Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2005

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File Number: 001-11590

Chesapeake Utilities Corporation
(Exact name of registrant as specified in its charter)

Delaware	**51-0064146**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

909 Silver Lake Boulevard, Dover, Delaware 19904
(Address of principal executive offices, including Zip Code)

(302) 734-6799
(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

Common Stock, par value $.4867 — 5,835,240 shares outstanding as of June 30, 2005.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

For the Three Months Ended June 30,	2005	2004
Operating Revenues	$ 42,220,377	$ 34,292,972
Operating Expenses		
Cost of sales, excluding costs below	26,910,961	20,245,908
Operations	9,433,560	8,622,832
Maintenance	488,659	415,567
Depreciation and amortization	1,911,120	1,811,171
Other taxes	1,151,132	1,034,700
Total operating expenses	39,895,432	32,130,178
Operating Income	2,324,945	2,162,794
Other income net of other expenses	228,481	74,217
Interest charges	1,273,166	1,328,231
Income Before Income Taxes	1,280,260	908,780
Income taxes	484,336	297,262
Income from Continuing Operations	795,924	611,518
Income from discontinued operations, net of tax expense of $11,234	-	19,148
Net Income	$ 795,924	$ 630,666
Earnings Per Share of Common Stock:		
Basic		
From continuing operations	$ 0.14	$ 0.11
From discontinued operations	-	-
Net Income	$ 0.14	$ 0.11
Diluted		
From continuing operations	$ 0.14	$ 0.11
From discontinued operations	-	-
Net Income	$ 0.14	$ 0.11
Cash Dividends Declared Per Share of Common Stock:	$ 0.285	$ 0.280

The accompanying notes are an integral part of these financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

For the Six Months Ended June 30,		2005		2004
Operating Revenues	$	**120,065,625**	$	98,055,332
Operating Expenses				
Cost of sales, excluding costs below		**79,463,890**		60,642,920
Operations		**19,541,075**		17,790,486
Maintenance		**818,234**		796,137
Depreciation and amortization		**3,812,091**		3,621,795
Other taxes		**2,601,047**		2,341,893
Total operating expenses		**106,236,337**		85,193,231
Operating Income		**13,829,288**		12,862,101
Other income net of other expenses		**310,861**		176,693
Interest charges		**2,550,944**		2,654,997
Income Before Income Taxes		**11,589,205**		10,383,797
Income taxes		**4,560,485**		3,998,745
Income from Continuing Operations		**7,028,720**		6,385,052
Loss from discontinued operations, net of tax benefit of $7,257		-		(15,187)
Net Income	**$**	**7,028,720**	$	6,369,865
Earnings Per Share of Common Stock:				
Basic				
From continuing operations	**$**	**1.21**	$	1.12
From discontinued operations		-		-
Net Income	**$**	**1.21**	$	1.12
Diluted				
From continuing operations	**$**	**1.19**	$	1.10
From discontinued operations		-		(0.01)
Net Income	**$**	**1.19**	$	1.09
Cash Dividends Declared Per Share of Common Stock:	**$**	**0.565**	$	0.555

The accompanying notes are an integral part of these financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

For the Six Months Ended June 30,	2005	2004
Operating Activities		
Net Income	$ 7,028,720	$ 6,369,865
Adjustments to reconcile net income to net operating cash:		
Depreciation and amortization	3,812,091	3,621,795
Depreciation and accretion included in other costs	1,327,611	1,260,875
Deferred income taxes, net	(1,468,723)	822,082
Unrealized (loss) gain on commodity contracts	(205,891)	140,089
Employee benefits and compensation	871,596	1,029,198
Other, net	841	(14,620)
Changes in assets and liabilities:		
Accounts receivable and accrued revenue	14,640,803	10,773,033
Propane inventory, storage gas and other inventory	1,341,441	(648,887)
Regulatory assets	1,403,047	2,119,623
Prepaid expenses and other current assets	(440,293)	38,459
Other deferred charges	(45,602)	(72,961)
Long-term receivables	111,682	94,187
Accounts payable and other accrued liabilities	(10,904,953)	(5,060,893)
Income taxes receivable	2,999,588	2,609,586
Accrued interest	1,111,849	1,144,624
Customer deposits and refunds	(1,161,802)	(662,946)
Accrued compensation	51,480	(1,139,897)
Regulatory liabilities	2,217,929	(785,495)
Environmental and other liabilities	183,387	(82,127)
Net cash provided by operating activities	22,874,801	21,555,590
Investing Activities		
Property, plant and equipment expenditures	(10,778,478)	(6,556,749)
Purchase of investments	(1,201,290)	43,354
Environmental recoveries and other	168,984	312,338
Net cash used by investing activities	(11,810,784)	(6,201,057)
Financing Activities		
Common stock dividends	(2,887,983)	(2,740,629)
Issuance of stock for Dividend Reinvestment Plan	138,592	102,483
Purchase of treasury stock	-	(193,625)
Change in cash overdrafts due to outstanding checks	(301,758)	(445,478)
Net repayment under line of credit agreements	(4,700,000)	(3,515,257)
Repayment of long-term debt	(1,005,197)	(1,378,337)
Net cash used by financing activities	(8,756,346)	(8,170,843)
Net Increase in Cash and Cash Equivalents	2,307,671	7,183,690
Cash and Cash Equivalents — Beginning of Period	1,611,761	3,108,501
Cash and Cash Equivalents — End of Period	$ 3,919,432	$ 10,292,191

The accompanying notes are an integral part of these financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

Assets	June 30, 2005	December 31, 2004
Property, Plant and Equipment		
Natural gas distribution and transmission	$ **201,742,745**	$ 198,306,668
Propane	**39,121,403**	38,344,983
Advanced information services	**1,490,091**	1,480,779
Other plant	**8,726,796**	9,368,153
Total property, plant and equipment	**251,081,035**	247,500,583
Less: Accumulated depreciation and amortization	**(75,939,951)**	(73,213,605)
Plus: Construction work in progress	**8,394,515**	2,766,209
Net property, plant and equipment	**183,535,599**	177,053,187
Investments	**1,581,477**	386,422
Current Assets		
Cash and cash equivalents	**3,919,432**	1,611,761
Accounts receivable (less allowance for uncollectible accounts of $806,107 and $610,819, respectively)	**26,003,772**	36,938,688
Accrued revenue	**1,524,067**	5,229,955
Propane inventory, at average cost	**4,119,594**	4,654,119
Other inventory, at average cost	**1,550,961**	1,056,530
Regulatory assets	**1,242,957**	2,435,284
Storage gas prepayments	**3,784,036**	5,085,382
Income taxes receivable	-	719,078
Deferred income taxes receivable	**609,839**	-
Prepaid expenses	**2,180,361**	1,759,643
Other current assets	**503,810**	459,908
Total current assets	**45,438,829**	59,950,348
Deferred Charges and Other Assets		
Goodwill	**674,451**	674,451
Other intangible assets, net	**212,586**	219,964
Long-term receivables	**1,097,351**	1,209,034
Other regulatory assets	**1,286,514**	1,542,741
Other deferred charges	**918,080**	902,281
Total deferred charges and other assets	**4,188,982**	4,548,471
Total Assets	$ **234,744,887**	$ 241,938,428

The accompanying notes are an integral part of these financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

Capitalization and Liabilities	**June 30, 2005**	**December 31, 2004**
Capitalization		
Stockholders' equity		
Common Stock, par value $.4867 per share; (authorized 12,000,000 shares) [1]	**$ 2,840,014**	$ 2,812,538
Additional paid-in capital	**38,232,026**	36,854,717
Retained earnings	**42,762,187**	39,015,087
Accumulated other comprehensive income	**(527,246)**	(527,246)
Deferred compensation obligation	**923,542**	816,044
Treasury stock	**(925,195)**	(1,008,696)
Total stockholders' equity	**83,305,328**	77,962,444
Long-term debt, net of current maturities	**63,008,468**	66,189,454
Total capitalization	**146,313,796**	144,151,898
Current Liabilities		
Current portion of long-term debt	**4,909,091**	2,909,091
Short-term borrowing	-	5,001,758
Accounts payable	**20,104,428**	30,938,272
Customer deposits and refunds	**3,516,416**	4,678,218
Accrued interest	**1,712,942**	601,095
Dividends payable	**1,662,948**	1,617,245
Income taxes payable	**2,280,510**	-
Deferred income taxes payable	-	571,876
Accrued compensation	**2,672,667**	2,680,370
Regulatory liabilities	**2,800,702**	571,111
Other accrued liabilities	**1,547,869**	1,800,540
Total current liabilities	**41,207,573**	51,369,576
Deferred Credits and Other Liabilities		
Deferred income taxes payable	**23,068,837**	23,350,414
Deferred investment tax credits	**410,501**	437,909
Other regulatory liabilities	**1,745,676**	1,578,374
Environmental liabilities	**406,170**	461,656
Accrued pension costs	**2,998,271**	3,007,949
Accrued asset removal cost	**15,861,108**	15,024,849
Other liabilities	**2,732,955**	2,555,803
Total deferred credits and other liabilities	**47,223,518**	46,416,954
Commitments and Contingencies ***(Note 3)***		
Total Capitalization and Liabilities	**$ 234,744,887**	$ 241,938,428

[1] Shares issued were 5,835,431 and 5,778,976 for 2005 and 2004, respectively.
Shares outstanding were 5,835,240 and 5,769,558 for 2005 and 2004, respectively.

The accompanying notes are an integral part of these financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

	For the Six Months Ended June 30, 2005	For the Twelve Months Ended December 31, 2004
Common Stock		
Balance — beginning of period	**$ 2,812,538**	$ 2,754,748
Dividend Reinvestment Plan	**8,945**	20,125
Retirement Savings Plan	**4,350**	19,058
Conversion of debentures	**5,032**	9,060
Performance shares and options exercised	**9,149**	9,547
Balance — end of period	**$ 2,840,014**	$ 2,812,538
Additional Paid-in Capital		
Balance — beginning of period	**$ 36,854,717**	$ 34,176,361
Dividend Reinvestment Plan	**484,262**	996,715
Retirement Savings Plan	**309,998**	946,319
Conversion of debentures	**170,757**	307,940
Performance shares and options exercised	**412,292**	427,382
Balance — end of period	**$ 38,232,026**	$ 36,854,717
Retained Earnings		
Balance — beginning of period	**$ 39,015,087**	$ 36,008,246
Net income	**7,028,720**	9,428,767
Cash dividends declared	**(3,281,620)**	(6,403,450)
Loss on issuance of treasury stock	**-**	(18,476)
Balance — end of period	**$ 42,762,187**	$ 39,015,087
Accumulated Other Comprehensive Income		
Balance — beginning of period	**($527,246)**	-
Minimum pension liability adjustment, net of tax	**-**	(527,246)
Balance — end of period	**($527,246)**	($527,246)
Deferred Compensation Obligation		
Balance — beginning of period	**$ 816,044**	$ 913,689
New deferrals	**107,498**	296,790
Payout of deferred compensation	**-**	(394,435)
Balance — end of period	**$ 923,542**	$ 816,044
Treasury Stock		
Balance — beginning of period	**($1,008,696)**	($913,689)
New deferrals related to compensation obligation	**(107,498)**	(296,790)
Purchase of treasury stock (1)	**(80,806)**	(355,424)
Sale and distribution of treasury stock (2)	**271,805**	557,207
Balance — end of period	**($925,195)**	($1,008,696)
Total Stockholders' Equity	**$ 83,305,328**	$ 77,962,444

(1)Amount includes shares purchased in the open market for the Company's Rabbi Trust to secure its obligations under the Company's Supplemental Executive Retirement Savings Plan ("SERP plan").

