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: March 31, 1995

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: 0-593

CHESAPEAKE UTILITIES CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 51-0064146 |
| (State of other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 861 Silver Lake Boulevard, Dover, Delaware | 19904 |
| (Address of principal executive offices) | (Zip Code) |

(302) 734-6754
(Registrant's Telephone Number, Including Area Code)

______________________________________________________
(Former name, former address and former fiscal year, if changed since last report.)

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 [ ].

Common Stock, par value $.4867 - 3,690,894 shares issued of which 10,219 are held in treasury, as of March 31, 1995.

PART I

FINANCIAL INFORMATION

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| ASSETS | MARCH 31, 1995 (Unaudited) | DECEMBER 31, 1994 |
|---|---|---|
| PROPERTY, PLANT AND EQUIPMENT | | |
| Natural gas distribution | $59,454,465 | $57,773,632 |
| Natural gas transmission | 24,712,918 | 24,546,916 |
| Propane distribution | 18,329,584 | 18,289,571 |
| Information technology services and other | 8,909,468 | 8,618,014 |
| Gas plant acquisition adjustment | 795,004 | 795,004 |
| Total property, plant and equipment | 112,201,439 | 110,023,137 |
| Less: Accumulated depreciation and amortization | (35,822,253) | (34,710,478) |
| Net property, plant and equipment | 76,379,186 | 75,312,659 |
| INVESTMENTS | 1,976,988 | 1,641,851 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 542,855 | 398,751 |
| Accounts receivable, less allowance for uncollectibles | 8,779,084 | 8,416,293 |

| | | |
|---|---|---|
| Materials and supplies, at average cost | 860,797 | 797,147 |
| Propane inventory, at average cost | 1,086,394 | 1,411,384 |
| Storage gas prepayments | 1,181,594 | 3,467,281 |
| Underrecovered purchased gas costs | | 109,025 |
| Income taxes receivable | | 836,813 |
| Prepaid expenses | 476,248 | 855,107 |
| Deferred income taxes | 1,691,825 | 1,290,680 |
| Total current assets | 14,618,797 | 17,582,481 |
| DEFERRED CHARGES AND OTHER ASSETS | | |
| Intangible assets, net of accumulated amortization | 1,814,365 | 1,941,239 |
| Environmental cost | 7,457,002 | 7,462,647 |
| Order 636 transition cost | 1,840,452 | 2,020,732 |
| Other deferred charges | 2,092,143 | 2,309,008 |
| Total deferred charges and other assets | 13,203,962 | 13,733,626 |
| TOTAL ASSETS | $106,178,933 | $108,270,617 |

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

## CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS

| CAPITALIZATION AND LIABILITIES | MARCH 31, 1995 (Unaudited) | DECEMBER 31, 1994 |
|---|---|---|
| **CAPITALIZATION** | | |
| Stockholders' equity | | |
| Common Stock, par value $.4867 per share; (authorized 12,000,000 shares; issued 3,680,675 and 3,653,182 shares, respectively) | $1,796,271 | $1,785,514 |
| Additional paid-in capital | 17,143,291 | 16,834,823 |
| Retained earnings | 22,310,653 | 19,480,374 |
| Less: Treasury stock, at cost; (10,219 and 15,609 shares, respectively) | (65,378) | (99,842) |
| Unearned compensation - restricted stock awards | (748,475) | (696,679) |
| Net unrealized loss on marketable securities | (80,680) | (241,609) |
| Total stockholders' equity | 40,355,682 | 37,062,581 |
| Long-term debt, net of current portion | 24,254,639 | 24,328,988 |
| Total capitalization | 64,610,321 | 61,391,569 |
| **CURRENT LIABILITIES** | | |
| Current portion of long-term debt | 1,236,349 | 1,348,080 |
| Short-term borrowings | 3,000,000 | 8,000,000 |
| Accounts payable | 5,178,831 | 7,385,590 |
| Refunds payable to customers | 832,335 | 567,817 |
| Overrecovered purchased gas costs | 564,123 | |
| Accrued interest | 656,423 | 691,949 |
| Dividends payable | 828,152 | 803,700 |
| Accrued income taxes | 1,629,434 | |
| Other accrued expenses | 2,208,072 | 2,225,097 |
| Total current liabilities | 16,133,719 | 21,022,233 |
| **DEFERRED CREDITS AND OTHER LIABILITIES** | | |
| Deferred income taxes | 8,673,789 | 8,700,472 |
| Deferred investment tax credits | 977,239 | 986,062 |
| Environmental liability | 6,572,641 | 6,642,092 |
| Accrued pension costs | 2,629,934 | 2,530,904 |
| Order 636 transition liability | 1,840,452 | 2,020,732 |
| Other liabilities | 4,740,838 | 4,976,553 |
| Total deferred credits and other liabilities | 25,434,893 | 25,856,815 |
| TOTAL CAPITALIZATION AND LIABILITIES | $106,178,933 | $108,270,617 |

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

| | FOR THE QUARTER ENDED MARCH 31, 1995 | 1994 |
|---|---|---|
| OPERATING REVENUES | $30,896,798 | $36,009,510 |
| OPERATING EXPENSES | | |
| Purchased gas costs | 16,972,091 | 21,650,995 |
| Operations | 4,953,206 | 5,099,215 |
| Maintenance | 411,497 | 427,092 |
| Depreciation & amortization | 1,331,274 | 1,347,164 |
| Other taxes | 866,917 | 849,872 |
| Income taxes | 2,030,851 | 2,312,567 |
| Total operating expenses | 26,565,836 | 31,686,905 |
| OPERATING INCOME | 4,330,962 | 4,322,605 |
| OTHER INCOME AND DEDUCTIONS | 44,260 | 64,064 |
| INCOME BEFORE INTEREST CHARGES | 4,375,222 | 4,386,669 |
| INTEREST CHARGES | 716,791 | 640,582 |
| NET INCOME | $3,658,431 | $3,746,087 |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 3,671,041 | 3,598,481 |
| EARNINGS PER SHARE OF COMMON STOCK (1): | | |
| Net income | $1.00 | $1.04 |
| FULLY DILUTED EARNINGS PER SHARE OF COMMON STOCK (1): | | |
| Net income | $0.95 | $0.98 |

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

(1) See Exhibit 11 - Computation of Primary and Fully Diluted Earnings Per Share

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | FOR THE QUARTER ENDED MARCH 31, 1995 | 1994 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net Income | $3,658,431 | $3,746,087 |
| Adjustments to reconcile net income to net operating cash | | |
| Depreciation and amortization | 1,408,387 | 1,427,995 |
| Deferred income taxes, net | (440,967) | (601,425) |
| Investment tax credit adjustments | (8,823) | (13,704) |
| Employee benefits | 99,030 | 411,218 |
| Employee compensation from lapsing stock restrictions | 103,508 | 91,707 |
| Reserve for refund | 219,611 | 195,000 |
| Other | (646,012) | (383,283) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (362,791) | (1,619,833) |
| Inventory, materials, supplies and storage gas | 2,547,027 | 2,805,242 |
| Prepaid expenses | 378,859 | 196,319 |
| Other deferred charges | 257,759 | (117,717) |
| Accounts payable | (2,206,759) | (1,290,386) |
| Refunds payable to customers | 264,518 | 457,127 |
| Overrecovered purchased gas costs | 673,148 | 1,488,450 |
| Other current liabilities | 2,405,044 | 3,072,326 |
| Net cash provided by operating activities | 8,349,970 | 9,865,123 |
| INVESTING ACTIVITIES | | |
| Property, plant and equipment expenditures, net | (2,348,040) | (1,822,634) |
| Purchases of investments, net | (38,826) | |
| Net cash used by investing activities | (2,386,866) | (1,822,634) |
| FINANCING ACTIVITIES | | |
| Common stock dividends net of amounts reinvested of $100,937 and $96,806, respectively | (702,763) | (671,834) |
| Net repayments under line of credit agreements | (5,000,000) | (7,900,000) |
| Proceeds from issuance of treasury stock | 69,843 | 61,157 |
| Repayments of long-term debt | (186,080) | (128,946) |
| Payments under capital lease obligations | | (27,616) |
| Converted debenture bonds | | 4,984 |
| Net cash used by financing activities | (5,819,000) | (8,662,255) |
| NET INCREASE (DECREASE) IN CASH | 144,104 | (619,766) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 398,751 | 1,162,797 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $542,855 | $543,031 |

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. Quarterly Financial Data

The financial information included herein is unaudited. However, the financial information reflects normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the Company's interim results. Due to the seasonal nature of the Company's business, there are substantial variations in the results of operations reported on a quarterly basis. Certain amounts in 1994 have been reclassified to conform with the 1995 presentation.

2. Investments - Accounting Standard Adopted

The investment balances at March 31, 1995 and December 31, 1994 consist primarily of an investment in the common stock of Florida Public Utilities Company ("FPU"). The Company's ownership at March 31, 1995 and December 31, 1994, represents a 7.09% and 6.84% interest, respectively.

The Company has classified its investment in FPU as an "available for sale" security, which requires that all unrealized gains and losses be excluded from earnings and be reported as a separate component of stockholders' equity, net of income taxes. At March 31, 1995 the market price per share, cost basis per share and the unrealized loss on the investment in FPU were $18.75, $20.05 and $133,680, respectively. In management's opinion, the decline in the value of the stock is temporary. At December 31, 1994 the market price per share, cost basis per share and the unrealized loss were $16.125, $20.20 and $401,609, respectively.

