.

4.2 Overrun Charges. If, on any Day, Shipper receives quantities, as measured at the Point(s) of Delivery, in excess of the established MDTQ, as shown on Exhibit A, such use of transportation quantities (per Dekatherm) shall be billed at a Usage 2 rate as set forth on Exhibit A of this Agreement.

4.3 New Taxes. 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, that applies to the service provided by CUC under this Agreement, such change shall be implemented immediately upon the effective date of such change. Any party entitled to an exemption from any such taxes or charges shall furnish the other party any necessary documentation thereof.

4.4 Service Prior to In-Service Date. Upon completion of the Pensacola Lateral and Pensacola Meter Station, Pensacola Energy may request interim service prior to the In-Service Date by providing CUC written notice of its request to begin service prior to the In-Service Date. At Pensacola Energy's election, Transportation service during an interim period may be on a Firm basis, in which case the obligation to pay Reservation Charges and the mutual obligations of the Parties relating to Firm service under this Agreement shall take effect on the date specified in the notice Pensacola Energy provides to CUC, or if elected by Pensacola Energy, on an interruptible basis in which case Pensacola Energy shall pay the Usage 2 Charge set forth in Exhibit A for transportation quantities prior to the In-Service Date.

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**ARTICLE V
TERM, TERMINATION FOR
FAILURE TO PAY FOR SERVICES PROVIDED, RESERVATION CHARGE
ADJUSTMENTS, AND GAS SUPPLY SERVICES**

5.1 Effective Date and Term. 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 twenty-five (25) years from the In-Service Date. Thereafter, the Agreement shall be extended on a year-to-year basis unless terminated by either party, with at least one hundred and eighty (180) days written notice to the other party prior to the applicable termination date.

5.2 Survival of Imbalance Provisions. Any portion of this Agreement necessary to resolve monthly balancing and operational controls under this Agreement, pursuant to the Rules and Regulations of the CUC FPSC Tariff, shall survive the other parts of this Agreement until such time as such monthly balancing and operational controls have been resolved.

5.3 Events of Default and Termination. The following shall be deemed to be "Events of Default" by Shipper under this Agreement: (a) Shipper fails to pay for the service provided under this Agreement, (b) Shipper fails to provide assurances of performance to the extent such assurances may be required under Section 11.5 of this Agreement, (c) to the extent such provisions that are not in conflict with this Agreement and are applicable to the service provided under this Agreement, Shipper commits a material violation of the Rules and Regulations of the CUC FPSC Tariff, and (d) Shipper commits a material breach on this Agreement. If Shipper causes an Event of Default and fails to cure such failure, violation, or default within thirty (30) days of written notice of such event from CUC, CUC shall have the right to terminate this Agreement. In the event CUC (a) commits a material violation of its obligation to transport Gas, (b) commits a material breach of this Agreement, or (c) fails to provide assurances of performance to the extent such assurances may be required under Section 11.5 of this Agreement, and CUC fails to cure such violation or default within thirty (30) days of written notice from Shipper, Shipper shall have a right to suspend its performance including but not limited to its obligation to make payment under this Agreement. In the event that CUC fails to cure such violation or default within ninety (90) days of written notice Shipper shall have the right to terminate this Agreement.

5.4 Reservation Charge Credits - Failure to Deliver Gas. In the event CUC fails to provide all or part of the transportation service to Shipper up to the MDTQ and such failure is neither excused by an event of Force Majeure (as defined in Section 12.2 of this Agreement), nor caused by acts or omissions of Shipper, CUC shall credit Shipper on each Day transportation service is not provided the Reservation Charge multiplied by the MDTQ minus any quantities actually delivered on such Day. If the failure to deliver Gas is a result of an event of Force Majeure claimed by CUC and lasting for a period of greater than twenty-five (25) days, CUC shall credit Shipper on each Day transportation

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service is not provided fifty percent (50%) of the Reservation Charge multiplied by the MDTQ minus any quantities actually delivered on such Day.

