

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 2019, by Chesapeake Utilities Corporation.

DOCKET NO. 20180192-GU
ORDER NO. PSC-2018-0611-FOF-GU
ISSUED: December 27, 2018

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

FINAL ORDER GRANTING APPROVAL TO ISSUE AND SELL SECURITIES

BY THE COMMISSION:

Chesapeake Utilities Corporation (Chesapeake or Company) filed an application on October 19, 2018, seeking authority to issue common stock, preferred stock and secured and/or unsecured debt; to enter into agreements for interest rate swap products, equity products and other financial derivatives; and to exceed the limitation placed on short-term borrowings in 2019. Notice of Chesapeake's application was published in the Florida Administrative Register on November 30, 2018.

The Company seeks our approval, pursuant to Section 366.04, Florida Statutes, to issue, in 2019, up to 8,600,000 shares of Chesapeake common stock; issue up to 2,000,000 shares of Chesapeake preferred stock; up to \$650 million in secured and/or unsecured debt; enter into agreements up to \$200 million in interest rate swap products, equity products and other financial derivatives; and issue short-term obligations in an amount not to exceed \$350 million.

Chesapeake allocates funds to the Chesapeake Utilities Corporation - Florida Division, Florida Public Utilities Company (FPUC), FPUC - Indiantown Division, and FPUC - Fort Meade Division on an as-needed basis. Chesapeake acknowledges that in no event will such allocations to the Florida Divisions 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 issued by Chesapeake.

Chesapeake proposes to issue up to 600,000 new shares of its common stock during 2019 for the purpose of administering Chesapeake's Retirement Savings Plan, Stock and Incentive Compensation Plan, and Dividend Reinvestment and Stock Purchase Plan. The share breakdown for each specific purpose is as follows:

Number of Shares	Purpose
200,000	Issuance pursuant to the Company's Retirement Savings Plan.
200,000	Issuance under the terms of the Company's Stock and Incentive Compensation Plan.
200,000	Issuance pursuant to the Company's Dividend Reinvestment and Stock Purchase Plan.

In addition, Chesapeake requests Commission authorization to issue, in 2019, up to 3,000,000 shares of Chesapeake stock or an equity-linked instrument equivalent in value to permanently finance Chesapeake's ongoing capital expenditure program. Chesapeake also seeks our authorization to issue, during 2019, up to an additional 5,000,000 shares of common stock. Chesapeake asserts that this additional stock would be used to finance Chesapeake's ongoing acquisition 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 states that it 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.

Chesapeake requests Commission authorization to issue up to \$650,000,000 in new secured and/or unsecured debt during 2019 for general corporate purposes including, but not limited to, working capital, retirement of short-term debt, retirement of long-term debt, capital improvements and acquisitions. Chesapeake also seeks our authorization to exceed the limitation placed on short-term borrowings by Section 366.04, Florida Statutes, so as to issue short term obligations up to \$350,000,000 during 2019.

Chesapeake also requests our authority to issue up to 2,000,000 shares of Chesapeake preferred stock, in 2019, for possible acquisitions, financing transactions, and other general corporate purposes. Chesapeake further seeks our approval to enter into financial agreements with institutions in 2019 to negotiate and execute financial derivatives enabling the Company to lock in its future financing costs and minimize its risk. A financial derivative is a risk-shifting agreement, the value of which is derived from the value of an underlying asset. The underlying asset could be a physical commodity, an interest rate, a company's stock, a stock index, a currency, or virtually any other tradable instrument upon which two parties can agree. A financial derivative can be used for hedging, protecting against financial risk, or can be used to speculate on the movement of commodity or security prices, interest rates, or the levels of financial indices. Financial derivatives fall into two categories. One consists of customized, privately negotiated derivatives, referred to as over-the-counter (OTC) derivatives or swaps. The other category consists of standardized, exchangeable derivatives, known generically as futures.

In addition, there are various types of products within each of the two categories. The Company identified, in its application, a list of some of the financial derivatives that the Company may evaluate in 2019, although Chesapeake asserts that this listing is not intended to be all-inclusive. Rather, the Company seeks approval to evaluate and employ those financial derivatives that would mitigate its financial risk associated with any particular financing transaction.

Chesapeake proposes to have the flexibility and authority to enter into the following: (a) treasury rate locks, credit spread locks, interest rate swaps, collars, caps and/or floors (Interest Rate Swap Products); (b) equity collars, floors, prepaid forward contracts, covered calls, forward sales and purchases and/or equity-linked instruments (Equity Products); or (c) any other financial derivatives that meet the objectives described above 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 \$200,000,000.

Chesapeake Utilities Corporation asserts that it allocates funds to the Florida Division, Florida Public Utilities, and the Indiantown and Fort Meade divisions on an as needed basis.

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 this Commission within the context of a rate proceeding.

Based on the foregoing, it is

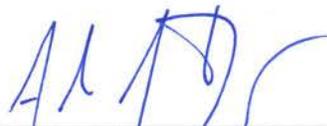
ORDERED by the Florida Public Service Commission that the application of Chesapeake Utilities Corporation to issue up to 8,600,000 shares of Chesapeake common stock; issue up to 2,000,000 shares of Chesapeake preferred stock; up to \$650,000,000 in secured and/or unsecured debt ; enter into agreements up to \$200,000,000 in interest rate swap products, equity products and other financial derivatives; and issue short-term obligations in an amount not to exceed \$350,000,000 in calendar year 2019, is approved. It is further

ORDERED that Chesapeake Utilities Corporation may allocate funds to the Chesapeake Utilities Corporation - Florida Division, Florida Public Utilities Company (FPUC), FPUC - Indiantown Division, and FPUC - Fort Meade Division, on an as-needed basis. Chesapeake acknowledges that in no event will such allocations to the Florida Divisions 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 issued by Chesapeake. It is further

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 30, 2020, to monitor the issuance and/or sale of securities until Chesapeake Utilities Corporation submits, and Commission staff has reviewed, the consummation report, at which time it shall be closed administratively.

By ORDER of the Florida Public Service Commission this 27th day of December, 2018.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
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Tallahassee, Florida 32399
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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.

KMS

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

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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.