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FPUC - Natural Gas Division
Confidential Index
Test year Ended 12/31/2010
B Maitre

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Confidential Index

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FPUC
Review of FPUC BOD Mins
TYE 12/31/2010
B Maitre

FPUC
2010 Overearnings Review
Docket# 110133-GU, ACN 11-129-4-1
TYE 12/31/2010

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Title BOD mins

FPUC BOD MINS: FEB – OCT 2009

February 23, 2009: Special Directors' Meeting

The board reviewed the Company's strategic initiatives and desired future course. Management was directed to stand the present course and then discussed a review of the Pension Plan investment strategy presented by the CFO.

March 11, 2009: Special Directors' Meeting

The minutes from prior meetings were approved. The consolidated financials for period ending December 31, 2008 and other information concerning the Company were reviewed. The board authorized an additional 100,000 shares for the purpose of the Company's Dividend reinvestment Plan. The Company declared dividends of \$1.1875/share on the outstanding 4¾% cumulative preferred stock and \$.1175/share on the outstanding common stock. The board resolved that at the Annual Meeting of Stockholders scheduled May 12, 2009, Benoit and English are designated as candidates for the office of director with a term expiring 2012. BDO Seidman, LLC selected by the audit committee as the independent auditors. The board approves the recommendation of the compensation committee involving the 2008 incentive compensation for certain offers totaling \$98,391, awarding officer bonuses totaling \$50,000, effective March 11, 2009, and to revise 2009 incentives compensation goals. The considered and approved the compensation committee's recommendation to to amend the Pension plan to reduce pension related expenses. Lundgren was authorized to sign checks from the General, the Meter Refund, the employee Benefit and the Payroll accounts as of March 12, 2009.

March 24, 2009: Special Director's Meeting

The board reviewed the Company's strategic initiatives and desired future course. Management was directed to stand the present focus.

April 13, 2009: Special Director's Meeting

The purpose of the meeting was to review the letter received from Richard Osborne, Chairman of Energy West, proposing that Energy West acquire FPUC in a stock-for-stock transaction where [REDACTED] Ms. Naegle of Bryan Cave LLP (outside legal counsel) and Mr. Lacher of Houluhan (outside investment banker) reviewed the offer, discussed the importance of careful consideration in light of ongoing negotiations with Seagull, and financial position. Mr. Lacher updated the Board with progress of negotiations with Seagull; a key issue was the exchange ratio. Since the stock price volatility of each company's stock, the bankers had been discussing an exchange ratio of a 15-day average.

April 17, 2009: Special Directors' Meeting

The purpose of the meeting was to consider Chesapeake's offer to acquire FPUC in a stock-for-stock tax-free merger transaction for a fixed exchange ratio of .405 shares of Chesapeake's stock for each share of FPUC, par value \$0.4867. Ms. Naegle of Bryan Cave LLP (outside legal counsel) and Mr. Lacher of Houluhan (outside investment banker) reviewed the offer with the board. Mr. Lacher updated the board on the analysis of the Energy West offer. The board rejected the offer by Energy west and accepted the offer by Chesapeake.

May 12, 2009: Annual Shareholder's Meeting

The board presented a slide show to the shareholders regarding the pending merger with Chesapeake. Shareholders holding 5,513,107 shares out of the total 6,116,505 shares of common stock outstanding (exclusive of 95,999 shares of treasury stock) were at attendance. Benoit and English were elected Directors of the company by the shareholders. The company's Dividend Reinvestment plan to increase

Source: Reg # 2

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the number of common stock available in the Plan by 100,000 shares was approved. BDO Seidman, LLC was appointed as the 2009 auditors.

June 10, 2009: Special Directors' Meeting

The minutes from prior meetings were approved. The consolidated financials for the period ending March 31, 2009 and other information concerning the Company were reviewed. Mr. Bachman submitted a revised proposed budget summary for the board and the board authorized the [REDACTED]

[REDACTED] The COO updated the board on the current state of the Company's remediation efforts of manufactured gasification plants and the board requested to be informed of any Department of Environmental Protection's (DEP) demand for remediation and the outcome of any meetings with DEP. The board elected officers to serve effective June 1, 2009. The Company declared dividends of \$1.1875/share on the outstanding 4% cumulative preferred stock and \$.1200/share on the outstanding common stock. The board approved the Compensation committee to amend the 401(k) Contribution Benefit Plan to include a two-year vesting schedule effective June 10, 2009.

