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**ANNUAL REPORT OF**  
**NATURAL GAS UTILITIES**

FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

WINTER HAVEN, FLORIDA

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2005

Officer or other person to whom correspondence should be addressed concerning this report:

Name	Thomas A. Geoffroy	Title	Assistant Vice President
Address	P.O. Box 960	City	Winter Haven State FL
Telephone No.	863-293-2125	PSC/ECR 020-G (10/03)	

**INSTRUCTIONS FOR FILING THE  
ANNUAL REPORT OF NATURAL GAS UTILITIES**

**GENERAL INSTRUCTIONS**

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.
- II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.
- V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.
- VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.
- VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.
- VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

**DEFINITIONS**

- I. Btu per cubic foot - The total heating value expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60° F if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury at 32° F, and under standard gravitational force (980.665 cm per sec. <sup>2</sup>) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)
- II. Respondent - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

# ANNUAL REPORT OF NATURAL GAS UTILITIES

## IDENTIFICATION

01 Exact Legal Name of Respondent  Chesapeake Utilities Corporation-Florida Division	02 Year of Report  December 31,2005
03 Previous Name and Date of Change (if name changed during year)	
04 Address of Principal Office at End of Year (Street, City, State, Zip Code)  1015 6th St. NW, Winter Haven, Florida 33881	
05 Name of Contact Person  Lisa Klotz	06 Title of Contact Person  Sr Accountant
07 Address of Contact Person (Street, City, State, Zip Code)  909 Silver Lake Blvd, Dover, DE 19946	
08 Telephone of Contact Person, Including Area Code  302-734-6799	09 Date of Report (Mo., Day, Yr)  31-May-06

## ATTESTATION

I certify that I am the responsible accounting officer of


**Chesapeake Utilities Corporation**

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2005 to December 31, 2005, inclusive.

I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

  
\_\_\_\_\_  
Signature

5/31/06  
\_\_\_\_\_  
Date

Michael P. McMasters  
\_\_\_\_\_  
Name

Sr. Vice President, Chief Financial Officer  
\_\_\_\_\_  
Title

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Name of Respondent Chesapeake Utilities Corporation	For the Year Ended Dec. 31, 2005
<b>CONTROL OVER RESPONDENT</b>	
1. If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or	organization. If control was held by a trustee(s), state name of trustee(s). 2. If the above required information is available from the SEC 10K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.

<b>CORPORATIONS CONTROLLED BY RESPONDENT</b>			
1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.	2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.	3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.	4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
<b>DEFINITIONS</b>			
1. See the Uniform System of Accounts for a definition of control.	2. Direct control is that which is exercised without interposition of an intermediary.	3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.	4. Joint control is that in which neither interest can effectively
		control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.	
Name of Company Controlled  (a)	Kind of Business  (b)	Percent Voting Stock Owned  (c)	Footnote Ref.  (d)
The Florida Division of Chesapeake Utilities Corporation does not control any other organizations, business trusts, or corporations. However, our parent company, Chesapeake Utilities does directly or indirectly control other subsidiaries. These organizations are listed in Chesapeake's Form 10-K.			

Name of Respondent Chesapeake Utilities Corporation	For the Year Ended Dec. 31, 2005
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**OFFICERS**

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.  
 2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.

Title (a)	Name of Officer (b)	Salary for Year (c)
President, CEO	John R. Schimkaitis	\$67,568
Executive Vice President, COO	Paul M. Barbas	\$53,955
Senior Vice President, CFO	Michael P. McMasters	\$57,257
Senior Vice President	Steven C. Thompson	\$58,250
Assistant Vice President	Thomas A. Geoffroy	\$94,139

Note: The salaries above represent only that portion allocated to the Florida Division of Chesapeake Utilities Corporation.

**DIRECTORS**

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.  
 2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
Ralph J. Adkins, Chairman of Board	909 Silver Lake Blvd. , Dover Delaware 19901	18	27,126
John R. Schimkaitis, President, CEO	909 Silver Lake Blvd. , Dover Delaware 19901	19	0
Robert F. Rider, Director	909 Silver Lake Blvd. , Dover Delaware 19901	11	2,178
Rudolph M. Peins, Jr., Director	909 Silver Lake Blvd. , Dover Delaware 19901	8	1,584
Walter J. Coleman, Director	909 Silver Lake Blvd. , Dover Delaware 19901	13	2,574
Richard Bernstein, Director	909 Silver Lake Blvd. , Dover Delaware 19901	9	1,782
Calvert A. Morgan, Jr., Director	909 Silver Lake Blvd. , Dover Delaware 19901	16	2,871
J. Peter Martin, Director	909 Silver Lake Blvd. , Dover Delaware 19901	13	2,574
Joseph E. Moore, Esq., Director	909 Silver Lake Blvd. , Dover Delaware 19901	16	2,871
Thomas J. Bresnan, Director	909 Silver Lake Blvd. , Dover Delaware 19901	12	2,376

Note: The fees above represent only that portion allocated to the Florida Division of Chesapeake Utilities Corporation.

Name of Respondent Chesapeake Utilities Corporation	For the Year Ended Dec. 31, 2005
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**SECURITY HOLDERS AND VOTING POWERS**

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became vested with voting rights and give others important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders.

Name (Title) and Address of Security Holder (a)	VOTING SECURITIES			
	Number of votes as of (date):			
	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
TOTAL votes of all voting securities				
TOTAL number of security holders				
TOTAL votes of security holders listed below				
Shareholder information may be obtained through:  Beth Cooper, Treasurer 909 Silver Lake Boulevard Dover, Delaware 19901				

**IMPORTANT CHANGES DURING THE YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquires. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.

2. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.

3. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.

4. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.

5. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

None

**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	12	\$44,086,486	\$47,440,960
3	Construction Work in Progress (107)	12	552,917	373,477
4	TOTAL Utility Plant Total of lines 2 and 3)		44,639,403	47,814,437
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	(13,817,068)	(15,018,437)
6	Net Utility Plant (Total of line 4 less 5)		30,822,335	32,796,000
7	Utility Plant Adjustments (116)	11		
8	Gas Stored (117.1, 117.2, 117.3, 117.4)	-		
9	OTHER PROPERTY AND INVESTMENTS			
10	Nonutility Property (121)	-		
11	(Less) Accum. Prov. for Depr. and Amort. (122)	-		
12	Investments in Associated Companies (123)	-		
13	Investment in Subsidiary Companies (123.1)	-		
14	Other Investments (124)	-		
15	Special Funds (125, 126, 128)	-		
16	TOTAL Other Property and Investments (Total of lines 10 through 15)			
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	772,695	984,877
19	Special Deposits (132-134)	-		
20	Working Funds (135)	-	1,125	1,125
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-		
23	Customer Accounts Receivable (142)	-	5,149,856	4,574,516
24	Other Accounts Receivable (143)	-	143,339	125,475
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	(63,734)	(70,605)
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Associated Companies (146)	-	(11,185,950)	(12,381,563)
28	Fuel Stock (151)	-		
29	Fuel Stock Expense Undistributed (152)	-		
30	Residuals (Electric) and Extracted Products (Gas) (153)	-		
31	Plant Material and Operating Supplies (154)	-	275,048	203,059
32	Merchandise (155)	-		
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Underground & LNG Stored (164.1-164.3)	-		
36	Prepayments (165)	18	161,497	163,458
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable (171)	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-		
41	Miscellaneous Current and Accrued Assets (174)	-		
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		(4,746,124)	(6,399,658)
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-		
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	57,107	57,107
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)	-		
49	Clearing Accounts (184)	-	0	0
50	Temporary Facilities (185)	-		
51	Miscellaneous Deferred Debits (186)	19	450,169	496,751
52	Deferred Losses from Disposition of Utility Plant. (187)	-		
53	Research, Development and Demonstration Expenditures (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20		
55	Accumulated Deferred Income Taxes (190)	24	0	0
56	Unrecovered Purchased Gas Costs (191)	-	0	0
57	TOTAL Deferred Debits (Total of lines 44 through 56)		507,276	553,858
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		\$26,583,488	\$26,950,200



