SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 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 - 3,700,688 shares issued as of June 30, 1995, of which 4,135 are held in treasury.

# PART I
# FINANCIAL INFORMATION

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

| Assets | June 30, 1995 (Unaudited) | December 31, 1994 |
|---|---|---|
| Property, Plant And Equipment | | |
| Natural gas distribution | $61,835,512 | $57,773,632 |
| Natural gas transmission | 24,885,913 | 24,546,916 |
| Propane distribution | 18,507,980 | 18,289,571 |
| Information technology services and other | 9,496,740 | 8,618,014 |
| Gas plant acquisition adjustment | 795,004 | 795,004 |
| Total property, plant and equipment | 115,521,149 | 110,023,137 |

| | | |
|---|---|---|
| Less: Accumulated depreciation and amortization | (36,925,922) | (34,710,478) |
| Net property, plant and equipment | 78,595,227 | 75,312,659 |
| Investments | 1,873,407 | 1,641,851 |
| Current Assets | | |
| Cash and cash equivalents | 259,005 | 398,751 |
| Accounts receivable, less allowance for uncollectibles | 7,370,116 | 8,416,293 |
| Materials and supplies, at average cost | 864,164 | 797,147 |
| Propane inventory, at average cost | 967,971 | 1,411,384 |
| Storage gas prepayments | 2,237,041 | 3,467,281 |
| Underrecovered purchased gas costs | | 109,025 |
| Income taxes receivable | | 836,813 |
| Prepaid expenses | 902,331 | 855,107 |
| Deferred income taxes | 1,896,146 | 1,290,680 |
| Total current assets | 14,496,774 | 17,582,481 |
| Deferred Charges and Other Assets | | |
| Intangible assets, net of accumulated amortization | 1,687,512 | 1,941,239 |
| Environmental cost | 7,401,945 | 7,462,647 |
| Order 636 transition cost | 1,719,573 | 2,020,732 |
| Other deferred charges | 2,135,887 | 2,309,008 |
| Total deferred charges and other assets | 12,944,917 | 13,733,626 |
| Total Assets | $107,910,325 | $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 | June 30, 1995 (Unaudited) | December 31, 1994 |
|---|---|---|
| Capitalization | | |
| Stockholders' equity | | |
| Common Stock, par value $.4867 per share; (authorized 12,000,000 shares; issued 3,700,688 and 3,653,182 shares, respectively) | $1,801,039 | $1,785,514 |
| Additional paid-in capital | 17,301,961 | 16,834,823 |
| Retained earnings | 22,243,014 | 19,480,374 |
| Less: Treasury stock, at cost; (4,135 and 15,609 shares, respectively) | (26,476) | (99,842) |
| Unearned compensation - restricted stock awards | (652,402) | (696,679) |
| Net unrealized loss on marketable securities | (141,412) | (241,609) |
| Total stockholders' equity | 40,525,724 | 37,062,581 |
| Long-term debt, net of current portion | 23,909,138 | 24,328,988 |
| Total capitalization | 64,434,862 | 61,391,569 |
| Current Liabilities | | |
| Current portion of long-term debt | 1,249,349 | 1,348,080 |
| Short-term borrowings | 3,500,000 | 8,000,000 |
| Accounts payable | 6,236,916 | 7,385,590 |
| Refunds payable to customers | 658,244 | 567,817 |
| Overrecovered purchased gas costs | 1,316,633 | |
| Accrued interest | 682,408 | 691,949 |

