

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 exceed limitation placed on short-term borrowings in 2002, by Florida Division of Chesapeake Utilities Corporation.

DOCKET NO. 011345-GU
ORDER NO. PSC-01-2274-FOF-GU
ISSUED: November 19, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman
J. TERRY DEASON
LILA A. JABER
BRAULIO L. BAEZ
MICHAEL A. PALECKI

FINAL ORDER GRANTING APPROVAL FOR AUTHORITY
TO ISSUE AND SELL SECURITIES

BY THE COMMISSION:

Chesapeake Utilities Corporation, Florida Division, (Chesapeake or Company) filed an application on October 8, 2001, seeking authority pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code, to issue common stock, preferred stock, and secured and/or unsecured debt, and to exceed the limitation placed on short-term borrowings in 2002. Notice of Chesapeake's application was published in the Florida Administrative Weekly on October 26, 2001.

Chesapeake requests authorization to issue up to 6,000,000 shares of Chesapeake common stock, up to 1,000,000 shares of Chesapeake preferred stock, and up to \$80 million in secured and/or unsecured debt. In addition, the Company requests authority to exceed the limitation placed on short-term borrowings by Section

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366.04, Florida Statutes, so as to issue short-term obligations in an amount not to exceed \$40 million.

Chesapeake proposes to issue up to 1,025,562 new shares of its common stock for the purpose of administering the Company's Retirement Savings Plan, Performance Incentive Plan, Automatic Dividend Reinvestment and Stock Purchase Plan and conversion of the Company's Convertible Debentures. The share breakdown for each specific purpose is as follows:

<u>Number of Shares</u>	<u>Purpose</u>
303,144	Reserved for issuance pursuant to the Company's Retirement Savings Plan
351,124	Reserved for issuance under the terms of the Company's Performance Incentive Plan
170,118	Reserved for issuance pursuant to the Company's Automatic Dividend Reinvestment and Stock Purchase Plan
201,176	Reserved for issuance under the terms of the Company's outstanding 8 1/4% Convertible Debentures

For 2002, Chesapeake seeks approval to issue up to \$40,000,000 in secured and/or unsecured long-term debt with an estimated rate of interest of up to 250 basis points above U.S. Treasury rates (or extrapolated U.S. Treasury rates) with equivalent average life. 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 \$40,000,000 in secured and/or unsecured long-term debt during 2001 by Order No. PSC-00-2498-FOF-GU, issued December 26, 2000.

In addition, the Company intends to issue, in 2002, up to 4,974,673 shares of common stock and \$40,000,000 in secured and/or unsecured long-term debt with an estimated rate of interest of up

to 250 basis points above U.S. Treasury rates (or extrapolated U.S. Treasury rates) with equivalent average life. This stock and debt would be used to finance Chesapeake's ongoing acquisition program of related businesses. The Company states it expects to continue to search for growth opportunities through acquisitions which fit into its long-range plan to achieve the proper mix of business activities. Financing of acquisitions will depend upon the nature and extent of potential acquisitions, as well as current market and economic conditions. Due to the nature of typical cash for stock acquisitions, the \$40,000,000 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. The bridge financing would subsequently be refinanced as unsecured long-term debt with an estimated rate of interest of up to 250 basis points above U.S. Treasury rates (or extrapolated U.S. Treasury rates) with equivalent average life. We approved the issuance and sale of 5,064,236 shares of common stock and \$40,000,000 in secured and/or unsecured debt during 2001 by Order No. PSC-00-2498-FOF-GU, issued December 26, 2000.

Chesapeake also seeks authorization to issue up to 1,000,000 shares of Chesapeake preferred stock during 2002 for possible acquisitions, financing transactions, and other general corporate purposes, including potential distribution under the Company's Rights Agreement. The Company's Rights Agreement is designed to protect the value of the outstanding common stock in the event of an unsolicited attempt by an acquirer to take over the Company in a manner, or on terms, not approved by the Board of Directors.

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.

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Based on the foregoing, it is

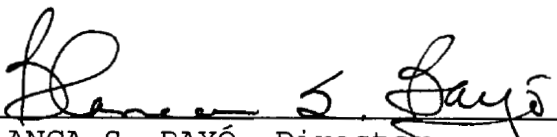
ORDERED by the Florida Public Service Commission that the application of Chesapeake Utilities Corporation, Florida Division, to issue up to 6,000,000 shares of Chesapeake common stock, up to 1,000,000 shares of Chesapeake preferred stock and up to \$80,000,000 in secured and/or unsecured debt is approved. It is further

ORDERED by the Florida Public Service Commission that the application of Chesapeake Utilities Corporation, Florida Division, to exceed the limitation placed on short-term borrowings by Section 366.04, Florida Statutes, so as to issue short-term obligations in an amount not to exceed \$40,000,000 during 2002, as discussed within the body of this Order, is approved. It is further

ORDERED that Chesapeake Utilities Corporation, Florida Division, 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 remains open pending the submission of the consummation report by Chesapeake Utilities Corporation, Florida Division.

By ORDER of the Florida Public Service Commission this 19th day of November, 2001.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

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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 Director, Division of the Commission Clerk and Administrative Services, 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 Director, Division of the Commission Clerk and Administrative Services 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.