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: September 30, 2001

OR

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

For the transition period from ______ to ______

COMMISSION FILE NUMBER: 001-11590

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

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

909 SILVER LAKE BOULEVARD, DOVER, DELAWARE 19904
(Address of principal executive offices, including Zip Code)

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

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

Common Stock, par value $.4867 - 5,389,003 shares issued as of September 30, 2001.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2001	2000
OPERATING REVENUES	$55,567,288	$59,212,768
COST OF SALES.	43,811,636	49,342,261
GROSS MARGIN	11,755,652	9,870,507
OPERATING EXPENSES		
Operations	8,150,804	7,398,574
Maintenance.	424,567	497,284
Depreciation and amortization. .	2,101,239	1,887,069
Other taxes.	1,022,592	832,704
Income taxes	(505,969)	(701,165)
Total operating expenses	11,193,233	9,914,466
OPERATING INCOME (LOSS).	562,419	(43,959)
OTHER INCOME, NET.	62,560	156,894
INCOME BEFORE INTEREST CHARGES .	624,979	112,935
INTEREST CHARGES	1,299,945	1,157,644
NET LOSS	$ (674,966)	$(1,044,709)
LOSS PER SHARE OF COMMON STOCK:		
BASIC.	$ (0.13)	$ (0.20)
DILUTED.	$ (0.13)	$ (0.20)

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2001	2000
OPERATING REVENUES.	$260,658,029	$223,672,929
COST OF SALES	212,129,412	179,877,924
GROSS MARGIN.	48,528,617	43,795,005
OPERATING EXPENSES		
Operations.	25,679,824	23,397,816
Maintenance	1,278,765	1,413,341
Depreciation and amortization . . .	6,136,866	5,555,690
Other taxes	3,196,681	2,721,853
Income taxes.	3,266,502	2,874,304
Total operating expenses.	39,558,638	35,963,004
OPERATING INCOME.	8,969,979	7,832,001
OTHER INCOME, NET	311,769	239,226
INCOME BEFORE INTEREST CHARGES. . .	9,281,748	8,071,227
INTEREST CHARGES.	3,924,519	3,126,921
NET INCOME.	$ 5,357,229	$ 4,944,306
EARNINGS PER SHARE OF COMMON STOCK:		
BASIC	$ 1.00	$ 0.94
DILUTED	$ 0.99	$ 0.93

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2001	2000
OPERATING ACTIVITIES		
Net Income	$ 5,357,229	$ 4,944,306
Adjustments to reconcile net income to net operating cash:		
Depreciation and amortization	7,490,163	5,031,310
Deferred income taxes, net	(3,883)	195,095
Investment tax credit adjustments	(26,469)	(26,469)
Mark-to-market adjustments	881,449	(77,997)
Other, net	510,570	501,641
Changes in assets and liabilities:		
Accounts receivable, net	16,426,692	(1,527,281)
Inventory, materials, supplies and storage gas	(107,579)	(4,099,648)
Other current assets	(599,785)	178,957
Other deferred charges	(1,790,152)	170,552
Accounts payable, net	(17,944,735)	3,358,296
Refunds payable to customers	(251,568)	(226,232)
Over (under) recovered purchased gas costs	830,201	(2,081,300)
Other current liabilities	1,321,246	879,380
Net cash provided by operating activities	12,093,379	7,220,610
INVESTING ACTIVITIES		
Property, plant and equipment expenditures, net	(18,733,989)	(11,777,192)
Net cash used by investing activities	(18,733,989)	(11,777,192)
FINANCING ACTIVITIES		
Common stock dividends, net of amounts reinvested	(3,894,023)	(3,740,139)
Issuance of stock:		
Dividend Reinvestment Plan optional cash	133,376	147,109
Retirement Savings Plan	793,458	692,171
Net borrowing under line of credit agreements	7,600,000	10,000,000
Proceeds from issuance of long-term debt	300,000	-
Repayment of long-term debt	(1,390,221)	(2,287,265)
Net cash provided by financing activities	3,542,590	4,811,876
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,098,020)	255,294
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,606,316	2,357,173
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,508,296	$ 2,612,467