| | | |
|---|---|---|
| Dividends payable | 831,724 | 803,700 |
| Accrued income taxes | 1,384,029 | |
| Other accrued expenses | 2,310,412 | 2,225,097 |
| Total current liabilities | 18,169,715 | 21,022,233 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 8,582,045 | 8,700,472 |
| Deferred investment tax credits | 963,535 | 986,062 |
| Environmental liability | 6,500,022 | 6,642,092 |
| Accrued pension costs | 2,641,134 | 2,530,904 |
| Order 636 transition liability | 1,719,573 | 2,020,732 |
| Other liabilities | 4,899,439 | 4,976,553 |
| Total deferred credits and other liabilities | 25,305,748 | 25,856,815 |
| Total Capitalization and Liabilities | $107,910,325 | $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 June 30, 1995 | 1994 |
|---|---|---|
| Operating Revenues | $22,074,663 | $19,868,566 |
| Operating Expenses | | |
| Purchased gas costs | 12,926,940 | 12,511,333 |
| Operations | 4,771,005 | 4,596,300 |
| Maintenance | 506,894 | 554,440 |
| Depreciation and amortization | 1,335,653 | 1,301,700 |
| Other taxes | 706,523 | 657,817 |
| Income taxes | 458,306 | (341,574) |
| Total operating expenses | 20,705,321 | 19,280,016 |
| Operating Income | 1,369,342 | 588,550 |
| Other Income and Deductions | 87,418 | (39,244) |
| Income Before Interest Charges | 1,456,760 | 549,306 |
| Interest Charges | 692,675 | 665,890 |
| Net Income | $764,085 | ($116,584) |
| Weighted Average Number of Common Shares Outstanding | 3,692,515 | 3,625,892 |
| Earnings Per Share of Common Stock (1): | | |
| Net income | $0.21 | ($0.03) |
| Fully Diluted Earnings Per Share of Common Stock (1): | | |
| Net income | $0.21 | ($0.03) |

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 INCOME STATEMENTS
(UNAUDITED)

| | For the Six Months Ended June 30, 1995 | 1994 |
|---|---|---|
| Operating Revenues | $52,971,460 | $55,878,077 |
| Operating Expenses | | |
| Purchased gas costs | 29,899,031 | 34,162,328 |
| Operations | 9,724,209 | 9,695,515 |
| Maintenance | 918,392 | 981,532 |
| Depreciation and amortization | 2,666,927 | 2,648,865 |
| Other taxes | 1,573,440 | 1,507,689 |
| Income taxes | 2,489,157 | 1,970,995 |
| Total operating expenses | 47,271,156 | 50,966,924 |
| Operating Income | 5,700,304 | 4,911,153 |
| Other Income and Deductions | 131,678 | 24,821 |
| Income Before Interest Charges | 5,831,982 | 4,935,974 |
| Interest Charges | 1,409,466 | 1,306,472 |
| Net Income | $4,422,516 | $3,629,502 |
| Weighted Average Number of Common Shares Outstanding | 3,681,837 | 3,612,262 |
| Earnings Per Share of Common Stock (1): | | |
| Net income | $1.20 | $1.00 |
| Fully Diluted Earnings Per Share of Common Stock (1): | | |
| Net income | $1.15 | $0.96 |

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 Six Months Ended June 30, 1995 | 1994 |
|---|---|---|
| Operating Activities | | |
| Net Income | $4,422,516 | $3,629,502 |
| Adjustments to reconcile net income to net operating cash | | |
| Depreciation and amortization | 2,827,420 | 2,810,899 |
| Deferred income taxes, net | (788,893) | (1,124,102) |
| Investment tax credit adjustments | (22,527) | (27,408) |
| Employee benefits | 70,813 | 495,962 |
| Employee compensation from lapsing stock restrictions | 216,885 | 184,125 |
| Reserve for refund | 282,240 | 820,011 |
| Other | (609,401) | (1,287) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 1,046,177 | 2,212,316 |
| Inventory, materials, supplies and storage gas | 1,606,637 | 1,431,179 |
| Prepaid expenses | (47,224) | 2,301 |
| Other deferred charges | 389,950 | (219,939) |
| Accounts payable | (1,148,674) | (1,978,518) |

| | | |
|---|---|---|
| Refunds payable to customers | 90,427 | 171,537 |
| Overrecovered purchased gas costs | 1,425,658 | 3,003,587 |
| Other current liabilities | 2,270,661 | 2,601,368 |
| Net cash provided by operating activities | 12,032,665 | 14,011,533 |
| **Investing Activities** | | |
| Property, plant and equipment expenditures, net | (5,856,261) | (4,050,084) |
| Purchases of investments, net | (38,836) | |
| Net cash used by investing activities | (5,895,097) | (4,050,084) |
| **Financing Activities** | | |
| Common stock dividends net of amounts reinvested of $225,484 and $196,065, respectively | (1,406,342) | (1,368,588) |
| Net repayments under line of credit agreements | (4,500,000) | (8,900,000) |
| Proceeds from issuance of treasury stock | 147,608 | 85,100 |
| Repayments of long-term debt | (518,580) | (451,446) |
| Payments under capital lease obligations | | (46,476) |
| Converted debenture bonds | | 4,984 |
| Net cash used by financing activities | (6,277,314) | (10,676,426) |
| Net Decrease in Cash | (139,746) | (714,977) |
| Cash and Cash Equivalents at Beginning of Period | 398,751 | 1,162,797 |
| Cash and Cash Equivalents at End of Period | $259,005 | $447,820 |