August 5, 2009: Action by the BOD by Unanimous Written Consent

The board approved the redemption of all the issued and outstanding shares of 4% Cumulative Preferred Stock at \$106.00 per share plus the amount accrued but unpaid dividends on the Preferred Stock through September 15, 2009. The board approved \$1.00 per share cash dividend at the close of the redemption date.

August 12, 2009: Special Director's Meeting

The minutes from prior meetings were approved. The consolidated financials for the six months ending June 30, 2009 and other information concerning the Company were reviewed. The Company declared dividends of \$1.1875/share on outstanding 4% cumulative preferred stock and \$.1200/share on outstanding common stock. The board resolved that the special meeting of shareholders would be October 22, 2009 and that August 24, 2009 was selected as the record date for determining the shareholders entitled to notice of and to vote at the special meeting.

October 14, 2009: Action by the BOD by Unanimous Written Consent to Amend the Employees' Pension Plan

Contingent upon the consummation of the merger, effective December 31, 2009, the plan is frozen to any future accruals of benefits on December 31, 2009. Employees may be credited with additional accruals or years to satisfy Code Section 401 and 410. The merger does not constitute a "change in control" for purposes of the Plan and will not trigger a Change in Control Benefit under Section 19.2 or 19.3.

October 22, 2009: Special Shareholders' meeting

Shareholders holding 5,026,222 shares out of the total 6,140,592 shares of common stock outstanding (exclusive of 92,124 shares of treasury stock) voted on the proposal to approve the Agreement and Plan of Merger, dated as of April 17, 2009, by and among FPUC, Chesapeake Utilities Corp and CPK Pelican, Inc.. The merger agreement was approved with 3,385,773 votes FOR to 1,610,309 votes AGAINST with 30,130 votes abstaining.

October 27, 2009: Special Directors' Meeting

The board considered and resolved several matters in finalizing the merger. The Company amended sections of the Employees' Pension Plan. Active employees who are not highly compensated at the effective date of merger shall be credited additional service years as necessary to provide him/her with a total of nine years of service under the plan. The board authorized the delisting of shares from the NYSE Amex, withdrawal of Shares and the Company's 6.85% Secured Insured Quarterly Note due October 2031, from registration under the Securities Act and deregistering the Shares under the Exchange Act. The board approved the resignation of the Directors effective after the merger. Finally the board authorized the officers of the Company to proceed with all actions necessary to facilitate with the closing of the merger.

CHESAPEAKE BOD MINS: Nov 2009 – May 2011

November 4, 2009: Directors' Meeting

The Board received routine information including updates on corporate matters, the natural gas and propane business and approved minutes from prior meeting. The board approved an increase in D&O insurance by \$5 million (coverage is \$20 million primary and \$5 million excess) and the purchase of \$5 million Side A D&O coverage.

Chesapeake had six note agreements, where senior notes were issued prior to the merger. Their long term debt was increased by approx \$49.3 million in the form of mortgage bonds, which are secured by liens covering all public utility property of FPUC. The Senior Notes agreements restrict the Company from transferring any public utility property to FPUC because of the assets would become subject to the FPUC liens.

The Board ratified and approved the First Amendment to its Note Agreements, executed October 27, 2009 between the Company and Prudential Insurance Co. of America and Prudential Retirement Insurance and Annuity Co. to permit property transfers to FPUC so the Company can 1) consolidate its FL operations and 2) invest and grow its FPU business. They also authorized the Officers of the Company to pursue refinancing for one of its Senior notes and some or all of the FPUC secured long term debt under rates, where the negotiated terms of the long term financing does [REDACTED]

The board waived the obligations of FPUC set forth in the Merger agreement and ratified and approved the Pension amendments made by FPUC prior to the close of the merger granting additional service years to employees.

The Board declared quarterly dividends of \$0.315/share on each of the common stock of the Company payable January 5, 2010.

The Merger agreement required that two FPUC BOD members be appointed to the Chesapeake BOD, increasing the size from 10 to 12 directors. The board appointed Mr. Hudson to serve as a Class I director and Mr. Maddock as a Class II director. The board also approved changes to members serving under the Audit, Corporate Governance and Compensation committees. Mr. Hudson was approved Mr. Hudson as the Audit Committee's financial expert.

December 15, 2009: Directors' Meeting

The Board received routine information including updates on corporate matters, the natural gas and propane business and approved minutes from prior meeting.