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	SEPTEMBER 30, 2001	DECEMBER 31, 2000
PROPERTY, PLANT AND EQUIPMENT		
Natural gas distribution and transmission.	$161,398,567	$149,121,319
Propane gas distribution and marketing	32,614,541	31,630,208
Advanced information services.	1,924,205	1,699,968
Other plant.	11,889,628	10,488,581
Total property, plant and equipment.	207,826,941	192,940,076
Less: Accumulated depreciation and amortization . . .	(66,678,273)	(61,473,757)
Net property, plant and equipment.	141,148,668	131,466,319
INVESTMENTS.	615,492	616,293
CURRENT ASSETS		
Cash and cash equivalents.	1,508,296	4,606,316
Accounts receivable, less allowance for uncollectibles	21,514,480	37,941,172
Materials and supplies, at average cost.	1,365,520	1,566,126
Merchandise inventory, at average cost	1,750,517	1,234,072
Propane inventory, at average cost	2,957,891	4,379,599
Storage gas prepayments.	4,713,771	3,500,323
Under-recovered purchased gas costs.	6,307,632	5,388,725
Income taxes receivable.	708,713	1,159,761
Prepaid expenses and other current assets.	1,733,611	2,015,274
Total current assets	42,560,431	61,791,368
DEFERRED CHARGES AND OTHER ASSETS		
Environmental regulatory assets.	2,846,962	2,910,000
Environmental expenditures	3,330,623	3,626,475
Under-recovered purchased gas costs.	210,454	1,959,562
Other deferred charges and intangible assets	11,976,964	8,329,485
Total deferred charges and other assets.	18,365,003	16,825,522
TOTAL ASSETS	$202,689,594	$210,699,502

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

CAPITALIZATION AND LIABILITIES	SEPTEMBER 30, 2001	DECEMBER 31, 2000
CAPITALIZATION		
Stockholders' equity		
Common Stock, par value $.4867 per share; (authorized 12,000,000 shares; issued 5,389,003 and 5,297,443 shares, respectively)	$ 2,622,559	$ 2,577,992
Additional paid-in capital	29,170,980	27,672,005
Retained earnings	34,683,085	33,721,747
Total stockholders' equity	66,476,624	63,971,744
Long-term debt, net of current maturities	49,748,119	50,920,818
Total capitalization	116,224,743	114,892,562
CURRENT LIABILITIES		
Current portion of long-term debt	2,685,715	2,665,091
Short-term borrowing	33,000,000	25,400,000
Accounts payable	15,709,982	33,654,718
Refunds payable to customers	763,560	1,015,128
Accrued interest	1,173,907	595,175
Dividends payable	1,481,976	1,429,945
Deferred income taxes payable	986,664	985,349
Other accrued liabilities	5,860,867	5,674,418
Total current liabilities	61,662,671	71,419,824
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	15,080,952	15,086,951
Deferred investment tax credits	630,703	657,172
Environmental liability	2,846,962	2,910,000
Accrued pension costs	1,640,134	1,625,128
Other liabilities	4,603,429	4,107,865
Total deferred credits and other liabilities	24,802,180	24,387,116
TOTAL CAPITALIZATION AND LIABILITIES	$202,689,594	$210,699,502

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. QUARTERLY FINANCIAL DATA

The financial information for Chesapeake Utilities Corporation (the "Company") included herein is unaudited and should be read in conjunction with the Company's Annual Report on Form 10-K. In the opinion of management, this financial information reflects only normal recurring adjustments, which are 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 and, accordingly, results for any particular quarter may not give a true indication of results for the year. Certain amounts in 2000 have been reclassified to conform to the presentation for the current year.

2. CALCULATION OF EARNINGS PER SHARE

	THREE MONTHS ENDED		NINE MONTHS ENDED	
FOR THE PERIOD ENDED SEPTEMBER 30,	2001	2000	2001	2000
CALCULATION OF BASIC EARNINGS PER SHARE:				
Net (Loss) Income.	$ (674,966)	$(1,044,709)	$5,357,229	$4,944,306
Weighted Average Shares Outstanding. . . .	5,381,702	5,263,418	5,351,523	5,235,909
BASIC (LOSS) EARNINGS PER SHARE.	$ (0.13)	$ (0.20)	$ 1.00	$ 0.94
CALCULATION OF DILUTED EARNINGS PER SHARE:				
RECONCILIATION OF NUMERATOR:				
Net (Loss) Income - Basic.	$ (674,966)	$(1,044,709)	$5,357,229	$4,944,306
Effect of 8.25% Convertible debentures . .	-	-	128,940	135,382
Adjusted numerator - Diluted	$ (674,966)	$(1,044,709)	$5,486,169	$5,079,688
RECONCILIATION OF DENOMINATOR:				
Weighted Shares Outstanding - Basic. . . .	5,381,702	5,263,418	5,351,523	5,235,909
Effect of Dilutive Securities				
Stock options.	-	-	12,951	11,340
8.25% Convertible debentures	-	-	201,908	211,221
Adjusted denominator - Diluted	5,381,702	5,263,418	5,566,382	5,458,470
DILUTED (LOSS) EARNINGS PER SHARE.	$ (0.13)	$ (0.20)	$ 0.99	$ 0.93

3. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

The Company is continuing to participate in the investigation, assessment and remediation of three former manufactured gas plant sites located in different jurisdictions. The Company continues to seek cost-effective remedial options that are protective of human health and the environment.