(2)Amount includes shares issued to the Company's Rabbi Trust as obligation under the SERP plan.

The accompanying notes are an integral part of these financial statements.

Notes to Condensed Consolidated Financial Statements

1. Quarterly Financial Data

The financial information for Chesapeake Utilities Corporation (the "Company" or "Chesapeake") included herein is unaudited and should be read in conjunction with the Company's Annual Report on Form 10-K; however, the year-end balance sheet data has been derived from audited financial statements. In the opinion of management, this financial information reflects normal recurring adjustments that are necessary for a fair presentation of the Company's interim results. In accordance with United States Generally Accepted Accounting Principles, the Company's management makes certain estimates and assumptions regarding: 1) reported amounts of assets and liabilities, 2) disclosure of contingent assets and liabilities at the date of the financial statements and 3) reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Due to the seasonal nature of the Company's business, there are substantial variations in the results of operations reported on a quarterly basis and, accordingly, results for any particular quarter may not give a true indication of results for the year.

Chesapeake did not have any changes in the components of comprehensive income that are required to be reported by Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," for the quarters ended June 30, 2005 or 2004.

2. Calculation of Earnings Per Share

	Three Months Ended		Six Months Ended	
For the Period Ended June 30,	**2005**	**2004**	**2005**	**2004**
Calculation of Basic Earnings Per Share from Continuing Operations:				
Income from continuing operations	**$ 795,924**	$ 611,518	**$ 7,028,720**	$ 6,385,052
Weighted average shares outstanding	**5,823,041**	5,728,158	**5,808,514**	5,708,294
Basic Earnings Per Share from Continuing Operations	**$ 0.14**	$ 0.11	**$ 1.21**	$ 1.12
Calculation of Diluted Earnings Per Share from Continuing Operations:				
Reconciliation of Numerator:				
Income from continuing operations — Basic	**$ 795,924**	$ 611,518	**$ 7,028,720**	$ 6,385,052
Effect of 8.25% Convertible debentures *	**-**	-	**64,043**	70,421
Adjusted numerator — Diluted	**$ 795,924**	$ 611,518	**$ 7,092,763**	$ 6,455,473
Reconciliation of Denominator:				
Weighted shares outstanding — Basic	**5,823,041**	5,728,158	**5,808,514**	5,708,294
Effect of dilutive securities *				
Stock options	**581**	2,293	**533**	3,199
Warrants	**10,924**	6,492	**10,306**	7,682
8.25% Convertible debentures	**-**	-	**150,869**	165,867
Adjusted denominator — Diluted	**5,834,546**	5,736,943	**5,970,222**	5,885,042
Diluted Earnings Per Share from Continuing Operations	**$ 0.14**	$ 0.11	**$ 1.19**	$ 1.10

* Amounts associated with securities resulting in an anti-dilutive effect on earnings per share are not included in this calculation.

3. Commitments and Contingencies

Environmental Matters

In 2004, Chesapeake received a Certificate of Completion for remedial work at one former gas manufacturing plant site and is currently participating in the investigation, assessment or remediation of two other former gas manufacturing plant sites. These sites are located in three different jurisdictions. The Company has accrued liabilities for three sites referred to respectively as the Dover Gas Light, Salisbury Town Gas Light and the Winter Haven Coal Gas sites. The Company is currently in discussions with the Maryland Department of the Environment ("MDE") regarding the possible responsibilities of the Company with respect to a fourth former gas manufacturing plant site in Cambridge, Maryland.

Dover Gas Light Site

The Dover Gas Light site is a former manufactured gas plant site located in Dover, Delaware. On January 15, 2004, the Company received a Certificate of Completion of Work from the United States Environmental Protection Agency ("EPA") regarding this site. This concluded Chesapeake's remedial action obligation related to this site and relieves Chesapeake from liability for future remediation at the site, unless previously unknown conditions are discovered at the site or information previously unknown to the EPA is received that indicates the remedial action that has been taken is not sufficiently protective. These contingencies are standard and are required by the United States in all liability settlements.

The Company has reviewed its remediation costs incurred to date for the Dover Gas Light site and has concluded that all costs incurred have been paid. The Company does not expect any future environmental expenditures for this site. Through June 30, 2005, the Company has incurred approximately $9.7 million in costs relating to environmental testing and remedial action studies at the site. Approximately $9.9 million has been recovered through June 2005 from other parties or through rates. As of June 30, 2005, a regulatory liability of approximately $211,000, representing the over recovery portion of the clean-up costs, has also been recorded. The over-recovery is temporary and will be refunded by the Company to customers in future rates.

Salisbury Town Gas Light Site

In cooperation with the MDE, the Company has completed remediation of the Salisbury Town Gas Light site, located in Salisbury, Maryland, where it was determined that a former manufactured gas plant had caused localized ground-water contamination. During 1996, the Company completed construction and began Air Sparging and Soil-Vapor Extraction ("AS/SVE") remediation procedures. Chesapeake has been reporting the remediation and monitoring results to the MDE on an ongoing basis since 1996. In February 2002, the MDE granted permission to permanently decommission the AS/SVE system and to discontinue all on-site and off-site well monitoring, except for one well that is being maintained for continued product monitoring and recovery. In November 2002, Chesapeake submitted a letter to the MDE requesting a No Further Action determination. The Company has been in discussions with the MDE regarding its request and is awaiting an answer from the MDE.

At June 30, 2005, the Company continues to maintain a liability of $5,000 with respect to the Salisbury Town Gas Light site. This amount is based on the estimated costs to perform limited product monitoring and recovery efforts and fulfill ongoing reporting requirements. A corresponding regulatory asset has been recorded, reflecting the Company's belief that costs incurred will be recoverable in base rates.

Through June 30, 2005, the Company has incurred approximately $2.9 million for remedial actions and environmental studies at the Salisbury Town Gas Light site. Of this amount, approximately $1.8 million has been recovered through insurance proceeds or in rates. As of June 30, 2005, a regulatory asset of approximately $1.1 million, representing the under recovery portion of the clean-up costs, has also been recorded. The Company expects to recover the remaining costs through rates.

Winter Haven Coal Gas Site

The Winter Haven Coal Gas site is located in Winter Haven, Florida. Chesapeake has been working with the Florida Department of Environmental Protection ("FDEP") in assessing this former manufactured gas site. In May 1996, the Company filed an Air Sparging and Soil Vapor Extraction Pilot Study Work Plan (the "Work Plan") for the Winter Haven site with the FDEP. The Work Plan described the Company's proposal to undertake an AS/SVE pilot study to evaluate the site. After discussions with the FDEP, the Company filed a modified AS/SVE Pilot Study Work Plan, the description of the scope of work to complete the site assessment activities and a report describing a limited sediment investigation performed in 1997. In December 1998, the FDEP approved the AS/SVE Pilot Study Work Plan, which the Company completed during the third quarter of 1999. In February 2001, the Company filed a Remedial Action Plan ("RAP") with the FDEP to address the contamination of the subsurface soil and ground-water in a portion of the site. The FDEP approved the RAP on May 4, 2001. Construction of the AS/SVE system was completed in the fourth quarter of 2002 and the system is now fully operational.

The FDEP has indicated that the Company may be required to remediate sediments along the shoreline of Lake Shipp, immediately west of the Winter Haven site. Based on studies performed to date, the Company objects to the FDEP's suggestion that the sediments have been contaminated and require remediation. Early estimates by the Company's environmental consultant indicate that some of the corrective measures discussed by the FDEP may cost as much as $1 million. Given the Company's view as to the absence of ecological effects, the Company believes that cost expenditures of this magnitude are unwarranted and plans to vigorously oppose any requirements that it undertake corrective measures in the offshore sediments. Chesapeake anticipates that it will be several years before this issue is resolved. At this time, the Company has not recorded a liability for sediment remediation. The outcome of this matter cannot be predicted at this time.

The Company has accrued a liability of $401,000 as of June 30, 2005 for the Winter Haven site. Through June 30, 2005, the Company has incurred approximately $1.4 million of environmental costs associated with this site and had collected, through rates, $172,000 in excess of costs incurred. A regulatory asset of approximately $228,000, representing the uncollected portion of the estimated clean-up costs, has also been recorded. The Company expects to recover the remaining costs through rates.

Other

The Company is in discussions with the MDE regarding the possible responsibilities of the Company for remediation of a gas manufacturing plant site located in Cambridge, Maryland. The outcome of this matter cannot be determined at this time.

Other Commitments and Contingencies

Collection of Florida Gross Receipts Tax

The Company provides natural gas supply and management services through its affiliate, Peninsula Energy Services Company ("PESCO"), to commercial and industrial customers located in Florida. Substantially all of the natural gas purchased by PESCO's customers is sold to the customers at delivery points located outside the State of Florida and because title to the gas typically passes outside Florida, PESCO does not collect gross receipts taxes from its customers. The Company understands that the Florida Department of Revenue has alleged that other companies in the natural gas marketing industry should have collected the gross receipts tax from the purchasers of the gas under similar circumstances. On June 8, 2005, new legislation was enacted that establishes the responsibilities of unregulated natural gas marketers, such as PESCO, for the collection of the gross receipts tax. The law also contains amnesty provisions relating to the failure to collect gross receipts taxes on sales made prior to January 1, 2006. The Company is in the process of reviewing the new law and is developing compliance procedures. The Company does not believe that any liability it may have for unpaid gross receipts tax would have a material effect on the consolidated position, results of operations or cash flows of the Company.

Natural Gas and Propane Supply

The Company's natural gas and propane distribution operations have entered into contractual commitments to purchase gas from various suppliers. The contracts have various expiration dates. In November 2004, the Company renewed its contract with an energy marketing and risk management company to manage a portion of the Company's natural gas transportation and storage capacity. The contract expires March 31, 2007.

Corporate Guarantees

The Company has issued corporate guarantees to certain vendors of its propane wholesale marketing subsidiary, advanced information services subsidiary, and its Florida natural gas supply and management services subsidiary. These corporate guarantees provide for the payment of propane and natural gas purchases and office rent in the event of the subsidiaries' default. The aggregate amount of the obligations guaranteed at June 30, 2005 totaled $9.7 million, with the guarantees expiring on various dates in 2006. All payables of the subsidiaries are recorded in the Consolidated Financial Statements.

The Company has issued a letter of credit to its primary insurance company in the amount of $694,000, which expires June 1, 2006. The letter of credit was provided as security for claims amounts to satisfy the deductibles on the Company's policies.

Application of SFAS No. 71

Certain assets and liabilities of the Company are accounted for in accordance with SFAS No. 71 ¾"Accounting for the Effects of Certain Types of Regulation." SFAS No. 71 provides guidance for public utilities and other regulated operations where the rates (prices) charged to customers are subject to regulatory review and approval. Regulators sometimes include costs in allowable costs in a period other than the period in which the costs would be charged to expense by an unregulated enterprise. That procedure can create assets, reduce assets, or create liabilities for the regulated enterprise. For financial reporting, an incurred cost for which a regulator permits recovery in a future period is accounted for like an incurred cost that is reimbursable under a cost-reimbursement-type contract. The Company believes that all regulatory assets as of June 30, 2005 are probable of recovery through rates. If the Company were required to terminate the application of SFAS No. 71 to its regulated operations, all such deferred amounts would be recognized in the income statement at that time. This could result in a charge to earnings, net of applicable income taxes, that could be material.