3. Statement of Financial Accounting Standards No. 121

In March 1995, the Financial Accounting Standards Board issued Statement of Accounting Standards ("SFAS") No. 121 regarding accounting for asset impairments. This statement, which must be adopted by the Company by January 1, 1996, requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Additionally, the standard requires rate-regulated companies to write-off regulatory assets to earnings whenever those assets no longer meet the criteria for recognition of a regulatory asset as defined by SFAS No. 71, Accounting for the Effects of Certain Types of Regulation. Adoption of SFAS No. 121 is not expected to have a material impact on the Company's financial statements.

4. Commitments and Contingencies

FERC Order No. 636

The Company is served by three direct natural gas pipelines: Columbia Gas Transmission ("Columbia"), Transcontinental Gas Pipe Line Corporation ("Transco") and Florida Gas Transmission Company ("FGT"). Columbia and Transco serve the Company's natural gas transmission subsidiary, Eastern Shore, which in turn serves the Company's local distribution companies ("LDC") located in Delaware and Maryland. FGT serves the Company's LDC in Central Florida. In connection with the issuance of Order No. 636 ("Order") by the FERC in April 1992, pipelines will incur transition costs in implementing the unbundled service requirement of the Order. In order to recover prudently incurred transition costs from its customers, each pipeline is required to file for, and obtain, FERC approval. Eastern Shore, based on FERC proceedings involving the recovery of gas purchased and related costs, believes that transition costs passed on from pipelines will be similarly recoverable through the Eastern Shore PGA mechanism for their FERC regulated sales. Eastern Shore also has direct sales customers whose rates are currently not regulated. All transition costs allocated to these non-regulated sales would be required to be expensed when known and measurable. The Company is unable to estimate Eastern Shore's portion of any future transition costs that may be assigned by Transco and Columbia until FERC approves their request for recovery. In the opinion of management, it is not possible to determine the effect, if any, that any transition costs incurred in the future would have on Eastern Shore's financial position or results of operations. FGT has incurred transition costs, which were subsequently approved by FERC, for invoicing over a five-year period starting on November 1, 1993. Consequently, the Company recorded a liability and an equivalent regulatory asset, since the Company expected, and did receive in 1994, approval to recover the cost through the PGA. The regulatory asset and equivalent liability balances at March 31, 1995 and December 31, 1994 are $1,983,000 and $1,840,000, respectively.

FERC PGA

On May 19, 1994, the FERC issued an Order directing Eastern Shore to refund, with interest, what the FERC characterized as overcharges from November 1, 1992 to the current billing month. The Order also directed Eastern Shore to file a report showing how the refund was calculated, and to revise tariff language clarifying the PGA provisions of its tariff.

Eastern Shore filed a request for rehearing of the Order on June 20, 1994 based on what Eastern Shore believes is the FERC's erroneous interpretation of Eastern Shore's tariff. It is Eastern Shore's position that the FERC's Order essentially requires a retroactive change to the FERC approved PGA procedures which Eastern Shore has consistently applied over the last six years.

On June 21, 1994, in compliance with the FERC's Order, Eastern Shore filed: (1) revised tariff sheets clarifying its PGA methodology and (2) two alternative refund calculations based on the FERC's Order. The two alternatives were filed due to what Eastern Shore believes to be an inconsistency or contradiction with respect to the FERC's language in its Order. On July 18, 1994 the FERC issued an "Order Granting Rehearing Solely for the Purpose of Further Consideration." Such Order was issued only to afford the FERC additional time for consideration of the issues raised in Eastern Shore's request for rehearing. As of the date of this report, the FERC has not approved either of the alternative refund calculations submitted by Eastern Shore and has not made a final determination as to Eastern Shore's request for rehearing. The Company is currently negotiating with the FERC to resolve the issue. The total accrued liability at March 31, 1995 and December 31, 1994 are $1,494,000 and $1,239,000, respectively.

Other Commitments and Contingencies

The Company and its subsidiaries are 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, ultimate disposition of these proceedings will not have a material effect on the consolidated financial position of the Company.

Environmental Matters

Dover Gas Light Company Site

In 1984, the State of Delaware notified the Company that a parcel of land it purchased in 1949 from Dover Gas Light Company, a predecessor gas company, contains hazardous substances. The State also asserted that the Company is responsible for any clean-up and prospective environmental monitoring of the site. The Delaware Department of Natural Resources and Environmental Control ("DNREC") investigated the site and surroundings, finding coal tar residue and some ground-water contamination.

In October 1989, the Environmental Protection Agency Region III ("EPA") listed the Dover Site on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund"). Under CERCLA, the State of Delaware and the Company are potentially responsible parties ("PRP") for clean-up of the site. In July 1990, the Company entered into an agreement with EPA and DNREC to perform a Remedial Investigation/Feasibility Study under the supervision of EPA and DNREC to study the site and surroundings to determine any environmental impacts. Pursuant to the agreement, the Company agreed to pay for the study and 80% of the EPA's oversight costs. The Company submitted its reports on the Remedial Investigation ("RI") and Feasibility Study ("FS") to EPA and DNREC on January 25, 1993 and February 15, 1993, respectively. The Company received extensive comments from EPA and DNREC on the RI and FS reports. The Company submitted to the EPA and DNREC its revised RI and FS reports on May 14, 1993 and June 25, 1993, respectively. In the FS Report, Chesapeake proposed a remedy, which involved capping the site and monitoring ground-water quality in the surrounding area. Chesapeake's consultant estimated that it would cost approximately $700,000 to execute this plan of remediation.

After further discussions with the regulatory authorities, Chesapeake agreed to undertake an additional phase study, the Ground Water Evaluation Study - Phase III, which focused on delineating the area of maximum ground-water impact from the site. The results of that study were submitted to EPA and DNREC in September 1993. On February 1, 1994, EPA issued its proposed plan of action (the "Plan"). The Plan adopted many findings of the Phase III Study, acknowledging that the Dover Site has only impacted ground-water in a limited area.

The Plan presented and discussed a number of remedial alternatives, including the remedial strategy proposed by the Company in the FS. The EPA Plan proposed a more extensive remediation strategy that involved removal of contaminated soils from the site and drilling a series of twenty (20) wells. EPA estimated that execution of its Plan would cost $4.9 million. The Plan was submitted by the EPA for public comment. The 30-day public comment period ended on April 4, 1994. During this period, the EPA received public comments, including those submitted by the Company.

The EPA issued the site Record of Decision ("ROD") dated August 16, 1994. The remedial action selected by the EPA in the ROD differed significantly from the Plan. The EPA selected a remediation addressing the ground-water contamination with a combination of hydraulic containment and natural attenuation. Remediation selected for the soil at the site is to meet stringent clean-up standards for the first two feet of soil and less stringent standards for the soil below two feet. These selected levels of remediation were not alternatives listed in the Plan, but utilized elements proposed. In addition, the ROD incorporated many of the public comments that were received. The ROD estimates the costs of selected remediation of ground-water and soil at $2.7 million and $3.3 million, respectively. The remediation selected in the ROD is substantially more limited than had been suggested in the Plan. In the ROD, the EPA indicated that its previous $4.9 million estimate was incorrect.

On November 18, 1994, EPA issued a "Special Notice Letter" (the "Letter") to Chesapeake and three other PRPs. The Letter included, inter alia, (1) a demand for payment by the PRPs of EPA's past costs (currently estimated to be approximately $300,000) and future costs incurred overseeing site work; (2) notice of EPA's commencement of a 60-day moratorium on certain EPA response activities at the Site; (3) a request by EPA that Chesapeake and the other PRPs submit a "good faith proposal" to conduct or finance the work identified in the ROD and (4) proposed consent orders by which Chesapeake and other parties may agree to perform the good faith proposal.

In January 1995, Chesapeake submitted to the EPA a good faith proposal to perform a substantial portion of the work set forth in the ROD, which was subsequently rejected. It is unknown whether other PRPs will submit good faith proposals, what such proposals might include and whether EPA would accept such proposals. Under CERCLA, the EPA may reject any of the proposals, and seek an administrative or order to require any or all of the PRPs to implement the work. EPA may also do the work itself and seek recovery of its costs in court.

The Company and the EPA are each attempting to secure voluntary performance of part of the remediation by other parties. These parties include the State of Delaware, which is the owner of the property and was identified in the ROD as a PRP, and a business identified in the ROD as a PRP for having contributed to ground-water contamination. On March 6, 1995, in order to protect its interests, the Company filed suit in U.S. District Court for the District of Delaware for a determination that the State of Delaware is a liable party and for recovery from the State of costs of complying with the ROD. The Company is also considering suit against other PRPs. In addition, EPA has stated that it will take steps to secure prompt commencement of the remedial design phase needed to implement the ROD. The Company therefore anticipates further negotiations to resolve these matters among the parties and with the government. Management is evaluating the ROD to determine the most economic approach to implementation of the remedies selected in the ROD.

