

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: January 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Archer, Buys)
Office of the General Counsel (Barrera)

Handwritten initials and signatures: DBX, MC, ALM, and other illegible marks.

RE: Docket No. 150251-GU – 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 2016, by Chesapeake Utilities Corporation.

AGENDA: 02/02/16 – Consent Agenda - Final Order – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Please place the following securities application on the consent agenda for approval.

Docket No. 150251-GU – 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 2016, by Chesapeake Utilities Corporation.

Chesapeake Utilities Corporation (Chesapeake or utility) seeks authority to issue during calendar year 2016: up to 7,965,000 shares of Chesapeake common stock, up to 1,000,000 shares of Chesapeake preferred stock, up to \$300 million in secured and/or unsecured debt, to enter into agreements up to \$150 million in interest rate swap products, equity products and other financial derivatives and to issue short-term obligations in an amount not to exceed \$225 million. Chesapeake would utilize its short-term lines of credit and revolving credit for this purpose.

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Chesapeake allocates funds to the Florida Division, Florida Public Utilities, and Indiantown Gas Company on an as-needed basis, although in no event would such allocations 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.

Pursuant to Section 366.04, Florida Statutes, the Commission shall have jurisdiction to regulate and supervise each public utility in the issuance and sale of its securities, except a security which is a note or draft maturing not more than one year after the date of such issuance and sale and aggregating not more than five percent of the par value of the other securities of the public utility then outstanding.

For 2016, five percent of the utility's aggregate outstanding balance of other securities is \$8,641,078. Chesapeake requests approval to exceed the five percent limit on short-term debt to administer the Retirement Savings plan, Stock and Incentive Compensation Plan, Dividend Reinvestment and Stock Purchase Plan, Financing of the Utility's acquisition program and other corporate purposes. Staff believes the Utility's request conforms to Section 366.04, Florida Statutes, and the dollar amounts proposed in the application are reasonable.

Staff has reviewed the utility's projected capital expenditures. The amount requested by Chesapeake exceeds its expected capital expenditures. The additional amount requested exceeding the projected capital expenditures allows for financial flexibility for the purposes enumerated in the utility's petition as well as unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends the utility's petition to issue securities be approved.

For monitoring purposes, this docket should remain open until May 1, 2017, to allow the utility time to file the required Consummation Report.