Other

The Company is involved in certain legal actions and claims arising in the normal course of business. The Company is also involved in certain legal and administrative proceedings before various governmental agencies concerning rates. In the opinion of management, the ultimate disposition of these proceedings will not have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

4. Recent Authoritative Pronouncements on Financial Reporting and Accounting

In December 2004, the FASB released a revision ("Share-Based Payment") to SFAS No. 123 "Accounting for Stock-Based Compensation," referred to as SFAS No. 123R. In April 2005, the Securities and Exchange Commission ("SEC") approved a new rule that delayed the effective date for SFAS No. 123R until the first annual period beginning after June 15, 2005. This Statement establishes financial accounting and reporting standards for stock-based employee compensation plans. Those plans include all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. Examples are stock purchase plans, stock options, restricted stock and stock appreciation rights. The Company does not expect the adoption of SFAS No. 123R to have a material impact on its financial statements.

In March 2005, the FASB issued Interpretation No. 47 (“FIN No. 47”), “Accounting for Conditional Asset Retirement Obligations” an interpretation of SFAS No. 143. FIN No. 47 clarifies that the term conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective for the Company no later than the fourth quarter of 2005. It is not expected to have a material impact on the Company’s financial statements.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3”. SFAS No. 154 primarily requires retrospective application to prior periods’ financial statements for the direct effects of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This statement applies to all voluntary changes in accounting principle and also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. The statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company is required to adopt the provision of SFAS No. 154, as applicable, beginning in fiscal year 2006.

5. Segment Information

Chesapeake uses the management approach to identify operating segments. Chesapeake organizes its business around differences in products or services and the operating results of each segment are regularly reviewed by the Company's chief operating decision maker in order to make decisions about resources and to assess performance. The following table presents information about the Company's reportable segments. Results exclude discontinued operations.

	Three Months Ended		Six Months Ended	
For the Period Ended June 30,	**2005**	**2004**	**2005**	**2004**
Operating Revenues, Unaffiliated Customers				
Natural gas distribution and transmission	**$ 31,795,714**	$ 25,101,243	**$ 86,250,524**	$ 67,402,227
Propane	**7,294,710**	5,754,405	**27,485,820**	24,214,662
Advanced information services	**3,028,527**	3,437,324	**6,189,885**	6,438,443
Other	**101,426**	-	**139,396**	-
Total operating revenues, unaffiliated customers	**$ 42,220,377**	$ 34,292,972	**$ 120,065,625**	$ 98,055,332
Intersegment Revenues [1]				
Natural gas distribution and transmission	**$ 39,140**	$ 35,003	**$ 84,017**	$ 95,990
Propane distribution and marketing	**33**	-	**668**	-
Advanced information services	**1,881**	13,570	**10,809**	22,587
Other	**154,623**	168,686	**309,246**	338,132
Total intersegment revenues	**$ 195,677**	$ 217,259	**$ 404,740**	$ 456,709
Operating Income				
Natural gas distribution and transmission	**$ 3,193,851**	$ 2,696,914	**$ 10,986,237**	$ 9,914,667
Propane	**(762,685)**	(881,576)	**3,239,163**	2,440,082
Advanced information services	**(30,729)**	259,750	**(263,590)**	331,835
Other and eliminations	**(75,492)**	87,706	**(132,522)**	175,517
Total operating income	**$ 2,324,945**	$ 2,162,794	**$ 13,829,288**	$ 12,862,101

[1] All significant intersegment revenues are billed at market rates and have been eliminated from consolidated revenues.

	June 30, 2005	**December 31, 2004**
Identifiable Assets		
Natural gas distribution and transmission	**$ 178,742,412**	$ 184,412,301
Propane	**41,698,136**	47,531,106
Advanced information services	**2,753,804**	2,387,440
Other	**11,550,535**	7,379,794
Total identifiable assets	**$ 234,744,887**	$ 241,710,641

The Company's operations are all domestic. The advanced information services segment has infrequent transactions with foreign companies, located primarily in Canada, that are denominated and paid in U.S. dollars. These transactions are immaterial to the consolidated revenues.

6. Employee Benefit Plans

Net periodic benefit costs for the defined benefit pension plan, the executive excess benefit plan and other post-retirement benefits are shown below:

	Defined Benefit Pension Plan		Executive Excess Retirement Benefit Plan		Other Post-Retirement Benefits	
For the Three Months Ended June 30,	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Service Cost	$ 0	$ 84,690	$ 0	$ 23,851	$ 1,565	$ 1,315
Interest Cost	161,435	176,727	29,914	20,597	19,468	22,042
Expected return on plan assets	(175,822)	(235,889)	-	-	-	-
Amortization of transition amount	-	(3,776)	-	-	6,965	6,965
Amortization of prior service cost	(1,175)	(1,175)	-	697	-	-
Amortization of net loss (gain)	-	-	12,330	4,479	22,073	(3,752)
Net periodic benefit cost	($15,562)	$ 20,577	$ 42,244	$ 49,624	$ 50,071	$ 26,570

	Defined Benefit Pension Plan		Executive Excess Retirement Benefit Plan		Other Post-Retirement Benefits	
For the Six Months Ended June 30,	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Service Cost	$ 0	$ 169,379	$ 0	$ 52,438	$ 3,129	$ 2,677
Interest Cost	322,870	353,454	59,829	41,502	38,936	43,442
Expected return on plan assets	(351,643)	(471,778)	-	-	-	-
Amortization of transition amount	-	(7,552)	-	-	13,930	13,930
Amortization of prior service cost	(2,350)	(2,350)	-	1,394	-	-
Amortization of net loss (gain)	-	-	24,660	8,274	44,146	39,450
Net periodic benefit cost	($31,123)	$ 41,153	$ 84,489	$ 103,608	$ 100,141	$ 99,499

As disclosed in the December 31, 2004 financial statements, no contributions are expected to be required in 2005 for the defined benefit pension plan. The executive excess retirement benefit plan and other post-retirement benefit plans are unfunded. Cash benefits paid under the executive excess retirement benefit plan for the first six months of 2005 were $51,000. For the year 2005, benefits paid are expected to be $100,000. Net benefits paid under other post-retirement benefits are primarily for medical claims and were $71,000 for the first six months of 2005. For the year 2005, the Company's actuary has estimated benefits paid will be $150,000.

7. Investments

In June 2005, the Company purchased $1.2 million of investements to fund Rabbi Trusts to cover the cost of the Company's Supplemental Executive Retirement Savings Plan. In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and based on the Company's intentions regarding these instruments, the Company classifies all investments in equity securities as trading securities. As a result of classifying them as trading securities, the Company is required to report the securities at their fair value, with any unrealized gains and losses included in earnings.

8. Stockholders' Equity

The changes in common stock shares issued and outstanding are shown below:

	For the Six Months Ended June 30, 2005	For the Twelve Months Ended December 31, 2004
Common Stock shares issued and outstanding [1]		
Shares issued — beginning of period balance	**5,778,976**	5,660,594
Dividend Reinvestment Plan [2]	**18,380**	40,993
Retirement Savings Plan	**8,937**	39,157
Conversion of debentures	**10,339**	18,616
Performance shares and options exercised	**18,799**	19,616
Shares issued — end of period balance [3]	**5,835,431**	5,778,976
Treasury shares — beginning of period balance	**(9,418)**	-
Purchases	**(2,142)**	(15,316)
Dividend Reinvestment Plan	**2,142**	-
Retirement Savings Plan	**9,227**	-
Other issuances	**-**	5,898
Treasury Shares — end of period balance	**(191)**	(9,418)
Total Shares Outstanding	**5,835,240**	**5,769,558**

(1) 12,000,000 shares are authorized at a par value of $0.4867 per share.

(2) Includes shares purchased with reinvested dividends and optional cash payments.

(3) Includes 43,407 and 48,175 shares at June 30, 2005 and December 31, 2004, respectively, held by Rabbi Trusts established by the Company relating to the Supplemental Executive Retirement Savings Plan.

9. Long-Term Debt

On June 29, 2005, the Company entered into an agreement in principle with Prudential Investment Management Inc. pursuant to which Prudential has agreed, subject to certain conditions, to purchase from the Company $20 million in principal amount of Senior Notes issued by the Company provided that the Company elects to effect the sale of the Notes to Prudential at any time prior to January 15, 2007. The interest rate on the Notes would be fixed at 5.5 percent. The terms of the Notes would require principal repayments in the amount of $2 million annually beginning in 2011.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of the financial statements with a narrative on the Company's financial condition, results of operations, liquidity, critical accounting policies and the future impact of accounting standards that have been issued, but not yet effective. The Company's MD&A is presented in nine sections: Overview, Results of Operations, Liquidity and Capital Resources, Off-Balance Sheet Arrangements, Contractual Obligations, Environmental Matters, Other Matters, Competition, and Recent Accounting Pronouncements. This discussion and analysis should be read in conjunction with the attached unaudited consolidated financial statements and notes thereto and Chesapeake's Annual Report on Form 10-K for the year ended December 31, 2004 (the "10-K"), including the audited consolidated financial statements and notes contained in the 10-K.

Overview

Chesapeake Utilities Corporation (the "Company" or "Chesapeake") is a diversified utility company engaged in natural gas distribution and transmission, propane distribution and wholesale marketing, advanced information services and other related businesses. For additional information regarding segments, refer to Note 5, Segments, of the Notes to Consolidated Condensed Financial Statements in this Quarterly Report on Form 10-Q.

The Company’s strategy is to grow earnings from a stable utility foundation by investing in related businesses and services that provide opportunities for higher, unregulated returns. This growth strategy includes acquisitions and investments in unregulated businesses as well as the continued investment and expansion of the Company’s utility operations that provide the stable base of earnings. The Company continually reevaluates its investments to ensure that they are consistent with its strategy and the goal of enhancing shareholder value. The Company’s unregulated businesses and services currently include propane distribution and wholesale marketing, advanced information services and other related businesses.

Due to the seasonality of the Company’s business, results for interim periods are not necessarily indicative of results for the entire fiscal year. Revenue and earnings are typically greater during the Company’s first and fourth quarters, which includes a majority of the colder temperatures on the Delmarva Peninsula.

The principal business, economic and other factors that affect the operations and/or financial performance of the Company include:

- weather conditions and weather patterns;
- regulatory environment and regulatory decisions;
- availability of natural gas and propane supplies;
- interstate pipeline transportation and storage capacity;
- natural gas and propane prices and the prices of competing fuels, such as oil and electricity;
- changes in natural gas and propane usage resulting from improved appliance efficiencies and the effect of changing natural gas and propane prices;
- the level of capital expenditures for adding new customers and replacing facilities worn beyond economic repair;
- competitive environment;
- environmental matters;
- economic conditions and interest rates;
- inflation / deflation;
- changes in technology; and
- changes in accounting principles.

Chesapeake sold the assets and operations of its seven water dealerships during 2003 and 2004.

Results of Operations for the Quarter Ended June 30, 2005

Consolidated Overview

Net income from continuing operations for the quarter ended June 30, 2005 increased $184,000, or 30 percent, compared to the same period in 2004. Second quarter net income was $796,000, or $0.14 per share (diluted), an increase of $0.03 per share compared to 2004.