In the third quarter of 1994, the Company increased its accrued liability recorded with respect to the Dover Site to $6.0 million from $700,000. This amount reflects the EPA's present estimate, as stated in the ROD, for remediation of the site according to the ROD. Future developments in the matters discussed above would be accompanied by appropriate reductions to the liability recorded as they occur. The Company also increased the corresponding regulatory asset to $6.0 million. If the Company incurs expenses of that amount in connection with undertaking the remedies selected in the ROD, management's belief is that the Company will be equitably entitled to contribution from other responsible parties for the greater part of these expenses. Management also believes that any amounts not so contributed will be recoverable in the Company's rates.

As of March 31, 1995, the Company has incurred approximately $3,177,000 in costs relating to environmental testing and remedial action studies. In 1990, the Company entered into settlement agreements with a number of insurance companies resulting in proceeds to fund a portion of actual environmental costs incurred over a five to seven-year period beginning in 1990. The final insurance proceeds were requested and received in 1994. On February 23, 1993, the Delaware Public Service Commission, consistent with prior base rate proceedings, authorized the Company to amortize an additional $749,971 in environmental expenses for ratemaking purposes over a seven-year period. At March 31, 1995 the unamortized balance is approximately $527,000. Of the $3,177,000 in costs reported above, approximately $305,000 has not been recovered through insurance proceeds or received ratemaking treatment. It is management's opinion that these costs incurred will be recoverable in rates.

Salisbury Town Gas Light Site

In cooperation with the Maryland Department of the Environment ("MDE"), the

Company has completed an assessment of the Salisbury manufactured gas plant site. The assessment determined that there was localized contamination of ground-water. A remedial design report was submitted to MDE in November 1990 and included a proposal to monitor, pump and treat any contaminated ground-water on-site. The Company has proposed to MDE to proceed with these activities over a maximum period of five years, after which time any residual environmental impacts from the site will be reevaluated. The remedial design was approved by MDE by a letter dated July 20, 1992, subject to certain conditions stated in that letter. The Company responded by a letter dated August 6, 1992, objecting to certain conditions imposed by MDE. In January 1993, after negotiations between the Company and MDE, the monitoring portion of the remedial design was revised. MDE has approved additional revisions to the remedial action workplan, resulting in a substantial reduction in the overall cost of this project. The MDE has approved the final remediation processes called Air Sparging and Soil-Vapor Extraction for treating the ground-water at the site.

The cost of remediation is estimated to be approximately $250,000 in capital costs with yearly operating expenses of approximately $125,000. Based on these estimated costs, the Company recorded both a liability and a deferred regulatory asset of $642,092 on December 31, 1994 to cover the Company's projected remediation costs for this site. The liability payout for this site is expected to be over a five-year period. As of March 31, 1995, the Company has incurred approximately $1,799,000 for remedial actions and environmental studies and has charged such costs to accumulated depreciation. In a previous rate proceeding, the Company requested and received recovery for all costs incurred as of November 30, 1988 through base rates, including both a ten-year amortization of these costs and rate base treatment for the unamortized balance. As of March 31, 1995, the unamortized balance was approximately $190,000 and will be fully amortized by May 31, 1999. In January 1990, the Company entered into settlement agreements with a number of insurance companies resulting in proceeds to fund a portion of actual environmental costs incurred over a three to five-year period beginning in 1990. The final insurance proceeds were requested and received in 1992. Of the $1,799,000 in costs reported above, approximately $841,000 has not been recovered through insurance proceeds or received ratemaking treatment. It is management's opinion that these costs incurred and future costs incurred, if any, will be recoverable in rates.

Winter Haven Coal Gas Site

The Company is currently conducting investigations of a site in Winter Haven, Florida, where the Company's predecessors manufactured coal gas earlier this century. A Contamination Assessment Report ("CAR") was submitted to the Florida Department of Environmental Protection ("FDEP") on July 11, 1990. The CAR contained the results of additional investigations of conditions at the site. These investigations confirmed limited soil and ground-water impacts to the site. By letter dated March 26, 1991, FDEP directed the Company to conduct additional investigations on-site to fully delineate the vertical and horizontal extent of soil and ground-water impacts.

Additional contamination assessment activities were conducted at the site in late 1992 and early 1993. On March 25, 1993, a Contamination Assessment Report Addendum ("CAR Addendum") was delivered to FDEP. The CAR Addendum concluded that soil and ground-water impacts have been adequately delineated as a result of the additional field work. The FDEP approved the CAR and CAR Addendum in March of 1994. The next step is a Risk Assessment ("RA") and a Feasibility Study ("FS") on the site. The RA and FS are expected to be filed with the FDEP during the second quarter of 1995 at an estimated cost of $54,000. Until the RA and FS are completed and accepted as final by the FDEP, it is not possible to determine whether remedial action will be required by FDEP and, if so, the cost of such remediation.

The Company has spent approximately $600,000, as of March 31, 1995, on these investigations, and expects to recover these expenses, as well as any future expenses, through base rates. These costs have been accounted for as charges to accumulated depreciation. The Company requested and received from the Florida Public Service Commission ("FPSC") approval to amortize through base rates $359,659 of clean-up and removal costs incurred as of December 31, 1986. As of December 31, 1992, these costs were fully amortized. In January 1993, the Company received approval to recover through base rates approximately $217,000 in additional costs related to the former manufactured gas plant. This amount represents recovery of $173,000 of costs incurred from January 1987 through December 1992, as well as prospective recovery of estimated future costs, which had not yet been incurred at that time. The FPSC has allowed for amortization of these costs over a three-year period and provided for rate base treatment for the unamortized balance. In a separate docket before the FPSC, the Company has requested and received approval to apply a refund of 1991 overearnings of approximately $118,000 against the balance of unamortized environmental charges incurred as of December 31, 1992. As a result, these environmental charges were fully amortized as of June 1994. Of the $600,000 in costs reported above, all costs have received ratemaking treatment. The FPSC has allowed the Company to continue to accrue for future environmental costs. At March 31, 1995, the Company has $40,000 accrued. It is management's opinion that future costs above the amount accrued, if any, will be recoverable in rates.

Smyrna Coal Gas Site

On August 29, 1989 and August 4, 1993, representatives of DNREC conducted sampling on property owned by the Company in Smyrna, Delaware. This property is believed to be the location of a former manufactured gas plant. Analysis of the samples taken by DNREC show a limited area of soil contamination.

On November 2, 1993, DNREC advised the Company that it would require a remediation of the soil contamination under the state's Hazardous Substance Cleanup Act and submitted a draft Consent Decree to the Company for its review. The Company met with DNREC personnel in December 1993 to discuss the scope of any remediation of the site and, on January 3, 1994, submitted a proposed workplan, together with comments on the draft Consent Decree. Initial comments from DNREC on the Work Plan were received on March 2, 1994, appropriated revisions were prepared and the Work Plan was resubmitted. Several additional sets of comments on the Work Plan were received from DNREC and the final Work Plan was submitted on September 27, 1994. DNREC has approved the Work Plan and the Consent Decree. Remediation based on the Work Plan, is scheduled to begin in 1995, at a cost of approximately $75,000. It is management's opinion that these and any other costs will be recoverable in rates.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS FOR THE QUARTER ENDED MARCH 31, 1994

The Company recognized net income of $3,658,431 for the three months ended March 31, 1995, representing a decrease in net income of $87,656 as compared to the corresponding period in 1994. As indicated in the table below, the decrease in earnings before interest and taxes ("EBIT") is due to lower earnings by the natural gas and propane distribution segments partially offset by higher earnings from the natural gas transmission and the information technology services segments.

| | FOR THE QUARTER ENDED MARCH 31, 1995 | 1994 | Change |
|---|---|---|---|
| Earnings Before Interest and Taxes | | | |
| Natural Gas Distribution | $3,292,063 | $3,336,505 | $(44,442) |
| Natural Gas Transmission | 848,008 | 724,601 | 123,407 |
| Propane Distribution | 2,005,087 | 2,784,988 | (779,901) |
| Information Technology Services and Other | 290,301 | (13,616) | 303,917 |
| Eliminations | (73,646) | (197,306) | 123,660 |
| Total EBIT | 6,361,813 | 6,635,172 | (273,359) |
| Operating Income Taxes | 2,030,851 | 2,312,567 | (281,716) |
| Interest | 716,791 | 640,582 | 76,209 |
| Non-Operating Income, Net | 44,260 | 64,064 | (19,804) |
| Net Income | $3,658,431 | $3,746,087 | $(87,656) |

### Natural Gas Distribution

The natural gas distribution segment reported EBIT of $3,292,063 for the first quarter of 1995 as compared to $3,336,505 for the corresponding period last year, a decrease of $44,442. The decrease in EBIT is due to a decrease in gross margin in our northern service territories being partially offset by an increase in gross margin and operating expenses in our Florida service territory.

| | FOR THE QUARTER ENDED MARCH 31, 1995 | 1994 | Change |
|---|---|---|---|
| Revenue | $17,728,656 | $20,816,188 | $(3,087,532) |
| Cost of Gas | 11,187,655 | 14,237,170 | (3,049,515) |
| Gross Margin | 6,541,001 | 6,579,018 | (38,017) |
| Operations & Maintenance | 2,095,538 | 2,154,035 | (58,497) |
| Depreciation & Amortization | 596,368 | 530,894 | 65,474 |
| Other Taxes | 557,032 | 557,584 | (552) |
| EBIT | $3,292,063 | $3,336,505 | $(44,442) |

The decrease in revenue and cost of gas is primarily due to a decrease in firm sales in our northern service territories due to temperatures which were 10% warmer in the first quarter of 1995 when compared to the corresponding period in 1994. Partially offsetting this decrease was an increase in our Florida service territory's deliveries to phosphate customers as well as transportation sales to two co-generation facilities that began operations in April and July of 1994.

