

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Notice by St. Joe Natural Gas Company, Inc. of execution of Settlement Agreement and Contract Transportation Service Agreement with Florida Coast Paper Company, L.L.C. and, to extent required, petition for expedited approval of agreements.

DOCKET NO. 971208-GU  
ORDER NO. PSC-97-1531-FOF-GU  
ISSUED: December 8, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
DIANE K. KIESLING  
JOE GARCIA

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING AGREEMENTS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Between 1989 and 1993, St. Joe Natural Gas Company, Inc. ("St. Joe Gas" or "Company") entered into three agreements with St. Joe Forest Products Company, Inc., ("St. Joe Forest"): Service Agreement for Large Volume Service; Sale and Purchase Agreement; and Large Interruptible Service Agreement. These agreements established terms and conditions for the transportation and sale of natural gas on a firm basis to St. Joe Forest's paper mill in Port St. Joe, Florida.

To obtain the capacity necessary to bring the natural gas contracted for by St. Joe Forest, the Company entered into two firm transportation agreements (FTS-1 and FTS-2) with Florida Gas Transmission Company ("FGT"). These contracts obligated the

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Company to pay FGT a monthly pipeline reservation charge for the firm capacity. Over time, the Company billed St. Joe Forest for the FGT reservation charges along with other charges for gas purchased from the Company.

To supply the natural gas contracted for by St. Joe Forest, the Company secured a loan with NationsBank of Florida in the amount of \$2,331,841 to finance the construction of an eight-inch natural gas pipeline from FGT's lateral in Overstreet, Florida, to the Company's existing meter station in Gulf County, Florida. In support of the NationsBank loan, St. Joe Forest, under a Security Agreement with St. Joe Gas, agreed to make direct payments to the lender on behalf of the Company in the amount of \$39,396.45 per month, regardless of the actual therms sold and/or delivered by the Company to St. Joe Forest during any given month.

On May 30, 1996, St. Joe Forest sold its paper mill in Port St. Joe, Florida, to Florida Coast Paper Company, L.L.C. (Florida Coast) and assigned to Florida Coast its rights and obligations under the three agreements with St. Joe Gas. Subsequent to the assignment, Florida Coast and St. Joe Gas had disputes over contract terms, capacity obligations, and Florida Coast's performance under the three agreements. As a result, in June 1997, St. Joe Gas brought suit against St. Joe Corporation, St. Joe Forest's parent corporation, in the circuit court for Duval County, Florida, Case No. 97-03190CA. Florida Coast moved to intervene in the litigation.

Because of this dispute, St. Joe Gas sought relief of its FGT-1 obligation. In July 1997, the Company was relieved of its future obligation to pay the monthly reservation charges under its FTS-1 agreement with FGT. With the future capacity obligation removed, St. Joe Gas and Florida Coast entered into negotiations in an attempt to resolve their disputes over contract terms and Florida Coast's past performance and to agree on amendments to the three agreements for future performance. The negotiations resulted in a Settlement Agreement and a Service Agreement for Contract Transportation Service. On September 15, 1997, St. Joe Gas petitioned this Commission for approval of these new agreements.

In accordance with the Settlement Agreement, Florida Coast agrees to pay \$503,370.97 (owed to FGT by St. Joe Gas) in unpaid capacity reservation charges under the Company's FTS-1 and FTS-2 agreements, including any interest owed through the date of execution of the Settlement Agreement. Florida Coast negotiated

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the terms of payment directly with FGT such that FGT looks solely to Florida Coast for payment and releases any and all claims against St. Joe Gas for these amounts.

As part of the Settlement Agreement, St. Joe Gas and Florida Coast agree to amend the existing Sale and Purchase Agreement as follows:

- Florida Coast agrees to make monthly payments of \$39,396.45 directly to NationsBank until the NationsBank loan is paid in full.
- Florida Coast agrees to make these monthly payments regardless of whether any actual therms of natural gas are sold and/or delivered by St. Joe Gas to Florida Coast in any month during the term of the amended Sale and Purchase Agreement.
- The amount of each payment made by Florida Coast to NationsBank will be credited by St. Joe Gas to Florida Coast's prepaid gas account.
- After the effective date of the amended Sale and Purchase Agreement, the monthly payments for the NationsBank loan are the only payments by Florida Coast that will be credited to the prepaid gas account.
- The volumes of natural gas required to be sold or transported on a firm basis are replaced by minimum annual and monthly volumes of natural gas required to be paid for, regardless of the volumes actually transported, pursuant to the terms of the Service Agreement for Contract Transportation Service.
- The rate applied to the volumes purchased or transported on the Company's distribution system shall be the effective tariff rate, as approved by the Commission.
- Beginning on the effective date of the amended Sale and Purchase Agreement, payments made by Florida Coast for gas required for transport, but not taken by Florida Coast, shall not constitute prepaid gas as provided for in the original Sale and Purchase Agreement.

- Beginning on the date of the amended Sale and Purchase Agreement, interest on Florida Coast's gas account, as provided for in the original Sale and Purchase Agreement, shall cease to accrue.
- Prior to the date the NationsBank loan is paid in full, Florida Coast may access its prepaid gas account on a monthly basis only after it has paid the Company for an amount in excess of 660,680.33 therms of natural gas within the month. Once the 660,680.33 therms of natural gas threshold has been met in the month, amounts above 660,680.33 therms bought or transported will be credited against the prepaid gas account, based on the current applicable tariff rate.
- After the NationsBank loan is paid in full, Florida Coast can access the prepaid gas account after the Company is paid for an amount in excess of 367,500 therms within the current month. One half of amounts above 367,500 therms will be paid for from the prepaid gas account and the balance will be paid in cash by Florida Coast, based on the applicable tariff rate.
- The amended Sale and Purchase Agreement shall continue in effect until such date as both the NationsBank loan has been paid in full and the balance in the prepaid gas account has been reduced to zero. On the date when both events have occurred, the amended Sale and Purchase Agreement shall automatically terminate and neither Florida Coast nor the Company shall have further obligations to the other under that agreement.
- Delete references to 1,895,808 therms and monthly proceeds, substituting the minimum therms required to be paid for under the amended Sale and Purchase Agreement in order to access the prepaid gas account.
- On the date when the NationsBank loan has been paid in full and the balance in the prepaid gas account has been reduced to zero, the amended Security Agreement shall automatically terminate and neither Florida Coast nor the Company shall have any further obligations to the other under the Security Agreement.

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On the date of execution of the Settlement Agreement and the Service Agreement for Contract Transportation Service, the Service Agreement for Large Volume Service and the Large Interruptible Service Agreement shall terminate. Thereafter, the relationship between St. Joe Gas and Florida Coast regarding gas supply shall be governed by the Settlement Agreement, the amended Sale and Purchase Agreement, and the Service Agreement for Contract Transportation Service. The rates, terms, and conditions established under these agreements are reasonable and consistent with rates, terms, and conditions previously approved for St. Joe Gas by this Commission.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Settlement Agreement and Service Agreement for Contract Transportation Service between St. Joe Natural Gas Company, Inc., and Florida Coast Paper Company, L.L.C., are approved. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 8th day of December, 1997.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 29, 1997.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule

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9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.