In May 2001, Chesapeake, General Public Utilities Corporation, Inc. ("GPU"), the State of Delaware and the United States Environmental Protection Agency ("EPA") signed a settlement term sheet reflecting the agreement in principle to settle a lawsuit with respect to the Dover Gas Light site. The parties are in the process of memorializing the terms of the final agreement in two consent decrees. The consent decrees will then be published for public comment and submitted to a federal judge for approval.

At September 30, 2001, the Company had accrued $2.1 million of costs associated with the remediation of the Dover site and had recorded an associated regulatory asset for the same amount. Of that amount, $1.5 million was for estimated ground-water remediation and $600,000 was for remaining soil remediation. The $1.5 million represented the low end of the ground-water remediation estimates prepared by an independent consultant and was used because the Company could not, at that time, predict the remedy the EPA might require.

If the agreement in principle receives final approval, Chesapeake will:

- Design and construct a parking lot on the site and dismantle the soil vapor extraction system that had been erected at the site.
- Receive a net payment of $1.15 million from other parties to the agreement. These proceeds will be passed on to Chesapeake's firm customers, in accordance with the environmental rate rider.
- Receive a release from liability and covenant not to sue from the EPA and the State of Delaware. This will relieve Chesapeake from liability for future remediation at the site, unless previously unknown conditions are discovered at the site, or information previously unknown to EPA is received that indicates the remedial action related to the prior manufactured gas plant is not sufficiently protective. These contingencies are standard, and are required by the United States in all liability settlements.

Upon receiving final court approval of the consent decrees, Chesapeake will reduce both the accrued environmental liability and the associated environmental regulatory asset to the amount required to complete its obligations (primarily the design and construction of the parking lot).

In accordance with approval from the Maryland Department of the Environment ("MDE"), the Company's remedial system at the Salisbury Town Gas Light site has been temporarily shut down. The Company continues to perform ground-water monitoring at the site and is currently collecting ground-water monitoring data to support a permanent shut-down of the remedial system. The Company reduced the accrual for the costs associated with remediation procedures at this site to $112,000 from the $175,000 that had been accrued as of December 31, 2000. This revised amount is based on current estimates of the costs of continuing the remediation procedures for the next two years and shutting down the process. The corresponding regulatory asset that was recorded based on management's belief that costs incurred will be recoverable in base rates, was also reduced.

The Winter Haven Coal Gas site is located in the state of Florida. In May 2001, a Remedial Action Plan ("RAP") was approved by the Florida Department of the Environment ("FDEP") to address a majority of the site impacts. Proposals for implementation of the remedial system described in the approved RAP for remediation of soil and ground-water impacts on site were received in June 2001. Negotiations are currently underway for performance of this work. The Company has recorded a liability of $635,000 and a corresponding regulatory asset at September 30, 2001.

Most of the costs associated with the remediation of environmental contamination caused by natural gas distribution or transmission are recoverable by the Company through its base rates. Management believes that any unrecovered costs incurred to date, as well as costs to be incurred in the future, relating to remediation of contamination of the sites identified above will be recoverable through future rates or from other responsible parties.

OTHER COMMITMENTS AND CONTINGENCIES

The Company has made contractual commitments of varying terms for daily entitlements of natural gas from various suppliers. In 2000, the Company entered into a long-term contract with an energy marketing and risk management company for management of some of its natural gas transportation and storage capacity. That contract is still in effect.

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

Certain assets and liabilities of the Company are accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 71, which, among other matters, provides standards for regulated enterprises for the deferral of costs that will be recovered through future rate increases. If the Company were required to terminate the application of these standards to its regulated operations, all such deferred amounts would be recognized in the income statement at that time. This would result in a charge to earnings, net of applicable income taxes, which could be material.

4. RECLASSIFICATION OF AMOUNTS FOR PRIOR YEARS

Certain amounts and balances reported in prior years have been reclassified in the financial statements included in this report to conform to the presentation for the current period.

5. RECENT AUTHORITATIVE PRONOUNCEMENTS ON FINANCIAL REPORTING AND ACCOUNTING

The Financial Accounting Standards Board ("FASB") issued SFAS No. 133 in 1998, establishing accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In June of 2000, SFAS No. 138, amending certain provisions of SFAS No. 133, was issued by the FASB. The Company adopted these new standards in the first quarter of 2001, as required. The adoption of these new standards did not have a material impact on the Company's financial position or results of operations.

On June 30, 2001, the FASB issued SFAS Nos. 141, 142 and 143. SFAS No. 141, "Business Combinations," eliminates the pooling-of-interest method of accounting for business combinations and requires the use of the purchase method. In addition, the reassessment of intangible assets to determine if they are appropriately classified either separately or within goodwill is required. SFAS No. 141 is effective for business combinations initiated after June 30, 2001. The Company adopted SFAS No. 141 on July 1, 2001 with no material impact on net income.