**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock (201, 202, 203, 205, 206, 207)	-		
3	Preferred Stock Issued (204)	-		
4	Other Paid-In Capital (208-214)	-		
5	Retained Earnings (215, 216)	10	16,941,580	18,388,651
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10		
7	(Less) Reacquired Capital Stock (217)	-		
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		16,941,580	18,388,651
9	LONG-TERM DEBT			
10	Bonds (221)	21		
11	(Less) Reacquired Bonds (222)	21		
12	Advances from Associated Companies (223)	21		
13	Other Long-Term Debt (224)	21		
14	Unamortized Premium on Long-Term Debt (225)	21		
15	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	21		
16	TOTAL Long-Term Debt (Total of lines 10 through 15)			
17	OTHER NONCURRENT LIABILITIES			
18	Obligations Under Capital Leases - Noncurrent (227)	-		
19	Accumulated Provision for Property Insurance (228.1)	-		
20	Accumulated Provision for Injuries and Damages (228.2)	-	145,321	152,327
21	Accumulated Provision for Pensions and Benefits (228.3)	-	214,731	214,954
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-		
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)		360,052	367,281
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)	-		
27	Accounts Payable (232)	-	4,619,375	2,605,641
28	Notes Payable to Associated Companies (233)	-		
29	Accounts Payable to Associated Companies (234)	-		
30	Customer Deposits (235)	-	778,318	771,736
31	Taxes Accrued (236)	-	(861,322)	(378,885)
32	Interest Accrued (237)	-	149	111
33	Dividends Declared (238)	-		
34	Matured Long-Term Debt (239)	-		
35	Matured Interest (240)	-		
36	Tax Collections Payable (241)	-	54,777	56,719
37	Miscellaneous Current and Accrued Liabilities (242)	22	(507,558)	216,375
38	Obligations Under Capital Leases-Current (243)	-		
39				
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		\$4,083,739	\$3,271,697
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)	-	0	0
43	Other Deferred Credits (253)	22	(157,293)	(299,455)
44	Other Regulatory Liabilities (254)	22	1,024,728	1,024,728
45	Accumulated Deferred Investment Tax Credits (255)	23	230,385	210,861
46	Deferred Gains from Disposition of Utility Plant (256)	-		
47	Unamortized Gain on Reacquired Debt (257)	20		
48	Accumulated Deferred Income Taxes (281-283)	24	4,100,297	3,986,437
49	TOTAL Deferred Credits (Total of lines 42 through 48)		5,198,117	4,922,571
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)		\$26,583,488	\$26,950,200

**STATEMENT OF INCOME**

- |  |   |
|--|---|
| <p>1. Use page 11 for important notes regarding the statement of income or any account thereof.</p> <p>2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.</p> <p>3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year</p> | <p>which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.</p> <p>4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.</p> |
|--|---|

Line No.	Account (a)	Ref. Page No. (b)	Total Gas Utility Current Year (c)	Total Gas Utility Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	26	\$12,326,217	\$11,564,689
3	Operating Expenses			
4	Operation Expenses (401)	27-29	6,253,967	5,838,995
5	Maintenance Expenses (402)	27-29	352,824	400,378
6	Depreciation Expense (403)	15-16	1,540,749	1,470,853
7	Amortization & Depletion of Utility Plant (404-405)	-	155,159	156,762
8	Amortization of Utility Plant Acquisition Adjustment (406)	-	0	0
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)	-		
10	Amortization of Conversion Expenses (407.2)	-		
11	Regulatory Debits (407.3)	-		
12	(Less) Regulatory Credits (407.4)	-		
13	Taxes Other Than Income Taxes (408.1)	23	898,508	710,672
14	Income Taxes - Federal (409.1)	-	503,421	(279,733)
15	- Other (409.1)	-	83,713	(3,563)
16	Provision for Deferred Income Taxes (410.1)	24	528,553	1,827,019
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24	(350,267)	(771,880)
18	Investment Tax Credit Adjustment - Net (411.4)	23		
19	(Less) Gains from Disposition of Utility Plant (411.6)	-		
20	Losses from Disposition of Utility Plant (411.7)	-		
21	Other Operating Income (412-414)	-		
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		9,966,627	9,349,503
23	Net Utility Operating Income (Total of line 2 less 22)			
24	(Carry forward to page 9, line 25)		2,359,590	2,215,186

**STATEMENT OF INCOME (Continued)**

Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 8)		\$2,359,590	\$2,215,186
26	<b>Other Income and Deductions</b>			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-		
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-		
31	Revenues From Nonutility Operations (417)	-	143	806
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-		
34	Equity in Earnings of Subsidiary Companies (418.1)	10		
35	Interest and Dividend Income (419)	-	100,890	97,863
36	Allowance for Other Funds Used During Construction (419.1)	-		
37	Miscellaneous Nonoperating Income (421)	-		1,183
38	Gain on Disposition of Property (421.1)	-	39,602	27,034
39	TOTAL Other Income (Total of lines 29 through 38)		140,635	126,886
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)	-	(788)	
42	Miscellaneous Amortization (425)	33		
43	Miscellaneous Income Deductions (426.1-426.5)	33	(11,578)	1,000
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		(12,366)	1,000
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	-		
47	Income Taxes - Federal (409.2)	-	(42,426)	(41,090)
48	Income Taxes - Other (409.2)	-	(7,055)	(7,034)
49	Provision for Deferred Income Taxes (410.2)	24		
50	(Less) Provision for Deferred Income Taxes - Credit (411.2)	24		
51	Investment Tax Credit Adjustment - Net (411.5)	-		
52	(Less) Investment Tax Credits (420)	-	19,524	19,524
53	TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52)		(29,957)	(28,600)
54	Net Other Income and Deductions (Total of lines 39,44,53)		98,312	99,286
55	<b>Interest Charges</b>			
56	Interest on Long-Term Debt (427)	-	903,535	969,420
57	Amortization of Debt Discount and Expense (428)	21	10,420	11,634
58	Amortization of Loss on Reacquired Debt (428.1)	-		
59	(Less) Amortization of Premium on Debt - Credit (429)	21		
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)	-		
61	Interest on Debt to Associated Companies (430)	33		
62	Other Interest Expense (431)	33	96,876	54,490
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)	-		
64	Net Interest Charges (Total of lines 56 through 63)		1,010,831	1,035,544
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		1,447,071	1,278,928
66	<b>Extraordinary Items</b>			
67	Extraordinary Income (434)	-		
68	(Less) Extraordinary Deductions (435)	-		
69	Net Extraordinary Items (Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)	-		
71	Extraordinary Items After Taxes (Total of line 69 less line 70)			
72	Net Income (Total of lines 65 and 71)		1,447,071	1,278,928

**STATEMENT OF RETAINED EARNINGS**

- |  |   |
|--|---|
| <p>1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.</p> <p>2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).</p> <p>3. State the purpose and amount for each reservation or appropriation of retained earnings.</p> <p>4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.</p> | <p>5. Show dividends for each class and series of capital stock.</p> <p>6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.</p> <p>7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.</p> <p>8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.</p> |
|--|---|

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216)</b>			
1	Balance - Beginning of Year		\$16,941,580
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit:		
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		
7	Debit:		
8	Debit:		
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		
10	Balance Transferred from Income (Account 433 less Account 418.1)		\$1,447,071
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	FAS 133 Other Comprehensive Income		
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		\$18,388,651
<b>APPROPRIATED RETAINED EARNINGS (Account 215)</b>			
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
17			
18			
19			
20			
21			
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		
	TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)		\$18,388,651

**NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS**

- |  |  |
|--|--|
| <p>1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.</p> <p>2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.</p> <p>3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and</p> | <p>plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.</p> <p>4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.</p> <p>5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.</p> <p>6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 12-18, such notes may be attached hereto.</p> |
|--|--|

**1. Summary of Accounting Policies:**

**Nature of Business** - The Florida Division of Chesapeake Utilities Corporation (the Company) is engaged in the distribution of natural gas. The Company serves residential, commercial, and industrial customers in Polk, Osceola, Citrus, DeSoto, Liberty, Hillsborough, Holmes, Jackson, Gadsden, Gilchrist, Union, and Suwannee counties.

**System of Accounts** - The Company's financial statements are prepared in accordance with generally accepted accounting principles, which give appropriate recognition to the ratemaking and accounting practices and policies of the various commissions.

**Property, Plant, Equipment and Depreciation** - Utility property is stated at original cost. The costs of repairs and minor replacements are charged to income as incurred and the costs of major renewals and betterments are capitalized. Upon retirement or disposition of utility property, the recorded cost of removal, net of salvage value, is charged to accumulated depreciation.

The provision for depreciation is computed using the straight-line method at rates that amortize the unrecovered cost of depreciable property over the estimated useful life of the asset. Depreciation and amortization expenses are provided at an annual rate for the Company. Average rates for the past three years were 3 percent for the natural gas distribution assets.

**Inventories** - The Company uses the average cost method to value inventory.

**Other Deferred Charges** - Other deferred charges include discount, premium and issuance costs associated with long-term debt and rate case expenses. Debt costs are deferred, then amortized over the original lives of the respective debt issuances. Gains and losses on the reacquisition of debt are amortized over the remaining lives of the original issuances. Rate case expenses are deferred, then amortized over periods approved by the applicable regulatory authorities.

**Income Taxes & Investment Tax Credits** - Investment tax credits on utility property have been deferred and are allocated to income ratably over the lives of the subject property. The Florida Division is part of the consolidated federal income tax return filed by Chesapeake Utilities Corporation. Deferred tax assets and liabilities for the tax effect of temporary differences between the financial statements and tax bases of assets and liabilities.