For the Three Months Ended June 30,	**2005**	**2004**	**Change**
Net Income			
Continuing operations	**$ 795,924**	$ 611,518	$ 184,406
Discontinued operations	**-**	19,148	(19,148)
Total Net Income	**$ 795,924**	$ 630,666	$ 165,258
Diluted Earnings Per Share			
Continuing operations	**$ 0.14**	$ 0.11	$ 0.03
Discontinued operations	**-**	-	-
Total Earnings Per Share	**$ 0.14**	$ 0.11	$ 0.03

For the Three Months Ended June 30,	**2005**	**2004**	**Change**
Operating Income			
Natural Gas Distribution & Transmission	**$ 3,193,851**	$ 2,696,914	$ 496,937
Propane	**(762,685)**	(881,576)	118,891
Advanced Information Services	**(30,729)**	259,750	(290,479)
Other & eliminations	**(75,492)**	87,706	(163,198)
Operating Income	**2,324,945**	2,162,794	162,151
Other Income	**228,481**	74,217	154,264
Interest Charges	**1,273,166**	1,328,231	(55,065)
Income Taxes	**484,336**	297,262	187,074
Net Income from Continuing Operations	**$ 795,924**	611,518	$ 184,406

The following discussions of segment results include use of the term "gross margin." Gross margin is determined by deducting the cost of sales from operating revenue. Cost of sales includes the purchased gas cost for the natural gas and propane and the cost of labor spent on direct revenue-producing activities. Gross margin should not be considered an alternative to operating income or net income, which are determined in accordance with Generally Accepted Accounting Principles ("GAAP"). Chesapeake believes that gross margin, although a non-GAAP measure, is useful and meaningful to investors as a basis for making investment decisions. It provides investors with information that demonstrates the profitability achieved by the Company under its allowed rates for regulated operations and under its competitive pricing structure for unregulated segments. Chesapeake's management uses gross margin in measuring its business units' performance and has historically analyzed and reported gross margin information publicly. Other companies may calculate gross margin in a different manner.

Natural Gas Distribution and Transmission

The natural gas distribution and transmission segment earned operating income of $3.2 million for the second quarter of 2005 compared to $2.7 million for the corresponding period in 2004, an increase of $497,000, or 18 percent.

For the Three Months Ended June 30,	2005	2004	Change
Revenue	**$ 31,834,854**	$ 25,136,246	$ 6,698,608
Cost of gas	**20,524,686**	15,111,043	5,413,643
Gross margin	**11,310,168**	10,025,203	1,284,965
Operations & maintenance	**5,842,071**	5,216,149	625,922
Depreciation & amortization	**1,431,179**	1,359,816	71,363
Other taxes	**843,067**	752,324	90,743
Other operating expenses	**8,116,317**	7,328,289	788,028
Total Operating Income	**$ 3,193,851**	$ 2,696,914	$ 496,937
Statistical Data — Delmarva Peninsula			
Heating degree-days			
Actual	**581**	410	171
10-year average (normal)	**506**	500	6
Estimated gross margin per HDD	**$ 1,800**	$ 1,800	$ 0
Per residential customer added:			
Estimated gross margin	**$ 372**	$ 372	$ 0
Estimated other operating expenses	**$ 104**	$ 104	$ 0
Residential Customer Information			
Average number of customers			
Delmarva	**37,130**	34,002	3,128
Florida	**11,661**	10,849	812
Total	**48,791**	44,851	3,940

Revenue and cost of gas increased in 2005 compared to 2004, primarily due to changes in natural gas commodity prices, customer growth and colder weather on the Delmarva Peninsula. Commodity cost changes are passed on to the ratepayers through a gas cost recovery or purchased gas cost adjustment in all jurisdictions; therefore, they have limited impact on the Company’s profitability. However, higher commodity prices may cause customers to reduce their energy consumption through conservation efforts and may cause the Company to have higher bad debt expense.

Gross margin grew by $1.3 million in 2005 compared to 2004. The Company added an average of 3,128 residential customers in Delmarva, an increase of 9 percent, over 2004. The Company estimates that these customers added $291,000 to gross margin. In the second quarter of 2005, temperatures were 42 percent colder than the prior year. Management estimates that the colder weather on the Delmarva Peninsula positively impacted gross margin by $310,000 when compared to 2004. The Florida distribution operations also experienced strong residential customer growth of 812 customers, or 7 percent, and industrial customer growth that combined to improve Florida gross margin by $322,000. The natural gas transmission operation also achieved gross margin growth of $226,000, due to additional contracts for transportation capacity provided to its firm customers.

Higher other operating expenses of $788,000 partially offset the gross margin increase. The higher expenses reflect the costs to support customer growth and costs associated with increased earnings, such as payroll, benefits, incentive compensation and other taxes.

In July 2005, the natural gas transmission operation received approval from the Federal Energy Regulatory Commission ("FERC") to construct and operate additional pipeline facilities representing Phase III of a previously authorized three-phase expansion project. The first two phases of the expansion project were constructed in 2003 and 2004. Phase III facilities are expected to be completed and in service in November 2005. Management currently anticipates that this expansion will contribute approximately $1.4 million annually to gross margin.

Propane

During the second quarter of 2005, the propane segment incurred an operating loss of $763,000, which represents an improvement of $119,000 compared to the second quarter of 2004. Gross margin increased $356,000, or 14 percent, while other operating expenses increased $237,000, or 7 percent.

For the Three Months Ended June 30,	2005	2004	Change
Revenue	**$ 7,294,743**	$ 5,754,405	$ 1,540,338
Cost of sales	**4,454,279**	3,270,155	1,184,124
Gross margin	**2,840,464**	2,484,250	356,214
Operations & maintenance	**3,054,185**	2,842,743	211,442
Depreciation & amortization	**388,768**	370,935	17,833
Other taxes	**160,196**	152,148	8,048
Other operating expenses	**3,603,149**	3,365,826	237,323
Total Operating Loss	**($762,685)**	($881,576)	$ 118,891
Statistical Data — Delmarva Peninsula			
Heating degree-days			
Actual	**581**	410	171
10-year average (normal)	**506**	500	6
Estimated gross margin per HDD	**$ 1,691**	$ 1,691	$ 0

Increases in revenues and cost of sales in 2005 were caused by an increase in the commodity prices of propane. Commodity price changes are generally passed on to the customer, subject to competitive market conditions. High commodity prices may cause customers to reduce their energy consumption through conservation efforts and may cause higher bad debt expense.

Propane distribution gross margin increased $400,000 and propane wholesale marketing gross margin decreased $44,000. The Delmarva distribution operations' gross margin was $2.3 million, an increase of $320,000 compared to 2004. Colder weather on the Delmarva Peninsula contributed approximately $290,000 to the increase. The increase in gross margin was partially offset by higher operating costs associated with the Pennsylvania start-up and costs relating to health insurance benefit claims. The Pennsylvania start-up resulted from acquiring the assets of J.O. Fenstermacher & Son, LLC in November 2004.

The Florida propane distribution operations improved operating income by $34,000 compared to 2004. The number of customers in Florida increased by 28 percent, resulting in an improvement of $80,000 in gross margin. An increase in other operating expenses of $46,000, attributable to payroll, benefits and depreciation, partially offset the increase in gross margin.

Gross margin for the Company's propane wholesale marketing operation decreased by $44,000 in the second quarter of 2005, compared to the same period of 2004. The wholesale marketing operation continues to follow conservative marketing strategies, which lowers risk and earnings, in light of continued high wholesale price levels.

Advanced Information Services

The advanced information services business experienced an operating loss of $31,000 for the second quarter of 2005, a decline of $290,000 compared to the second quarter of last year.

For the Three Months Ended June 30,	2005	2004	Change
Revenue	**$ 3,030,408**	$ 3,450,894	($420,486)
Cost of sales	**1,849,279**	1,864,709	(15,430)
Gross margin	**1,181,129**	1,586,185	(405,056)
Operations & maintenance	**1,059,584**	1,176,368	(116,784)
Depreciation & amortization	**28,834**	34,530	(5,696)
Other taxes	**123,440**	115,537	7,903
Other operating expenses	**1,211,858**	1,326,435	(114,577)
Total Operating (Loss) Income	**($30,729)**	$ 259,750	($290,479)

Revenue for the advanced information services segment decreased $420,000 while cost of sales remained constant. Decreases in consulting revenues for the eBusiness and Enterprise Solutions groups of $262,000 and lower sales of Progress software licenses of $155,000 account for the decrease in revenue when compared to 2004. Other operating expenses in 2005 were lower by $115,000 primarily due to cost containment measures implemented during the second quarter and lower incentive compensation due to lower revenues and earnings. The Company estimates that the cost containment measures will reduce expenses by $32,000 monthly beginning June 1, 2005 or $384,000 annually.

Other Business Operations and Eliminations

Other operations and eliminating entries resulted in operating losses of $75,000 for the second quarter of 2005 compared to operating income of $88,000 for the second quarter of 2004. Other operations consist primarily of subsidiaries that own real estate leased to other Company subsidiaries. In addition, in 2004 the Company formed OnSight Energy, LLC ("OnSight") to provide distributed energy services. Distributed energy refers to a variety of small, modular power generating technologies that may be combined with heating and/or cooling systems. OnSight completed its first contract in the second quarter of 2005. OnSight's operating loss for the quarter was $122,000 and as a result of the start-up, other operating expenses increased by $140,000 over 2004 levels. Eliminations are entries required to eliminate activities between business segments from the consolidated results.

For the Three Months Ended June 30,	2005	2004	Change
Revenue	**$ 256,049**	$ 168,686	$ 87,363
Cost of sales	**82,716**	-	82,716
Gross margin	**173,333**	168,686	4,647
Operations & maintenance	**162,058**	20,398	141,660
Depreciation & amortization	**70,378**	53,929	16,449
Other taxes	**24,429**	14,691	9,738
Other operating expenses	**256,865**	89,018	167,847
Operating (Loss) Income - Other	**(83,532)**	79,668	(163,200)
Operating Income - Eliminations	**8,040**	8,038	2
Total Operating (Loss) Income	**($75,492)**	$ 87,706	($163,198)

Discontinued Operations

In 2003, Chesapeake decided to exit the water services business. Six of seven water dealerships were sold during 2003 and the remaining operation was sold in October 2004. For the second quarter 2004, $19,000 was earned by discontinued operations, net of income taxes. As a result of the dispositions, there was no activity in 2005.

Income Taxes
Income tax expense for the three months ended June 30, 2005 is $484,000 compared to an income tax expense of $297,000 for the three months ended June 30, 2004. The increase in income tax expense is attributed to higher income. The effective tax rate for the second quarter of 2005 is 37.8% compared to an effective tax rate of 32.7% for the same period of 2004. Permanent tax differences remain constant from period to period. The seasonality of the Company's business segments will have an impact on the effective tax rate on interim reporting periods.

Interest Expense
Interest expense for the second quarter of 2005 decreased approximately $55,000, or 4 percent, versus the same period in 2004. Interest on long-term debt decreased $75,000. The average long-term debt balance declined from $72.0 million in the second quarter of 2004 to $68.1 million for the first three months of 2005, as a result of scheduled principal repayments. Interest on short-term debt increased $2,000 for the second quarter of 2005, compared to the same period during 2004 as a result of an increase in the average balance of short-term debt outstanding.

Results of Operations for the Six Months Ended June 30, 2005

Consolidated Overview
The Company earned income from continuing operations of $7.0 million or $1.19 per share (diluted), for the first six months of 2005, an increase of $644,000, compared to income from continuing operations of $6.4 million, or $1.10 per share, for the corresponding period in 2004.