The decrease in operations and maintenance expenses of $58,497 is due to a decrease in employee pensions and benefits. This was partially offset by an increase in legal fees and less administrative expenses being capitalized as part of utility plant. Depreciation and amortization expenses increased $65,474 due to plant placed in service during the past year.

### Natural Gas Transmission

The natural gas transmission segment reported EBIT of $848,008 for the first quarter of 1995 compared to $724,601 for the corresponding period last year, an increase of $123,407. The increase in EBIT is due to an increase in gross margin and a decrease in operating expenses.

FOR THE QUARTER ENDED MARCH 31,

| | 1995 | 1994 | Change |
|---|---|---|---|
| Revenue | $9,722,685 | $11,958,622 | $(2,235,937) |
| Cost of Gas | 7,992,312 | 10,309,195 | (2,316,883) |
| Gross Margin | 1,730,373 | 1,649,427 | 80,946 |
| Operations & Maintenance | 607,611 | 662,904 | (55,293) |
| Depreciation & Amortization | 174,239 | 174,445 | (206) |
| Other Taxes | 100,515 | 87,477 | 13,038 |
| EBIT | $848,008 | $724,601 | $123,407 |

The decrease in revenue and cost of gas is primarily due to a 27% decrease in the commodity cost of gas, which is passed on to our customers. The increase in gross margin is primarily due to a 6% increase in industrial interruptible sales volumes, as natural gas competed favorably with alternative fuels. This was partially offset by a reduction in sales to the methanol plant, a large industrial interruptible customer. Sales volumes and margins for this customer were down 20% and 42%, respectively, when compared to the same period last year.

The decrease in operations and maintenance expenses of $55,293 is due to a decrease in employee pensions and benefits, as well as maintenance expenses related to mains, measuring and regulating stations and communication equipment. Other taxes increased $13,038 due to plant placed in service during the past year and payroll related taxes.

## Propane Distribution

The propane distribution segment recognized EBIT of $2,005,087 for the first quarter of 1995. As compared to EBIT for the first quarter of 1994, these results represent a decrease in earnings of $779,901, or 28%. Generating this decrease in EBIT was a decline in gross margin, offset minimally by reduced operating expenses.

| | FOR THE QUARTER ENDED MARCH 31, 1995 | 1994 | Change |
|---|---|---|---|
| Revenue | $7,333,899 | $8,671,583 | $(1,337,684) |
| Cost of Gas | 3,506,842 | 4,055,116 | (548,274) |
| Gross Margin | 3,827,057 | 4,616,467 | (789,410) |
| Operations & Maintenance | 1,382,201 | 1,379,582 | 2,619 |
| Depreciation & Amortization | 323,525 | 341,500 | (17,975) |
| Other Taxes | 116,244 | 110,397 | 5,847 |
| EBIT | $2,005,087 | $2,784,988 | $(779,901) |

The decrease in gross margin was a combination of volume and selling prices. For the first quarter of 1995, gallons sold were 15% lower than the first quarter of 1994. This decrease in volumes was a direct result of the average temperature being 10% warmer than the same period last year. Furthermore, the timing and magnitude of the colder temperatures in the first quarter of 1994 were not repeated in 1995. Selling prices were lower due to competition and the lack of demand generated by warmer temperatures.

Operations and maintenance expenses increased $2,619 as a result of higher selling and general and administrative salaries, as well as increased maintenance costs for repairs to the delivery fleet, some of the bulk storage facilities and idle propane tanks. Offsetting these increased expenses were lower pension and benefit costs. Depreciation and amortization decreased by $17,975, or 5%, as many of the vehicles obtained in prior acquisitions became fully depreciated. Other taxes increased $5,847, or 5%, as a direct result of the increased selling and general and administrative salaries.

## Information Technology Services and Other

For the quarter ended March 31, the information technology services and other segment recognized EBIT of $290,301 for 1995 and a loss before interest and taxes ("LBIT") of $13,616 for 1994. This increase in EBIT of $303,917 is the result of increased revenues and lower operating expenses.

| | FOR THE QUARTER ENDED MARCH 31, 1995 | 1994 | Change |
|---|---|---|---|
| Revenue | $2,292,514 | $2,201,250 | $91,264 |
| Operations & Maintenance | 1,671,944 | 1,815,614 | (143,670) |
| Depreciation & Amortization | 237,142 | 304,838 | (67,696) |
| Other Taxes | 93,127 | 94,414 | (1,287) |
| EBIT/LBIT | $290,301 | $(13,616) | $303,917 |

Comprising the increase in revenues of $91,264 were higher training revenues and a sale of Page-IT, the segment's billing software product for the telecommunications industry. Partially offsetting these increased revenues were reduced revenues on hardware. Inherent within the results of the first quarters of 1995 and 1994, respectively, were intercompany revenues of $452,090 and $673,279 and intercompany profits of $73,646 and $197,306. The intercompany revenues represented 20% and 31% of the total segment's revenues for the first quarters of 1995 and 1994, respectively. Both the intercompany revenue and profit were down due to approximately half as many hours being spent on the development of UtiliCIS, a customer information and billing system, during the first quarter of 1995, as compared to the same period in 1994. Of the hours dedicated to UtiliCIS, a greater percentage have been worked by outside contractors on which CDS earns no margin on intercompany sales. UtiliCIS is scheduled to be implemented in the Company's natural gas division offices in 1995.

Operations and maintenance expenses decreased $143,670, or 8%, due to the absence of $73,166 of expenses incurred by C&A in 1994 (see Note 3 to the Consolidated Financial Statements), as well as reduced hardware expense and employee benefits. Hardware expense was down in response to a corresponding decline in hardware revenue. Employee benefits fell due to employee sharing of benefit costs. These decreased expenses were offset by increased labor and training costs, a direct result of increased revenue. Depreciation and amortization expenses declined $67,696, or 22%, due to certain pieces of hardware becomming fully depreciated and C&A's dissolution.

### Interest

The increase in interest expense is associated with higher short-term borrowing balances, as compared to the same period last year, and higher interest rates on those balances.

### Non-Operating Income

The decrease of approximately $20,000 in the first quarter of 1995 was due to the recording of a loss on the sale of certain real property in the information technology services and other segment.

### Operating Income Taxes

Income taxes decreased due to lower first quarter EBIT, as compared to last year, and the elimination of the valuation allowance for state operating loss carryforwards associated with the Company's propane segment. The Company projects the utilization of all state operating loss carryforwards generated by the propane segment in the early 1990's.

### Environmental Matters

The Company continues to work with federal and state environmental agencies to assess the environmental impacts and explore corrective action at several former gas manufacturing plant sites (see Note 4 to the Consolidated Financial Statements). The Company believes that any future costs associated with these sites will be recoverable in rates.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's capital requirements reflect the capital intensive nature of its business and are attributable principally to its construction program and the retirement of its outstanding debt. The Company relies on funds provided by operations and short-term borrowings to meet normal working capital requirements and temporarily finance capital expenditures. During the first three months of 1995, the Company's net cash flow provided by operating activities, net cash used by investing activities and net cash used by financing activities were approximately $8,350,000, $2,387,000 and $5,819,000, respectively. Due to the seasonal nature of the Company's business, there are substantial variations in the results of operations reported on a quarterly basis.

The Board of Directors has authorized the Company to borrow up to $14,000,000 from banks and trust companies. As of March 31, 1995, the Company had four $8,000,000 unsecured bank lines of credit. Funds provided from these lines of credit are used for short-term cash needs to meet seasonal working capital requirements and to fund portions of its capital expenditures. The outstanding balances of short-term borrowings at March 31, 1995 and 1994 were $3,000,000 and $1,000,000, respectively.

During the three months ended March 31, 1995 and 1994, net property, plant and equipment expenditures were approximately $2,348,000 and $1,823,000, respectively. For 1995, the Company has budgeted $16.6 million for capital expenditures. The components of this amount include $11.9 million for natural gas distribution, $1.7 million for natural gas transmission, $1.8 million for propane distribution, $1.0 million for Skipjack, Inc. and the remaining $200 thousand for computer equipment. The natural gas and propane expenditures are for expansion and improvement of their existing service territories. The expenditures for Skipjack are for construction and improvements. Financing of the 1995 construction will be provided primarily by short-term borrowings and cash from operations. The construction program is subject to continuous review and modification by management. Actual construction expenditures may vary from the above estimates due to a number of factors including inflation, changing economic conditions, regulation, load growth and the cost and availability of capital.

The Company expects to incur environmental related expenditures in the future (see Note 4 to the Consolidated Financial Statements), a portion of which may need to be financed through external sources. Management does not expect such financing to have a material adverse effect on the financial position or capital resources of the Company.