**Operating Revenues** - Revenues for the Company are based on rates approved by the Florida Public Service Commission (FPSC). Customers' base rates may not be changed without formal approval by the FPSC. The Company recognizes revenues based on services rendered, and records an amount for services delivered but not yet billed.

**Deferred Gas Costs** - The PGA recovery mechanism was discontinued when the Company exited the merchant function; effective November 2002. The Florida Public Service commission authorized disposition of the remaining PGA balance, which was refunded to customers in March 2004.

**Certain Risks & Uncertainties** - The financial statements are prepared in conformity with generally accepted accounting principles that require management to make estimates in measuring assets and liabilities and related revenue and expenses.

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

**FASB Statements and Other Authoritative Pronouncements**

SFAS No. 123R - In December 2004, the FASB released a revision ("Share-Based Payment") to SFAS No. 123, "Accounting for Stock-Based Compensation", referred to as SFAS No. 123R. In April 2005, the SEC approved a new rule that delayed the effective date until the first annual period beginning after June 15, 2005. This Statement establishes financial accounting and reporting standards for stock-based employee compensation plans. Those plans include all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. Examples are stock purchase plans, stock options, restricted stock and stock appreciation rights. The Company adoption of this pronouncement will not have a material impact on the financial statements.

FIN No. 47 - In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" an interpretation of SFAS No. 143. FIN No. 47 clarifies that the term conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The Company adopted FIN No. 47 in the fourth quarter of 2005. The adoption of this interpretation did not have a material impact on the Company's financial statements.

SFAS No. 154 - In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS 154 primarily requires retrospective application to prior periods' financial statements for the direct effects of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This statement applies to all voluntary changes in accounting principle and also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. The statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company is required to adopt the provision of SFAS 154, as applicable, beginning in fiscal year 2006.

2. **Environmental Commitments and Contingencies:**

In January 2001 the Company filed a remedial action plan ("RAP") with the Florida Department of the Environment ("FDEP"). The RAP was approved by the FDEP on May 4, 2001. Through December 31, 2005, the Company has incurred approximately \$1.5 million of environmental costs associated with the Florida site. At December 31, 2005 the Company had collected through rates \$158,000 in excess of costs incurred. A regulatory asset of \$193,000 representing the uncollected portion of the estimated clean up costs has also been recorded.

3. **Employee Benefit Plans**

**Pension Plan**

In December 1998, Chesapeake restructured the employee benefit plans to be competitive with employers in similar industries. Chesapeake offered existing participants of the defined benefit plan the option to remain in the existing plan or receive a one-time payout and enroll in an enhanced retirement savings plan. Chesapeake closed the defined benefit plan to new participants, effective December 31, 1998.

Because the defined benefit Pension Plan was not open to new participants, the number of active participants in that plan decreased and is approaching the minimum number needed for the Pension Plan to maintain its tax-qualified status. To avoid jeopardizing the tax-qualified status of the Pension Plan, Chesapeake's Board of Directors amended the defined benefit Pension Plan on September 24, 2004. To ensure that Chesapeake continues to provide appropriate levels of benefits to its employees, the Board amended the defined benefit Pension Plan and Retirement Savings Plan, effective January 1, 2005, so that participants who are actively employed by Chesapeake on that date (1) receive two additional years of benefit service credit to be used in calculating their Pension Plan benefit (subject to the Pension Plan's limit of 35 years of benefit service credit), (2) have the option to receive their Pension Plan benefit in the form of a lump sum at the time they retire, and (3) are eligible to receive the enhanced matching contribution in the Retirement Savings Plan. In addition, January 1, 2005, the Board amended the defined benefit Pension Plan so that participants will not accrue any additional benefits under that plan. These changes were communicated to Chesapeake's employees during the first week of November 2004. As a result of the amendments to the Pension Plan, a gain of approximately \$172,000 (after tax) was recorded during 2004.

**Defined Benefit Pension Plan**

As described above, effective January 1, 2005, the defined benefit Pension Plan was frozen with respect to additional years of service or additional compensation. Benefits under the plan were based on each participant's years of service and highest average compensation, prior to the freeze. Chesapeake's funding policy provides that payments to the trustee shall be equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974. Since actuarial valuations are made on a consolidated basis, such information is not available for Central Florida Gas alone. Chesapeake does not expect to be required to make any funding payments in 2006. The measurement dates for the Pension Plan were December 31, 2005 and 2004 respectively.

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

The following schedule sets forth the funded status of the pension plan at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$12,053,063	\$11,948,755
Service cost	0	338,352
Interest cost	645,740	690,620
Change in discount rate	388,979	573,639
Actuarial (gain)/loss	28,895	220,842
Amendments	0	883,753
Effect of curtailment/settlement	0	(2,171,289)
Benefits paid	<u>(717,056)</u>	<u>(431,609)</u>
Benefit obligation at end of year	<u>12,399,621</u>	<u>12,053,063</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	12,097,248	11,301,548
Actual return on plan assets	400,674	1,227,309
Benefits paid	<u>(717,056)</u>	<u>(431,609)</u>
Fair value of plan assets at end of year	<u>11,780,866</u>	<u>12,097,248</u>
Funded status	(618,755)	44,185
Unrecognized transition obligation	0	0
Unrecognized prior service cost	(34,259)	(38,958)
Unrecognized net loss (gain)	<u>(129,739)</u>	<u>(850,224)</u>
Accrued pension cost	<u>(\$782,753)</u>	<u>(\$844,997)</u>
Assumptions:		
Discount rate	5.25%	5.50%
Rate of compensation increase	4.00%	4.00%
Expected return on plan assets	<u>6.00%</u>	<u>7.88%</u>

Net periodic pension cost for the defined pension benefit plan for 2005 and 2004 include the following components:

For the Years Ended December 31,	2005	2004
Components of net periodic pension cost:		
Service cost	\$0	\$338,352
Interest cost	645,740	690,620
Expected return on assets	(703,285)	(869,336)
Amortization of:	0	0
Transition assets	0	(11,328)
Prior service cost	(4,699)	(4,699)
Actuarial gain	<u>0</u>	<u>0</u>
Net periodic pension cost	<u>(\$62,244)</u>	<u>\$143,609</u>

**Retirement Savings Plan**

Chesapeake sponsors a 401(k) Retirement Savings Plan, which provides participants a mechanism for making contributions for retirement savings. Each participant may make pre-tax contributions of up to 15% of eligible base compensation, subject to IRS limitations. For participants still covered by the defined benefit pension plan, Chesapeake makes a contribution matching 60% or 100% of each participant's pre-tax contributions based on the participant's years of service, not to exceed 6% of the participant's eligible compensation for the plan year.

Effective January 1, 1999, Chesapeake began offering an enhanced 401(k) plan to all new employees, as well as existing employees that elected to no longer participate in the defined benefit plan. Chesapeake makes matching contributions on a basis of up to 6% of each employee's pre-tax compensation for the year. The match is between 100% and 200%, based on a combination of the employee's age and years of service. The first 100% of the funds are matched with Chesapeake common stock. The remaining match is invested in Chesapeake's 401(k) plan according to each employee's election options. On December 1, 2001, Chesapeake converted the 401(k) fund holding Chesapeake stock to an Employee Stock Ownership Plan.

Effective January 1, 1999 Chesapeake began offering a non-qualified supplemental employee retirement savings plan open to Chesapeake executives over a specific income threshold. Participants receive a cash only matching contribution percentage equivalent to their 401(k) match level. All contributions and matched funds earn interest income monthly. This Plan is not funded externally.

Chesapeake's contributions to the 401(k) plans totaled \$1,681,000, and \$1,497,000 for the years ended December 31, 2005 and 2004, respectively. As of December 31, 2005, there are 111,738 shares reserved to fund future contributions to the Retirement Savings Plan.

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

**Other Post-retirement Benefits**

Chesapeake sponsors a defined benefit post-retirement health care and life insurance plan that covers substantially all natural gas and corporate employees.

The health care inflation rate for 2005 is assumed to be 8.0 % for medical and 10% for prescription drugs. These rates are projected to gradually decrease to ultimate rates of 5 and 6 percent, respectively, by the year 2009. A one percentage point increase in the health care inflation rate from the assumed rate would increase the accumulated post-retirement benefit obligation by approximately \$204,000 as of January 1, 2006, and would increase the aggregate of the service cost and interest cost components of the net periodic post-retirement benefit cost for 2006 by approximately \$13,000. A 1% decrease in the health care inflation rate from the assumed rate would decrease the accumulated post-retirement benefit obligation by approximately \$169,000 as of January 1, 2006, and would decrease the aggregate of the service cost and interest cost components of the net periodic post-retirement benefit cost for 2006 by approximately \$11,000.