SFAS No. 142, "Goodwill and Other Intangible Assets," eliminates the amortization of goodwill and other acquired intangible assets with indefinite economic useful lives. SFAS No. 142 requires an annual impairment test of goodwill and other intangible assets that are not subject to amortization. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The impact of adopting SFAS No. 142 has not yet been determined, but may be material.

SFAS No. 143, "Accounting for Asset Retirement Obligations," provides guidance on the accounting for obligations associated with the retirement of long-lived assets. SFAS No. 143 requires a liability to be recognized in the financial statements for retirement obligations meeting specific criteria. Measurement of the initial obligation is to approximate fair value with an equivalent amount recorded as an increase in the value of the capitalized asset. The asset will be depreciable in accordance with normal depreciation policy and the liability will be increased, with a charge to the income statement, until the obligation is settled. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The potential impact of adopting SFAS No. 143 is not yet determinable.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," replaces SFAS No. 121. The statement develops one accounting model for long-lived assets to be disposed of by sale and addresses significant implementation issues. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The effect of implementing SFAS No. 144 has not yet been determined.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS DESCRIPTION

Chesapeake Utilities Corporation (the "Company") is a diversified utility company engaged in natural gas distribution and transmission, propane distribution and marketing, advanced information services and other related businesses.

The Company's strategy is to grow earnings from a stable utility foundation by investing in related businesses and services that provide opportunities for higher, unregulated returns. This growth strategy includes acquisitions and investments in unregulated businesses as well as the continued investment and expansion of the Company's utility operations that provide the stable base of earnings. The Company continually reevaluates its investments to ensure that they are consistent with its strategy and the goal of enhancing shareholder value. The Company's unregulated businesses and services currently include propane distribution and marketing, water conditioning and treatment, and advanced information services. By investing in these related business and services, Chesapeake has created opportunities to earn higher returns than a traditional utility. The reinvestment of these higher returns has increased the Company's earnings and is expected to contribute to future earnings growth.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's capital requirements reflect the capital-intensive nature of its business and are principally attributable to the construction program and the retirement of outstanding debt. The Company relies on cash generated by operations and short-term borrowing to meet normal working capital requirements and to temporarily finance capital expenditures. To permanently finance capital improvements and acquisitions, the Company uses long-term debt and equity as required to maintain a sound capital structure. During the first nine months of 2001, net cash provided by operating activities, net cash used by investing activities and net cash provided by financing activities were approximately $12.1 million, $18.7 million and $3.5 million, respectively. Based upon anticipated cash requirements in 2001, the Company may fund its capital expenditures and refinance short-term borrowings through the issuance of long-term debt. The timing of the issuance of any long-term debt is dependent upon a number of considerations, including the nature of the securities to be issued, and existing economic and financial market conditions.

The Board of Directors has authorized the Company to borrow up to $45 million from various banks and trust companies under short-term lines of credit. As of September 30, 2001, the Company had three unsecured bank lines of credit with two financial institutions, totaling $65 million. One of the lines of credit is fully committed. Short-term debt outstanding at September 30, 2001 and December 31, 2000 was $33 million and $25.4 million, respectively. In the first nine months, funding for capital expenditures and long-term debt reduction came from cash provided by operations, cash on hand and short-term borrowing. As of September 30, 2001, the Company had deferred $6.5 million, down $830,000 since December 31, 2000, of natural gas costs in excess of the cost of gas presently included in its base rates. Management expects to continue to recover these deferred costs through the gas cost recovery mechanism in each of the jurisdictions that regulate the Company's natural gas businesses.

During the nine-month periods ended September 30, 2001 and 2000, capital expenditures, including acquisitions, were approximately $18.7 million and $11.8 million, respectively. The Company has budgeted $31.5 million for capital expenditures during 2001. This amount approximates the Company's current forecasted spending for the year. The budget figures include $25.8 million for natural gas distribution and transmission; $2.5 million for propane distribution and marketing; $495,000 for advanced information services; and $2.7 million for general plant. The natural gas expenditures are for expansion and improvement of facilities, for the improvement and expansion of the pipeline system to better serve existing customers and to extend service to customers in the City of Milford, Delaware. The propane expenditures are to support customer growth and for the replacement of older equipment. The advanced information services expenditures are for computer hardware, software and related equipment. Expenditures for general plant include building improvements, and computer software and hardware. Management expects to finance the 2001 construction program from short-term borrowing, cash from operations and the issuance of long-term debt, if conditions warrant. The construction program is subject to continual review and modification. Actual capital expenditures may differ from these estimates due to a number of factors including acquisition opportunities, changing economic conditions, customer growth in existing markets, regulation and new growth opportunities. The Company does not budget for acquisitions.

The Company has budgeted $1.9 million for capital expenditures in 2001 related to environmental remediation projects, and expects to make additional expenditures in future years, 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 (see Note 3 to the Consolidated Financial Statements).