As of March 31, 1995, common equity represented 62.5% of permanent capitalization, compared to 60.4% as of December 31, 1994. 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, helps to ensure that the Company will be able to attract capital from outside sources at a reasonable cost. The achievement of these objectives will provide benefits to customers and creditors, as well as the Company's investors.

# PART II

## OTHER INFORMATION

## CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

Item 1: Legal Proceedings
See Note 4 to Financial Statements

Item 2: Changes in Securities
None

Item 3: Defaults Upon Senior Securities
None

Item 4: Submission of Matters to a Vote of Security Holders
None

Item 5: Other Information
None

Item 6(a): Exhibits
Exhibit 10(a) - Executive Employment Agreement dated March 26, 1995, by and between Chesapeake Utilities Corporation and Jeremy D. West, filed herewith.

Exhibit 10(b) - Executive Employment Agreement dated March 26, 1995, by and between Chesapeake Utilities Corporation and Philip S. Barefoot, filed herewith.

Exhibit 11 - Computation of Primary and Fully Diluted Earnings Per Share is submitted herewith.

Item 6 (b): Reports on Form 8-K
None

## 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/ John R. Schimkaitis
\- -----------------------

John R. Schimkaitis
Senior Vice President and Assistant Treasurer
(Principal Financial and Accounting Officer)

Date: May 11, 1995

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
EXHIBIT 10(A)
EXECUTIVE EMPLOYMENT AGREEMENT

AN EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") dated this 26th day of March, 1995, by and between Chesapeake Utilities Corporation, a Delaware corporation (the "Company"), and Jeremy D. West ("Executive").

WITNESSETH:

WHEREAS, the Company is currently obtaining the benefit of Executive's services as a full-time executive employee in the capacity of Vice-President - Propane;

WHEREAS, the Company's Board of Directors (the "Board") has authorized the Company to agree to provide for Executive's continued employment pursuant to the terms of this Agreement; and

WHEREAS, Executive is willing, in consideration of the covenants hereinafter provided, to continue to be employed by the Company in the capacity of Vice-President - Propane and to render services incident to such position during the term of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the Company and Executive hereby agree as follows:

1. Employment. The Company agrees to employ Executive, and Executive agrees to accept employment, as an executive officer of the Company in the capacity of Vice-President Propane with such reasonable duties and responsibilities as are set forth in the By-laws of the Company as of the date hereof, including, but not limited to, the formulation, implementation and execution of policies and procedures for the Company's propane operations.

2. Term.

(a) Term of Agreement. The term of this Agreement ("Term") shall be the Initial Term (as defined in Paragraph 2(b) hereof), and, if applicable, the Extended Term (as defined in Paragraph 2(c) hereof).

(b) Initial Term. Subject to Paragraph 2(c) hereof, the Initial Term of this Agreement shall extend until March 26, 1997.

(c) Extended Term. Upon the occurrence of a Change in Control (as defined in Paragraph 2(d) hereof), the Initial Term shall end and the Term of this Agreement shall thereupon automatically be extended, commencing on the date of such Change in Control, for the shorter of five years or the period until Executive attains the earliest age at which his compulsory retirement is permitted under section 12(c) of the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. section 631(c), or its successor (such extended five-year or shorter term constituting the "Extended Term").

(d) Change In Control. For the purposes of this Agreement, Change in Control shall mean a change in the control of the Company during the Term of this Agreement, which shall be deemed to have occurred if:

(i) The registration of the Company's voting securities under the Securities Exchange Act of 1934, as amended (the "1934 Act"), terminates or the Company shall have fewer than 300 stockholders of record; or

(ii) any person or group (within the meaning of Sections 13(d) and 14(d) of the 1934 Act), other than the Company or any of its majority-controlled subsidiaries, becomes the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of 30 percent or more of the combined voting power of the Company's then outstanding voting securities; or

(iii) a tender offer or exchange offer (other than an offer by the Company or a majority-controlled subsidiary), pursuant to which 30 percent or more of the combined voting power of the company's then outstanding voting securities was purchased, expires; or

(iv) the stockholders of the Company approve an agreement to merge or consolidate with another corporation (other than a majority-controlled subsidiary of the Company) unless the stockholders of the Company immediately before the merger or consolidation are to own more than 70 percent of the combined voting power of the resulting entity's voting securities; or

(v) the Company's stockholders approve an agreement (including, without limitation, a plan of liquidation) to sell or otherwise dispose of all or substantially all of the business or assets of the Company; or

(vi) during any period of two consecutive years, individuals who, at the beginning of such period, constituted the Board cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; or

(vii) the acquisition of direct or indirect beneficial ownership of more than 15 percent of the Company's then outstanding voting securities by any person or group is approved over the formal objection of the Company by the Securities and Exchange Commission pursuant to Section 9 of the Public Utility Holding Company Act of 1935, as amended.

However, no Change in Control shall be deemed to have occurred by reason of any event involving a transaction in which Executive, or a group of persons or entities with which Executive acts in concert, acquires, directly or indirectly, more than 30 percent of the common stock or the business or assets of the Company; any event involving or arising out of a proceeding under Title 11 of the United States Code (or the provisions of any future United States bankruptcy law), an assignment for the benefit of creditors or an insolvency proceeding under state or local law; or any event constituting approval by the Company's stockholders of a merger or consolidation if a majority of the group consisting of the President and Vice Presidents of the Company who are parties to agreements conferring rights upon a Change in Control shall have agreed in writing prior to such approval that that approval shall be deemed not to constitute a Change in Control.

3. Time. Executive agrees to devote all reasonable full time and best efforts for the benefit of the Company and any subsidiary of the Company, and not to serve any other business enterprise or organization in any capacity during the Term hereof without the prior written consent of the Company, which consent shall not be unreasonably withheld.

4. Office.

(a) Initial Term. During the Initial Term, the Company shall elect Executive as its Vice-President - Propane.

(b) Extended Term. During the Extended Term of this Agreement:

(i) Executive shall hold and perform an office with the responsibility, importance and scope within the Company at least equal to that of the office described and contemplated in Paragraph 1 hereof; and

(ii) Executive's office shall be located in Dover, Delaware, and Executive shall not be required, without his written consent, to change his office location or to be absent therefrom on business for more than 60 working days in any year.

5. Compensation.

(a) Initial Term. The Company shall compensate Executive for his services hereunder during the Initial Term at a rate of $130,000 per annum, payable in equal semimonthly installments, or such greater or lesser amount as the Board may determine ("Base Compensation"). The Base Compensation rate shall be reviewed annually and may be increased or decreased from time to time.

(b) Extended Term. During the Extended Term, the Company shall compensate Executive for his services hereunder at a rate per annum, payable in equal semi-monthly installments, equal to his Base Compensation at the time the Extended Term commences, increased:

(i) effective on each anniversary of the date of this Agreement during the Extended Term by an amount equal to the product of such Base Compensation times the increase in the preceding calendar year of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the Philadelphia metropolitan region as reported by the U.S. Department of Labor (or, if such index is no longer reported, the corresponding increase in a comparable index); and

(ii) by such additional amounts as the Board may determine from time to time based, in part, on an annual review of

Executive's compensation.

6. Expenses. During the Term of this Agreement, the Company shall pay all necessary and reasonable business expenses incurred by Executive on behalf of the Company in the course of his employment hereunder, including, without limitation, expenses incurred in the conduct of the Company's business while away from his domicile and expenses for travel, meals, lodging, entertainment and related expenses that are for the benefit of the Company.

7. Other Benefits.

(a) Executive shall be entitled to participate in any profit-sharing, insurance, medical and retirement benefit plans, together with vacation and other employee benefits of the Company, now in effect or as hereafter amended or established in accordance with the terms and provisions of such plans.

(b) The Company shall furnish Executive with a suitable office, the secretary of Executive's choice and customary furniture and furnishings for such office. The Company further agrees that Executive shall have the use of a Company-owned or Company-leased and -maintained automobile, new every three years, of a kind and model appropriate to his position with the Company.

(c) Nothing in this Agreement shall preclude the Company from amending or terminating any employee benefit plan or practice, but, it being the intent of the parties that the Executive shall continue to be entitled during the Extended Term to benefits and perquisites as set forth in Paragraphs 7(a) and 7(b) hereof at least equal to those attached to his position on the date of this Agreement, nothing in this Agreement shall operate as, or be construed to authorize, a reduction during the Extended Term without Executive's written consent in the level of such benefits or perquisites as in effect on the date of a Change in Control. If and to the extent that such benefits or perquisites are not payable or provided to Executive under any such plan or practice by reason of an amendment thereto or termination thereof during the Extended Term, the Company shall pay or provide such benefits or perquisites to Executive.

8. Termination.

(a) Termination for Cause. This Agreement and Executive's employment hereunder may be terminated by the Company at any time for Cause. During the Initial Term, Cause shall be as the Board may reasonably determine. During the Extended Term, termination of this Agreement and the Executive's employment shall be deemed to have been for Cause only if it shall have been the result of:

(i) conduct by Executive that constitutes a felony under the laws of the United States or a state in which Executive works or resides;

(ii) an act or acts of dishonesty by Executive resulting or intended to result directly or indirectly in material gain to or personal enrichment of Executive at the Company's expense;

(iii) a deliberate and intentional refusal by Executive during the Extended Term (except by reason of incapacity due to illness or accident) to comply with the provisions of Paragraph 1 hereof, provided that such breach shall have resulted in demonstrably material injury to the Company and the Executive shall have failed to remedy such breach within thirty days after notice from the Secretary of the Company demanding that the Executive remedy such breach; or

(iv) the engagement in conduct by Executive that is materially injurious to the Company if such conduct was undertaken without good faith and the reasonable belief that such conduct was in the best interest of the Company.