Net periodic post-retirement costs for 2005 and 2004 include the following components:

For the Years Ended December 31,	<u>2005</u>	<u>2004</u>
Components of net periodic post-retirement cost:		
Service cost	\$6,257	\$5,354
Interest cost	77,872	86,883
Amortization of:		
Transition obligation	27,859	27,859
Actuarial loss	88,291	78,900
Net periodic post-retirement cost	<u>200,279</u>	<u>198,996</u>
Amounts capitalized as construction costs	0	0
Amounts amortized	<u>0</u>	<u>0</u>
Total post-retirement cost accruals	<u>\$200,279</u>	<u>\$198,996</u>

The following schedule sets forth the funded status of the post-retirement health care and life insurance plan:

At December 31,	<u>2005</u>	<u>2004</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$1,599,280	\$1,471,664
Retirees	(59,152)	91,747
Fully- eligible active employees	(31,761)	22,071
Other active	26,317	13,798
Benefit obligation at end of year	<u>\$1,534,684</u>	<u>\$1,599,280</u>
Funded status	(1,534,684)	(1,599,280)
Unrecognized transition obligation	22,282	50,141
Unrecognized net loss	751,450	899,228
Accrued post-retirement cost	<u>(\$760,952)</u>	<u>(\$649,911)</u>
Assumptions:		
Discount rate	5.25%	5.50%



**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

Line No.	Item (a)	Total (b)	Gas (c)
1	UTILITY PLANT		
2	In Service		
3	101 Plant in Service (Classified)	47,440,960	47,440,960
4	101.1 Property Under Capital Leases		
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified		
7	103 Experimental Plant Unclassified		
8	104 Leased to Others		
9	105 Held for Future Use		
10	114 Acquisition Adjustments		
11	TOTAL Utility Plant (Total of lines 3 through 10 )	47,440,960	47,440,960
12	107 Construction Work in Progress	373,477	373,477
13	Accum. Provision for Depreciation, Amortization, & Depletion	(15,018,437)	(15,018,437)
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	32,796,000	32,796,000
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	14,987,210	14,987,210
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights		
19	111 Amort. of Underground Storage Land and Land Rights		
20	119 Amortization of Other Utility Plant	31,227	31,227
21	TOTAL in Service (Total of lines 17 through 20)	15,018,437	15,018,437
22	Leased to Others		
23	108 Depreciation		
24	111 Amortization and Depletion		
25	TOTAL Leased to Others (Total of lines 23 and 24)		
26	Held for Future Use		
27	108 Depreciation		
28	111 Amortization		
29	TOTAL Held for Future Use (Enter. Tot. of lines 27 and 28)		
30	111 Abandonment of Leases (Natural Gas)		
31	115 Amortization of Plant Acquisition Adjustment		
32	TOTAL Accum. Provisions (Should agree with line 14 above) (Total of lines 21, 25, 29, 30, and 31)	15,018,437	15,018,437

**Annual Status Report**

**Analysis of Plant in Service Accounts**

Company: Chesapeake Utilities Corporation  
 For the Year Ended December 31, 2005

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	CIAC	Transfers	Ending Balance*
374	Land-Distribution		68,240						68,240
389	Land-General		98,285						98,285
	Land-Other								
<b>Amortizable General Plant Assets:</b>									
301	Organization	3.00%	23,328						23,328
302	Franchise and Consent	3.00%	14,132						14,132
303	Misc Intangible Plant	10.00%	1,251,625						1,251,625
<b>Subtotal</b>			<b>1,455,610</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,455,610</b>
<b>Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.</b>									
375	Structures and Improvements	2.80%	251,482	102,714	(14,218)				354,196
376	Mains (Steel)	3.30%	12,672,817	344,101	(3,392)		(8,329)		13,002,700
376	Mains (Plastic)	3.30%	12,326,446	1,103,468					13,418,193
378	M&R Equipment-General	3.50%	869,150	31,706					900,856
379	M&R Equipment-City	3.60%	2,413,016	250,466	(20,800)				2,663,482
380	Dist Plant Services (Steel)	7.20%	875,066	44,190	(15,373)		(19,994)		898,456
380	Dist Plant-Services (Plastic)	3.60%	4,875,087	983,336	(13,632)				5,823,056
381	Meters	3.90%	1,690,201	203,954					1,880,523
382	Meter Installations	3.80%	1,125,808	149,469					1,275,277
383	Regulators	3.20%	961,923	69,829					1,031,752
384	Regulator Installations	3.20%	3,637						3,637
385	M&R Equipment-Industrial	4.30%	1,339,895	48,555					1,388,450
387	Other Equipment	2.30%	344,953	19,486	(1,938)				362,501
390	Structures and Improvements	2.30%	413,639	406,501	(288,900)				531,240
391.1	Data processing Equipment	10.20%	161,287	1,601	(95,198)				67,690
391.2	Office Furniture	4.90%	97,943	137,245	(99,825)				135,363
391.3	Office Equipment	7.30%	125,283	36,659					161,942
391.4	Vax System Equipment	5.60%	50,151		(50,151)				0
392.1	Transportation Equip.	11.60%	975,310	233,981	(196,291)			(79,890)	933,110
392.3	Transportation Equipment	11.30%	12,690	5,054					17,744
393	Stores Equipment	0.00%	0						0
394	Tools and Work Equipment	3.50%	147,834	893					148,727
396	Power Operated Equipment	6.00%	482,061						482,061
397	Communication Equipment	7.60%	355,140	104,596	(15,400)				444,336
398	Misc. Equipment	6.70%	60,058						60,058
<b>Subtotal</b>			<b>42,630,877</b>	<b>4,277,804</b>	<b>(815,118)</b>	<b>0</b>	<b>(28,323)</b>	<b>(79,890)</b>	<b>45,985,350</b>

**Annual Status Report  
Analysis of Plant in Service Accounts**

Company: Chesapeake Utilities Corporation  
For the Year Ended December 31, 2004

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
<b>Capital Recovery Schedules:</b>									
<b>Total Account 101*</b>									
<b>Amortizable Assets:</b>									
114	Acquisition Adjustment								
118	Other Utility Plant								
	Other								
	<b>Total Utility Plant</b>		44,086,487	4,277,804	(815,118)	0	(28,323)	(79,890)	47,440,960

Note: \* The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 12.

**Annual Status Report**  
**Analysis of Entries in Accumulated Depreciation & Amortization**

Company: Chesapeake Utilities Corporation  
 For the Year Ended December 31, 2005

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
Amortizable General Plant Assets:										
301	Organization	(23,328)	0							(23,328)
302	Franchise and Consent	(7,475)	(424)							(7,899)
303	Misc Intangible Plant	(1,059,537)	(156,605)							(1,216,142)
	<b>Subtotal</b>	<b>(1,090,340)</b>	<b>(157,029)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,247,369)</b>
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
375	Structures and Improvements	(80,099)	(8,455)							(88,554)
376	Mains (Steel)	(5,079,113)	(419,146)		14,218		44,336			(5,439,705)
376	Mains (Plastic)	(2,025,328)	(418,039)		3,392		105			(2,439,870)
378	M&R Equipment-General	(203,596)	(30,756)							(234,352)
379	M&R Equipment-City	(503,178)	(89,499)							(592,677)
380	Dist Plant Services (Steel)	(543,341)	(63,923)		20,800		5,260			(581,204)
380	Dist Plant-Services (Plastic)	(885,633)	(192,203)		15,373		36,161			(1,026,302)
381	Meters	(705,570)	(69,326)		13,633					(761,263)
382	Meter Installations	(285,728)	(45,344)				1,356			(329,716)
383	Regulators	(340,051)	(31,054)							(371,105)
384	Regulator Installations	(441)	(117)							(558)
385	M&R Equipment-Industrial	(253,032)	(57,946)				3,653			(307,325)
387	Other Equipment	(276,720)	(8,010)		1,938	(756)				(283,548)
390	Structures and Improvements	(121,504)	(6,549)		288,900	(245,289)				(84,542)
391.1	Data processing Equipment	(144,182)	(16,149)		95,198	(2,650)				(67,783)
391.2	Office Furniture	(58,903)	(2,415)		99,825	(63,850)				(25,343)
391.3	Office Equipment	(59,649)	(9,349)							(68,998)
391.4	Vax System Equipment	(47,780)	585		50,151					2,956
392.1	Transportation Equip.	(566,246)	(109,007)		61,983	(21,693)				(614,579)
392.3	Transportation Equipment	(8,373)	(1,887)		134,309				20,384	124,049
393	Stores Equipment	0	0							0
394	Tools and Work Equipment	(119,257)	(5,183)				8,659			(115,781)
396	Power Operated Equipment	(268,717)	(28,924)		15,400					(282,241)
397	Communication Equipment	(118,028)	(28,419)							(146,447)
398	Misc. Equipment	(32,158)	(4,024)							(36,182)
	<b>Subtotal</b>	<b>(12,726,727)</b>	<b>(1,645,137)</b>	<b>0</b>	<b>815,120</b>	<b>(334,238)</b>	<b>99,530</b>	<b>0</b>	<b>20,384</b>	<b>(13,771,068)</b>

# Annual Status Report Analysis of Entries in Accumulated Depreciation & Amortization

Company: Chesapeake Utilities Corporation  
For the Year Ended December 31, 2005

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
(Continued)										
Capital Recovery Schedules:										
Subtotal										
List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8.										
Subtotal										
Grand Total										
		(13,817,067)	(1,802,166)	0	815,120	(334,238)	99,530	0	20,384	(15,018,437)

Note: \* The grand total of beginning and ending balances must agree to Line 17, Page 12.