5.5 Reservation Charge Credits – Western Division Project Delay. If the in-service date of the Western Division Project does not occur on or before March 31, 2018, thereafter and until the in-service date of the Western Division Project, CUC shall credit Pensacola Energy (a) on each Day capacity is needed by Pensacola Energy but not available to Pensacola Energy on FGT to deliver Gas to the CUC Receipt Point, the Reservation Charge multiplied by the MDTQ minus any quantities actually delivered by CUC to Pensacola Energy at the CUC Delivery Point on such Day, and (b) for the quantities actually delivered by CUC to Pensacola Energy at the CUC Delivery Point, the positive difference, if any, between the actual transportation costs incurred by Pensacola Energy for transportation service upstream of the CUC Receipt Point (including the transportation cost component of the purchase of Gas delivered at such point) and \$0.10 per Dt (excluding the cost of fuel and commodity charges).

5.6 Gas Supply in Lieu of Reservation Charge Credits. In lieu of reservation charge credits as provided in Section 5.5 herein, CUC at its sole discretion may elect to provide Pensacola Energy Firm Gas delivered to the CUC Receipt Point at the following sales price formula:

$$(FQ \times FGT \text{ GDA Z } 3) + \$0.10 + FGT \text{ WD Fuel} + FGT \text{ WD Usage}$$

FQ means Pensacola Energy's forecasted daily quantity to be delivered to the CUC Receipt Point

FGT GDA Z3 means the daily index price posted in Platt's Gas Daily for Florida Gas Zone 3

FGT WD Fuel means the applicable fuel retention under Transporter's Tariff for transportation from the FGT receipt point to the CUC Receipt Point

FGT WD Usage means the applicable commodity charges under Transporter's Tariff for transportation from the FGT receipt point to the CUC Receipt Point

5.7 Sale of Natural Gas. If the FERC authorization of the Western Division Project establishes initial rates for the capacity created by such expansion that are greater than rates referenced in Section 6.3 (b)(iii), or if Pensacola Energy is unable to acquire the capacity referenced in Section 6.3(b) pursuant to and under the terms of the agreement referenced therein, at Pensacola Energy's election, CUC or upon mutual agreement of the Parties, its Agent, shall sell Gas to Pensacola Energy on a Firm delivered basis at the CUC Receipt Point up to the MDTQ as provided below and under the following sales price formula:

$$\text{MDTQ} \times \$0.10 \times \text{days in Month; plus}$$

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(NQ x FGT GDA Z 3) + FGT WD Fuel + FGT WD Usage

NQ means the quantity of Gas Pensacola Energy nominates for purchase at the CUC Receipt Point. Nominations for a uniform delivery quantity in such Month ("Baseload Gas") must be made by Pensacola Energy not later than five Business Day prior to the first Day of the month. Nominations for quantities Pensacola requires on a daily basis shall be made not later than 9:00 am Central Time a Day prior to Gas flow ("Daily Gas")

FGT GDA Z3 means the first-of-the-month index price posted in Platt's Inside FERC Gas Market Report for Baseload Gas quantities and for Daily Gas quantities, the daily index price posted in Platt's Gas Daily for Florida Gas Zone 3

FGT WD Fuel means the applicable fuel retention under FGT's tariff for transportation from the FGT receipt point to the CUC Receipt Point

FGT WD Usage means the applicable commodity charges under FGT's tariff for transportation from the FGT receipt point to the CUC Receipt Point

ARTICLE VI

EARLY TERMINATIONS AND CONDITIONS PRECEDENT

6.1 Early Termination. If any Condition set forth in this Article 6, has not been fully satisfied or waived by CUC or Shipper, as applicable, by the applicable date specified herein, then (except as provided in the following sentence) either CUC (in the case of a Condition Precedent set forth in Section 6.2) or Shipper (in the case of a Condition Precedent set forth in Section 6.3) may thereafter terminate this Agreement, without liability of any kind to the other party hereto, by giving sixty (60) days' advance written notice of such termination. Such notice of termination must be delivered to the other party within thirty (30) days after the applicable date (if any) specified for the satisfaction of the indicated Condition Precedent or the right to terminate will be deemed to have been waived. If the relevant Condition Precedent is satisfied or waived after a party provides the sixty (60) day notice described above but before such sixty (60) day period has completely run, then such notice shall be deemed null and void with respect to that Condition Precedent.