(b) Termination During Extended Term. During the Extended Term of this Agreement, the term "Termination" shall mean:

(i) Termination by the Company of Executive's employment;

or

(ii) Termination by Executive of his employment following the occurrence of any of the following events:

(A) Failure to elect or reelect Executive to, or removal of Executive from, the office or offices set forth in Paragraph 1 hereof, or to or from the Board if Executive shall have been a member of the Board immediately prior to a Change in Control of the Company;

(B) Executive's good-faith determination that there has been a significant change in the nature or scope of his authorities, powers, functions, duties or responsibilities attached to the positions contemplated in Paragraph 1 hereof or a reduction in his compensation as provided in Paragraph 5 hereof or his benefits as provided in Paragraph 7, which change or reduction is not remedied within thirty days after notice to the Company by Executive;

(C) Any other breach by the Company of any provision of this Agreement (including, without limitation, relocation of Executive in violation of Paragraph 4(b) hereof), which breach is not remedied within thirty days after notice to the Company by Executive; or

(D) The liquidation, dissolution, consolidation or merger of the Company or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation or otherwise) to which all or a significant portion of its assets has been transferred shall have assumed all duties and obligations of the Company under this Agreement;

provided that in any event set forth in this Paragraph 8(b)(ii), Executive shall have elected to terminate his employment under this Agreement upon not less than forty and not more than ninety days' notice to the Board, attention of the Secretary, given, except in the case of a continuing breach, within three calendar months after (1) failure to be so elected or reelected, or such removal, (2) expiration of the 30-day cure period with respect to such event, or (3) the closing date of such liquidation, dissolution, consolidation, merger or transfer of assets.

An election by Executive to terminate his employment under the provisions of this Paragraph shall not be deemed a voluntary termination of employment by Executive for the purpose of this Agreement or any plan or practice of the Company.

(c) Payment Upon Termination. In the event of a Termination of this Agreement during the Extended Term hereof for any reason other than Cause or Executive's death, the Company shall, subject to Paragraph 9 hereof, pay to Executive (or, in the event of his death following the Termination, his legal representative) in cash within thirty days after the date of such Termination (the "Termination Date"):

(i) An amount equal to the product of multiplying the monthly rate of Base Compensation to which Executive was entitled under Paragraph 5(b) hereof on the day immediately prior to the Termination Date by the lesser of (A) twenty-four months or (B) the number of months remaining in the Term of this Agreement (the shorter of such periods constituting the "Covered Period");

(ii) An amount equal to the present value of the additional benefits that would have been paid Executive under the Company's retirement plans if he had continued to be employed pursuant to this Agreement during the Covered Period and the retirement plans had continued during such period without change from the date of the Change in Control;

(iii) For each share of Company stock subject to a stock option that was awarded to Executive under a Company stock option plan, was held by Executive on the day immediately prior to his Termination Date, was not exercisable on that date but would have become exercisable during the Covered Period if Executive's employment with the Company had continued during that period, an amount equal to the excess of (A) the daily average closing price for a share of the Company's stock on NASDAQ or, if so listed, on a national securities exchange during the 30-day period ending upon the date of the Change in Control, or, if higher, during the 30-day period ending upon the Termination Date (adjusted as appropriate for any changes in the capital structure of the Company) over (B) the option price for a share of the Company's stock subject to the option; and

(iv) An amount equal to the aggregate of the Company's contributions to the Company's savings plan in respect of Executive that were not vested on the day immediately prior to the Termination Date but that would have been vested at the end of the Covered Period if Executive had remained employed by the Company for the duration of that period.

For purposes of calculating the present value specified in Paragraph 8(c)(ii), the discount rate shall equal the PBGC interest rate for immediate annuities, as referred to in 29 C.F.R. section 2619.26(b)(2)(iv) or its successor, in effect for a valuation date coinciding with the Termination Date. If that rate should no longer be published, the discount rate shall be such closely comparable interest rate as the Company may reasonably determine.

9. Maximum Payment Upon Termination. Notwithstanding any other provision of this Agreement, if the Company should determine, in consultation with tax advisors satisfactory to Executive, that any amount payable to Executive pursuant to Paragraph 8 of this Agreement, either alone or in conjunction with any payments or benefits to or on behalf of Executive pursuant to this Agreement or otherwise, would not be deductible by the Company, in whole or in part, for federal income tax purposes by reason of section 280G of the Internal Revenue Code or its successor, then the aggregate amount payable to Executive pursuant to Paragraph 8 shall be reduced to the largest amount that, in the opinion of such tax advisors, the Company could pay Executive under Paragraph 8 without any part of that amount being nondeductible by the Company as a result of Section 280G or its successor.

10. Mitigation. Executive shall not be required to mitigate the amount of any payment provided for in this Agreement either by seeking other employment or otherwise. The amount of any payment provided for herein shall not be reduced by any remuneration that Executive may earn from employment with another employer or otherwise following his Termination Date.

11. Noncompetition Covenant. For a period of one year following the Termination Date and, if Executive has given a notice pursuant to Paragraph 8(b)(ii) hereof, for a period of 15 months following the giving of such notice, Executive shall assist no individual or entity other than the Company to acquire any entity with respect to which a proposal to acquire was presented to the Board prior to the beginning of the period.

12. Indemnification. The Company shall indemnify Executive to the fullest extent permitted by applicable Delaware law (as may be amended from time to time), including the advance of expenses permitted therein.

13. Performance. The failure of either party to this Agreement to insist upon strict performance of any provision hereof shall not constitute a waiver of its rights subsequently to insist upon strict performance of such provision or any other provision of this Agreement.

14. Non-Assignability. Neither party shall have the right to assign this Agreement or any rights or obligations hereunder without the consent of the other party.

15. Invalidity. If any provisions of this Agreement shall be found to be invalid by any court of competent jurisdiction, such finding shall not affect the remaining provisions of this Agreement, all of the which shall remain in full force and effect.

16. Arbitration and Legal Fees. In the event of any dispute regarding a refusal or failure by the Company to make payments or provide benefits hereunder for any reason, Executive shall have the right, in addition to all other rights and remedies provided by law, to arbitration of such dispute under the rules of the American Arbitration Association, which right shall be invoked by serving upon the Company a notice to arbitrate, stating the place of arbitration, within ninety days of receipt of notice in any form (including, without limitation, failure by the Company to respond to a notice from Executive within thirty days) that the Company is withholding or proposes to withhold payments or provisions of benefits. In the event of any such dispute, whether or not Executive exercises his right to arbitration, if it shall ultimately be determined that the Company's refusal or failure to make payments or provide benefits hereunder was wrongful or otherwise inconsistent with the terms of this Agreement, the Company shall indemnify and hold harmless Executive from and against any and all expenses incurred in connection with such determination, including legal and other fees and expenses. Without limitation of or by the foregoing, the Company shall, within 10 days after notice from Executive, provide Executive with an irrevocable letter of credit in the amount of $100,000 from a bank satisfactory to Executive against which Executive may draw to pay legal fees and other fees and expenses in connection with any attempt by Executive to enforce any of his rights under this Agreement during the Extended Term. Said letter of credit shall not expire before 10 years following the date of this Agreement.

17. Successors. This Agreement shall be binding upon and inure to the benefit of the Executive (and his personal representative), the Company and any successor organization or organizations that shall succeed to

substantially all of the business and property of the Company, whether by means of merger, consolidation, acquisition of substantially all of the assets of the Company or otherwise, including by operation of law.

18. Set-off. The Company shall have no right of set-off or counterclaim in respect of any claim, debt or obligation against any payments or benefits provided for in this Agreement.

19. Amendments. No Amendment to this Agreement shall be effective unless in writing and signed by both the Company and Executive.

20. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware.

21. Notices. Unless otherwise stated herein, all notices hereunder shall be in writing and shall be deemed to be given when personally delivered or mailed by United States registered or certified mail, postage prepaid, to, if to the Company, 861 Silver Lake Boulevard, Cannon Building, Dover, Delaware 19901, and, if to Executive, the last address therefor shown on the records of the Company. Either the Company or Executive may, by notice to the other, designate an address other than the foregoing for the receipt of subsequent notices.

22. Withholding. The Company may withhold from any amounts payable to Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation.

23. Nature of Payments Upon Termination. All payments to Executive pursuant to Paragraphs 8 and 9 of this Agreement shall be considered as liquidated damages or as severance payments in consideration of Executive's past services to the Company, and no such payment shall be regarded as a penalty to the Company.

24. Acknowledgment. The parties hereto each acknowledge that each has read this Agreement and understands the same and that each enters into this Agreement freely and voluntarily.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CHESAPEAKE UTILITIES CORPORATION

[CORPORATE SEAL] /S/ Ralph J. Adkins
President & Chief Executive Officer

ATTEST:

/S/ William C. Boyles
Asst. Secretary

EXECUTIVE

/S/ Jeremy D. West

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
EXHIBIT 10(B)
EXECUTIVE EMPLOYMENT AGREEMENT

AN EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") dated this 26th day of March, 1995, by and between Chesapeake Utilities Corporation, a Delaware corporation (the "Company"), and Philip S. Barefoot ("Executive").

