

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 Enter Into Agreements)
For Interest Rate Swap Products, and to Exceed)
Limitation Placed on Short-Term Borrowings in)
2005

Docket No. 041263-GU

**APPLICATION BY CHESAPEAKE UTILITIES CORPORATION FOR MODIFICATION OF
AUTHORITY TO ISSUE SHARES OF COMMON STOCK FOR THE, DIRECTORS STOCK
COMPENSATION PLAN AND EMPLOYEE STOCK AWARD PLAN DURING THE
TWELVE MONTHS ENDED DECEMBER 31, 2005**

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 100,000 shares of common stock authorized and reserved for issuance under the Directors Stock Compensation Plan ("the new DSCP") and the Employee Stock Award Plan ("the ESAP") during the twelve months ended December 31, 2005. Of the 100,000 of which approval is being sought, 75,000 shares will be issued pursuant to the new DSCP and 25,000 shares will be issued pursuant to the ESAP. In addition, the Company has submitted an application to the Delaware Public Service Commission for approval of the issuance of the 100,000 shares of common stock for the new DSCP and ESAP.

On October 29, 2004, Chesapeake filed an application with the FPSC for authority to issue common stock, preferred stock, and secured and/or unsecured debt, to enter into agreements for Interest Rate Swap Products, and to exceed the limitation placed on short-term borrowings during 2005. On December 1, 2004, the FPSC approved Chesapeake's 2005 application by Order No. PSC-04-1184-FOF-GU. Also, in 2004, Chesapeake

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completed a review of its existing and proposed equity compensation plans (i) to ensure the Company's adherence to the American Jobs Creation Act of 2004; (ii) to ensure compliance with the Securities Exchange Commission's new reporting requirements relating to compensation plans; and (iii) to present all equity compensation plans that provide for the issuance of new Chesapeake shares and requiring shareholder approval, in the Company's 2005 Proxy Statement and Notice of Annual Meeting.

Chesapeake is currently presenting the new DSCP and the ESAP for shareholder approval in the Company's 2005 Proxy Statement and Notice of Annual Meeting.¹ On December 10, 2004, the Board of Directors adopted the new DSCP pursuant to which 75,000 shares of common stock would be made available for issuance to non-employee directors through a period commencing on the date of the Company's 2005 Annual Meeting and ending on December 31, 2015.

On May 16, 1995, the Company's shareholders approved the former Directors Stock Compensation Plan, entitling each non-employee director to receive an annual award of Chesapeake common stock. At the time of the adoption of the 1995 plan; the annual award to each non-employee director was 400 shares. In the year 2000, the number of shares was increased to 600 shares plus an additional 100 shares were awarded to those non-

¹ In addition, the Company sponsors a Performance Incentive Plan (PIP), whose objectives are to further the long-term growth and earnings of the Company by providing incentives and rewards to those executive officers and other key employees of the Company and its subsidiaries who are in positions in which they can contribute significantly to the achievement of that growth. The current PIP expires on December 31, 2005. On February 24, 2005, Chesapeake's Board of Directors adopted the new PIP, which will be effective January 1, 2006. The Board of Directors is including the new PIP for shareholder consideration in the Company's 2005 Proxy Statement and Notice of Annual Meeting, together with the new DSCP and ESAP (with the latter two plans becoming effective upon shareholder approval). If the shareholders approve the new PIP, the Company will seek appropriate FPSC authorization in its forthcoming annual filing for 2006.

employee directors who served as the chairman of a committee of the Board of Directors. In 2004, the committee chair award was increased from 100 shares to 150 shares.

For 2005, the Board of Directors approved, subject to the approval of the new DSCP by shareholders at the 2005 Annual Meeting, (1) an award of 600 shares of common stock to each non-employee director and (2) an award of 150 additional shares to each chairman of a committee of the Board of Directors. If the shareholders do not approve the new DSCP, each non-employee director will be paid an amount equal to the value of the shares in cash.