As of September 30, 2001, common equity represented 57.2 percent of permanent capitalization, compared to 55.7 percent as of December 31, 2000. Including both short-term financing and total capitalization, the equity component would have been 43.8 percent and 44.7 percent, respectively. The Company remains committed to maintaining a sound capital structure and strong credit ratings in order to provide the financial flexibility needed to access the capital markets when required. This commitment, along with adequate and timely rate relief for the Company's regulated operations, is intended to ensure that the Company will be able to attract capital from outside sources at a reasonable cost.

Interest for the first nine months of 2001 increased approximately $798,000, or 26%, over the same period in 2000. The increase was caused by an increase in average short-term borrowing for the first nine months of $3.8 million and an increase in the average long-term debt balances of $17.5 million. The increase in borrowing was generated primarily by capital spending and under-recovered gas costs. The Company earns interest on the under-recovered gas costs in Delaware and Florida. The weighted average interest rates for the first half of 2001 was down.

Accounts receivable decreased by $16.4 million and accounts payable decreased by $17.9 million from December 31, 2000 to September 30, 2001. Balances at year-end were higher, partially due to the higher wholesale price of propane affecting propane marketing receivables and payables, compared to the September 30, 2001 pricing levels. Additionally, the natural gas and propane distribution operations experienced higher revenue and receivables; thereby increasing the corresponding cost of sales and payables in the winter months due to colder temperatures when compared to the summer and early fall months.

RESULTS OF OPERATIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2001

CONSOLIDATED OVERVIEW

The Company recognized a seasonal net loss of $675,000 or $0.13 per share for the third quarter of 2001. As indicated in the following table, the increase in income is primarily due to higher contributions of pre-tax operating income by the natural gas and advanced information services businesses. These gains were partially offset by pre-tax operating losses for the propane and other business operations, higher interest expense and reduced operating income tax benefit.

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2001	2000	CHANGE
Pre-tax Operating Income (Loss)			
Natural Gas Distribution & Transmission.	$ 1,110,237	$ 129,024	$ 981,213
Propane Gas Distribution & Marketing . .	(1,473,152)	(1,439,698)	(33,454)
Advanced Information Services.	429,227	343,017	86,210
Other & Eliminations	(9,862)	222,533	(232,395)
Pre-tax Operating Income (Loss).	56,450	(745,124)	801,574
Operating Income Taxes	(505,969)	(701,165)	195,196
Interest	1,299,945	1,157,644	142,301
Non-Operating Income, net.	62,560	156,894	(94,334)
Net Loss	$ (674,966)	$(1,044,709)	$ 369,743

NATURAL GAS DISTRIBUTION AND TRANSMISSION

The natural gas distribution and transmission segment reported pre-tax operating income of $1.1 million for the third quarter 2001 as compared to $129,000 for the corresponding period last year an increase of $981,000. The increase in pre-tax operating income is due primarily to an increase in gross margin.

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2001	2000	CHANGE
Revenue	$15,464,169	$16,801,554	$(1,337,385)
Cost of Gas	8,761,703	11,131,281	(2,369,578)
Gross Margin.	6,702,466	5,670,273	1,032,193
Operations & Maintenance.	3,571,183	3,666,126	(94,943)
Depreciation & Amortization . . .	1,411,992	1,346,320	65,672
Other Taxes	609,054	528,803	80,251
Total Operating Expenses.	5,592,229	5,541,249	50,980
Pre-tax Operating Income.	$ 1,110,237	$ 129,024	$ 981,213

The gross margin increase was principally due to rate increases in Florida and an increase in firm transportation service provided by the interstate pipeline subsidiary. Additionally, margins for the Florida gas marketing operations increased. Operating expenses increased primarily due to increased depreciation and property taxes. The increase was partially offset by decreases in operations and maintenance expenses resulting from cost containment measures initiated during the second quarter of this year.

PROPANE GAS DISTRIBUTION AND MARKETING

For the third quarter of 2001, the propane segment recognized a seasonal pre-tax operating loss of $1,473,000 compared to $1,440,000 for the same period last year, a change of two percent.

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2001	2000	CHANGE
Revenue	$33,122,533	$37,357,254	$(4,234,721)
Cost of Sales	31,708,824	35,742,022	(4,033,198)
Gross Margin	1,413,709	1,615,232	(201,523)
Operations & Maintenance	2,379,479	2,567,646	(188,167)
Depreciation & Amortization	354,132	354,837	(705)
Other Taxes	153,250	132,447	20,803
Total Operating Expenses	2,886,861	3,054,930	(168,069)
Pre-tax Operating Loss	$(1,473,152)	$(1,439,698)	$ (33,454)

Gross margins decreased due to a reduction in propane distribution gallons sold for the third quarter. Operating expenses decreased partially due to cost reduction initiatives undertaken during the second quarter. This offset a portion of the decline in gross margin.

ADVANCED INFORMATION SERVICES

The advanced information services segment recognized pre-tax operating income of $429,000 for the third quarter of 2001 as compared to $343,000 for the same period last year, an increase of 25%.

