



October 21, 2020

***DIRECTIVE CONFIRMATION***

**To:** Brian King, City of Lake Worth Beach ("Lake Worth Beach")  
**From:** David Wagner, Florida Gas Utility ("FGU")  
**Subject:** Amended and Restated Directive to Authorize Remarketing of Capacity ("Amended and Restated Directive")

WHEREAS, on February 22, 2019, Lake Worth Beach (formerly Lake Worth) issued a directive (the "Directive") to authorize FGU to sell natural gas, bundled with firm FGT transportation capacity to Peninsula Energy Services Company ("PESCO") on behalf of Lake Worth Beach under the terms and conditions contained therein (the "Transaction"); and

WHEREAS, on October 15, 2019, Lake Worth Beach issued an addendum (the "Addendum") to the Directive to authorize FGU to consent to and execute the assignment of PESCO's rights and obligations in the Transaction to Gas South, LLC ("Gas South"); and

WHEREAS, FGU and Gas South desire to modify the structure of the Transaction to enable a release of some or all of the FGT capacity contemplated therein from FGU to Gas South to be managed under an asset management agreement by Gas South; NOW THEREFORE, Lake Worth Beach hereby issues this Amended and Restated Directive, which shall supersede and replace the Directive and Addendum, for the purpose of authorizing FGU to remarket Lake Worth Beach's firm gas transportation capacity on FGT as described herein.

This Amended and Restated Directive is given pursuant to the Gas Services Agreement between FGU and Lake Worth Beach, 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 Beach hereby requests and authorizes FGU to remarket Lake Worth Beach's firm gas transportation capacity on FGT via either capacity release, sale of gas supply bundled with Lake Worth Beach's capacity, or a combination thereof, to Gas South on behalf of Lake Worth Beach under the following terms and conditions:

**Term:** March 1, 2019 through November 30, 2025; provided however that Lake Worth Beach FGU may terminate the sale to Gas South, effective no earlier than December 31, 2021, upon 365 days' prior written notice if Lake Worth Beach proceeds with a capital project requiring natural gas delivery to the City of Lake Worth.

**Quantity:** 7,542 Dths/day for only the delivery months of May through October each year during the Term

**Delivery Point:**

For quantities remarketed via sale of gas supply bundled with capacity:

FGT Market Area - Miami LNG Holdings (Loc # 100042), or other FGT points mutually agreed upon by Gas South and FGU

For quantities remarketed via capacity release:

FGT Market Area – W Lake Worth CTG-FGU (Loc # 78280)

**Minimum Price:**

For quantities remarketed via sale of gas supply bundled with capacity:

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).

For quantities remarketed via capacity release:

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) plus an adder of \$0.155/Dth (effective 8/1/2021, the adder will be \$0.255/Dth).

**Credit:** To support the sale to Gas South during the Term, Lake Worth Beach agrees and accepts the irrevocable letter of credit (the "Letter of Credit"), posted by Gas South in favor of FGU and issued by Sun Trust Bank in an amount sufficient to cover (i) two full calendar months of FGU's contract exposure to Gas South plus (ii) six-months of FGT FTS-2 reservation charges for Lake Worth Beach's FGT capacity, to satisfy the credit support requirements of the Transaction. FGU will allocate the security provided by Gas South in accordance with the Exhibit A (FGU Credit Allocation) attached to this Amended and Restated Directive.

Lake Worth Beach acknowledges that any capacity released by FGU pursuant to this Amended and Restated Directive may be done so on a non-recallable basis. Lake Worth Beach will be obligated to pay for the released transportation capacity should Gas South fail to make payment to FGT.

Lake Worth Beach 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, as required to effectuate an optimal delivery of any gas supply bundled with transportation capacity sold to Gas South under this Amended and Restated Directive. Lake Worth Beach acknowledges that the quantities of gas purchased and sold by FGU pursuant to this Amended and Restated Directive will be done so under firm contracts and that FGU will be required to take and make delivery of such quantities. Lake Worth Beach will be obligated to reimburse FGU for the cost of the purchased gas, regardless of whether FGU is reimbursed under its sale contract to Gas South. Furthermore, Lake Worth Beach 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 Beach's behalf as a result of Gas South related transactions, are the financial responsibility of Lake Worth Beach.

This Amended and Restated 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 Beach

\_\_\_\_\_  
Date



**Directive Confirmation Exhibit A - FGU Credit Allocation**

Per the terms of the transaction confirmation between FGU and Gas South for the FGU sale of natural gas for the period of March 1, 2019 through November 30, 2025, Gas South shall be required to securitize FGU’s exposure to Gas South 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 Gas South, FGU shall apply the methodology outlined below.

**Allocation of Security in the Event of Non-Payment by Gas South**

Allocation of Amount (i) above - contract exposure for two months		
Timing of Non-Payment	Lake Worth Beach	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 Gas South and Early Termination by FGU**

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