The board increased management authority to borrow on a short term basis from \$65 million to \$85 million to be used [REDACTED]

The board was presented with an update on matters related to the FPUC acquisition and integration. Seventy FPU employees had enrolled in Chesapeake's employee stock purchase program. Chesapeake had begun the redemption process for the 4.90% and 6.85% bonds. The 6.85% bond did not have a make-whole premium or prepayment penalty, while the 4.90% bond has a 1% prepayment penalty. Management is in the process of evaluating the terms of the refinancing debt and giving consideration to refinancing the debt short term. Mgmt is also evaluating the possibility of refinancing all or a portion of the remaining series of bonds. FPUC operations in Citrus County and in the Treasure Coast areas have been integrated. The focus is on converting Central FL Gas customers over to FPUC billing system and evaluating an updated version of FPUC's billing system to utilize throughout the Company.

[REDACTED]

The board approved [REDACTED] and the 2010 capital budget of \$53.9 million for the five year period from 2010-2014.

Organizational changes included Cummisky promoted to serve as VP of Unregulated Energy Operations and changes to the Corporate Governance documentation to include an amendment to the Director Eligibility Guidelines and Interested Party Communications for strategic and compliance reasons.

February 24, 2010: Directors' Meeting

The Board received routine information including updates on corporate matters, the natural gas and propane business and approved minutes from prior meeting.

The board proposed that the number of authorized shares of Company's common stock be increased from 12 million to 25 million, the Company's Certificate of Incorporation be amended to reflect it, and the shareholders to vote on the issue at next annual meeting.

The board approved an additional 600,000 authorized and unissued shares of common stock be reserved for issuance under the Retirement Saving Plan and possibly for FPUC 401(k) Plan, to the extent matching contributions are funded in Company stock in the future.

They also authorized the Officers of the Company to pursue refinancing for one of its Senior notes and some or all of the FPUC secured long term debt under rates, where the negotiated terms of the long term financing does not exceed a coupon rate of 6.25% for the Phase 1 refinancing and 6.50% for the phase 2 refinancing

The board approved quarterly dividends of \$0.315/share for each common stock, par value \$0.4867 payable 4/5/10.

The board approved the Compensation committee recommended base salary of \$420,000 of Mr. Schimkaitis effective 4/1/2010, officer appointments, changes to the charter, and the report.

The board approved a 13 member board, to be voted on at the annual shareholder's meeting, determined director's independence and audit committee financial expert, approved the changes to the Corporate Governance committee's charter, and the report.

The board approved the audited financial statements, changes to the Audit committee's charter, and the report.

May 5, 2010: Annual Meeting of Stockholders

The shareholders elected all the director nominated, an increase in the number of authorized shares of common stock from 12 to 25 million and the selection of ParenteBeard, LLC as the independent registered public accounting firm.

May 5, 2010: Directors' Meeting

The board approved prior minutes. Appointment of the chairman, officers, committees, and subsidiary directors were done. The board reviewed the financials and approved additions to the capital budget.

[REDACTED] The committees were assessed and by-laws were reviewed. Board approved quarterly dividends of \$0.33/share for each share of common stock and an annual dividend per share increase from \$1.26 to \$1.32/share.

June 15-16, 2010: Directors' Meeting

The prior minutes were approved and new officers were appointed, which included Jeff householder as President of FPUC. The board approved the change to the aggregate limit of corporate guarantee and letter of credit from \$30 to \$35 million with [REDACTED]. The board reviewed financials, strategic plan, and [REDACTED]

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August 4, 2010: Directors' Meeting

The prior minutes were approved and new officers were appointed, which included Kevin Webber as the VP of business Development and Jeffrey Sylvester as VP of Customer care for FPUC. The board reviewed the financials for the 2nd quarter and discussed the shareholder right plan. Dividends were declared by the board. The board discussed the Indiantown Gas acquisition by FPUC, the strategic plan, and pending litigations.

September 15, 2010: Directors' Meeting

Chesapeake amended the FPUC Bond Purchase agreements covering personal property as well as the mortgage bond upon real estate and other property to acknowledge and confirm its acceptance of the responsibility if the debts. [REDACTED]

[REDACTED] The board discussed new projects and litigation, post merger updates, strategic focus and plan, Indian Gas Company post acquisition update, and new business opportunities.

November 3, 2010: Directors' Meeting

Prior minutes were approved. The oversight of FPUC's benefit plans was revoked from the FPUC pension and 401k committee and given to the benefit committee. The benefit committee is considering combining the two post merging 401k benefit plans so there will be a fixed contribution to all employees and an additional profit sharing component.