Name of Respondent Chesapeake Utilities Corporation	For the Year Ended Dec. 31, 2005
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**CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)**

- |  |   |
|--|---|
| <p>1. Report below descriptions and balances at end of year of projects in process of construction (107).</p> <p>2. Show items relating to "research, development, and demonstration" projects last, under a caption Research,</p> | <p>Development, and Demonstration (see Account 107 of the Uniform System of Accounts).</p> <p>3. Minor projects (less than \$500,000) may be grouped.</p> |
|--|---|

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Miscellaneous	\$373,477	
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15	<b>TOTAL</b>	\$373,477	

**CONSTRUCTION OVERHEADS-GAS**

- |  |  |
|--|--|
| <p>1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.</p> <p>2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed</p> | <p>and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.</p> <p>3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.</p> |
|--|--|

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c)
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12	<b>TOTAL</b>		

Name of Respondent Chesapeake Utilities Corporation	For the Year Ended Dec. 31, 2005
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**PREPAYMENTS (Account 165)**

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Prepayment (a)	Balance at End of Year (In Dollars) (b)
1	Prepaid Insurance	80,125
2	Prepaid Rents	83,333
3	Prepaid Taxes	
4	Prepaid Interest	
5	Gas Prepayments	
6	Miscellaneous Prepayments: Pensions	
7	Prepaid Security Deposits	
8	TOTAL	163,458

**EXTRAORDINARY PROPERTY LOSSES (Account 182.1)**

Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	N/A					
2						
3						
4						
5						
6						
7						
8						
9						
10		TOTAL				

**UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)**

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	N/A					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13		TOTAL				

**OTHER REGULATORY ASSETS (Account 182.3)**

<p>1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).</p>	<p>2. For regulatory assets being amortized, show period of amortization in column (a). 3. Minor items (amounts less than \$25,000) may be grouped by classes.</p>
--	--

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance Beginning of Year (b)	Debits (c)	Credits		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1	109 Reg Assest-Rev Requirement-Depr	57,107				57,107
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17	<b>TOTAL</b>	57,107			0	57,107

**MISCELLANEOUS DEFERRED DEBITS (Account 186)**

<p>1. Report below the particulars (details) called for concerning miscellaneous deferred debits. 2. For any deferred debit being amortized, show period of amortization in column (a).</p>	<p>3. Minor items (amounts less than \$25,000) may be grouped by classes.</p>
---	---

Line No.	Description of Miscellaneous Deferred Debit (a)	Balance Beginning of Year (b)	Debits (c)	Account Charged (d)	Amount (e)	Balance End of Year (f)
1	Cashier Over/Under	0		903		0
2	Environmental Regulatory	263,934		495	71,113	192,821
3	Conservation Cost Recovery	186,234		908	(117,696)	303,930
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17	Misc. Work in Progress					
18	Deferred Regulatory Comm. Expenses					
19	<b>TOTAL</b>	450,168				496,751



**SECURITIES ISSUED AND  
 SECURITIES REFUNDED OR RETIRED DURING THE YEAR**

1. Furnish a supplemental statement giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses.

2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded.

and gains or losses relating to securities retired or refunded.

3. Included in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares.

4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.

N/A

**UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)**

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Recquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.

2. In column (c) show the principal amount of bonds or other long-term debt reacquired.

3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with

General Instruction 17 of the Uniform Systems of Accounts

4. Show loss amounts by enclosing the figures in parentheses.

5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Recquired Debt, or credited to Account 429.1, Amortization of Gain on Recquired Debt-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	N/A					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						

**LONG-TERM DEBT (Accounts 221, 222, 223, and 224)**

<p>1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.</p> <p>2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated</p>	<p>companies from which advances were received.</p> <p>3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.</p> <p>4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.</p>
--	---

Line No.	Class and Series of Obligation (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	Interest for Year		Total Amount Outstanding (g)
					Rate (in %) (e)	Amount (f)	
1	Convertible Debentures	2/15/1989	3/1/2014		8.25	194,329	2,254,000
2	Senior Note	1/15/1993	2/1/2008		7.97	245,742	2,000,000
3	Senior Note 2	10/1/1995	10/1/2010		6.91	361,205	3,636,363
4	Senior Note 3	12/15/1997	1/1/2012		6.85	479,500	5,000,000
5	Senior Note 4	12/15/2001	1/1/2015		7.83	1,566,000	16,000,000
6	Senior Note 5	12/15/2002	10/31/2017		6.64	1,992,000	30,000,000
7	Promissory Note	7/27/2005	7/31/2011		5.25	2,336	100,000
8							
9							
10	Allocation to Florida Division	903,536					
11	Allocation to Other Jurisdictions	3,937,575					
12							
13	Total Chesapeake Utilities Corp.	4,646,782					
14							
15							
16							
17							
18							
19							
20	TOTAL					4,841,111	58,990,363

**UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)**

<p>1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.</p> <p>2. Show premium amounts by enclosing the figures in parentheses.</p> <p>3. In column (b) show the principal amount of bonds or other long-term debt originally issued.</p> <p>4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.</p>	<p>5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.</p> <p>6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.</p> <p>7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.</p>
---	---

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period		Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1	N/A							
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								

Name of Respondent Chesapeake Utilities Corporation	For the Year Ended Dec. 31, 2005
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**MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)**

1. Describe and report the amount of other current and accrued liabilities at the end of year.      2. Minor items (less than \$50,000) may be grouped under appropriate title.

Line No.	Item	Balance at End of Year
1	Competitive Rate Liability	(113,922)
2	Accrued Bonuses	310,324
3	Accrued Commissions	8,525
4	Self Insurance	11,448
5		
6		
7		
8		
9		
10		
11		
12		
13	TOTAL	216,375

**OTHER DEFERRED CREDITS (Account 253)**

1. Report below the particulars (details) called for concerning other deferred credits.  
 2. For any deferred credit being amortized, show the period of amortization.  
 3. Minor Items (less than \$25,000) may be grouped by classes.

Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS		Credits (e)	Balance End of Year (f)
			Contra Account (c)	Amount (d)		
1	Unearned Interest Income	251,938		78,726	32,680	205,892
2	Deferred Revenues-Long Term	144,400		328,350	328,350	144,400
3	Deferred Environmental Costs	(553,630)		115,236	19,119	(649,747)
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL	(157,292)		522,312	380,149	(299,455)

**OTHER REGULATORY LIABILITIES (Account 254)**

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).      2. For regulatory liabilities being amortized, show period of amortization in column (a).  
 3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance Beginning of Year (b)	Debits		Credits (d)	Balance End of Year (e)
			Contra Account (b)	Amount (c)		
1	Environmental regulatory liability	1,000,000				1,000,000
2	109 Regulatory Liability	24,728				24,728
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL	1,024,728		0	0	\$1,024,728

TAXES OTHER THAN INCOME TAXES (Account 408.1)										
Name of Taxing Authority	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Franchise	Payroll Other*	Total
1 Gas		710,686				(5,009)			186,418	892,095
2									6,413	6,413
3										
4										
5										
6 Non-Operating Income Tax										0
7										
8										
9										
10										
11										
12										
13										
14										
15 Less: Charged to Construction										
16 TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	0	710,686	0	0	0	(5,009)	0	0	192,831	898,508
Note: *List separately each item in excess of \$500.										