For the Six Months Ended June 30,	**2005**	**2004**	**Change**
Net Income			
Continuing operations	**$ 7,028,720**	$ 6,385,052	$ 643,668
Discontinued operations	**-**	(15,187)	15,187
Total Net Income	**$ 7,028,720**	$ 6,369,865	$ 658,855
Diluted Earnings Per Share			
Continuing operations	**$ 1.19**	$ 1.10	$ 0.09
Discontinued operations	**-**	(0.01)	0.01
Total Earnings Per Share	**$ 1.19**	$ 1.09	$ 0.10

For the Six Months Ended June 30,	**2005**	**2004**	**Change**
Operating Income			
Natural Gas Distribution & Transmission	**$ 10,986,237**	$ 9,914,667	$ 1,071,570
Propane	**3,239,163**	2,440,082	799,081
Advanced Information Services	**(263,590)**	331,835	(595,425)
Other & eliminations	**(132,522)**	175,517	(308,039)
Operating Income	**13,829,288**	12,862,101	967,187
Other Income	**310,861**	176,693	134,168
Interest Charges	**2,550,944**	2,654,997	(104,053)
Income Taxes	**4,560,485**	3,998,745	561,740
Net Income from Continuing Operations	**$ 7,028,720**	$ 6,385,052	$ 643,668

The following discussions of segment results include use of the term "gross margin." Gross margin is determined by deducting the cost of sales from operating revenue. Cost of sales includes the purchased gas cost for the natural gas and propane and the cost of labor spent on direct revenue-producing activities. Gross margin should not be considered an alternative to operating income or net income, which are determined in accordance with Generally Accepted Accounting Principles ("GAAP"). Chesapeake believes that gross margin, although a non-GAAP measure, is useful and meaningful to investors as a basis for making investment decisions. It provides investors with information that demonstrates the profitability achieved by the Company under its allowed rates for regulated operations and under its competitive pricing structure for unregulated segments. Chesapeake's management uses gross margin in measuring its business units' performance and has historically analyzed and reported gross margin information publicly. Other companies may calculate gross margin in a different manner.

Natural Gas Distribution and Transmission

The natural gas distribution and transmission segment earned operating income of $11.0 million for the first six months of 2005 compared to $9.9 million for the corresponding period in 2004, an increase of $1.1 million, or 11 percent.

For the Six Months Ended June 30,		2005		2004		Change
Revenue	**$**	**86,334,541**	$	67,498,217	$	18,836,324
Cost of gas		**58,982,954**		42,529,941		16,453,013
Gross margin		**27,351,587**		24,968,276		2,383,311
Operations & maintenance		**11,697,256**		10,739,003		958,253
Depreciation & amortization		**2,846,073**		2,703,096		142,977
Other taxes		**1,822,021**		1,611,510		210,511
Other operating expenses		**16,365,350**		15,053,609		1,311,741
Total Operating Income	**$**	**10,986,237**	$	9,914,667	$	1,071,570
Statistical Data — Delmarva Peninsula						
Heating degree-days						
Actual		**3,172**		3,004		168
10-year average (normal)		**2,762**		2,771		(9)
Estimated gross margin per HDD	**$**	**1,800**	$	1,800	$	0
Per residential customer added:						
Estimated gross margin	**$**	**372**	$	372	$	0
Estimated other operating expenses	**$**	**104**	$	104	$	0
Residential Customer Information						
Average number of customers						
Delmarva		**37,133**		34,052		3,081
Florida		**11,665**		10,829		836
Total		**48,798**		44,881		3,917

Revenue and cost of gas increased in 2005 compared to 2004, primarily due to changes in natural gas commodity prices, customer growth and colder weather on the Delmarva Peninsula. Commodity cost changes are passed on to the ratepayers through a gas cost recovery or purchased gas cost adjustment in all jurisdictions; therefore, they have limited impact on the Company's profitability. However, higher commodity prices may cause customers to reduce their energy consumption through conservation efforts and may cause the Company to have higher bad debt expense.

Gross margin grew by $2.4 million in 2005 compared to 2004. The average number of residential customers in Delmarva increased by 3,081, or 9 percent, over 2004. The Company estimates that these customers added $573,000 to gross margin. This growth was partially offset by lower consumption per customer that reflects more energy-efficient housing and customer conservation efforts in light of higher energy costs. For the first half of 2005, temperatures were 6 percent colder than 2004. Management estimates that the colder weather on the Delmarva Peninsula positively impacted gross margin in the first half of 2005 by $305,000 as compared to 2004.

The Florida distribution operations also experienced strong residential customer growth of 836 customers, or 8 percent, along with industrial and commercial customer growth that combined to improve Florida gross margin by $623,000. The natural gas transmission operation also achieved gross margin growth of $586,000, due to additional contracts for transportation capacity provided to its firm customers. These contracts, which commenced November 1, 2004, contributed $687,000 for the first half of 2005.

Other operating expenses increased $1.3 million for the first six months of 2005 compared to the same period in 2004, which partially offset the gross margin increase. The higher expenses reflect the costs to support customer growth and costs associated with increased earnings, such as payroll, benefits, incentive compensation and other taxes.

Propane

The propane segment contributed $3.2 million of operating income for the first six months of 2005, which represents an improvement of $799,000 or 33 percent compared to the corresponding period in 2004. Gross margin increased $1.3 million, or 13 percent, while other operating expenses increased $502,000, or 7 percent.

For the Six Months Ended June 30,	**2005**	**2004**	**Change**
Revenue	**$ 27,486,488**	$ 24,214,662	$ 3,271,826
Cost of sales	**16,540,553**	14,569,491	1,971,062
Gross margin	**10,945,935**	9,645,171	1,300,764
Operations & maintenance	**6,480,877**	6,032,487	448,390
Depreciation & amortization	**800,327**	753,963	46,364
Other taxes	**425,568**	418,639	6,929
Other operating expenses	**7,706,772**	7,205,089	501,683
Total Operating Income	**$ 3,239,163**	$ 2,440,082	$ 799,081
Statistical Data — Delmarva Peninsula			
Heating degree-days			
Actual	**3,172**	3,004	168
10-year average (normal)	**2,762**	2,771	(9)
Estimated gross margin per HDD	**$ 1,691**	$ 1,691	$ 0

Increases in revenues and cost of sales in 2005 were the result of an increase in the commodity prices of propane. Commodity price changes are generally passed on to the customer, subject to competitive market conditions. High commodity prices may cause customers to reduce their energy consumption through conservation efforts and may cause higher bad debt expense.

Propane distribution gross margin increased $1.3 million and propane wholesale marketing gross margin increased $30,000. The Delmarva distribution operations' gross margin was $9.5 million for the first six months of 2005, an increase of $1.0 million, or 12 percent, compared to 2004. The gross margin increased primarily due to changes in purchasing and hedging strategies, colder weather and gross margins from the Company's start-up location in southeastern Pennsylvania. The Company estimates that the changes in purchasing and hedging strategies increased gross margins by $420,000 in the first six months of 2005 compared to the same period in 2004. The colder weather on the Delmarva Peninsula contributed approximately $284,000 to gross margin. The Pennsylvania start-up contributed $191,000 to gross margin in the first six months of 2005. Other operating expenses increase $502,000 in the first half of 2005 compared to the same period in 2004 primarily due to payroll, benefits, insurance and costs incurred by the Pennsylvania start-up.

The Florida propane distribution operations increased the number of customers by 32 percent, resulting in an improvement of $241,000 in gross margin. An increase in other operating expenses of $86,000 partially offset the increase. Operating income improved $155,000.

The Company's propane wholesale marketing operation contributed $156,000 to operating income, an increase of $22,000 compared to 2004. The wholesale marketing operation continues to follow conservative marketing strategies, which lower risk and earnings, in light of continued high wholesale price levels.

Advanced Information Services

The advanced information services business experienced an operating loss of $264,000 for the first six months of 2005, a decline of $595,000 compared to last year.

For the Six Months Ended June 30,	2005	2004	Change
Revenue	$ **6,200,694**	$ 6,461,030	($260,336)
Cost of sales	**3,827,754**	3,543,487	284,267
Gross margin	**2,372,940**	2,917,543	(544,603)
Operations & maintenance	**2,277,882**	2,230,196	47,686
Depreciation & amortization	**60,129**	73,675	(13,546)
Other taxes	**298,519**	281,837	16,682
Other operating expenses	**2,636,530**	2,585,708	50,822
Total Operating (Loss) Income	**($263,590)**	$ 331,835	($595,425)

Revenue for the advanced information services decreased $260,000 in the first six months of 2005 compared to last year. This decrease is the result of consulting revenues for the eBusiness group being $538,000 lower in the first six months of 2005 compared to the same period in 2004. This decrease is partially offset by an increase of $312,000 for consulting revenue by the Enterprise Solutions group. Cost of sales increased due to modifications to the LAMPS™ software product, in order to market it to additional prospective customers and non-billable hours accumulated for employees within the consulting group resulting from lower consulting revenue. Other operating expenses in 2005 were increased $51,000 primarily due to consulting charges incurred for continued investment in enhancements to LAMPS™ and benefits claims, which were offset by cost containment measures implemented to lower operating expenses.

Other Business Operations and Eliminations

Other operations and eliminating entries resulted in operating losses of $133,000 for the first six months of 2005 compared to an operating income of $176,000 for the first six months of last year. OnSight, Chesapeake's provider of distributed energy services, operating loss for the first half of 2004 was $254,000 and as a result of the start-up, other operating expenses increased by $281,000 over 2004 levels. Eliminations are entries required to eliminate activities between business segments from the consolidated results.

For the Six Months Ended June 30,	2005	2004	Change
Revenue	$ **448,642**	$ 338,132	$ 110,510
Cost of sales	**112,629**	-	112,629
Gross margin	**336,013**	338,132	(2,119)
Operations & maintenance	**308,034**	41,648	266,386
Depreciation & amortization	**121,640**	107,139	14,501
Other taxes	**54,939**	29,906	25,033
Other operating expenses	**484,613**	178,693	305,920
Operating (Loss) Income - Other	**(148,600)**	159,439	(308,039)
Operating Income - Eliminations	**16,078**	16,078	0
Total Operating (Loss) Income	**($132,522)**	$ 175,517	($308,039)

Discontinued Operations
In 2003, Chesapeake decided to exit the water services business. Six of seven water dealerships were sold during 2003 and the remaining operation was sold in October 2004. A loss of $15,000, net of tax, was incurred by discontinued operations for the six months of 2004. As a result of the dispositions, there was no activity in 2005.

Income Taxes
Income tax expense for the six months ended June 30, 2005 is $4.6 million compared to an income tax expense of $4.0 million for the six months ended June 30, 2004. The effective tax rate for the first six months was constant from year to year.

Interest Expense
Interest expense for the first half of 2005 decreased approximately $104,000, or 4 percent, versus the same period in 2004. Interest on long-term debt decreased $136,000. The average long-term debt balance declined from $71.9 million in the first half of 2004 to $68.0 million for the first half of 2005, as a result of scheduled principal repayments. Interest on short-term debt increased $13,000 during the first six months of 2005, compared to the same period during 2004 as a result of an increase in the average balance of short-term debt outstanding.

Financial Position, Liquidity and Capital Resources

The Company's capital requirements reflect the capital-intensive nature of its business and are principally attributable to its construction program (described below) and the retirement of outstanding debt. The Company relies on cash generated by operations and short-term borrowing to meet normal working capital requirements and to temporarily finance capital expenditures. During the first six months of 2005, net cash provided by operating activities, net cash used by investing activities and net cash used by financing activities were approximately $22.9 million, $11.8 million and $8.8 million, respectively.

Cash flows from operating activities for the six months ended June 30, 2005 and 2004 are summarized below:

For the Six Months Ended June 30,	**2005**	**2004**	**Change**
Net Income	**$ 7,028,720**	$ 6,369,865	$ 658,855
Non-cash adjustment to net income	**4,337,525**	6,859,419	(2,521,894)
Changes in working capital	**11,508,556**	8,326,306	3,182,250
Net cash from operating activties	**$ 22,874,801**	$ 21,555,590	$ 1,319,211

Net cash provided by operating activities increased $1.3 million for the six months ended June 30, 2005 compared to the same period in 2004, primarily due to increases in earnings from continued operations, decrease in accounts receivable and propane inventory, which were offset by a decrease in accounts payable and a decrease in non-cash adjustment to net income for lower deferred income taxes.