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2001	2000	CHANGE
Revenue	$4,028,523	$3,291,323	$737,200
Cost of Sales	1,981,900	1,652,114	329,786
Gross Margin	2,046,623	1,639,209	407,414
Operations & Maintenance	1,402,026	1,117,521	284,505
Depreciation & Amortization	67,378	67,440	(62)
Other Taxes	147,992	111,231	36,761
Total Operating Expenses	1,617,396	1,296,192	321,204
Pre-tax Operating Income	$ 429,227	$ 343,017	$ 86,210

The increase in pre-tax operating income was primarily the result of an increase in revenues over the depressed levels experienced in 2000. During 2000, many companies curtailed their information technology expenditures, after implementing their Year 2000 contingency plans. During 2001, this segment has expanded its service offerings and repositioned itself under a new name, BravePoint, Inc. The margin increase was partially offset by increased operating expenses, primarily sales and marketing. An aggressive marketing campaign, associated with the repositioning of the segment, increased sales and marketing expenses $268,000.

OTHER BUSINESS OPERATIONS

Pre-tax operating income for the third quarter decreased by $232,000 over the same period last year for other operations. This decline was primarily the result of a decline in the performance of one of the Company's water businesses and the costs associated with establishing a management infrastructure for the water businesses recently acquired. Additionally, costs were incurred in conjunction with water expanding into new service territories.

OPERATING INCOME TAXES

The income tax benefit was lower due to the decrease in the operating loss for the current quarter. For 2001, the Company anticipates paying tax at a higher composite income tax rate.

INTEREST EXPENSE

Interest for the third quarter of 2001 increased approximately $142,000, or 12%, over the same period in 2000. The increase was caused by an increase in average short-term borrowing of $1.4 million and an increase in the average long-term debt balance of $17.8 million over the third quarter of 2000. The increase in borrowing was primarily due to capital expenditures and under-recovered gas costs. The Company earns interest on the under-recovered gas costs. The weighted average interest rates for the third quarter of 2001 were lower than those in 2000.

ENVIRONMENTAL MATTERS

The Company continues to work with federal and state environmental agencies to assess the environmental impact and explore options for corrective action at three former gas manufacturing plant sites (see Note 3 to the Consolidated Financial Statements). The Company believes that future costs associated with these sites will be recoverable in rates or through sharing arrangements with, or contributions by, other responsible parties.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

CONSOLIDATED OVERVIEW

The Company recognized net income of $5.4 million for the first nine months of 2001, an increase of eight percent over the prior year. As indicated in the following table, the increase in income is primarily due to a greater contribution of pre-tax operating income by the natural gas, propane and advanced information services segments. These gains were partially offset by lower pre-tax operating income from other business operations and increased interest expense.

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2001	2000	CHANGE
Pre-tax Operating Income (Loss)			
Natural Gas Distribution & Transmission.	$ 9,925,881	$ 8,582,296	$1,343,585
Propane Gas Distribution & Marketing . .	1,695,813	1,144,287	551,526
Advanced Information Services.	644,995	318,050	326,945
Other & Eliminations	(30,208)	661,672	(691,880)
Pre-tax Operating Income	12,236,481	10,706,305	1,530,176
Operating Income Taxes	3,266,502	2,874,304	392,198
Interest	3,924,519	3,126,921	797,598
Non-Operating Income, net.	311,769	239,226	72,543
Net Income	$ 5,357,229	$ 4,944,306	$ 412,923

NATURAL GAS DISTRIBUTION AND TRANSMISSION

The natural gas distribution and transmission segment reported pre-tax operating income of $9.9 million for the first nine months of 2001 as compared to $8.6 million for the corresponding period last year an increase of $1.3 million. The increase in pre-tax operating income is due to an increase in gross margin partially offset by higher operating expenses.

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2001	2000	CHANGE
Revenue	$86,064,903	$68,698,849	$17,366,054
Cost of Gas	58,504,229	42,979,602	15,524,627
Gross Margin.	27,560,674	25,719,247	1,841,427
Operations & Maintenance.	11,490,858	11,536,450	(45,592)
Depreciation & Amortization . . .	4,221,968	3,954,809	267,159
Other Taxes	1,921,967	1,645,692	276,275
Total Operating Expenses.	17,634,793	17,136,951	497,842
Pre-tax Operating Income.	$ 9,925,881	$ 8,582,296	$ 1,343,585

The increase in margin was the result of a rate increase in Florida and an increase in firm transportation services provided by the interstate pipeline subsidiary. The increased margin generated by the colder weather in Delaware was largely offset by a reduction in Delaware's distribution margins that resulted from a weather normalization adjustment of $418,000 recorded in 2000. Operating expenses were higher primarily due to increased depreciation and property taxes.