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)									
Line No.	Account Subdivisions (a)	Balance Beginning of Year (b)	Amount Deferred for Year (c)	Acct. No. (d)	Allocations to Current Year's Income		Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)
					Amount (e)	Amount (e)			
1	Gas Utility								
2	3%								
3	4%								
4	7%								
5	10%	230,385		420	19,524			210,861	
6									
7									
8									
9									
10	TOTAL								
Notes									

**ACCUMULATED DEFERRED INCOME TAXES (Account 190)**

1. At Other (Specify), include deferrals relating to other income and deductions.  
2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

Line No.	Balance at Beginning of Year	Changes During Year		Adjustments		Balance at End of Year
		Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
Notes						

**ACCUMULATED DEFERRED INCOME TAXES (Accounts 281, 282, 283)**

Line No.	Balance at Beginning of Year	Changes During Year		Adjustments		Balance at End of Year
		Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
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15						
16						
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21						
22						
23						
24						
25						
Notes						

Name of Respondent Chesapeake Utilities Corporation		For the Year Ended Dec. 31, 2005
<b>RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES</b>		
<p>1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.</p> <p>2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, allocation, assignment, or sharing of the consolidated tax among the group members.</p>		
Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 9)	1,447,071
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	Add Back Federal Taxes	545,847
6	Add Back ITC Amortization and Deferred Tax Expense	158,762
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10		
11		
12		
13		
14		
15		
16		
17		
18	Income Recorded on Books Not Included in Return	
19		
20		
21		
22		
23		
24		
25		
26	Deductions on Return Not Charged Against Book Income	
27	Timing and Permanent Differences	(592,119)
28		
29		
30		
31		
32		
33		
34	Federal Tax Net Income	1,559,561
35	Show Computation of Tax:	
36	Federal Taxable Income	1,559,561
37	x Tax Rate	0.35
38		
39	Current Federal Income Tax	545,846
40		

**GAS OPERATING REVENUES (Account 400)**

1. Report below natural gas operating revenues for each prescribed account in total.
2. Report number of customers, columns (f) and (g), on the basis of meters, except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
3. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
4. Report gas service revenues and therms sold by rate schedule.
5. If increases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.

Line No.	Title of Account (a)	Operating Revenues		Therms of Natural Gas Sold		Avg. No. of Natural Gas Customers Per Mo.	
		Amount for Year (b)	Amount for Previous Year (c)	Current Year (d)	Previous Year (e)	Current Year (f)	Previous Year (g)
1	<b>Gas Service Revenues</b>						
2	<b>Firm Sales Service</b>						
3	480						
4	481						
5	481						
6	481						
7	481						
8	481						
9	<b>Interruptible Sales Service</b>						
10	481						
11	481						
12	<b>Firm Transportation Service</b>						
13	489	10,975,969	11,327,164	133,399,595	133,675,923	12,760	11,973
14	489						
15	489						
16	<b>Interruptible Transportation Serv.</b>						
17	489						
18	489						
19	482 Other Sales to Public Authorities						
20	484 Flex Rate - Refund	13,471	10,153				
21	TOTAL Sales to Ultimate Consumers	10,989,440	11,337,317	133,399,595	133,675,923	12,760	11,973
22	483 Sales for Resale						
23	Off-System Sales						
24	TOTAL Nat. Gas Service Revenues	10,989,440	11,337,317				
25	TOTAL Gas Service Revenues	10,989,440	11,337,317				
26	<b>Other Operating Revenues</b>						
27	485 Intracompany Transfers						
28	487 Forfeited Discounts						
29	488 Misc. Service Revenues	166,265	149,941				
30	489 Rev. from Trans. of Gas of Others	3,677					
31	not included in above rate schedules)						
32	493 Rent from Gas Property						
33	494 Interdepartmental Rents						
34	495 Other Gas Revenues						
35	Initial Connection						
36	Reconnect for Cause						
37	Collection in lieu of disconnect						
38	Returned Check	275					
39	Other	1,166,560	77,431				
40	495.1 Overrecoveries Purchased Gas						
41	TOTAL Other Operating Revenues	1,336,776	227,372				
42	TOTAL Gas Operating Revenues	12,326,217	11,564,689				
43	(Less) 496 Provision for Rate Refunds						
44	TOTAL Gas Operating Revenues Net of Provision for Refunds						
45	Sales for Resale						
46	Other Sales to Public Authority						
47	Interdepartmental Sales						
48	TOTAL	12,326,217	11,564,689	133,399,595	133,675,923		

Notes

**GAS OPERATION AND MAINTENANCE EXPENSES**

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account	Amount for Current Year	Amount for Previous Year
1	<b>1. Production Expenses</b>		
2	A. TOTAL Manufactured Gas Production (Total of Accounts 700-742)		
3	B. TOTAL Natural Gas Prod. and Gathering (Total of Accts. 750 - 769)		
4	C. TOTAL Products Extraction (Total of Accounts 770 through 791)		
5	D. TOTAL Exploration and Development (Total of Accts. 795 through 798)		
6	E. Other Gas Supply Expenses		
7	Operation		
8	800 Natural Gas Well Head Purchases		
9	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
10	801 Natural Gas Field Line Purchases		
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	0	0
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases		
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)	0	0
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	0	0
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses		
24	807.5 Other Purchased Gas Expenses		
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)		
26	808.1 Gas Withdrawn from Storage--Debit		
27	(Less) 808.2 Gas Delivered to Storage--Credit		
28	809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit		
29	(Less) 809.2 Deliveries of Natural Gas for Processing--Credit		
30	Gas Used in Utility Operations--Credit		
31	810 Gas Used for Compressor Station Fuel--Credit		
32	811 Gas Used for Products Extraction--Credit		
33	812 Gas Used for Other Utility Operations--Credit		
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)		
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	0	0
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)		
38	<b>2. Natural Gas Storage, Terminating and Processing Expenses</b>		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)		
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)		
41	C. TOTAL Liquefied Nat Gas Terminating & Processing Expenses (Total of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Total of lines 39, 40, and 41)		
43	<b>3. Transmission Expenses</b>		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)		
45			
46			



Name of Respondent	For the Year Ended
	Dec. 31, 2005

**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

Line No.	Account	Amount for Current Year	Amount for Previous Year
47	<b>4. Distribution Expenses</b>		
48	Operation		
49	870 Operation Supervision and Engineering	167,937	153,074
50	871 Distribution Load Dispatching	0	0
51	872 Compressor Station Labor and Expenses		
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	178,997	229,104
54	875 Measuring and Regulating Station Expenses--General	12,698	17,102
55	876 Measuring and Regulating Station Expenses--Industrial	45,639	63,505
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	29,078	11,240
57	878 Meter and House Regulator Expenses	286,766	236,847
58	879 Customer Installations Expenses	24,502	31,235
59	880 Other Expenses	119,883	35,991
60	881 Rents	118,420	119,453
61	TOTAL Operation (Total of lines 49 through 60)	983,920	897,551
62	Maintenance		
63	885 Maintenance Supervision and Engineering		
64	886 Maintenance of Structures and Improvements	0	0
65	887 Maintenance of Mains	99,669	109,945
66	888 Maintenance of Compressor Station Equipment		
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	38,695	22,731
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	62,340	83,612
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	45,081	53,052
70	892 Maintenance of Services	14,035	13,734
71	893 Maintenance of Meters and House Regulators	81,133	92,297
72	894 Maintenance of Other Equipment	4,298	6,287
73	TOTAL Maintenance (Total of Lines 63 through 72)	345,251	381,658
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	1,329,171	1,279,209
75	<b>5. Customer Accounts Expenses</b>		
76	Operation		
77	901 Supervision	61,703	68,673
78	902 Meter Reading Expenses	147,119	110,116
79	903 Customer Records and Collection Expenses	468,858	399,892
80	904 Uncollectible Accounts	62,510	119,195
81	905 Miscellaneous Customer Accounts Expenses	35	125
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	740,225	698,001
83	<b>6. Customer Service and Informational Expenses</b>		
84	Operation		
85	907 Supervision	0	0
86	908 Customer Assistance Expenses + Conservation	(117,912)	(187,144)
87	909 Informational and Instructional Expenses	0	0
88	910 Miscellaneous Customer Service and Informational Expenses	0	0
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	(117,912)	(187,144)
90	<b>7. Sales Expenses</b>		
91	Operation		
92	911 Supervision		
93	912 Demonstrating and Selling Expenses	208,918	250,279
94	913 Advertising Expenses	30,649	161
95	916 Miscellaneous Sales Expenses	0	0
96	TOTAL Sales Expenses (Total of lines 92 through 95)	239,567	250,440
97			

Name of Respondent		For the Year Ended	
		Dec. 31, 2005	
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account	Amount for Current Year	Amount for Previous Year
98	<b>8. Administrative and General Expenses</b>		
99	Operation		
100	920 Administrative and General Salaries	1,213,064	1,179,936
101	921 Office Supplies and Expenses	491,310	444,069
102	(Less) (922) Administrative Expenses Transferred--Credit	0	0
103	923 Outside Services Employed	433,769	414,327
104	924 Property Insurance	14,117	17,039
105	925 Injuries and Damages	247,020	235,183
106	926 Employee Pensions and Benefits	486,839	439,608
107	927 Franchise Requirements	0	0
108	928 Regulatory Commission Expenses	0	71,624
109	(Less) (929) Duplicate Charges--Credit	0	0
110	930.1 General Advertising Expenses	1,944	194
111	930.2 Miscellaneous General Expenses	156,130	136,363
112	931 Rents	79,819	71,250
113	TOTAL Operation (Total of lines 100 through 112)	3,124,012	3,009,593
114	Maintenance		
115	935 Maintenance of General Plant	7,572	18,718
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	3,131,584	3,028,311
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	5,322,635	5,068,817
119			
120			