6.2 CUC's Conditions Precedent. CUC's obligations under this Agreement are expressly made subject to the following Conditions Precedent, which are solely for the benefit of CUC, and only CUC shall have the right to waive such Conditions Precedent: (a) CUC's receipt on or before September 30, 2016 of all necessary internal approvals; (b) issuance by the FERC of any required authorizations and approvals

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necessary to effectuate the transaction contemplated by this Agreement, and completion by CUC of any and all actions which are in compliance with such FERC orders necessary to implement this transaction, in each case on terms acceptable to CUC, in CUC's sole discretion; (c) on or before March 28, 2017 CUC's receipt of notice from FGT that all necessary, final and not-appealable FERC authorizations related to the Western Division Project have been received on terms acceptable to CUC, in CUC's sole discretion; (d) issuance by the FPSC and any other applicable governmental or regulatory authorities of all final and non-appealable orders granting authorizations and approvals necessary to effectuate the transaction contemplated by this Agreement, and completion by CUC of any and all actions which are in compliance with such orders necessary to implement this transaction, in each case on terms acceptable to CUC, in CUC's sole discretion; (e) CUC's procurement of all materials, rights-of-way and other surface rights necessary for the construction and operation of the Pensacola Lateral and Pensacola Meter Station, in each case on terms acceptable to CUC in its sole discretion; (f) receipt by CUC of evidence of Shipper creditworthiness pursuant to the standards set forth in the CUC FPSC Tariff; and (g) CUC's receipt of any and all necessary permits necessary to effectuate the transaction contemplated by this Agreement.

6.3 Shipper's Conditions Precedent. Shipper's obligations under this Agreement are expressly made subject to the following Conditions Precedent, which are solely for the benefit of Shipper, and only Shipper shall have the right to waive such Conditions Precedent: (a) receipt, on or before September 30, 2016 of official City approvals; (b) on or before September 30, 2016 execution of a definitive agreement for a capacity release between CUC and Shipper to transport Gas from FGT's receipt Zone 3 to the CUC Receipt Point referenced in Article IX hereof, which agreement or capacity release provides for (i) the same term as the initial term of this Agreement (as set forth in Article V hereof); (ii) a MDTQ that is the same as the MDTQ as set forth in this Agreement; and (iii) the following rates applicable to the released capacity: a daily reservation rate of \$0.10 per Dt/day (plus all current and future applicable surcharges) and the maximum applicable commodity and fuel retention under the FGT FTS-WD Rate Schedule; (c) on or before March 28, 2017 Shipper receives notice from CUC that all necessary, final and not-appealable FERC authorizations related to the Western Division Project have been received on terms acceptable to CUC; and (d) CUC's commencement of construction of the Pensacola Lateral by June 1, 2017.

6.4 Efforts to Satisfy Conditions Precedent. Each of the parties shall use commercially reasonable efforts to satisfy the Conditions Precedent set out in Article VI throughout the term of this Agreement (including, without limitation, during any notice period). If Condition 6.3 (c) is not satisfied or waived by Shipper, then during the notice period the Parties (including senior management if necessary) agree to meet promptly and negotiate in good faith to reach mutual agreement on a substitute lawful arrangement to resolve the issue associated with the Condition not having been met or waived. Such good faith negotiations shall include, but not be limited to, revising the Start Date to a mutually satisfactory date to allow additional time for all necessary, final and not-

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appealable FERC authorizations related to the Western Division Project to have been received on terms acceptable to the Parties.