Cash used in investing activities from continuing operations for the first six months of 2005 was $11.8 million, compared with $6.2 million for the same period in 2004. The change was primarily due to purchase of investments for the Company's Rabbi Trusts and an increase in capital spending.

During the six-month periods ended June 30, 2005 and 2004, capital expenditures (net of retirements) were approximately $10.8 million and $6.6 million, respectively. Chesapeake has budgeted $38.6 million for capital expenditures during 2005. The capital budget includes a total of $15.4 million for natural gas distribution, $16.9 million for natural gas transmission, $5.1 million for propane distribution and wholesale marketing, $504,000 for advanced information services and $695,000 for other operations. The natural gas distribution and transmission expenditures are for expansion and improvement of facilities, primarily the transmission operation's new pipeline facilities described herein and extending distribution mains to serve customers in Sussex County Delaware. The transmission operation's budget includes approximately $15.9 million of investment in mains to serve growth. The FERC has approved the construction and operation of new pipeline facilities that would extend service to Milton, Delaware. The new facilities are expected to provide an additional $1.4 million of gross margin annually and are expected to be in service in November 2005. The propane expenditures are to support customer growth and for the replacement of equipment. The advanced information services expenditures are for computer hardware, software and related equipment. The projected capital expenditures for other related businesses consist of expenditures for general plant and computer hardware and software. Chesapeake expects to incur approximately $245,000 in 2005 and $137,000 in 2006 for environmental-related expenditures. Additional expenditures may be required in future years. Management does not expect financing of future environmental-related expenditures to have a material adverse effect on the financial position or capital resources of the Company (see Note 3 to the Condensed Consolidated Financial Statements).

Cash used in financing activities from continuing operations was $8.8 million for the first six months of 2005, compared to $8.2 million for the same period in 2004. The change was primarily from the result of an increase in repayment of line of credit agreements of $1.2 million, which was partially offset be a decrease of $373,000 for the repayment of long-term debt.

The Board of Directors has authorized the Company to borrow up to $35.0 million of short-term debt from various banks and trust companies. As of June 30, 2005, Chesapeake had five unsecured bank lines of credit with three financial institutions, totaling $65.0 million, for short-term cash needs to meet seasonal working capital requirements and to fund, temporarily, portions of its capital expenditures. Two of the bank lines, totaling $15.0 million, are committed. The remaining three lines are subject to the banks' availability of funds. In the six-month period ended June 30, 2005, cash provided by operations was adequate to fund capital expenditures and repay $4.7 million of short-term debt that was outstanding at December 31, 2004. At June 30, 2005, the Company had outstanding an irrevocable letter of credit in the amount of $694,000 issued to one of the Company's insurance providers. The letter of credit reduced the available borrowing under the short-term lines.

Financing for the 2005 capital expenditure program is expected to be provided from short-term borrowing and cash provided by operating activities. The capital expenditure program is subject to continuous review and modification. Actual capital requirements may vary from the above estimates due to a number of factors, including acquisition opportunities, changing economic conditions, customer growth in existing areas, regulation, new growth opportunities and availability of capital.

As of June 30, 2005 common equity represented 56.9 percent of total capitalization, compared to 54.1 percent as of December 31, 2004. Combining short-term financing with total capitalization, the equity component would have been 55.1 percent and 51.3 percent at June 30, 2005 and December 31, 2004, respectively. The Company remains committed to maintaining a sound capital structure and strong credit ratings in order to provide the financial flexibility needed to access the capital markets when required. This commitment, along with adequate and timely rate relief for the Company's regulated operations, is intended to ensure that the Company will be able to attract capital from outside sources at a reasonable cost.

On June 29, 2005, the Company entered into an agreement in principle with Prudential Investment Management Inc. pursuant to which Prudential has agreed, subject to certain conditions, to purchase from the Company $20 million in principal amount of Senior Notes issued by the Company provided that the Company elects to effect the sale of the Notes to Prudential prior to January 15, 2007. The interest rate on the Notes would be fixed at 5.5 percent. The terms of the Notes would require principal repayments in the amount of $2 million annually beginning in 2011. The primary purpose of the proceeds from the sale of the Notes is to provide funding for capital projects. Chesapeake does not expect to effect the sale of the Senior Notes until December 2006.

Off-Balance Sheet Arrangements

As noted in the Company's 2004 Annual Report on Form 10-K, the only off-balance sheet arrangements are corporate guarantees to certain vendors of its propane wholesale marketing subsidiary and Florida natural gas supply and management services subsidiary and a letter of credit issued to its main insurance carrier. All payables of the propane wholesale marketing subsidiary and the Florida natural gas supply and management services subsidiary and all the Company's liabilities related to insurance matters are recorded in the Company's financial statements. See Note 3 to the Condensed Consolidated Financial Statements for further information. The guarantees at June 30, 2005 totaled $9.7 million and expire at various dates in 2005 and 2006.

Contractual Obligations

There have been no material changes in the contractual obligations presented in the Company's 2004 Annual Report on Form 10-K, except for commodity purchase obligations and forward contracts entered into in the ordinary course of the Company's business. Below is a summary of the commodity and forward contract obligations at June 30, 2005. None of the commodity or forward contracts extend beyond 2006.

	Payments Due by Period				
Purchase Obligations	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**	**Total**
Commodities [1]	$ 2,911,572	$ 0	$ 0	$ 0	**$ 2,911,572**
Propane [2]	3,422,042	-	-	-	**3,422,042**
Total Purchase Obligations	$ 6,333,614	$ 0	$ 0	$ 0	**$ 6,333,614**

[1] In addition to the obligations noted above, the natural gas distribution and propane distribution operations have agreements with commodity suppliers that have provisions that allow the Company to reduce or eliminate the quantities purchased. There are no monetary penalties for reducing the amounts purchased; however, the propane contracts allow the suppliers to reduce the amounts available in the winter season if the Company does not purchase specified amounts during the summer season. Under these contracts, the commodity prices will fluctuate as market prices fluctuate.

[2] The Company has also entered into forward sale contracts in the aggregate amount of $4.9 million. See Part I, Item 3, "Quantitative and Qualitative Disclosures about Market Risk," below for further information.

Environmental Matters

As more fully described in Note 3 to the Condensed Consolidated Financial Statements, Chesapeake has completed its responsibilities related to two former gas manufacturing plant sites. The Company received a Certificate of Completion of Work from the EPA and is waiting for a reply from the MDE regarding a No Further Action request submitted in November 2002. Chesapeake is currently participating in the investigation, assessment or remediation of one other former gas manufacturing plant site. The Company continues to work with federal and state environmental agencies to assess the environmental impact and explore options for corrective action at these sites. The Company believes that future costs associated with these sites will be recoverable in rates or through sharing arrangements with, or contributions by, other responsible parties. The Company is in discussions with the Maryland Department of the Environment regarding a fourth former gas manufacturing plant site located in Cambridge, Maryland. The outcome of this matter cannot be determined at this time.

Other Matters

Regulatory Matters

The Company's natural gas distribution operations are subject to regulation by the Delaware, Maryland and Florida Public Service Commissions. Eastern Shore Natural Gas Company ("Eastern Shore"), the Company's natural gas transmission operation, is subject to regulation by the Federal Energy Regulatory Commission ("FERC").

Eastern Shore. During October 2002, Eastern Shore filed for recovery of gas supply realignment costs totaling $196,000 (including interest) associated with the implementation of FERC Order No. 636. At that time, the FERC would not review Eastern Shore's filing, because the FERC wished to settle a related matter with another transmission company first. The FERC has acted favorably on the other transmission company's filing and Eastern Shore intends to resubmit its transition cost recovery filing during 2005.

On April 1, 2003, Eastern Shore filed an application for a Certificate of Public Convenience and Necessity ("Application") before the FERC requesting authorization to construct the necessary facilities to enable Eastern Shore to provide additional daily firm transportation capacity of 15,100 dekatherms over a three-year period commencing November 1, 2003. Phases I and II were completed in 2003 and 2004. Phase II service levels began November 1, 2004. Phase III is currently under construction and is expected to be completed and in service in November 2005.

On December 22, 2004, Eastern Shore filed to amend the Application to seek FERC authorization to construct and operate new pipeline facilities necessary to provide an additional 7,450 dekatherms of daily firm transportation service requested by its customers to be available November 1, 2005. In July 2005, the Federal Energy Regulatory Commission ("FERC") granted approval to Eastern Shore to construct and operate additional pipeline facilities representing Phase III of a previously authorized three-phase expansion project. The first two phases of the expansion project were constructed in 2003 and 2004. Phase III facilities are expected to be completed and in service in November 2005.

Eastern Shore is also following the FERC's recent rulemaking pertaining to creditworthiness standards for customers of interstate natural gas pipelines. FERC has not yet issued its final rule in this proceeding. Upon such issuance, Eastern Shore will evaluate its currently effective tariff creditworthiness provisions and make any necessary revisions to conform to the FERC's final rule relating to such standards.

Delaware. On September 1, 2004, the Delaware division filed its annual Gas Sales Service Rates ("GSR") application with the Delaware Public Service Commission ("DPSC") to become effective for service rendered on and after November 1. On September 14, 2004, the DPSC approved the GSR charges, subject to full evidentiary hearings and a final decision. Due to the most recent rise in natural gas market prices, the Delaware division's under collection balance was expected to exceed the six percent (6%) tolerance as defined in its tariff; therefore, on December 1, 2004, the Delaware division filed an "out-of-cycle" rate application proposing to place revised GSR charges into effect on January 1, 2005, pending DPSC approval. On December 21, 2004, the DPSC granted approval of these supplemental GSR charges, subject to full evidentiary hearings and a final decision. An evidentiary hearing was held in this matter on May 26, 2005. The DPSC issued a final decision on June 21, 2005 in which the proposed GSR changes that became effective November 1, 2004 and January 1, 2005 were granted final approval.

On November 1, 2004, the Delaware division filed its annual Environmental Rider Rate ("ER") application that was effective for service rendered on and after December 1, 2004. The DPSC granted approval of the ER rate at its regularly scheduled meeting on November 9, 2004, subject to full evidentiary hearings and a final decision. An evidentiary hearing was held on June 2, 2005. A final decision by the DPSC is expected during the third quarter of 2005.

Florida. On May 16, 2005, the Florida division filed for approval of a Special Contract with the Department of Management Services and Agency of the State of Florida for service to the Washington Correction Institution (“WCI”). WCI is located in Washington County in the Florida panhandle and would become the thirteenth county served by the Company’s Florida division. The Florida Public Service Commission approved the Company’s request on July 19, 2005. If the petition is approved, service to the existing WCI facility is expected to begin during the third quarter of 2005.

Competition

The Company’s natural gas operations compete with other forms of energy including electricity, oil and propane. The principal competitive factors are price and, to a lesser extent, accessibility. The Company’s natural gas distribution operations have several large volume industrial customers that have the capacity to use fuel oil as an alternative to natural gas. When oil prices decline, these interruptible customers convert to oil to satisfy their fuel requirements. Lower levels in interruptible sales occur when oil prices are lower relative to the price of natural gas. Oil prices, as well as the prices of electricity and other fuels are subject to fluctuation for a variety of reasons; therefore, future competitive conditions are not predictable. To address this uncertainty, the Company uses flexible pricing arrangements on both the supply and sales sides of its business to maximize sales volumes. As a result of the transmission business’ conversion to open access, this business has shifted from providing competitive sales service to providing transportation and contract storage services.

