

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: November 18, 2004

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Lester)
Office of the General Counsel (K. Fleming)

RE: Docket No. 030942-GU – Application by Florida Division of 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 2004.

AGENDA: 11/30/04 – Regular Agenda – Interested Persons May Participate

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\030942.RCM.DOC

Case Background

On September 26, 2003, Chesapeake Utilities Corporation (“Chesapeake” or “Company”) filed its application for authority to issue common stock, preferred stock, secured and/or unsecured debt, to enter into agreements for interest rate swap products, and to exceed limitation placed on short-term borrowings in 2004. By Order No. PSC-03-1216-FOF-GU, issued October 27, 2003, in this docket, the Commission granted Chesapeake’s application and authorized the Company to issue equity and debt securities, to enter into agreements for interest rate swap products, and to exceed limitation placed on short-term borrowings in 2004.

On October 29, 2004, Chesapeake filed an application for modification of authority to issue shares of common stock for its Dividend Reinvestment and Direct Stock Purchase Plan (“Plan”). Notice that the Commission will take final action on the Company’s application will be published on November 19, 2004, in the Florida Administrative Weekly, pursuant to Section 366.04(1), Florida Statutes. The Commission has jurisdiction pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission grant Chesapeake Utilities Corporation's application to modify Order No. PSC-03-1216-FOF-GU, issued October 27, 2003, in order to increase by 750,000 the number of shares of common stock authorized and reserved for issuance under its amended Dividend Reinvestment and Direct Stock Purchase Plan during the twelve months ended December 31, 2004?

Recommendation: Yes. The Commission should allow the modification to Order No. PSC-03-1216-FOF-GU, in order to allow Chesapeake to increase by 750,000 the number of shares of common stock it is authorized to issue. (Lester, K. Fleming)

Staff Analysis: In its petition, Chesapeake is seeking a modification in its authority to issue common stock during the twelve months ended December 31, 2004. In Order No. PSC-03-1216-FOF-GU, issued on October 27, 2003, the Commission granted Chesapeake the authority to issue up to 70,052 shares of common stock for its Dividend Reinvestment and Direct Stock Purchase Plan. The Company now seeks authority to increase by 750,000 the number of shares of common stock it has been authorized to issue for its Plan. On August 5, 2004, Chesapeake's Board of Directors approved 750,000 additional shares of common stock reserved for the Plan. The Company notes that the Plan was developed in response to stockholder interest. Staff recommends that the Commission grant Chesapeake's application.

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Issue 2: Should this docket be closed?

Recommendation: No. For monitoring purposes, this docket should remain open until April 15, 2005, to allow the Company to file the required Consummation Report. (Fleming)

Staff Analysis: For monitoring purposes, this docket should remain open until April 15, 2005, to allow the Company to file the required Consummation Report.