6.5 Termination for Convenience. After the In-Service Date, Shipper may terminate this agreement for convenience upon thirty (30) days prior written notice of its intent to terminate pursuant to this Section 6.5. In the event of such termination by Shipper, CUC shall be paid amounts necessary to resolve outstanding monthly balancing and operational controls under this Agreement, plus at Shipper's election (i) each year the Reservation Charges pursuant to this Agreement for the remainder of the 25-year term minus any revenues received by CUC from the sale of Shipper's capacity, or use of such capacity to serve other customers, or (ii) the net present value of the total lump sum of Reservation Charges for the remainder of the 25-year term calculated at a discount rate of 4.5 percent (4.5%) per annum, or (iii) Shipper may exercise an option to purchase an undivided ownership interest in twenty-five thousand (25,000) MMBtu per Day of capacity in the Pensacola Lateral, subject to execution of such agreements as are required to effectuate the joint ownership, operations, maintenance and use of the Pensacola Lateral by CUC and Shipper. The purchase price of the undivided interest is defined in Exhibit B attached hereto. In the event of Termination for Convenience by Shipper and Shipper elects either option (i) or option (ii) above, CUC shall not be restricted from the sale of Shipper's capacity, or use of such capacity to serve other customers; provided, however, that the revenues received from such other customers shall be applied as a credit against any amounts due from Shipper if Shipper has elected either option (i) or (ii) above. In the event of Termination for Convenience by Shipper, and Shipper elects option (iii) above, CUC shall not be restricted from future expansion of the Pensacola Lateral or subsequent monetization of the asset with a third party as long as it does not impede Shipper's use of its undivided ownership interest.

ARTICLE VII CUC's TARIFF PROVISIONS

7.1 Applicability and Interpretation of Tariff. Except to the extent it would impose an unlawful obligation on Shipper, the CUC FPSC Tariff including any amendments thereto approved by the FPSC during the term of this Agreement, is hereby incorporated into this Agreement and made a part hereof for all purposes. In the event this Agreement and the CUC FPSC Tariff have overlapping provisions, or if the CUC FPSC Tariff conflicts with the specific provisions of this Agreement, this Agreement shall prevail, in the absence of a FPSC order to the contrary.

ARTICLE VIII REGULATORY AUTHORIZATIONS AND APPROVALS

8.1 Authorizations. CUC'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 the CUC FPSC Tariff.

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**ARTICLE IX
DELIVERY POINT(S) AND POINT(S) OF DELIVERY**

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

9.2 Delivery Point(s). The point(s) of delivery shall be as set forth on Exhibit A attached hereto, and any other points to which Shipper is authorized to transport and deliver Gas pursuant to this Agreement.

9.3 Receipt and Redelivery of Gas. Shipper shall cause Transporter to deliver to CUC at the CUC Receipt Point(s), the quantities of Gas to be transported by CUC hereunder. CUC shall have no obligation for transportation of Shipper's Gas prior to receipt of such Gas from the Transporter at the CUC Receipt Point(s). CUC shall deliver such quantities of Gas received from the Transporter at the CUC Receipt Point(s) for Shipper's account to the Point(s) of Delivery.

**ARTICLE X
SCHEDULING AND BALANCING**

10.1 Nominations and Balancing. Shipper shall be responsible for nominating quantities of Gas to be delivered by the Transporter to the CUC Receipt Point(s) and delivered by CUC from the CUC Receipt Points to the Point(s) of Delivery. Shipper shall promptly provide notice to CUC of all such nominations. Imbalances between quantities (i) scheduled at the CUC Receipt Point(s) and the Point(s) of Delivery, and (ii) actually delivered by the Transporter and/or CUC hereunder, shall be resolved in accordance with the applicable provisions of the CUC FPSC Tariff, or under the provisions of a mutually agreed upon operational balancing agreement between the parties. In the event CUC's unexcused failure to receive Gas causes Shipper to incur an imbalance charge under its service agreement with FGT, CUC shall reimburse Shipper for such charges.

10.2 Rate of Flow. 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, CUC agrees to receive from the Transporter for Shipper's account at the CUC Receipt 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 this Agreement, and Shipper agrees to use reasonable efforts to regulate its deliveries from CUC'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 CUC pursuant to the provisions of the CUC FPSC Tariff.