WITNESSETH:

WHEREAS, the Company is currently obtaining the benefit of Executive's services as a full-time executive employee in the capacity of Senior Vice President - Natural Gas Operations;

WHEREAS, the Company's Board of Directors (the "Board") has authorized the Company to agree to provide for Executive's continued employment pursuant to the terms of this Agreement; and

WHEREAS, Executive is willing, in consideration of the covenants hereinafter provided, to continue to be employed by the Company in the capacity of Senior Vice President - Natural Gas Operations and to render services incident to such position during the term of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the Company and Executive hereby agree as follows:

1. Employment. The Company agrees to employ Executive, and Executive agrees to accept employment, as an executive officer of the Company in the capacity of Senior Vice President - Natural Gas Operations with such reasonable duties and responsibilities as are set forth in the By-laws of the Company as of the date hereof, including, but not limited to, developing policies and procedures for and directing the operation of the Company's Natural Gas Transmission, Distribution and Engineering operations.

2. Term.

(a) Term of Agreement. The term of this Agreement ("Term") shall be the Initial Term (as defined in Paragraph 2(b) hereof), and, if applicable, the Extended Term (as defined in Paragraph 2(c) hereof).

(b) Initial Term. Subject to Paragraph 2(c) hereof, the Initial Term of this Agreement shall extend until March 26, 1997.

(c) Extended Term. Upon the occurrence of a Change in Control (as defined in Paragraph 2(d) hereof), the Initial Term shall end and the Term of this Agreement shall thereupon automatically be extended, commencing on the date of such Change in Control, for the shorter of five years or the period until Executive attains the earliest age at which his compulsory retirement is permitted under section 12(c) of the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. section 631(c), or its successor (such extended five-year or shorter term constituting the "Extended Term").

(d) Change In Control. For the purposes of this Agreement, Change in Control shall mean a change in the control of the Company during the Term of this Agreement, which shall be deemed to have occurred if:

(i) The registration of the Company's voting securities under the Securities Exchange Act of 1934, as amended (the "1934 Act"), terminates or the Company shall have fewer than 300 stockholders of record; or

(ii) any person or group (within the meaning of Sections 13(d) and 14(d) of the 1934 Act), other than the Company or any of its majority-controlled subsidiaries, becomes the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of 30 percent or more of the combined voting power of the Company's then outstanding voting securities; or

(iii) a tender offer or exchange offer (other than an offer by the Company or a majority-controlled subsidiary), pursuant to which 30 percent or more of the combined voting power of the company's then outstanding voting securities was purchased, expires; or

(iv) the stockholders of the Company approve an agreement to merge or consolidate with another corporation (other than a majority-controlled subsidiary of the Company) unless the stockholders of the Company immediately before the merger or consolidation are to own more than 70 percent of the combined voting power of the resulting entity's voting securities; or

(v) the Company's stockholders approve an agreement (including, without limitation, a plan of liquidation) to sell or otherwise dispose of all or substantially all of the business or assets of the Company; or

(vi) during any period of two consecutive years, individuals who, at the beginning of such period, constituted the Board cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; or

(vii) the acquisition of direct or indirect beneficial ownership of more than 15 percent of the Company's then outstanding voting securities by any person or group is approved over the formal objection of the Company by the Securities and Exchange Commission pursuant to Section 9 of the Public Utility Holding Company Act of 1935, as amended.

However, no Change in Control shall be deemed to have occurred by reason of any event involving a transaction in which Executive, or a group of persons or entities with which Executive acts in concert, acquires, directly or indirectly, more than 30 percent of the common stock or the business or assets of the Company; any event involving or arising out of a proceeding under Title 11 of the United States Code (or the provisions of any future United States bankruptcy law), an assignment for the benefit of creditors or an insolvency proceeding under state or local law; or any event constituting approval by the Company's stockholders of a merger or consolidation if a majority of the group consisting of the President and Vice Presidents of the Company who are parties to agreements conferring rights upon a Change in Control shall have agreed in writing prior to such approval that that approval shall be deemed not to constitute a Change in Control.

3. Time. Executive agrees to devote all reasonable full time and best efforts for the benefit of the Company and any subsidiary of the Company, and not to serve any other business enterprise or organization in any capacity during the Term hereof without the prior written consent of the Company, which consent shall not be unreasonably withheld.

4. Office.

(a) Initial Term. During the Initial Term, the Company shall elect Executive as its Senior Vice President.

(b) Extended Term. During the Extended Term of this Agreement:

(i) Executive shall hold and perform an office with the responsibility, importance and scope within the Company at least equal to that of the office described and contemplated in Paragraph 1 hereof; and

(ii) Executive's office shall be located in Dover, Delaware, and Executive shall not be required, without his written consent, to change his office location or to be absent therefrom on business for more than 60 working days in any year.

5. Compensation.

(a) Initial Term. The Company shall compensate Executive for his services hereunder during the Initial Term at a rate of $105,000 per annum, payable in equal semimonthly installments, or such greater or lesser amount as the Board may determine ("Base Compensation"). The Base Compensation rate shall be reviewed annually and may be increased or decreased from time to time.

(b) Extended Term. During the Extended Term, the Company shall compensate Executive for his services hereunder at a rate per annum, payable in equal semi-monthly installments, equal to his Base Compensation at the time the Extended Term commences, increased:

(i) effective on each anniversary of the date of this Agreement during the Extended Term by an amount equal to the product of such Base Compensation times the increase in the preceding calendar year of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the Philadelphia metropolitan region as reported by the U.S. Department of Labor (or, if such index is no longer reported, the corresponding increase in a comparable index); and

(ii) by such additional amounts as the Board may determine from time to time based, in part, on an annual review of Executive's compensation.

6. Expenses. During the Term of this Agreement, the Company shall pay all necessary and reasonable business expenses incurred by Executive on behalf of the Company in the course of his employment hereunder, including, without limitation, expenses incurred in the conduct of the Company's business while away from his domicile and expenses for travel, meals, lodging, entertainment and related expenses that are for the benefit of the Company.

7. Other Benefits.

(a) Executive shall be entitled to participate in any profit-sharing, insurance, medical and retirement benefit plans, together with vacation and other employee benefits of the Company, now in effect or as hereafter amended or established in accordance with the terms and provisions of such plans.

(b) The Company shall furnish Executive with a suitable office, the secretary of Executive's choice and customary furniture and furnishings for such office. The Company further agrees that Executive shall have the use of a Company-owned or Company-leased and -maintained automobile, new every three years, of a kind and model appropriate to his position with the Company.

(c) Nothing in this Agreement shall preclude the Company from amending or terminating any employee benefit plan or practice, but, it being the intent of the parties that the Executive shall continue to be entitled during the Extended Term to benefits and perquisites as set forth in Paragraphs 7(a) and 7(b) hereof at least equal to those attached to his position on the date of this Agreement, nothing in this Agreement shall operate as, or be construed to authorize, a reduction during the Extended Term without Executive's written consent in the level of such benefits or perquisites as in effect on the date of a Change in Control. If and to the extent that such benefits or perquisites are not payable or provided to Executive under any such plan or practice by reason of an amendment thereto or termination thereof during the Extended Term, the Company shall pay or provide such benefits or perquisites to Executive.

8. Termination.

(a) Termination for Cause. This Agreement and Executive's employment hereunder may be terminated by the Company at any time for Cause. During the Initial Term, Cause shall be as the Board may reasonably determine. During the Extended Term, termination of this Agreement and the Executive's employment shall be deemed to have been for Cause only if it shall have been the result of:

(i) conduct by Executive that constitutes a felony under the laws of the United States or a state in which Executive works or resides;

(ii) an act or acts of dishonesty by Executive resulting or intended to result directly or indirectly in material gain to or personal enrichment of Executive at the Company's expense;

(iii) a deliberate and intentional refusal by Executive during the Extended Term (except by reason of incapacity due to illness or accident) to comply with the provisions of Paragraph 1 hereof, provided that such breach shall have resulted in demonstrably material injury to the Company and the Executive shall have failed to remedy such breach within thirty days after notice from the Secretary of the Company demanding that the Executive remedy such breach; or

(iv) the engagement in conduct by Executive that is materially injurious to the Company if such conduct was undertaken without good faith and the reasonable belief that such conduct was in the best interest of the Company.

