

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for authorization to issue common stock, preferred stock and secured and/or unsecured debt, and to enter into agreements for interest rate swap products, equity products and other financial derivatives, and to exceed limitation placed on short-term borrowings in 2013, by Florida Division of Chesapeake Utilities Corporation.

DOCKET NO. 120292-GU
ORDER NO. PSC-13-0042-FOF-GU
ISSUED: January 24, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

FINAL ORDER GRANTING APPROVAL TO ISSUE AND SELL SECURITIES

BY THE COMMISSION:

Chesapeake Utilities Corporation (Chesapeake or Company) filed an application on November 16, 2012, seeking authority to issue common stock, preferred stock and secured and/or unsecured debt, and to enter into agreements for interest rate swap products, equity products and other financial derivatives, and to issue short-term borrowings in 2013. Notice of Chesapeake's application was published in the Florida Administrative Register on December 7, 2012.

The Company seeks authority to issue during calendar year 2013: up to 5,868,334 shares of Chesapeake common stock, up to 1,000,000 shares of Chesapeake preferred stock, up to \$137 million in secured and/or unsecured debt, to enter into agreements up to \$70 million in Interest Rate Swap Products Equity Products and other financial derivatives, to exceed the limitation placed on short-term borrowings so as to issue short-term obligations in 2013 in an amount not to exceed \$140 million.

Chesapeake Utilities Corporation allocates funds to the Florida Division, Florida Public Utilities, and Indiantown Gas Company on an as-needed basis, although in no event shall such allocations exceed 75 percent of the proposed equity securities (common stock and preferred stock), long-term debt, short-term debt, interest rate swap products, equity products, and financial derivatives.

Chesapeake proposes to issue up to 5,868,334 new shares of its common stock during 2013 for the purpose of administering the Company's Retirement Savings Plan, Performance

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Incentive Plan, Dividend Reinvestment and Stock Purchase Plan, conversion of the Company's Convertible Debentures, Directors Stock Compensation Plan, and Employee Stock Awards Plan. The share breakdown for each specific purpose is as follows:

Number of Shares	Purpose
70,000	Issuance pursuant to the Company's Retirement Savings Plan.
100,000	Issuance under the terms of the Company's Performance Incentive Plan.
120,000	Issuance pursuant to the Company's Dividend Reinvestment and Stock Purchase Plan.
61,023	Issuance under the terms of the Company's outstanding 8 1/4% Convertible Debentures.
12,311	Issuance pursuant to the Company's Directors Stock Compensation Plan.
5,000	Issuance under the terms of the Company's Employee Stock Awards Plan.

In addition, Chesapeake seeks approval to issue up to 500,000 shares of Chesapeake stock or an equity-linked instrument equivalent in value in 2013 to permanently finance Chesapeake's ongoing capital expenditure program. The capital expenditure program is subject to continuous review and modification and is funded from short-term borrowings and cash provided by operating activities. The Company, in an effort to manage its capital structure, may from time to time, permanently finance its short-term borrowings through the issuance of common stock or an equity-linked instrument, as opposed to long-term debt.

For 2013, Chesapeake seeks approval to issue up to \$77 million in secured and/or unsecured debt. The proceeds of this debt issuance would be used for general corporate purposes including, but not limited to, working capital, retirement of short-term debt, retirement of long-term debt and capital improvements. We approved the issuance and sale of \$120 million in secured and/or unsecured long-term debt during 2012 by Order No. PSC-11-0589-FOF-GU, issued December 22, 2011.

In addition, the Company seeks approval to issue, in 2013, up to 5,000,000 shares of common stock and up to \$60 million in secured and/or unsecured debt for possible acquisitions. Due to the nature of typical cash for stock acquisitions, the \$60 million in secured and/or unsecured debt may be initially issued through a bridge loan in the form of notes held by banks or some similar form of short-term obligations. For this reason, Chesapeake seeks approval to issue short-term obligations in an amount not to exceed \$140 million during 2013. The bridge financing would be subsequently refinanced as unsecured long-term debt with an estimated rate of interest of up to 300 basis points above U.S. Treasury rates (or extrapolated U.S. Treasury rates) with equivalent average life. As noted, we approved the issuance and sale of 5,875,782 shares of common stock and \$120 million in secured and/or unsecured long-term debt during 2012 by Order No. PSC-11-0589-FOF-GU, issued December 22, 2011.

Chesapeake seeks authorization to issue up to 1,000,000 shares of Chesapeake preferred stock in 2013, for possible acquisitions, financing transactions, and other general corporate purposes, including potential distribution under the Company's Rights Agreement. We approved the issuance and sale of up to 1,000,000 shares of preferred stock during 2012 by Order No. PSC-11-0589-FOF-GU, issued December 22, 2011.

Chesapeake also seeks authorization to enter into financial agreements for financial derivatives including, but not limited to Interest Rate Swap Products, Equity Products, and/or other Financial Derivatives on such terms as Chesapeake considers to be appropriate, provided that the notional amount(s) for said Interest Rate Swap Products, Equity Products, and/or other Financial Derivatives do not, in the aggregate, exceed the sum of \$70 million.

After reviewing the application, we find that the issuance and sale of the aforementioned securities will not impair the ability of Chesapeake to perform the services of a public utility. These transactions are for lawful purposes within the Company's corporate powers. As such, the application is granted subject to the conditions stated herein.

Our approval of the proposed issuance of securities by Chesapeake does not indicate specific approval of any rates, terms, or conditions associated with the issuance. Such matters are properly reserved for review by the Commission within the context of a rate proceeding.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Chesapeake Utilities Corporation to issue up to 5,868,334 shares of Chesapeake common stock, up to 1,000,000 shares of Chesapeake preferred stock, up to \$137,000,000 in secured and/or unsecured debt, and to enter into agreements up to \$70 million for Interest Rate Swap Products, Equity Products and other Financial Derivatives during 2013, as discussed within the body of this Order, is approved. It is further

ORDERED by the Florida Public Service Commission that the application of Chesapeake Utilities Corporation to issue short-term obligations in an amount not to exceed \$140 million during 2013, as discussed within the body of this Order, is approved. It is further

ORDERED that Chesapeake Utilities Corporation may allocate funds to the Florida Division, Florida Public Utilities, and Indiantown Gas Company on an as-needed basis, although in no event shall such allocations exceed 75 percent of the proposed equity securities (common stock and preferred stock), long-term debt, short-term debt, interest rate swap products, equity products, and financial derivatives.

ORDERED that Chesapeake Utilities Corporation shall file a consummation report in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days of the end of the fiscal year in which it issues any securities authorized by this Order. It is further

ORDERED that this docket shall remain open until April 25, 2014, to monitor the issuance and/or sale of securities until Chesapeake Utilities Corporation submits, and we have reviewed, the consummation report, at which time it shall be closed administratively.

By ORDER of the Florida Public Service Commission this 24th day of January, 2013.



ANN COLE
Commission Clerk
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.