PROPANE GAS DISTRIBUTION AND MARKETING

For the first nine months of 2001, the propane segment contributed pre-tax operating income of $1.7 million as compared to $1.1 million for the same period last year. The increase is the result of an increase in gross margin partially offset by an increase in operating expenses.

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2001	2000	CHANGE
Revenue	$156,461,330	$140,382,417	$16,078,913
Cost of Sales	144,613,952	129,342,098	15,271,854
Gross Margin.	11,847,378	11,040,319	807,059
Operations & Maintenance.	8,545,894	8,380,115	165,779
Depreciation & Amortization . . .	1,068,417	1,045,813	22,604
Other Taxes	537,254	470,104	67,150
Total Operating Expenses.	10,151,565	9,896,032	255,533
Pre-tax Operating Income.	$ 1,695,813	$ 1,144,287	$ 551,526

Margins increased for both propane distribution and marketing. Retail margins per gallon for the first quarter of 2001 were improved over depressed levels in 2000. Marketing margins were enhanced due to propane price volatility. These increases were partially offset by increased operating expenses caused by higher energy prices and customer service initiatives implemented in 2000.

ADVANCED INFORMATION SERVICES

The advanced information services segment recognized pre-tax operating income of $645,000 for the first nine months of 2001 as compared to $318,000 for the same period last year.

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2001	2000	CHANGE
Revenue	$11,124,407	$9,653,927	$1,470,480
Cost of Sales	5,634,383	5,234,327	400,056
Gross Margin.	5,490,024	4,419,600	1,070,424
Operations & Maintenance.	4,179,121	3,469,783	709,338
Depreciation & Amortization	197,300	214,881	(17,581)
Other Taxes	468,608	416,886	51,722
Total Operating Expenses.	4,845,029	4,101,550	743,479
Pre-tax Operating Income.	$ 644,995	$ 318,050	$ 326,945

This increase reflects higher revenues in 2001 compared to depressed levels in 2000. During 2000, revenues from the Company's traditional information technology services (i.e. non web-related services) declined after their clients finished implementing their Year 2000 contingency plans. New service offerings, particularly web-related services, have helped improve 2001 revenues. This business segment adopted a new name, BravePoint, Inc., and has been marketing aggressively. Sales and marketing expenses, which increased $625,000, were the main factors in the rise in operating expenses from 2000 to 2001.

OTHER BUSINESS OPERATIONS
Pre-tax operating income for the nine months ended September 30, 2001 decreased by $692,000 over the same period last year for other operations. This decline was primarily the result of a decline in the performance of one of the Company's water businesses and the costs associated with establishing a management infrastructure for the water businesses. Additionally, costs were incurred in conjunction with the water business expanding into new service territories.

OPERATING INCOME TAXES
Operating income taxes were higher due to the increase in operating income for the first nine months of the year. For 2001, the Company anticipates paying tax at a higher composite income tax rate.

INTEREST EXPENSE
Interest for the first nine months of 2001 increased approximately $798,000, or 26%, over the same period in 2000. The increase was caused by an increase in average short-term borrowing of $3.8 million and an increase in the average long-term debt balances of $17.5 million. The increase in borrowing was generated primarily by capital spending and under-recovered gas costs. The Company earns interest on the under-recovered gas costs. In addition, the weighted average interest rate for the first nine months of 2001 was down.

ENVIRONMENTAL MATTERS
The Company continues to work with federal and state environmental agencies to assess the environmental impact and explore options for corrective action at three former manufactured gas plant sites (see Note 3 to the Consolidated Financial Statements). The Company believes that future costs associated with these sites will be recoverable in rates or through sharing arrangements with, or contributions by, other responsible parties.

OTHER MATTERS

ACQUISITIONS
During the second quarter of 2001, the Company acquired Absolute Water Care, Inc. and certain assets of Aquarius Systems, Inc., two water conditioning and treatment dealerships operating out of three locations in Florida.

In July 2001, the Company purchased selected assets of EcoWater Systems of Rochester, located in Rochester, Minnesota, and Intermountain Water, Inc. and Blue Springs Water, located in Boise, Idaho. As a result, the Company will now provide water treatment, water conditioning and bottled water to customers in those geographic regions.

REGULATORY MATTERS
The Company's natural gas distribution operations are subject to regulation by the Delaware, Maryland and Florida Public Service Commissions. In addition, the natural gas transmission operation is subject to regulation by the Federal Energy Regulatory Commission.

A request for approval of a rate increase for the Florida natural gas distribution division was filed in June 2000 and interim rates went into effect on August 10, 2000. An order was issued by the Commission in November 2000 approving a rate increase. Final rates were effective in December 2000.

The Company filed for a base rate increase with the Delaware Public Service Commission on August 2, 2001. Management began charging higher interim rates, subject to refund, in October 2001 with permanent rates going into effect subject to approval by the Public Service Commission.

