

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by Chesapeake Utilities)
Corporation 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)

Docket No. 011345-GU

**APPLICATION BY CHESAPEAKE UTILITIES CORPORATION FOR MODIFICATION OF
AUTHORITY TO ISSUE SECURED AND/OR UNSECURED DEBT DURING THE TWELVE
MONTHS ENDED DECEMBER 31, 2002**

Chesapeake Utilities Corporation (Chesapeake, the Company or Applicant) respectfully files this Application, pursuant to Section 366.04 (1), Florida Statutes, seeking a modification in its authority to issue secured and/or unsecured debt during the twelve months ended December 31, 2002. By Order No. PSC-01-2274-FOF-GU, issued November 19, 2001, and Amendatory Order No. PSC-01-2274A-FOF-GU, issued December 5, 2001, the FPSC granted Chesapeake's application and authorized Chesapeake to issue, among other securities, \$40 million 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 are to be used for general corporate purposes including, but not limited to, working capital, retirement of long-term debt and capital improvements.

Currently, Chesapeake is in the process of completing a \$30 million private placement of new 15-year (10-year average life) unsecured senior notes. In the instant Application, Chesapeake seeks FPSC approval to enter into financial agreements with financial institutions (other than the holders of the new \$30 million of unsecured senior notes) to enter into interest rate swaps, collars, caps, and/or floors (the "Interest Rate Swap Products") on such terms as Chesapeake considers to be appropriate, provided that the notional amount(s) for said Interest Rate Swap Products does not,

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in the aggregate, exceed the sum of \$30 million. While the Company does not consider such financial transactions to involve the actual issuance of securities within the ambit of Section of 366.04(1), Florida Statutes, in an abundance of caution, Chesapeake respectfully requests such authority to the extent the FPSC considers Interest Rate Swap Products subject to its jurisdiction. In the event that the FPSC does not consider Interest Rate Swap Products to be jurisdictional, Chesapeake respectfully requests that the FPSC issue an Order acknowledging the instant filing.

1. Name and principal business offices of Applicant:

(a) Chesapeake Utilities Corporation
P.O. Box 615
909 Silver Lake Boulevard
Dover, Delaware 19904

(b) Chesapeake Utilities Corporation
Florida Division
P.O. Box 960
1015 6th Street N.W.
Winter Haven, Florida 33881

and

(c) Chesapeake Utilities Corporation
Florida Division
1639 West Gulf to Lake Highway
Lecanto, Florida 33461

2. Incorporated:

Chesapeake Utilities Corporation - Incorporated under the Laws of the State of Delaware on November 12, 1947 and qualified to do business in Florida, Maryland, and Pennsylvania.

3. Person authorized to receive notices and communications in this respect:

Wayne L. Schiefelbein
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, Florida 32301
Phone No.: (850) 877-6555
Fax No.: (850) 656-4029

Attorneys for Chesapeake Utilities Corporation

4. Major Changes in Financial Position:

There have been no major changes in Chesapeake's financial position since the filing of its application in this docket on October 8, 2001 for the 2002 fiscal year. To date, the common stock, preferred stock, debt and short-term borrowing requirements of the Company have been met pursuant to the conditions and limitations authorized by the FPSC in Order No. PSC-01-2274-FOF-GU and Order No. PSC-01-2274A-FOF-GU.

5. Proposed transaction(s):

Chesapeake is requesting authority to enter into and/or acquire Interest Rate Swap Products on such terms as Chesapeake considers to be appropriate provided that the notional amount(s) for said Interest Rate Swap Products does not, in the aggregate, exceed the sum of \$30 million.

6. Purpose for which Approval is requested:

To the extent that approval of the FPSC is required, in this Application Chesapeake seeks the authority to enter into agreements with financial institutions, relating to Interest Rate Swap Products – such as interest rate swaps, collars, caps, and/or floors – subject to the limitation that the notional amount(s) for any such Interest Rate Swap Products would not, in the aggregate, exceed the sum of \$30 million.

The Company is evaluating Interest Rate Swap Products as part of its continuing effort to manage and mitigate the Company's interest cost on its long-term and/or short-term debt. By way of example, Chesapeake may enter into a "swap" agreement with a separate financial institution (other than the holders of the new \$30 million of unsecured senior notes) pursuant to which Chesapeake would be entitled to receive from the financial institution a fixed payment equal to a fixed rate times the "notional" amount (in this case up to \$30 million for up to a ten year average life). Pursuant to the "swap" agreement, Chesapeake would agree to pay a variable amount equal to a variable rate (in this case LIBOR plus a margin) times the same "notional" amount for the same time period to the same financial institution. Chesapeake may also enter into an arrangement that includes a floor and/or a cap on the variable amounts it would pay the financial institution.

7. Lawful object and purpose:

Chesapeake believes that Interest Rate Swap Products would provide Chesapeake with an additional opportunity to achieve lower cost funding of existing and prospective debt placements, as well as enhanced flexibility to manage the Company's exposure to interest rates as market conditions permit. This is for a lawful object within the corporate purposes of Chesapeake and compatible with the public interest and is reasonably necessary or appropriate for such purposes.