Under the new DSCP each non-employee director who is elected as a director at the Company's Annual Meeting or whose service as a director will continue after the date of the Annual Meeting will receive, as compensation for services during the ensuing year, an award of no more than 1,200 shares of common stock on the date of the Company's Annual Meeting. If the non-employee director is elected or appointed other than at an Annual Meeting, the director will be awarded on that date the number of shares of common stock equal to the current year's award multiplied by the fraction (i) the numerator of which is the number of days remaining until the date of the next Annual Meeting and (ii) the denominator of which is 365. The new DSCP will replace the prior plan that expired on December 31, 2004

Also on December 10, 2004, the Board of Directors approved the ESAP and the issuance of 25,000 shares of Company common stock thereunder. Historically, the Company has awarded shares of Chesapeake common stock to the Company's top performing manager and employee of the year. These shares were purchased on the open

market. Under new New York Stock Exchange (NYSE) rules, the Company is required to have a formal plan that has been approved by shareholders. The ESAP provides the Company with the flexibility of purchasing shares on the open market, issuing new shares, or awarding treasury shares. The Board of Directors believes that such awards, per the ESAP, enhance the ability of the Company and its subsidiaries to attract, motivate and retain its employees and to encourage the highest level of employee performance by enabling the Company to recognize exemplary employee performance through stock awards. The ESAP provides for employee awards in stock, with a maximum amount of 5,000 shares that can be awarded in any given year. If approved by the stockholders at the 2005 Annual Meeting, the ESAP will be effective on the date of the Annual Meeting and will continue in effect, unless terminated earlier by the Board of Directors, until December 31, 2015.

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
1501 First Street South
Winter Haven, Florida 33881

This is a temporary address, during post-hurricane reconstruction of the former building located at 1015 6th Street N.W., Winter Haven, Florida 33881. At this time it is undetermined about the status of the completion of the renovations to the 1015 6th Street N.W. location.

and

(c) Chesapeake Utilities Corporation
Central Florida Gas
2669-B North Florida Avenue
Hernando, Florida 34442

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 Blirstone 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 29, 2004 for the 2005 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-04-1184-FOF-GU.

5. Proposed transaction(s):

Chesapeake is requesting authority to issue up to 100,000 shares of common stock for administering the new Directors Stock Compensation Plan and Employee Stock

Award Plan.

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 issue 100,000 shares of Chesapeake common stock. Of the 100,000 shares for which approval is being sought, 75,000 would be issued pursuant to the new Directors Stock Compensation Plan and 25,000 would be issued pursuant to the Employee Stock Award Plan.

7. Lawful object and purpose:

The common stock issued will be used for the purpose of administering the new Directors Stock Compensation Plan and the Employee Stock Award Plan. Due to NYSE rules requiring equity compensation plans to have shareholder approval, the Board of Directors will present its new Directors Stock Compensation Plan and Employee Stock Award Plan for shareholder consideration in the Company's 2005 Proxy Statement and Notice of Annual Meeting. The existing Directors Stock Compensation Plan expired December 31, 2004 and the Employee Stock Award Plan is a new plan. These plans are lawful objects within the corporate purposes of the Company and compatible with the public interest and are reasonably necessary or appropriate for such purposes.

8. Counsel:

The legality of the common stock, will be passed upon by William A. Denman, Esquire, Parkowski & Guerke, 116 West Water Street, Dover, Delaware 19904, who will rely on Wayne L. Schiefelbein, Esquire, Of Counsel, Rose, Sundstrom & Bentley,

LLP, 2548 Blirstone 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. 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 Application for declaratory statement disclaiming jurisdiction, as filed in FPSC Docket No. 930705-GU.

By FPSC Order No. PSC-93-1548-FOF-GU, issued on October 21, 1993, the FPSC denied the Application for declaratory statement, while approving the alternative Application 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 the issuance of up to 100,000 shares of Company common stock for purposes of administering the new Directors Stock Compensation Plan and the Employee Stock Award Plan. In the event that the FPSC does not consider the abovementioned request to be jurisdictional, Chesapeake Utilities Corporation respectfully requests that the FPSC issue an Order acknowledging the instant filing.

Respectfully submitted,

Date: 3/30/05


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Attorneys for
Chesapeake Utilities Corporation

STATE OF DELAWARE *
*
COUNTY OF KENT * SS

BE IT REMEMBERED that on this 30th day of March, personally appeared before me, a Notary Public for the State of Delaware, Beth W. Cooper, who being by me duly sworn, did depose and say that she is Treasurer and Assistant Secretary 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 her personal knowledge, they are true; and insofar as those facts that are not within her personal knowledge, she believes them to be true and that she has executed this Application on behalf of the Company and pursuant to the authorization of its Board of Directors.



Beth W. Cooper
Treasurer & Assistant Secretary

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



Notary Public
My Commission Expires: 10/24/05