December 15, 2010: Directors' Meeting

The board reviewed the Code of ethics and discussed the compensation committee report involving cash and long-term bonuses programs and plans and succession plans. The discussed potential growth and opportunities. The 2011 budget was adopted. The 401k supplement executive retirement saving pan was amended to comply with the internal Revenue Code 409A. Discussed post merger updates and committee recommendations

March 2, 2011: Directors' Meeting

The board changed the short term debt authorizations so the ability to borrow or payback for the President and CFO is \$85 million, the Corp Controller Services is \$25 million, and the director of treasury services is \$10 million. The board changed the authorization the increased the Corporate Guarantees and Letter of Credit aggregate limit from \$35 to \$45 million with [REDACTED]. The board approved capital expenditures over \$750,000 as part of the capital budget. The audited financial statements were approved by the board. The Board satisfied the requirements of the SEC and NYSE in regards to independence, audit committee financial expert, and say on pay for executive compensation by shareholders.

May 4, 2011: Directors' Meeting

The board approved prior minutes. Appointment of the chairman, officers, committees, and subsidiary directors were done. They reviewed the financials and adopted the capital budget. The committees were assessed and by-laws were reviewed. [REDACTED]

Stockholders voted on a 3 year say on pay of company named executive officers. The audit committee discussed XBRL, moving the Accounting functions for FPUC to Delaware, risk management, 1st quarter. financials and audit plans. Strategic initiatives include negotiated transactions and potential opportunities. [REDACTED]

[REDACTED] Quarterly dividends of \$0.345/share for each share of common stock

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Title Auditors Notes

March 1, 2011: Operational Review - Purchasing Report 2010.02

In 2011, management will be evaluating the benefits of expanding the purchasing function within FPUC and also the possibility of creating a centralized purchasing group.

The objective of the audit was to assess compliance with applicable policies and procedures, test controls effectiveness, identify opportunities for improvements, and compare the Company's current practices to "Best Practices", for the Company to consider as it begins to evaluate the possibility of expanding the purchasing function.

IA's procedures included interviewing key personnel regarding purchasing process and functions performed by office Services, reviewing existing documentation of relevant policies and procedures, obtaining an understanding of procedures and internal control, performing an analysis of purchase requisitions and purchase orders for the period of Jan 1, 2010 to July 31, 2010, and evaluating the design of business processes against "Best Practices".

Overall, the results of the audit revealed that the purchasing function is operating as designed and several areas where controls could be added or enhanced. Amongst the issues noted were the following:

[REDACTED]

May 27, 2010: Accounts Payable, 1st Phase 2010

IA performed a SOX compliance audit on account payable. The control objectives of the audit were to ensure new vendors is properly approved prior to set-up in the AP module of Infinium and a W-9 is obtained for each vendor, user access is assigned to the AP module based upon job function to ensure segregation of duties, authorized PCard transaction posted are accurate and complete, all vouchers were accurately inputted in the AP subledger for processing, and accruals are properly reflected on the financial statements..

[REDACTED]

November 19, 2010: Account Payable, 2nd Phase 2010

Source: Key # 2

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IA performed a SOX compliance audit on account payable. Control objectives for the audit were to ensure that authorized PCard transaction posted were accurate and complete and all PCards are revoked timely after employee termination.

June 28, 2010: Fixed Assets

IA performed a SOX compliance audit on Fixed Assets. Control objectives for the audit were to ensure improvement requisitions revisions forms is completed for all projects with variances exceeding 15% and/or \$2,500 and approved by the Division Manger, verify that only authorized individuals have access to the fixed assets subledger, and ensure a capital improvement and retirement requisition form is present and approved for all assets being retired.

April 15, 2010: Information Technology

IA performed a SOX compliance audit on IT General Controls.

October 6, 2010: Information Technology

IA performed a SOX compliance audit on IT. Control objectives for the audit were to ensure all application changes are tested by the developers and users prior to migration to production, security rights are properly assigned to users of Sarbanes-Oxley critical software, and system access for terminated employees is properly disabled.

June 20, 2010: Material Inventory

IA performed a SOX compliance audit on material inventory. Control objectives for the audit were to ensure the accuracy and validity of the inventory stated on the financial statements and the complete transfer of inventory issuances from the inventory sub ledger to the general ledger.

November 2, 2010: Revenue

IA performed a SOX compliance audit on revenues. Control objectives for the audit were to ensure that account receivable aging agrees to the general ledger, amounts written off to bad debt are truly uncollectible, unauthorized posting of JE, incorrect journal entry posted, and incorrect account balance.

Additional months will be tested to ensure compliance.