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**ARTICLE XI
MEASUREMENT AND BILLING**

11.1 Measurement. The quantity of Gas delivered under this Agreement shall be measured by telemetering equipment installed by CUC at the Point(s) of Delivery. The Gas shall be measured in MMBtu. The quantity of Gas transported under this Agreement hereunder shall be billed by the MMBtu. Installation and operation of measurement equipment shall be governed by Section II.N of the Rules and Regulations (Metering) of the CUC FPSC Tariff including any amendments thereto approved by the FPSC during the term of this Agreement. Shipper may install check measurement and such facilities shall be governed by Section II.N.1.b of the Rules and Regulations (Metering) of the CUC FPSC Tariff.

11.2 Invoices. CUC shall render an invoice to the Shipper setting forth all charges under this Agreement each month on or before the tenth (10th) day of the Gas Month following the Gas Month that services are rendered. Each invoice shall indicate credit for payments received on account and a balance due to CUC. Balances due shall be paid in full by the Shipper by the twenty fifth (25th) day of the month in which the invoice is sent or fifteen (15) days after the invoice is sent, whichever is later.

11.3 Late Payment. All invoices not paid as provided in Section 11.2 shall be deemed late and shall accrue interest, from the date when payment was due until the date payment is received, at a rate per annum equal to the prime rate published by The Wall Street Journal plus 2% (200 basis points). For purposes of this Section 11.3, due dates shall not be deemed to fall on Saturdays, Sundays, or Federal Reserve Bank holidays, but rather on the next Business Day.

11.4 Failure to Pay Invoices. Should the Shipper fail to pay an invoice for thirty (30) days after payment is due, CUC, in addition to any other remedies provided for under this Agreement or at law or in equity, upon reasonable notice to the Shipper, may discontinue service to the Shipper under this Agreement. Such action by CUC shall not constitute a breach of this Agreement. Each party reserves to itself all rights, set-offs, counterclaims, and other defenses to which it is or may be entitled arising from this Agreement.

11.5 Creditworthiness and Assurances of Performance. If either party has reasonable grounds for insecurity regarding the performance of any obligation under this Agreement (whether or not then due) by the other party (including, without limitation, the occurrence of a material change in the creditworthiness of such party or its guarantor, if applicable), the requesting party may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to the requesting party, including, but not limited to cash, a standby irrevocable letter of credit, a prepayment, a guaranty, or, to the extent permitted by law, a security interest in an asset. To the extent permitted by law, the providing party hereby grants to the requesting party

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a continuing first priority security interest in, lien on, and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by the providing party to the requesting party pursuant to this Section 11.5. Upon the return by requesting party to the providing party of such Adequate Assurance of Performance, any security interest and lien granted hereunder on that Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party.

11.6 Errors and Adjustments to Invoices. The adjustment of bills for meter errors shall be governed by the terms of Section II.L.9 of the Rules and Regulations (Billing) of the CUC FPSC Tariff including any amendments thereto approved by the FPSC during the term of this Agreement.

11.7 Invoice Disputes. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed without undue delay. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section 11.7.

ARTICLE XII FORCE MAJEURE

12.1 Notice of Force Majeure Event and Suspension of Performance Obligations. In the event either CUC or Shipper is unable wholly or in part by Force Majeure to carry out its obligations under this Agreement, 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. A party experiencing a force majeure event shall be required to remedy such situation with all reasonable dispatch.

12.2 Definition of Force Majeure Event. The term "Force Majeure", as employed herein, shall mean causes or events, whether of the kind hereinafter enumerated or otherwise in the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome, including but not limited to, 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 unplanned repairs or alterations to machinery or lines of pipe, freezing of well or lines of pipe, or partial or entire failure of source of supply; such term shall likewise include (a) in those

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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.