NUMBER OF GAS DEPARTMENT EMPLOYEES	
	1. The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.
	2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.
	3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.
1	
2	1. Payroll Period Ended (Date) <span style="float: right;">October 31, 2005</span>
3	2. Total Regular Full-Time Employees <span style="float: right;">55</span>
4	3. Total Part-Time and Temporary Employees <span style="float: right;">0</span>
5	4. Total Employees <span style="float: right;">55</span>
6	
7	
8	
9	
10	
11	
12	
13	

**GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1)**

<p>1. Provide totals for the following accounts:</p> <p>800 - Natural Gas Well Head Purchases</p> <p>800.1- Natural Gas Well Head Purchases Intracompany Transfers</p> <p>801 - Natural Gas Field Line Purchases</p> <p>802 - Natural Gas Gasoline Plant Outlet Purchases</p> <p>803 - Natural Gas Transmission Line Purchases</p> <p>804 - Natural Gas City Gate Purchases</p> <p>804.1- Liquefied Natural Gas Purchases</p> <p>805 - Other Gas Purchases</p> <p>805.1- Purchases Gas Cost Adjustments</p>	<p>The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.</p> <p>2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years.</p> <p>3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b).</p> <p>4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)</p>
---	---

Line No.	Account Title (a)	Gas Purchased- Therms (14.73 psia 60 F) (b)	Cost of Gas (In dollars) (c)	Average Cost Per Therm (To nearest .01 of a cent) (d)
1	800 - Natural Gas Well Head Purchases			
2	800.1 - Natural Gas Well Head Purchases, Intracompany Transfers			
3	801 - Natural Gas Field Line Purchases			
4	802 - Natural Gas Gasoline Plant Outlet Purchases			
5	803 - Natural Gas Transmission Line Purchases			
6	804 - Natural Gas City Gate Purchases			
7	804.1 - Liquefied Natural Gas Purchases			
8	805 - Other Gas Purchases			
9	805.1 - Purchased Gas Cost Adjustments			
10	TOTAL (Total of lines 1 through 9)			

**Notes to Gas Purchases**

**GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)**

<p>1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.</p> <p>2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.</p> <p>3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.</p>	<p>4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e).</p> <p>5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.</p>
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Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Therms of Gas Used (c)	Natural Gas Amount of Credit (d)
1	812 Gas used for Other Utility Operations Credit (Report separately for each principal uses. Group minor uses.)			
2				
3				
4				
5				
6				
7				
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12				
13				
14				
15				
16				
17				
18	TOTAL			

**REGULATORY COMMISSION EXPENSES (Account 928)**

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.  
 2. Show in column (h) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
3. The totals of columns (c), (f), (h), and (i) must agree with the totals shown at the bottom of page 19 for Account 186  
 4. List in Column (d) and (e) expenses incurred during year which were charged currently to income, plant, or other accounts.  
 5. Minor items (less than \$25,000) may be grouped.

Line No.	Description (Name of regulatory commission, the docket number, and a description of the case.) (a)	Total Expenses to Date (b)	Deferred in Account 186 Beginning of Year (c)	Expenses Incurred During Year		Amortized During Year		Deferred in Account 186 End of Year (i)
				Charged Currently to Account No. (d)	Deferred to Account 186 (f)	Contra Account (g)	Amount (h)	
1	Environmental Regulatory		263,934	1865		405	71,113	192,821
2	Conservation Cost Recovery		186,234	2530	117,696			303,930
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17	<b>TOTAL</b>		450,168		117,696		71,113	496,751

**MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)**

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other	
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent.	
4	Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown.)	
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19		
20	<b>TOTAL</b>	

**DISTRIBUTION OF SALARIES AND WAGES**

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	<b>Electric</b>			
2	TOTAL Operation and Maintenance - Electric			
3	<b>Gas</b>			
4	Operation			
5	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
6	Transmission			
7	Distribution	420,287		
8	Customer Accounts	292,803		
9	Customer Service and Informational	0		
10	Sales	76,432		
11	Administrative and General	370,527		
12	TOTAL Operation (Total of lines 5 through 11)	1,160,049		
13	Maintenance			
14	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
15	Transmission			
16	Distribution	120,773		
17	Administrative and General			
18	TOTAL Maintenance (Total of lines 14 through 17)	120,773		
19	Total Operation and Maintenance	1,280,822		
20	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
21	Transmission (Enter Total of lines 6 and 15)			
22	Distribution (Total of lines 7 and 16)	541,060		
23	Customer Accounts (Transcribe from line 8)	292,803		
24	Customer Service and Informational (Transcribe from line 9)			
25	Sales (Transcribe from line 10)	76,432		
26	Administrative and General (Total of lines 11 and 17)	370,527		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	1,280,822		
28	<b>Other Utility Departments</b>			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)			
31	<b>Utility Plant</b>			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant			
35	Other			
36	TOTAL Construction (Total of lines 33 through 35)			
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant			
40	Other			
41	TOTAL Plant Removal (Total of lines 38 through 40)			
42				
43	Other Accounts (Specify):			
44				
45				
46				
47				
48				
49				
50				
51				
52				
53	TOTAL Other Accounts			
54	TOTAL SALARIES AND WAGES	1,280,822		

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES**

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.

(a) Name of person or organization rendering services,  
 (b) description of services received,  
 (c) basis of charges,  
 (d) total charges for the year, detailing account charged.

2. For any services which are of a continuing nature, give the date and term of contract.

3. Designate with an asterisk associated companies.

	Description	Amount
1	Legal	33,419
2	Accounting and Audit	49,843
3	Consultant	144,224
4	Other	423,451
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24		
25		
26		
27		
28		
29		
30	Total	650,937

**PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS**

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.

(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.

(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$25,000 may be grouped by classes within the above accounts

(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

	Item	Amount
1	Charitable Contributions - 4261	2,050
2	Penalties - 4263	9,528
3	Other Interest Charges - 4310	96,876
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19		
20		
21		
22		
23		
24	Total	108,454

**Reconciliation of Gross Operating Revenues  
 Annual Report versus Regulatory Assessment Fee Return**

For the current year, reconcile the gross operating revenues as reported on Page 26 of this report with the gross operating revenues as reported on the utility's regulatory assessment fee return. Explain and justify any differences between the reported gross operating revenues in column (f).

Line No.	(a) Description	(b) Gross Operating Revenues per Page 26	(c) Interstate and Sales for Resale Adjustments	(d) Adjusted Intrastate Gross Operating Revenues	(e) Intrastate Gross Operating Revenues per RAF Return	(f) Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	12,326,217	(301,059)	12,025,158	12,025,158	0
2	Sales for Resale (483)					
3	Total Natural Gas Service Revenues		(301,059)	(301,059)	(301,059)	0
4	Total Other Operating Revenues (485-495)	12,326,217		12,326,217	12,326,217	0
5	Total Gas Operating Revenues	12,326,217	(301,059)	12,025,158	12,025,158	0
6	Provision for Rate Refunds (496)					
7	Other (Specify)					
8						
9						
10	<b>Total Gross Operating Revenues</b>	12,326,217	(301,059)	12,025,158	12,025,158	0

Notes:

1) Add Transportation Overburn 13,471  
 Add competitive rate surplus (310,853)  
 Deduct competitive rate charge (3,677)  
 Deduct Off System Sales

Total adjustment (301,059)