8. Counsel:

To the extent required, when and if Chesapeake enters into agreements relating to Interest Rate Swap Products, Chesapeake will cause to be filed with the Commission supplemental legal opinions applicable to the specific transaction. At that time, the legality of the transaction will be passed upon by William A. Denman, Esquire, Parkowski & Guerke, P.A.,

116 West Water Street, Dover, Delaware 19903, who will rely on Wayne L. Schiefelbein, Esquire, Rose, Sundstrom & Bentley, LLP, 2548 Blairstone Pines Drive, Tallahassee, Florida 32301, as to matters of Florida law.

9. Other Regulatory Agencies:

Under 26 Del. C Section 215 of the Delaware statutes, Chesapeake is regulated by the Delaware Public Service Commission and, therefore, must file a Prefiling Notice, a Notice, and an Application to obtain approval of the Delaware Commission before issuing new securities which mature more than one (1) year from the date of issuance. In addition, a Notice must be filed if Chesapeake expects to incur short-term indebtedness which exceeds ten percent of the Company's total capitalization. All necessary applications or registration statements have been or will be made as required and will be made a part of the final consummation report to the FPSC as required by Rule 25-8.009, Florida Administrative Code.

The address of the Delaware Commission is as follows:

Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building
Dover, Delaware 19904
Attention: Bruce H. Burcat, Executive Director

10. Control or ownership:

Applicant is not owned by any other company nor is Applicant a member of any holding company system.

11. Constitutionality of Statute:

Chesapeake has taken the position that the statutory requirement of FPSC approval of the issuance and sale of securities by a public utility, under Section 366.04 (1), Florida Statutes,

as applied to Chesapeake, a Delaware corporation engaged in interstate commerce, is unconstitutional, in that it creates an unreasonable burden on interstate commerce. Support for this position is set out in Chesapeake's petition for declaratory statement disclaiming jurisdiction, as filed in Docket No. 930705-GU.

By Order No. PSC-93-1548-FOF-GU, issued on October 21, 1993, the FPSC denied the petition for declaratory statement, while approving the alternative petition for approval of the issuance of up to 100,000 new shares of common stock for the purpose of administering a Retirement Savings Plan. The FPSC found that "the facial constitutionality of a statute cannot be decided in an administrative proceeding," and that since the stock issuance was approved, "the question of constitutionality appears to be academic at this time."

Chesapeake continues to maintain that the assertion of jurisdiction by the FPSC over its securities unconstitutionally burdens interstate commerce, particularly where the Public Service Commission of the State of Delaware has approved their issuance and sale, and/or where the securities do not create a lien or encumbrance on assets of Chesapeake's public utility operations in the State of Florida.

Florida law provides for severe penalties for any willful violation of a statute administered by the FPSC or any of its rules or orders. Secs. 350.127 (1) and 366.095, Florida Statutes. Accordingly, Chesapeake believes it must submit to FPSC jurisdiction over its securities if it is to avoid assessment of such penalties and to otherwise remain in good standing before the FPSC. It therefore files the instant Application, under protest, and without waiver of its position regarding the unconstitutionality of the statute.

PRAYER FOR RELIEF

Based on the foregoing, Chesapeake Utilities Corporation requests that the FPSC issue an Order authorizing it to enter into Interest Rate Swap Products with financial institutions so long as the notional principal amount with respect to said transactions does not, in the aggregate, exceed the sum of \$30 million. In the event that the FPSC does not consider Interest Rate Swap Products to be jurisdictional, Chesapeake Utilities Corporation respectfully requests that the FPSC issue an Order, acknowledging the instant filing.

Respectfully submitted,

Date:

June 20, 2002

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Attorneys for
Chesapeake Utilities Corporation

Date:

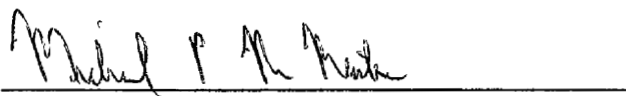
June 18, 2002

By:

Michael P. McMasters
Michael P. McMasters
Vice President, Treasurer, & CFO

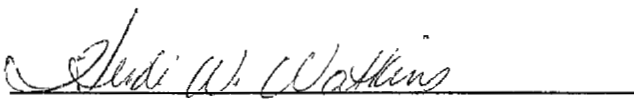
STATE OF DELAWARE *
*
COUNTY OF KENT * SS

BE IT REMEMBERED that on this 18th day of June 2002, personally appeared before me, a Notary Public for the State of Delaware, Michael P. McMasters, who being by me duly sworn, did depose and say that he is Vice President, Treasurer and CFO of Chesapeake Utilities Corporation, a Delaware corporation, and that insofar as the Application of Chesapeake Utilities Corporation states facts, and insofar as those facts are within his personal knowledge, they are true; and insofar as those facts that are not within his personal knowledge, he believes them to be true and that he has executed this Application on behalf of the Company and pursuant to the authorization of its Board of Directors.



Michael P. McMasters
Vice President, Treasurer & CFO

SWORN TO AND SUBSCRIBED before me the day and year first above written.



Notary Public
My Commission Expires: 10/24/05