COMPETITION
The Company's natural gas operations compete with other forms of energy such as electricity, oil and propane. The principal competitive factors are price, and to a lesser extent, accessibility. The Company's natural gas distribution operations have several large volume industrial customers that have the capacity to use fuel oil as an alternative to natural gas. When the cost of using fuel oil to provide power for their operations is lower than the cost of natural gas, these "interruptible" customers convert to oil. Oil prices, as well as the prices of electricity and other fuels, are subject to fluctuation for a variety of reasons; therefore, future competitive conditions are not predictable. In order to address this uncertainty, the Company uses flexible pricing arrangements on both the supply and sales side of its business to maximize sales volumes. As a result of the transmission segment's conversion to open access, the segment has shifted from providing bundled sales service to providing transportation and contract storage services.

In some cases the Company's natural gas operations compete with alternative natural gas delivery companies, including the Company's own interstate pipeline.

The customers at risk are usually large volume commercial and industrial customers with the financial resources and capability to bypass the distribution of transmission systems. In certain situations, the Company may adjust services and rates for these customers to retain their business. The Company provides unbundled natural gas supply services to compete more effectively for these customers.

The Company's propane distribution operations compete with several other propane distributors in their service territories, primarily on the basis of service and price. Competitors include both large national companies and many, generally smaller, local companies. The number of small local competitors has increased significantly in the last few of years as fuel oil dealers and electric cooperatives have entered the propane distribution business.

The Company's advanced information services segment faces significant competition from a number of larger competitors, many of which have substantially greater resources available to them than those of the Company. This segment competes on the basis of technological expertise, reputation and price.

INFLATION

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

CAUTIONARY STATEMENT

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

- the temperature sensitivity of the natural gas and propane businesses;
- the wholesale prices of natural gas and propane and market movements in these prices;
- the effects of competition on the Company's unregulated and regulated businesses;
- the effect of changes in federal, state or local legislative requirements;
- the ability of the Company's new and planned facilities and acquisitions to generate expected revenues; and
- the Company's ability to obtain the rate relief and cost recovery requested from utility regulators and the timing of the requested regulatory actions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the potential loss arising from adverse changes in market rates and prices. The Company's long-term debt consists of first mortgage bonds, senior notes and convertible debentures with fixed interest rates, none of which was entered into for trading purposes. The carrying value of this long-term debt at September 30, 2001 was $52.4 million with a fair value of $59.4 million, based mainly on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The Company is exposed to changes in interest rates due to the use of fixed rate long-term debt to finance the business. Management continually monitors fluctuations in interest rates and debt markets to assess the benefits of changing the mix of long and short-term debt or refinancing existing debt.

The Company's propane marketing business is a party to natural gas liquids ("NGL") forward contracts, primarily propane contracts, with various third parties. These contracts obligate the propane marketing business to purchase or sell NGL at a fixed price at fixed future dates. At expiration, the contracts are settled by the delivery of NGL to the respective party. The propane marketing business also enters into futures contracts that are traded on the New York Mercantile Exchange. In certain cases, the futures contracts are settled by the payment of a net amount equal to the difference between the current market price of the futures contract and the original contract price.

The forward and futures contracts are entered into for trading and wholesale marketing purposes. The propane marketing business is subject to commodity price risk on its open positions to the extent that market prices for NGL deviate from fixed contract settlement prices. Market risk associated with the trading of futures and forward contracts are monitored daily for compliance with the Company's Risk Management Policy, which includes volumetric limits for open positions. To manage exposures to changing market prices, open positions are marked up or down to market prices and reviewed by oversight officials on a daily basis. Additionally, the Risk Management Committee reviews periodic reports on market and credit risk, approves any exceptions to the Risk Management Policy (within limits established by the Board of Directors) and authorizes the use of any new types of contracts. Quantitative information on forward and futures contracts at September 30, 2001 is presented in the following table. All of the contracts mature within twelve months.

AT SEPTEMBER 30, 2001	QUANTITY IN GALLONS	ESTIMATED MARKET PRICES	WEIGHTED AVERAGE CONTRACT PRICES
FORWARD CONTRACTS			
Sale.	23,662,800	$0.4000 - $0.4025	$0.4654
Purchase.	21,210,000	$0.4075 - $0.4150	$0.4720
FUTURES CONTRACTS			
Sale.	168,000	$0.4025 - $0.4125	$0.4250
Purchase.	588,000	$0.4025 - $0.4125	$0.4895

Estimated market prices and weighted average contract prices are in dollars per gallon.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 3 to the Consolidated Financial Statements

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

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. EXHIBITS AND REPORTS ON FORM 8-K

On November 1, 2001, the Company filed, under Item 5, that three new members had been appointed to its Board of Directors.

SIGNATURES

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

Chesapeake Utilities Corporation

/s/ Michael P. McMasters
- ----------------------------------
Michael P. McMasters
Vice President, Treasurer and Chief Financial Officer

Date: November 14, 2001