12.3 Strikes or Lockouts. 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.

**ARTICLE XIII
GAS QUALITY, WARRANTY, CONTROL AND INDEMNIFICATION**

13.1 Quality. All Gas delivered by CUC shall meet the quality and heat content requirements of the Transporter's Tariff. CUC reserves the right to reject any Gas tendered by Shipper for transportation by CUC that does not meet the applicable quality standards set forth in Transporter's Tariff and Shipper reserves the right to reject receipt of Gas from CUC that does not meet the applicable standards set forth in Transporter's Tariff.

13.2 Title. Shipper warrants that it will have good and merchantable title to, or that it has good right to deliver, all Gas that Shipper causes Transporter to deliver to CUC for Shipper's account at the CUC Receipt 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, CUC 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 CUC, conditioned for the protection of CUC with respect to such claim; or (ii) in the case of a breach of warranty, Shipper promptly furnishes evidence, satisfactory to CUC, of Shipper's title to said Gas.

13.3 Possession of Gas. Shipper shall be deemed to be in control and possession of Gas prior to delivery to the CUC Receipt Point(s) and CUC shall be deemed to be in control and possession of the Gas to be transported by it upon delivery of such Gas by Transporter to the CUC Receipt Point(s) and until it shall have been delivered to the

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Point(s) of Delivery. Each party, while deemed to be in control and possession of such Gas, shall be responsible for, and, to the extent permitted by law, shall indemnify and hold the other harmless from any and all claims, actions, suits, including attorney's fees, arising out of or relating to custody and control of such Gas.

**ARTICLE XIV
MISCELLANEOUS PROVISIONS**

14.1 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:

CUC: Florida Division of Chesapeake Utilities Company
911 S. 8th Street
Fernandina Beach Florida, 32034
Attention: Kevin Webber

Shipper: Pensacola Energy
1625 Atwood Drive
Pensacola Florida 32514-0075
Attention: Don Suarez

Any notice given under this Agreement by mail to the addressee party's address set out above shall be deemed received by such party at the end of the third (3rd) day after the date of mailing. If such notice is delivered by hand, overnight courier or facsimile transmission, it shall be deemed to have been received by the addressee party on the date and at the time reflected on the confirmation of its delivery.

14.2 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.

14.3 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 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.

14.4 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

Florida Division Of Chesapeake Utilities Corporation Gas Transportation Service Agreement

notices pursuant to this Agreement must be sent or (b) the individual designated as the Contact Person pursuant to Section 14.1 shall not require an amendment of this Agreement provided such change is communicated in accordance with Section 14.1 of this Agreement. Further, the parties expressly acknowledge that the limitations on amendments to this Agreement set forth in this section shall not apply to or otherwise limit the effectiveness of amendments that are or may be necessary to comply with the requirements of, or are otherwise approved by, the FPSC or its successor agency or authority.

14.5 Severability. If any provision of this Agreement becomes or is declared by a FERC or FPSC order or regulation or 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.

14.6 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.

14.7 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.

14.8 Independent Parties. CUC and Shipper shall perform hereunder as independent parties. Neither CUC 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 duty, standard of care or liability with respect to any third person.

14.9 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. Notwithstanding the foregoing, and in accordance with the CUC FPSC Tariff, Shipper may assign its rights and delegate its duties under this Agreement in whole or in part to an agent to act on Shipper's behalf by written notice delivered to CUC which shall be subject to CUC's

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approval and shall not be unreasonably withheld.

14.10 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. CUC and Shipper shall comply at all times with all applicable federal, state, municipal, and other laws, ordinances and regulations. CUC 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 FPSC, over this Agreement or any part thereof. In the event of such contestation, and unless otherwise prohibited from doing so under this Section 14.10, CUC shall continue to transport and Shipper shall continue to receive 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.

14.11 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 claim, action or proceeding arising out of this agreement shall be Escambia County, Florida.

14.12 Public Records Act. The parties acknowledge and agree to fulfill all obligations respecting required contract provisions in any contract entered into or amended after July 1, 2016, in full compliance pursuant to Section 119.0701, Florida Statutes, and obligations respecting termination of a contract for failure to provide public access to public records. The parties expressly agree specifically that the contracting parties hereto shall comply with the requirements within Attachment "1" attached hereto and incorporated by reference.