The Company’s natural gas distribution operations located in Delaware, Maryland and Florida offer transportation services to certain industrial customers. The Florida operation extended transportation service to commercial customers in 2001 and to residential customers in 2002. With transportation service now available on the Company’s distribution systems, the Company is competing with third party suppliers to sell gas to certain customers. As it relates to transportation services, the Company’s competitors include interstate transmission companies that are in close proximity to the Company’s pipeline. The customers at risk are usually large volume commercial and industrial customers with the financial resources and capability to bypass the distribution operations in this manner. In certain situations, the distribution operations may adjust services and rates for these customers to retain their business. The Company expects to continue to expand the availability of transportation service to additional classes of distribution customers in the future. The Company operates a natural gas supply and management services operation in Florida to compete for customers eligible for transportation services.

The Company’s propane distribution operations compete with several other propane distributors in their service territories, primarily on the basis of service and price, emphasizing reliability of service and responsiveness. Competition is generally from local outlets of national distribution companies and local businesses, because distributors located in close proximity to customers incur lower costs of providing service. Propane competes primarily with electricity and heating oil as energy sources. Since natural gas has historically been less expensive than propane, propane is generally not distributed in geographic areas serviced by natural gas pipeline or distribution systems.

The propane wholesale marketing operation competes against various marketers, many of which have significantly greater resources and are able to obtain price or volumetric advantages.

The advanced information services business faces significant competition from a number of larger competitors having substantially greater resources available to them than does the Company. In addition, changes in the advanced information services business are occurring rapidly, which could adversely impact the markets for the products and services offered by these businesses. This segment competes on the basis of technological expertise, reputation and price.

Recent Pronouncements

In December 2004, the FASB released a revision ("Share-Based Payment") to SFAS No. 123 "Accounting for Stock-Based Compensation," referred to as SFAS No. 123R. In April 2005, the SEC approved a new rule that delayed the effective date for SFAS No. 123R until the first annual period beginning after June 15, 2005. This Statement establishes financial accounting and reporting standards for stock-based employee compensation plans. Those plans include all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. Examples are stock purchase plans, stock options, restricted stock and stock appreciation rights. The Company does not expect the adoption of SFAS No. 123R to have a material impact on the financial statements.

In March 2005, the FASB issued Interpretation No. 47 ("FIN No. 47"), "Accounting for Conditional Asset Retirement Obligations" an interpretation of SFAS No. 143. FIN No. 47 clarifies that the term conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective for the Company no later than the fourth quarter of 2005. It is not expected to have a material impact on the Company's financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3". SFAS 154 primarily requires retrospective application to prior periods' financial statements for the direct effects of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This statement applies to all voluntary changes in accounting principle and also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. The statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company is required to adopt the provision of SFAS 154, as applicable, beginning in fiscal year 2006.

Inflation

Inflation affects the cost of labor, products and services required for operations, maintenance and capital improvements. While the impact of inflation has remained low in recent years, natural gas and propane prices are subject to rapid fluctuations. Fluctuations in natural gas prices are passed on to customers through the gas cost recovery mechanism in the Company's tariffs. To help cope with the effects of inflation on its capital investments and returns, the Company seeks rate relief from regulatory commissions for regulated operations while monitoring the returns of its unregulated business operations. To compensate for fluctuations in propane gas prices, the Company adjusts its propane selling prices to the extent allowed by the market.

Cautionary Statement
Chesapeake has made statements in this report that are considered to be forward-looking statements. These statements are not matters of historical fact. Sometimes they contain words such as “believes,”“expects,”“intends,”“plans,”“will,” or “may,” and other similar words of a predictive nature. These statements relate to matters such as customer growth, changes in revenues or gross margins, capital expenditures, environmental remediation costs, regulatory approvals, market risks associated with the Company’s propane wholesale marketing operation, competition, inflation and other matters. It is important to understand that these forward-looking statements are not guarantees, but are subject to certain risks and uncertainties and other important factors that could cause actual results to differ materially from those in the forward-looking statements. These factors include, among other things:

- the temperature sensitivity of the natural gas and propane businesses;
- the effect of spot, forward and futures market prices on the Company’s distribution, wholesale marketing and energy trading businesses;
- the effects of competition on the Company’s unregulated and regulated businesses;
- the effect of changes in federal, state or local regulatory and tax requirements, including deregulation;
- the effect of accounting changes;
- the effect of compliance with environmental regulations or the remediation of environmental damage;
- the effects of general economic conditions on the Company and its customers;
- the ability of the Company’s new and planned facilities and acquisitions to generate expected revenues; and
- the Company’s ability to obtain the rate relief and cost recovery requested from utility regulators and the timing of the requested regulatory actions.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the potential loss arising from adverse changes in market rates and prices. Long-term debt is subject to potential losses based on the change in interest rates. The Company’s long-term debt consists of fixed rate senior notes and convertible debentures, none of which was issued for trading purposes. The carrying value of long-term debt at June 30, 2005 was $67.9 million, with a fair value of $74.0 million, based mainly on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The Company is exposed to changes in interest rates due to the use of fixed rate long-term debt to finance the business. Management continually monitors fluctuations in interest rates and debt markets to assess the benefits of changing the mix of long and short-term debt or refinancing existing debt.

The Company’s propane distribution business is exposed to market risk as a result of propane storage activities and entering into fixed price contracts for supply. The Company can store up to approximately 4 million gallons (including leased storage) of propane during the winter season to meet its customers’ peak requirements and to serve metered customers. Decreases in the wholesale price of propane will cause the value of stored propane to decline. To mitigate the impact of price fluctuations, the Company has adopted a risk management policy that allows the propane distribution operation to enter into fair value hedges of its inventory. However, as of June 30, 2005 management reviewed the Company’s storage position and several hedging strategies and elected not to hedge any of its inventory.

The Company’s propane wholesale marketing operation is a party to natural gas liquids (“NGL”) forward contracts, primarily propane contracts, with various third parties. These contracts require that the propane wholesale marketing operation purchase or sell NGL at a fixed price at fixed future dates. At expiration, the contracts are settled by the delivery of NGL to the Company or the counter party or booking out the transaction. (Booking out is a procedure for financially settling a contract in lieu of the physical delivery of energy.) The propane wholesale marketing operation also enters into futures contracts that are traded on the New York Mercantile Exchange. In certain cases, the futures contracts are settled by the payment or receipt of a net amount equal to the difference between the current market price of the futures contract and the original contract price; however, they may also be settled for physical receipt or delivery of propane.

The forward and futures contracts are entered into for trading and wholesale marketing purposes. The propane wholesale marketing business is subject to commodity price risk on its open positions to the extent that market prices for NGL deviate from fixed contract settlement prices. Market risk associated with the trading of futures and forward contracts are monitored daily for compliance with the Company's Risk Management Policy, which includes volumetric limits for open positions. To manage exposures to changing market prices, open positions are marked up or down to market prices and reviewed by oversight officials on a daily basis. Additionally, the Risk Management Committee reviews periodic reports on market and the credit risk of counter-parties, approves any exceptions to the Risk Management Policy (within limits established by the Board of Directors) and authorizes the use of any new types of contracts. Quantitative information on forward and futures contracts at June 30, 2005 is presented in the following table. All of the contracts mature within twelve months.

At June 30, 2005	Quantity in gallons	Estimated Market Prices	Weighted Average Contract Prices
Forward Contracts			
Sale	5,775,000	$0.8225 — $0.8638	$0.8279
Purchase	4,116,000	$0.8250 — $0.8300	$0.8314
Futures Contracts			
Sale	84,000	$0.8500 — $0.8500	$0.8500

Estimated market prices and weighted average contract prices are in dollars per gallon.
All contracts expire in 2005.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of the Company, with the participation of other Company officials, have evaluated the Company's "disclosure controls and procedures" (as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of June 30, 2005. Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2005, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in certain legal actions and claims arising in the normal course of business. The Company is also involved in certain legal and administrative proceedings before various government agencies concerning rates. In the opinion of management, the ultimate disposition of these proceedings and claims will not have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Purchases of Equity Securities by Issuer and Affiliated Purchasers

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (2)
April 1, 2005 through April 30, 2005 [1]	397	$ 27.53	0	0
May 1, 2005 through May 31, 2005 [1]	36	$ 27.53	0	0
June 1, 2005 through June 30, 2005	0	$ 0.00	0	0
Total	433	$ 27.53	0	0

[1]Chesapeake maintains a Rabbi Trust to secure its obligations under the Company's Supplemental Executive Retirement Savings Plan ("SERP plan"). The shares of Chesapeake common stock reported as purchased during each of the periods consist of shares purchased for the Rabbi Trust in the open market to match the shares held with Chesapeake's contractual obligations under the SERP plan.

[2]Chesapeake has no publicly announced plans or programs to repurchase its shares.

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

(a) The matters described in Item 4(c) below were submitted to a vote of stockholders at the Annual Meeting of Stockholders on May 5, 2005 in connection with which, proxies were solicited in accordance with Regulation 14A under the Securities Exchange Act of 1934, as amended.

(b) Not applicable.

(c) Proposals as submitted in the proxy statement were voted on as follows:

i. The election of four Class III Directors for three-year terms ending in 2008, and until their successors are elected and qualified.

Name	Votes For	Votes Withheld	Shares not Voted
Thomas J. Bresnan	5,028,106	414,535	0
Walter J. Coleman	5,027,940	414,701	0
Joseph E. Moore	5,036,629	406,012	0
John R. Schimkaitis	5,039,110	403,531	0

ii. To consider and vote upon a proposal to adopt the Chesapeake Utilities Corporation Employee Stock Award Plan.

For	Against	Abstain	Shares not Voted
2,917,602	899,509	45,722	1,579,808

iii. To consider and vote upon a proposal to adopt the Chesapeake Utilities Corporation Performance Incentive Plan.

For	Against	Abstain	Shares not Voted
2,692,228	1,100,947	69,658	1,579,808

iv. To consider and vote upon a proposal to adopt the Chesapeake Utilities Corporation Directors Stock Compensation Plan.

For	Against	Abstain	Shares not Voted
2,701,112	1,089,764	71,957	1,579,808

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

- Exhibit 4.1 — Agreement in principle between Prudential Investment Management, Inc. and Chesapeake Utilities Corporation related to the prospective purchase by Prudential of $20 million of 5.5% Senior Notes dated June 29, 2005.
- Exhibit 10.1 — Chesapeake Utilities Corporation Employee Stock Award Plan incorporated herein by reference to the Company's definitive Proxy Statement for its Annual Meeting held May 5, 2005, as filed with the Securities and Exchange Commission on a Schedule 14A, dated April 5, 2005.
- Exhibit 10.2 — Chesapeake Utilities Corporation Performance Incentive Plan incorporated herein by reference to the Company's definitive Proxy Statement for its Annual Meeting held May 5, 2005, as filed with the Securities and Exchange Commission on a Schedule 14A, dated April 5, 2005.
- Exhibit 10.3 — Chesapeake Utilities Corporation Directors Stock Compensation Plan incorporated herein by reference to the Company's definitive Proxy Statement for its Annual Meeting held May 5, 2005, as filed with the Securities and Exchange Commission on a Schedule 14A, dated April 5, 2005.
- Exhibit 31.1 — Certificate of Chief Executive Officer of Chesapeake Utilities Corporation pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, dated August 9, 2005.
- Exhibit 31.2 — Certificate of Chief Financial Officer of Chesapeake Utilities Corporation pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, dated August 9, 2005.
- Exhibit 32.1 — Certificate of Chief Executive Officer of Chesapeake Utilities Corporation pursuant to 18 U.S.C. Section 1350, dated August 9, 2005.
- Exhibit 32.2 — Certificate of Chief Financial Officer of Chesapeake Utilities Corporation pursuant to 18 U.S.C. Section 1350, dated August 9, 2005.