Name of Respondent  
**Chesapeake Utilities Corporation**

For the Year Ended  
Dec. 31, 2005

**CORPORATE STRUCTURE**

Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

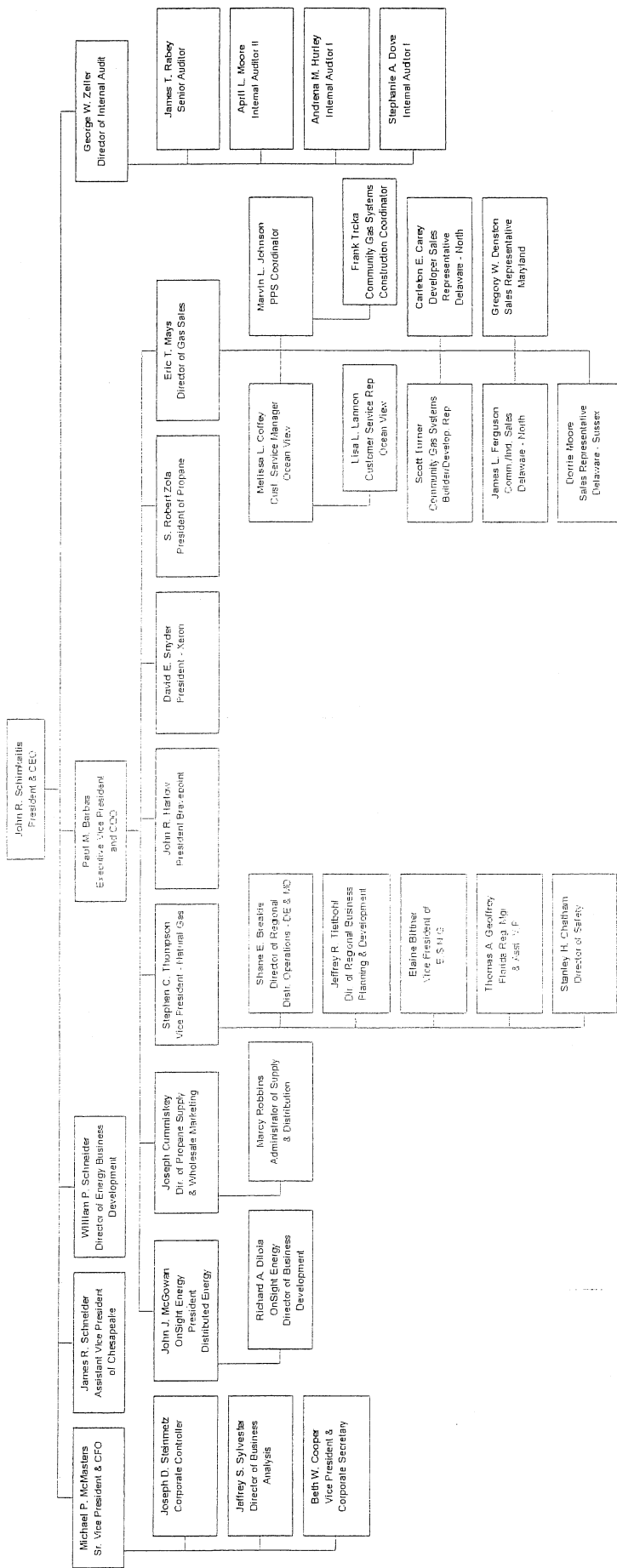
Effective Date:

**See Attached**



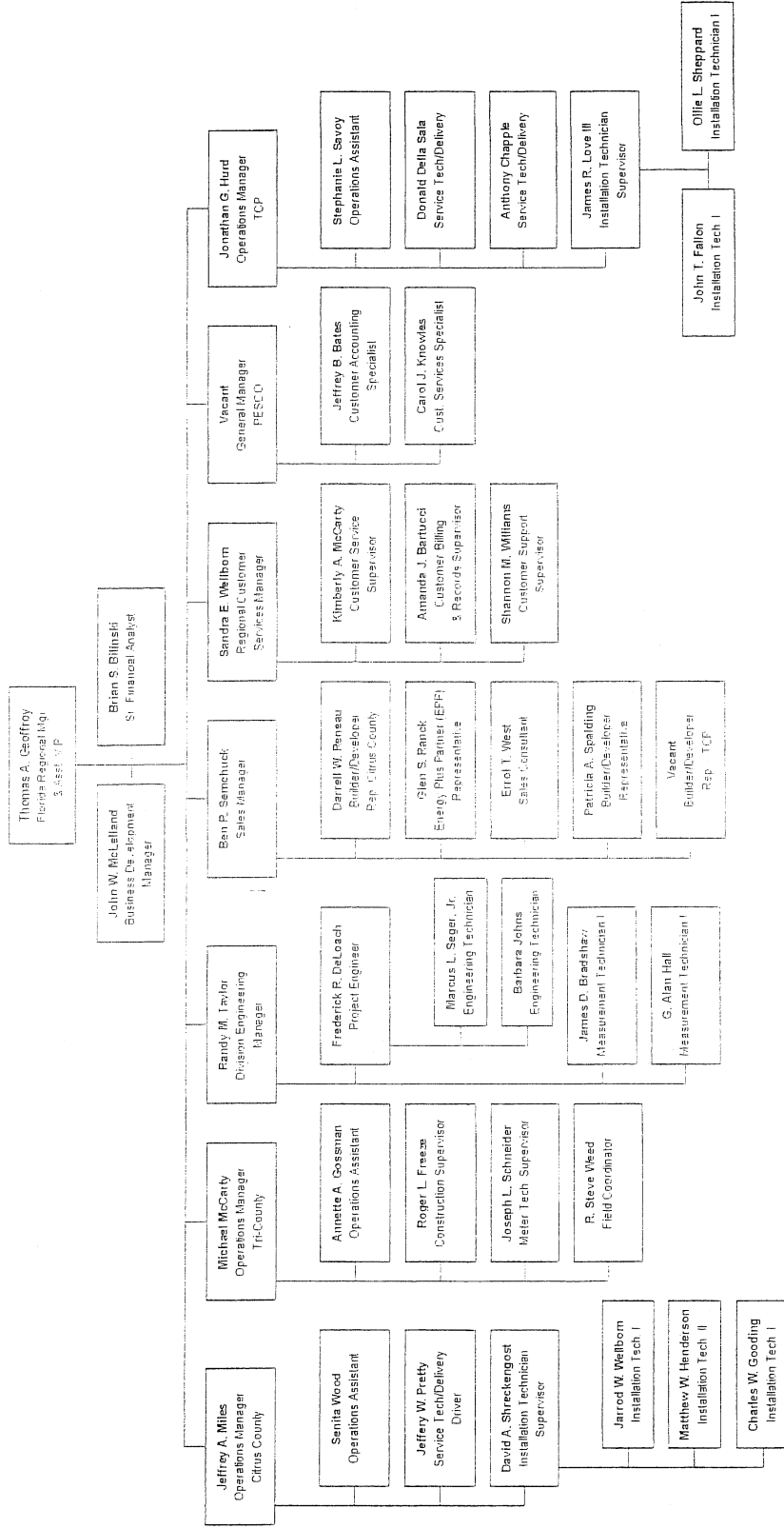
# CHESAPEAKE UTILITIES CORPORATION

## Corporate Management



# CHESAPEAKE UTILITIES CORPORATION

## Florida Energy



Name of Respondent Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 2005

**SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS**

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

- (a) Enter name of affiliate.
- (b) Give description of type of service, or name the product involved.
- (c) Enter contract or agreement effective dates.
- (d) Enter the letter "p" if the service or product is purchased by the Respondent; "s" if the service or product is sold by the Respondent.
- (e) Enter utility account number in which charges are recorded.
- (f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge for Year		
			"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
N/A					

**NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES**

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

Name of Affiliate	Synopsis of Contract

**INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000**

Provide information regarding individual affiliated transactions in excess of \$25,000. Recurring monthly affiliated transactions which exceed \$25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

Name of Affiliate	Description of Transaction	Dollar Amount
<b>Individual Transactions &gt; \$25k</b>		
Chesapeake Utilities Corp	Corporate Balance Reclassed to FRU's - 05/31/05	(\$145,321)
Chesapeake Utilities Corp	Corporate Balance Reclassed to FRU's - 06/30/05	\$48,201
Sharp Florida	Accounts Receivable - 01/31/05	(\$91,907)
Sharp Florida	Accounts Receivable - 04/30/05	(\$139,472)
Sharp Florida	Accounts Receivable - 07/31/05	(\$822,994)
Sharp Florida	Accounts Receivable - 09/30/05	(\$170,094)
Sharp Florida	Accounts Receivable - 11/30/05	(\$47,089)
Sharp Florida	Accounts Receivable - 12/31/05	(\$812,982)
Sharp Florida	Plant - 03/31/05	(\$36,222)
<b>Recurring Transactions &gt; \$25k per month</b>		
Chesapeake Utilities Corp	Payroll	\$810,998
Chesapeake Utilities Corp	Accounts Payable	\$434,050
Chesapeake Utilities Corp	Department Expenses	\$841,572
Chesapeake Utilities Corp	Cash Transactions	(\$67,814,726)
Chesapeake Utilities Corp	Income Tax	\$838,202
Chesapeake Utilities Corp	Interest Allocation	\$939,497
Pesco	Accounts Receivable	(\$522,436)
	Cash	\$13,512,872
	Imbalance	(\$459,215)
Sharp Florida	Cash	\$1,597,259

**ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES**

Provide a summary of affiliated transactions involving asset transfers or the right to use assets.

Name of Affiliate	Description of Asset or Right	Cost/Orig. Cost	Accumulated Depreciation	Net Book Value	Fair Market Value	Purchase Price	Title Passed Yes/No
Purchases from Affiliates:							
N/A		\$	\$	\$	\$	\$	
						\$	
<b>Total</b>							
Sales to Affiliates:							
N/A		\$	\$	\$	\$	Sales Price	
						\$	
<b>Total</b>							

**EMPLOYEE TRANSFERS**

List employees earning more than \$50,000 annually transferred to/from the utility to/from an affiliate company.

Company Transferred From	Company Transferred To	Old Job Assignment	New Job Assignment	Transfer Permanent or Temporary and Duration
N/A				