14.13 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.

Signature Page Follows

**Florida Division Of Chesapeake Utilities Corporation
Gas Transportation Service Agreement**

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.

CUC:

Florida Division
of Chesapeake Utilities Corporation

SHIPPER:

THE CITY OF PENSACOLA,
doing business as Pensacola Energy,
a Municipal Corporation

EW Carson

FOR

(Contractor's Name)

Mayor, Ashton J. Hayward, III

By _____
President

Erica L. Burnett



City Clerk, Erica L. Burnett

(Printed President's Name)

Approved As To Substance:

Attest _____
Corporate Secretary

Don J Suarez

Don J Suarez, Pensacola Energy Director

(CORPORATE SEAL)

Legal in form and valid as drawn:

Dydia H. Bowling

City Attorney

**Florida Division Of Chesapeake Utilities Corporation
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EXHIBIT A

FIRM TRANSPORTATION SERVICE AGREEMENT

BETWEEN

FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

AND

CITY OF PENSACOLA

Description of CUC Receipt Point(s)	Description of CUC Delivery Point(s)	MDQ (Dekatherms)	MDTQ (Dekatherms)	MHTP (Dekatherms)
CUC-FGT Interconnection in Escambia County Florida	CUC-Pensacola Interconnection in Escambia County Florida	28,500**	28,500 plus the Fuel Retention Percentage**	1,197*

* In the event Shipper's upstream firm transportation agreement with Transporter specifies the CUC Receipt Point(s) as a primary delivery point, the MHTP under this Agreement shall be increased to the extent the hourly flow rates permitted by FGT under Shipper's firm transportation agreement and Transporter's Tariff exceed the MHTP specified above if hourly deliveries in excess of 4.2% can be provided without detriment to services required by CUC's other similarly situated Firm customers.

** After year 5 Shipper may reduce the MDQ and MDTQ to 25,000 Dekatherms per day

Fuel Retention Percentage:
Year 1 through Year 5 - 0%

Year 6 through Year 25 - 0.1% of the Gas received by CUC for the account of Shipper at the CUC Receipt Point, which CUC shall retain at no cost to CUC to cover lost and unaccounted for Gas between the CUC Receipt Point(s) and CUC Delivery Point(s)

Monthly Reservation Charge:
\$0.22 per Dekatherm x days in month x MDQ

Usage 2 Charge:
\$0.24 per Dekatherm

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EXHIBIT B
SHIPPER'S TERMINATION PURCHASE OPTION

TERMINATION YEAR	PURCHASE OPTION AMOUNT
1	\$ 22,479,343
2	\$ 21,959,903
3	\$ 21,440,463
4	\$ 20,921,024
5	\$ 20,401,584
6	\$ 19,882,144
7	\$ 19,362,704
8	\$ 18,843,264
9	\$ 18,323,825
10	\$ 17,804,385
11	\$ 17,284,945
12	\$ 16,765,505
13	\$ 16,246,065
14	\$ 15,726,626
15	\$ 15,207,186
16	\$ 14,687,746
17	\$ 14,168,306
18	\$ 13,648,866
19	\$ 13,129,427
20	\$ 12,609,987
21	\$ 12,090,547
22	\$ 11,571,107
23	\$ 11,051,667
24	\$ 10,532,228
25	\$ 10,012,788

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APPENDIX A – AGENCY AGREEMENT

This Agency Agreement is made and entered into as of the ____ day of _____, 20__ by and among _____, a _____ (“Pensacola Energy Shipper”), City of Pensacola d/b/a/ Pensacola Energy, a municipal corporation created and existing under the laws of the State of Florida (“Pensacola Energy”) and Florida Division of Chesapeake Utilities Corporation, a corporation of the State of Delaware (“CUC”) being referred to hereinafter as the “parties”.