(b) Reports on Form 8-K:

- April 29, 2005, furnishing the Company's earnings press release for the periods ended March 31, 2005 (Items 2.02 and 9.01).
- May 6, 2005, notice of entry into a material definitive agreement (Item 1.01).
- July 1, 2005, notice of entry into a material definitive agreement (Item 1.01).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Chesapeake Utilities Corporation

/s/ Michael P. McMasters
Michael P. McMasters
Senior Vice President and Chief Financial Officer

Date: August 9, 2005

[Prudential Company Logo]

Brian N. Thomas
Investment Vice President

Prudential Capital Group
2200 Ross Avenue, Suite 4200E, Dallas, Texas 75201
Tel: 214 720-6275 Fax: 214 720-6299
brian.Thomas@prudential.com

June 29, 2005

Chesapeake Utilities Corporation
909 Silver Lake Blvd.
Dover, DE 19904

Attention: Beth Cooper
Assistant Vice President and Corporate Treasurer

Ladies and Gentlemen:

I am pleased to confirm the agreement in principle of Prudential Investment Management, Inc. and/or one or more accounts managed by it and/or its affiliates (collectively, "**Prudential**"), subject to the conditions set forth below, to purchase $20,000,000 principal amount of 5.50% Senior Notes due 2020 (the "**Notes**") of the Company. Prudential's agreement in principle to purchase the Notes will expire on the Cancellation Date. The principal terms to be contained in the Note Agreement (the "**Note Agreement**") and the Notes would be as outlined in the attached preliminary term sheet. Unless otherwise defined, capitalized terms used in this letter have the meanings described in Annex 1 which is attached hereto and incorporated herein by reference.

Prudential's purchase of the Notes would be subject to (a) authorization of such purchase by (or pursuant to authority delegated by) the Investment Committee of Prudential's Board of Directors, (b) Prudential and the Company reaching final agreement upon terms, conditions, covenants and other provisions satisfactory to Prudential to be included in the Note Agreement and the Notes and the other documents relating to the proposed financing, (c) satisfactory completion of Prudential's due diligence investigation (including investigation of the financial condition and prospects of the Company), (d) the absence of any material adverse change in the condition (financial or otherwise) or prospects of the Company, (e) payment to Prudential at closing of the structuring fee specified in the attached term sheet and (f) the satisfaction of Prudential Capital's Law Department with the documentation, proceedings, legal opinions and other matters in connection with the proposed financing.

On June 29th, 2005, the interest rate was fixed on all of the Notes. If the Company does not issue the Notes:

(a) on or before December 28, 2006, the Company will pay Prudential the Rate Lock Delayed Delivery Fee, and

(b) by the Cancellation Date for any reason, then on the Cancellation Date the Company will pay Prudential the Cancellation Payment described in the attached term sheet.

We intend to retain the law firm of Schiff Hardin LLP to act as our special counsel in connection with the proposed financing. In addition, we may determine that it is necessary to retain other consultants of our choice to advise us in connection with the proposed financing. We understand that the fees, charges and disbursements of our special counsel and other consultants will be paid by the Company whether or not the proposed financing closes. If the fees and expenses incurred exceed $25,000, the $15,000 Structuring Fee described in the term sheet will be reduced by 50% of the excess amount.

If the terms and conditions described above are acceptable to you, please so indicate by signing the enclosed copy of this letter in the place provided and returning the same to me.

Very truly yours,

PRUDENTIAL INVESTMENT
MANAGEMENT, INC.

By:___________________________
Vice President

Accepted and agreed to:

CHESAPEAKE UTILITIES CORPORATION

By:________________________________
Name:
Title:

ANNEX 1

DEFINITIONS

"Cancellation Date" means the earlier of (i) the date Prudential receives the Company's notice that it does not intend to issue the Notes (or the next business day if Prudential receives that notice after 4:00 p.m. Eastern time) and (ii) January 15, 2007.

"Rate Lock Delayed Delivery Fee" means the amount calculated as follows:

(BEY - MMY) x DTS/360 x Full Price;

where:

BEY means the bond equivalent yield of the Notes;

DTS, or Days to Settlement, means the number of days (a) from December 28, 2006, (b) to the date on which the Rate Lock Delayed Delivery Fee is to be paid pursuant to the terms of the Letter to which this Annex is attached;

MMY, or Money Market Yield, means the yield of an alternative investment selected by Prudential on the date Prudential receives notice of a delay in the closing of the financing having a maturity date approximately equal to the rescheduled closing date (a new alternative investment will be selected each time the closing is delayed); and

Full Price means (i) if the Notes are to be purchased at par, the principal amount of the Notes for which the rate was fixed or (ii) if the Notes are to be purchased at a premium or discount, the purchase price, including any accrued interest.

The Rate Lock Delayed Delivery Fee will never be less than zero and will be recalculated for the period following each delay of the closing date.

CONFIDENTIAL

; **June 29, 2005**

Chesapeake Utilities Corporation

<u>Senior Notes</u>

<u>Term Sheet</u>

Issuer: Chesapeake Utilities Corporation (the "**Company**").

Purchaser: Prudential Investment Management, Inc. or its affiliates or investment funds or managed accounts ("**Prudential**").

Principal Amount: $20 million (the "**Notes**").

Type of Securities: Private placement of senior unsecured notes.

Closing Date: Approximately eight weeks from execution of a commitment letter.

Use of Proceeds: The proceeds from the sale of the Notes will be used by the Company for capital expenditures and general corporate purposes.

Price: 100 (par)

Average Life: Up to 10 years from the Funding Date.

Maturity: Up to 14 years from the Funding Date.

Funding Date: December 28, 2006.

Required Prepayments: $2 million annually beginning December 28, 2011 through December 28, 2020.

Interest Rate: 149 basis points over the respective on-the-run or off-the-run U.S. Treasury Note or interpolated U.S. Treasury Note yield for the effective average life of the Notes, with interest payable quarterly in arrears. Indicative spreads at which Prudential would currently be interested in purchasing the Notes are as follows:

Average Life/Maturity From Funding	Credit Spread	Treasury Rate	Indicative Coupon
9.5 yrs / 14 yrs	149	4.01%	5.50%

Interest Rate: Interest will be paid quarterly in arrears.

Funding: In the event the Company fixes the interest rate, but fails to issue any Notes on the Funding Date, and either the Company notifies Prudential of its intention not to issue any Notes, or Prudential determines that the Company will not issue any Notes, then the Company shall immediately pay to Prudential a cancellation payment (the "**Cancellation Payment**").

If the Company determines its will not issue any Notes before the Closing Date, the Company shall pay to Prudential a Cancellation Payment equal to the product of (a) the price increase determined by Prudential as the excess, if any, of the ask price of the Treasury Note(s) (the "**Hedge Treasury Note**") with the duration that most closely approximates the duration of the Notes proposed to be issued, on the date of cancellation, over the bid price of the Hedge Treasury Note on the date of the Acceptance, divided by such bid price, and (b) the principal amount of such Notes.

If the Company determines it will not issue any Notes after the Closing Date, the Company shall pay to Prudential a Cancellation Payment, for the Notes, equal to the greater of (i) $50,000 and (ii) the product of (a) the price increase determined by Prudential as the excess, if any, of the ask price of the Treasury Note(s) (the "**Hedge Treasury Note**") with the duration that most closely approximates the duration of the Notes proposed to be issued, on the date of cancellation, over the bid price of the Hedge Treasury Note on the date of the Acceptance, divided by such bid price, and (b) the principal amount of such Notes.

If after the Company fixes the interest rate, the funding fails to occur on or before the Funding Date, a Delayed Delivery Fee (the "**Delayed Delivery Fee**") shall be charged to the Company to offset Prudential's hedging costs and to preserve its anticipated yield. The Delayed Delivery Fee shall be determined by Prudential as the product of (i) the bond equivalent yield of the Notes proposed to be issued minus the bond equivalent yield of high grade commercial paper selected by Prudential with a maturity date approximately equal to the new funding date, (ii) the principal amount of the Notes proposed to be issued, and (iii) a fraction the numerator of which is equal to the number of days from the originally scheduled Funding Date to the day the fee is paid and the denominator of which is 360.

If Company satisfies all Conditions Precedent to the purchase of Notes and Prudential refuses to purchase Notes, no Cancellation Payment or Delayed Delivery Fee will be paid.

Structuring Fee: A structuring fee of $15,000 will be paid by the Company to Prudential on the Closing Date. The structuring fee will be subject to reduction by an amount equal to 50% of the fees and expenses of Prudential's special legal counsel in excess of $25,000.

Optional Prepayments: The Notes may be prepaid, at the option of the Company, in whole or in part (in a minimum amount of $1,000,000 and integral multiples of $100,000), on any interest payment date, at par plus accrued interest and a Yield-Maintenance Amount equal to the excess, if any, of (a) the net present value of the future debt service (principal plus interest) on the Notes being redeemed, discounted at a rate equal to the sum of 50 bps and the current yield on the U.S. Treasury Note(s) having a maturity comparable to the weighted average life remaining on such Notes over (b) the principal amount of the Notes being prepaid plus interest accrued thereon to the date of prepayment. The difference between such price and the par value being the "**Yield-Maintenance Amount**".

Conditions Precedent: The conditions precedent to funding would be typical for transactions of this type and will be the same as those contained in the Company's Note Purchase Agreement dated October 31, 2002 (the "**Existing Agreement"**) except to the extent additional conditions are required to take into account the delayed funding on the Funding Date.

Covenants: Covenants of the Company will be the same as those contained in the Existing Agreement and include terrorism sanction covenants.

Events of Default: Events of Default will be the same as those contained in the Existing Agreement.

Remedies Upon Default: Remedies Upon Default will be the same as those contained in the Existing Agreement.

Representations and Warranties: Customary for an agreement of this nature and will be the same as those contained in the Existing Agreement, including absence of material adverse change and such other representations and warranties required for terrorism sanctions regulations and the delayed issuance of Notes.

Expenses: The Company shall pay all legal and other out-of-pocket expenses of the Purchasers, including the fees and expenses of special counsel and local counsel and travel and lodging expenses of the Purchasers.

Governing Law: State of New York.

Exhibit 31.1

CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, John R. Schimkaitis, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2005 of Chesapeake Utilities Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

    d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 9, 2005

/s/ John R. Schimkaitis
John R. Schimkaitis
President and Chief Executive Officer

Exhibit 31.2

**CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Michael P. McMasters, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2005 of Chesapeake Utilities Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2005

/s/ Michael P. McMasters
Michael P. McMasters
Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certificate of Chief Executive Officer

of

Chesapeake Utilities Corporation

(pursuant to 18 U.S.C. Section 1350)

I, John R. Schimkaitis, President and Chief Executive Officer of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Chesapeake Utilities Corporation ("Chesapeake") for the period ended June 30, 2005, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake.

/s/ John R. Schimkaitis
John R. Schimkaitis
August 9, 2005

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certificate of Chief Financial Officer

of

Chesapeake Utilities Corporation

(pursuant to 18 U.S.C. Section 1350)

I, Michael P. McMasters, Senior Vice President and Chief Financial Officer of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Chesapeake Utilities Corporation ("Chesapeake") for the period ended June 30, 2005, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake.

/s/ Michael P. McMasters
Michael P. McMasters
August 9, 2005

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.