(b) Termination During Extended Term. During the Extended Term of this Agreement, the term "Termination" shall mean:

(i) Termination by the Company of Executive's employment;

or

(ii) Termination by Executive of his employment following the occurrence of any of the following events:

(A) Failure to elect or reelect Executive to, or removal of Executive from, the office or offices set forth in Paragraph 1 hereof, or to or from the Board if Executive shall have been a member of the Board immediately prior to a Change in Control of the Company;

(B) Executive's good-faith determination that there has been a significant change in the nature or scope of his authorities, powers, functions, duties or responsibilities attached to the positions contemplated in Paragraph 1 hereof or a reduction in his compensation as provided in Paragraph 5 hereof or his benefits as provided in Paragraph 7, which change or reduction is not remedied within thirty days after notice to the Company by Executive;

(C) Any other breach by the Company of any provision of this Agreement (including, without limitation, relocation of Executive in violation of Paragraph 4(b) hereof), which breach is not remedied within thirty days after notice to the Company by Executive; or

(D) The liquidation, dissolution, consolidation or merger of the Company or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation or otherwise) to which all or a significant portion of its assets has been transferred shall have assumed all duties and obligations of the Company under this Agreement;

provided that in any event set forth in this Paragraph 8(b)(ii), Executive shall have elected to terminate his employment under this Agreement upon not less than forty and not more than ninety days' notice to the Board, attention of the Secretary, given, except in the case of a continuing breach, within three calendar months after (1) failure to be so elected or reelected, or such removal, (2) expiration of the 30-day cure period with respect to such event, or (3) the closing date of such liquidation, dissolution, consolidation, merger or transfer of assets.

An election by Executive to terminate his employment under the provisions of this Paragraph shall not be deemed a voluntary termination of employment by Executive for the purpose of this Agreement or any plan or practice of the Company.

(c) Payment Upon Termination. In the event of a Termination of this Agreement during the Extended Term hereof for any reason other than Cause or Executive's death, the Company shall, subject to Paragraph 9 hereof, pay to Executive (or, in the event of his death following the Termination, his legal representative) in cash within thirty days after the date of such Termination (the "Termination Date"):

(i) An amount equal to the product of multiplying the monthly rate of Base Compensation to which Executive was entitled under Paragraph 5(b) hereof on the day immediately prior to the Termination Date by the lesser of (A) twenty-four months or (B) the number of months remaining in the Term of this Agreement (the shorter of such periods constituting the "Covered Period");

(ii) An amount equal to the present value of the additional benefits that would have been paid Executive under the Company's retirement plans if he had continued to be employed pursuant to this Agreement during the Covered Period and the retirement plans had continued during such period without change from the date of the Change in Control;

(iii) For each share of Company stock subject to a stock option that was awarded to Executive under a Company stock option plan, was held by Executive on the day immediately prior to his Termination Date, was not exercisable on that date but would have become exercisable during the Covered Period if Executive's employment with the Company had continued during that period, an amount equal to the excess of (A) the daily average closing price for a share of the Company's stock on NASDAQ or, if so listed, on a national securities exchange during the 30-day period ending upon the date of the Change in Control, or, if higher, during the 30-day period ending upon the Termination Date (adjusted as appropriate for any changes in the capital structure of the Company) over (B) the option price for a share of the Company's stock subject to the option; and

(iv) An amount equal to the aggregate of the Company's contributions to the Company's savings plan in respect of Executive that were not vested on the day immediately prior to the Termination Date but that would have been vested at the end of the Covered Period if Executive had remained employed by the Company for the duration of that period.

For purposes of calculating the present value specified in Paragraph 8(c)(ii), the discount rate shall equal the PBGC interest rate for immediate annuities, as referred to in 29 C.F.R. section 2619.26(b)(2)(iv) or its successor, in effect for a valuation date coinciding with the Termination Date. If that rate should no longer be published, the discount rate shall be such closely comparable interest rate as the Company may reasonably determine.

9. Maximum Payment Upon Termination. Notwithstanding any other provision of this Agreement, if the Company should determine, in consultation with tax advisors satisfactory to Executive, that any amount payable to Executive pursuant to Paragraph 8 of this Agreement, either alone or in conjunction with any payments or benefits to or on behalf of Executive pursuant to this Agreement or otherwise, would not be deductible by the Company, in whole or in part, for federal income tax purposes by reason of section 280G of the Internal Revenue Code or its successor, then the aggregate amount payable to Executive pursuant to Paragraph 8 shall be reduced to the largest amount that, in the opinion of such tax advisors, the Company could pay Executive under Paragraph 8 without any part of that amount being nondeductible by the Company as a result of Section 280G or its successor.

10. Mitigation. Executive shall not be required to mitigate the amount of any payment provided for in this Agreement either by seeking other employment or otherwise. The amount of any payment provided for herein shall not be reduced by any remuneration that Executive may earn from employment with another employer or otherwise following his Termination Date.

11. Noncompetition Covenant. For a period of one year following the Termination Date and, if Executive has given a notice pursuant to Paragraph 8(b)(ii) hereof, for a period of 15 months following the giving of such notice, Executive shall assist no individual or entity other than the Company to acquire any entity with respect to which a proposal to acquire was presented to the Board prior to the beginning of the period.

12. Indemnification. The Company shall indemnify Executive to the fullest extent permitted by applicable Delaware law (as may be amended from time to time), including the advance of expenses permitted therein.

13. Performance. The failure of either party to this Agreement to insist upon strict performance of any provision hereof shall not constitute a waiver of its rights subsequently to insist upon strict performance of such provision or any other provision of this Agreement.

14. Non-Assignability. Neither party shall have the right to assign this Agreement or any rights or obligations hereunder without the consent of the other party.

15. Invalidity. If any provisions of this Agreement shall be found to be invalid by any court of competent jurisdiction, such finding shall not affect the remaining provisions of this Agreement, all of the which shall remain in full force and effect.

16. Arbitration and Legal Fees. In the event of any dispute regarding a refusal or failure by the Company to make payments or provide benefits hereunder for any reason, Executive shall have the right, in addition to all other rights and remedies provided by law, to arbitration of such dispute under the rules of the American Arbitration Association, which right shall be invoked by serving upon the Company a notice to arbitrate, stating the place of arbitration, within ninety days of receipt of notice in any form (including, without limitation, failure by the Company to respond to a notice from Executive within thirty days) that the Company is withholding or proposes to withhold payments or provisions of benefits. In the event of any such dispute, whether or not Executive exercises his right to arbitration, if it shall ultimately be determined that the Company's refusal or failure to make payments or provide benefits hereunder was wrongful or otherwise inconsistent with the terms of this Agreement, the Company shall indemnify and hold harmless Executive from and against any and all expenses incurred in connection with such determination, including legal and other fees and expenses. Without limitation of or by the foregoing, the Company shall, within 10 days after notice from Executive, provide Executive with an irrevocable letter of credit in the amount of $100,000 from a bank satisfactory to Executive against which Executive may draw to pay legal fees and other fees and expenses in connection with any attempt by Executive to enforce any of his rights under this Agreement during the Extended Term. Said letter of credit shall not expire before 10 years following the date of this Agreement.

17. Successors. This Agreement shall be binding upon and inure to the benefit of the Executive (and his personal representative), the Company and any successor organization or organizations that shall succeed to substantially all of the business and property of the Company, whether by means of merger, consolidation, acquisition of substantially all of the assets of the Company or otherwise, including by operation of law.

18. Set-off. The Company shall have no right of set-off or counterclaim in respect of any claim, debt or obligation against any payments or benefits provided for in this Agreement.

19. Amendments. No Amendment to this Agreement shall be effective unless in writing and signed by both the Company and Executive.

20. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware.

21. Notices. Unless otherwise stated herein, all notices hereunder shall be in writing and shall be deemed to be given when personally delivered or mailed by United States registered or certified mail, postage prepaid, to, if to the Company, 861 Silver Lake Boulevard, Cannon Building, Dover, Delaware 19901, and, if to Executive, the last address therefor shown on the records of the Company. Either the Company or Executive may, by notice to the other, designate an address other than the foregoing for the receipt of subsequent notices.

22. Withholding. The Company may withhold from any amounts payable to Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation.

23. Nature of Payments Upon Termination. All payments to Executive pursuant to Paragraphs 8 and 9 of this Agreement shall be considered as liquidated damages or as severance payments in consideration of Executive's past services to the Company, and no such payment shall be regarded as a penalty to the Company.

24. Acknowledgment. The parties hereto each acknowledge that each has read this Agreement and understands the same and that each enters into this Agreement freely and voluntarily.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CHESAPEAKE UTILITIES CORPORATION

[CORPORATE SEAL]

/S/ Ralph J. Adkins
President & Chief Executive Officer

ATTEST:

/S/ William C. Boyles
Asst. Secretary

EXECUTIVE

/S/ Philip S. Barefoot

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
EXHIBIT 11
COMPUTATION OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

| | FOR THE QUARTER ENDED MARCH 31, 1995 | 1994 |
|---|---|---|
| Shares outstanding | 3,680,675 | 3,618,447 |
| Primary earnings per share calculation: | | |
| Weighted average number of shares assuming primary dilution | 3,672,036 | 3,605,199 |
| Consolidated net income | $3,658,431 | $3,746,087 |
| Total primary earnings per share | $1.00 | $1.04 |
| Fully diluted earings per share calculation (1): | | |
| Weighted average number of shares assuming primary dilution | 3,672,036 | 3,605,199 |
| Contingent shares | 255,281 | 257,305 |
| Weighted average number of shares assuming full dilution | 3,927,317 | 3,862,504 |
| Consolidated net income | $3,658,431 | $3,746,087 |
| Interest on convertible debt | 88,348 | 89,048 |
| Less: Applicable federal income taxes | 34,456 | 34,729 |
| Adjusted net income | $3,712,323 | $3,800,406 |
| Fully diluted earnings per share | $0.95 | $0.98 |

UT

3-MOS
DEC-31-1994
MAR-31-1995
PER-BOOK
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