



February 22, 2019

DIRECTIVE CONFIRMATION

To: Ed Liberty, City of Lake Worth ("LAKE WORTH")
From: David Wagner, Florida Gas Utility ("FGU")
Subject: Authorization for Execution of Natural Gas Sale and Purchase Agreements ("Directive")

This Directive is given pursuant to the Gas Services Agreement between FGU and LAKE WORTH, dated as of July 26, 1995 (the "Agreement"). Pursuant to Article XI of the Agreement, and to FGU's Credit Policy A-8 and the corresponding Credit Policy Operating Procedures, LAKE WORTH hereby requests and authorizes FGU to sell natural gas, bundled with firm FGT transportation capacity, to Peninsula Energy Services Company ("PESCO") on behalf of LAKE WORTH under the following terms and conditions:

Term: May 1, 2019 through October 31, 2025; provided however that LAKE WORTH may terminate the sale, effective no earlier than December 31, 2021, upon 365 days' prior written notice if LAKE WORTH proceeds with a capital project requiring natural gas delivery to the City of Lake Worth.

Quantity: 7,542 Dths/day

Delivery Point: Miami LNG Holdings (POI 100042), or other FGT points mutually agreed upon by PESCO and FGU

Price: Stated in dollars per dekatherm and equal to Inside FERC Monthly Index for Florida Gas, Zone 3 plus (i) FGT variable usage/fuel charges, (ii) the maximum tariff reservation rate for FGT FTS-2, or any successor rate schedule (subject to true-up for any rate adjustments ordered by the FERC), and (iii) an adder of \$0.155/Dth (effective 8/1/2021, the adder will be \$0.255/Dth).

Credit Extension: To support the sale to PESCO, for the Term LAKE WORTH requests and authorizes FGU to extend an open line of credit to Chesapeake Utilities Corporation ("CUC"), PESCO's guarantor under the sale agreement, of a floating dollar amount equal to FGU's contract exposure to PESCO under this Directive for two full calendar months contingent upon CUC providing FGU an equivalent parent guarantee. In the event that LAKE WORTH, in its reasonable discretion, deems CUC is no longer creditworthy, LAKE WORTH may direct FGU to demand an alternate form of security from PESCO for assurance of performance.

Credit Allocation: FGU will allocate the security provided by PESCO in accordance with the Exhibit A (FGU Credit Allocation) attached to this Directive.

Other terms: LAKE WORTH's obligation to directly support the purchase of firm gas and the sale of bundled gas and transportation capacity to PESCO is limited to the delivery months of May through October each year.

LAKE WORTH further authorizes FGU to purchase firm natural gas, in quantities and at locations and for terms as determined by FGU's CEO and General Manager, or its designee, required to effectuate the delivery of the gas sale to PESCO.

LAKE WORTH acknowledges that the quantities of gas purchased and sold by FGU pursuant to this directive will be done so under firm contracts and that FGU will be required to take and make delivery of such quantities. LAKE WORTH will be obligated to reimburse FGU for the cost of the purchased gas, regardless of whether FGU is reimbursed under its sale contract to PESCO. Furthermore, LAKE WORTH understands that any claim for adequate credit assurance that results in a margin posting or prepayment of quantities by FGU, an early termination of the purchase and/or sale that results in an early termination expense, or any other costs incurred by FGU on LAKE WORTH's behalf as a result of the transactions, are the financial responsibility of LAKE WORTH.

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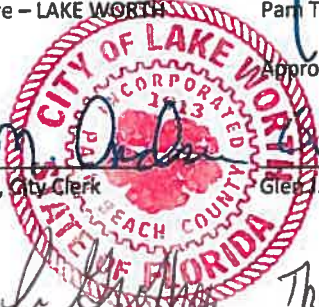


This Directive is supplemental to the Agreement and shall not be viewed as an amendment of any terms, provisions or requirements contained in the Agreement.

Authorized Signature – LAKE WORTH *Pam Triolo* 2/02/19
Pam Triolo, Mayor Date

Attest: Approved as to form and legal sufficiency:

Deborah M. Andrea *Gies J. Torcivia* FOR
Deborah M. Andrea, City Clerk Gies J. Torcivia, City Attorney



Thomas A. Geokroy Thomas A. Geokroy 2-22-19
Authorized Signature – FGU Print Name Date



Directive Confirmation Exhibit A - FGU Credit Allocation

Per the terms of the transaction confirmation between FGU and PESCO for the FGU sale of natural gas for the period of March 1, 2019 through November 30, 2025, PESCO shall be required to securitize FGU’s exposure to PESCO under the contract with collateral reasonably satisfactory with FGU, in an amount equal to the sum of (i) the contract exposure for two full calendar months, and (ii) six months of FGT FTS-2 reservation charges based on the maximum tariff rate as posted in FGT’s tariff for the quantity of 7,542 Dths. For purposes of allocating such security among the FGU members directing the sale to PESCO, FGU shall apply the methodology outlined below.

Allocation of Security in the Event of Non-Payment by PESCO

Allocation of Amount (i) above - contract exposure for two months		
Timing of Non-Payment	Lake Worth	FMPA
January	\$0	2-months of contract exposure
February	\$0	2-months of contract exposure
March	\$0	2-months of contract exposure
April	\$0	2-months of contract exposure
May	1-month of contract exposure	1-month of contract exposure
June	2-months of contract exposure	\$0
July	2-months of contract exposure	\$0
August	2-months of contract exposure	\$0
September	2-months of contract exposure	\$0
October	2-months of contract exposure	\$0
November	1-month of contract exposure	1-month of contract exposure
December	\$0	2-months of contract exposure

Allocation of Security in the Event of Default by PESCO and Early Termination by FGU

Allocation of Amount (ii) above - six months reservation charges	
Lake Worth	FMPA
up to the full amount, depending on actual damages to Lake Worth as determined under the NAESB Contract between FGU and PESCO	any amount of security remaining after determination of Lake Worth damages