WHEREAS, the Pensacola Energy facilities located in Escambia County, Florida have no direct point of interconnection with the interstate pipeline system of Florida Gas Transmission Company, LLC (“FGT”);

WHEREAS, CUC’s Pensacola Pipeline Lateral is directly connected with FGT’s interstate gas pipeline;

WHEREAS CUC and Pensacola Energy are parties to a Gas Transportation Agreement dated as of _____, pursuant to which CUC will transport gas received for the account of Pensacola Energy Shipper at interconnection with the FGT pipeline system for delivery to the CUC delivery point (the CUC Gas Transportation Agreement); and

WHEREAS Pensacola Energy’s transportation rights on the Pensacola Lateral will be utilized to provide service to Pensacola Energy Shipper pursuant to Pensacola Energy Shipper’s gas transportation service agreement with Pensacola Energy, and Pensacola Energy Shipper desires to appoint Pensacola Energy as its agent for purposes transporting gas from the CUC-FGT interconnection hereinafter identified as CUC Receipt Point to the CUC interconnection with Pensacola Energy.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth, the parties hereto, intending to be legally bound, agree as follows:

1. Pensacola Energy Shipper hereby appoints Pensacola Energy as its agent for the purpose of arranging with CUC for the transportation of gas owned by Pensacola Energy Shipper and delivered for the account of Pensacola Energy Shipper to CUC at the CUC Receipt Point to the CUC interconnection with Pensacola Energy; provided, however, that between Pensacola Energy and CUC, Pensacola Energy shall be solely responsible for compliance with terms and conditions of the CUC Gas Transportation Agreement, and for payment when due of all charges arising under such agreement.

2. Pensacola Energy Shipper hereby appoints Pensacola Energy as its agent for purposes of nominating and scheduling gas to be transported by CUC, resolving imbalances and compliance with operational flow orders issued by CUC under the CUC Gas Transportation Agreement as it relates to transportation of Pensacola Energy Shipper’s gas.

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3. CUC shall have no responsibility with respect to any agreements or arrangements between Pensacola Energy Shipper and Pensacola Energy.

4. For purposes of this agreement the CUC Receipt Point shall be a new interconnection between FGT and CUC located near the Florida and Alabama State line.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their respective duly authorized representatives effective as of the dates first above written

PENSACOLA ENERGY SHIPPER

By:

PENSACOLA ENERGY

By:

FLORIDA DIVISION of
CHESAPEAKE UTILITIES


By:

**Florida Division Of Chesapeake Utilities Corporation
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Attachment 1

PUBLIC RECORDS: Consultant/Contractor/Vendor shall comply with Chapter 119, Florida Statutes. Specifically, Consultant/ Contractor/Vendor shall:

- A. Keep and maintain public records required by the City to perform the service.
- B. Upon request from the City's custodian of public records, provide the City with a copy of the requested records or allow the records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in Chapter 119, Florida Statutes, or as otherwise provided by law.
- C. Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of the Agreement term and following the completion of the Agreement if Consultant/ Contractor/Vendor does not transfer the records to the City.
- D. Upon completion of the Agreement, transfer, at no cost, to City, all public records in possession of Consultant/Contractor/Vendor or keep and maintain public records required by the City to perform the service. If Consultant/Contractor/Vendor transfers all public records to City upon completion of the Agreement, Consultant/ Contractor/Vendor shall destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. If Consultant/Contractor/Vendor keeps and maintains public records upon completion of the Agreement, Consultant/Contractor/Vendor shall meet all applicable requirements for retaining public records. All records stored electronically must be provided to the City, upon request of the City's custodian of public records, in a format that is compatible with the information technology systems of the City.

Failure by Consultant/Contractor/Vendor to comply with Chapter 119, Florida Statutes, shall be grounds for immediate unilateral cancellation of this Agreement by City.

IF CONSULTANT/CONTRACTOR/VENDOR HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO THE CONTRACTOR'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS AGREEMENT, CONTACT THE CUSTODIAN OF PUBLIC RECORDS AT: THE OFFICE OF THE CITY ATTORNEY, (850) 435-1715, PUBLICRECORDS@CITYOFPENSACOLA.COM, 222 WEST MAIN STREET, PENSACOLA, FL 32502.