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

The investment balances at June 30, 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 June 30, 1995 and December 31, 1994, represents a 7.06% 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 June 30, 1995 the market price per share, cost basis per share, and the unrealized loss on the investment in FPU were $17.75, $20.05 and $236,412, 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 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 waiting for FERC to rule on the issue. The total accrued liability at June 30, 1995 and December 31, 1994 are $1,526,000 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"). At this time, under CERCLA, both the State of Delaware and the Company were named as 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 in January and February 1993, respectively. After receiving extensive comments, the Company submitted to the EPA and DNREC its revised RI and FS reports in May and June 1993, respectively. In the FS Report, Chesapeake proposed a remedy which involved capping the site and monitoring ground-water quality in the surrounding area with a total estimated cost of approximately $700,000.

After further discussions with the regulatory authorities, Chesapeake undertook 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 30 day public comment period, which 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 less stringent ground-water remediation addressing 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.

The Company and the EPA each attempted 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.

On May 17, 1995, EPA issued an order to the Company under section 106 of CERCLA (the  Order ), which requires the Company to fund or implement the site ROD issued by EPA on August 6, 1994. The Order was also issued to General Public Utilities Corporation, Inc. ( GPU ), which EPA and the Company believe is liable under CERCLA. Other PRPs such as the State of Delaware were not ordered to perform the ROD. EPA may seek judicial enforcement of its Order, as well as significant financial penalties for failure to comply. Although notifying EPA of objections to the Order, the Company agreed to comply. GPU has informed EPA that it does not intend to comply with the order.

The Company has commenced the design phase of the work required by the Order. On July 6, 1995, the Company also submitted to EPA a study that proposes two alternative remedies for the soil at the site. The alternatives contemplate a reduction in the level and cost of soil cleanup from that identified in the ROD. The alternatives are consistent with a prior agreement by the State of Delaware that limits construction on the site. The EPA is currently evaluating the proposal, which is supported by the State of Delaware, and the Company anticipates further negotiations on this issue.

The litigation commenced by the Company on March 6, 1995 against the State of Delaware remains pending in U.S. District Court for the District of Delaware. The Company is currently engaged in discovery related to any additional parties who may be PRPs. Based upon this discovery, the Company will consider suit against other PRPs. Additionally, the Company and EPA each continue to attempt to secure voluntary funding or performance of part of the remediation by other PRPs. The Company expects continued negotiations with PRPs to attempt to resolve these matters.

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 June 30, 1995, the Company has incurred approximately $3.2 million 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 June 30, 1995 the unamortized balance is approximately $500,000. Of the $3.2 million in costs reported above, approximately $328,000 has not been recovered through insurance proceeds or received ratemaking treatment. It is management's opinion that these costs incurred will be recoverable in future 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. Through negotiations with the MDE, the remedial action workplan was revised with final approval from MDE obtained in early 1995. The remediation process for ground-water was revised from pump-and-treat to Air Sparging and Soil-Vapor Extraction, resulting in a substantial reduction in overall costs. The Company hopes to have the remediation facilities for ground water designed and constructed by year-end.

The cost of remediation is estimated to be approximately $365,000 in capital costs with yearly operating expenses of approximately $200,000. Based on earlier 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. In July, the Company will be increasing both the liability and deferred regulatory asset to reflect the increase in costs. The liability payout for this site is expected to be over a five-year period. As of June 30, 1995, the Company has incurred approximately $1,725,000 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 June 30, 1995, the unamortized balance was approximately $179,000 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 $1,725,000 in costs reported above, approximately $767,000 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 future 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 may be filed with the FDEP during the second half of 1995 at an estimated cost of $60,000. 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 on these investigations as of June 30, 1995 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 approval from the Florida Public Service Commission ("FPSC") to amortize through base rates $359,659 of all 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 June 30, 1995, the Company has $49,000 accrued. It is management's opinion that future costs above the amount accrued, if any, will be recoverable in future 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.

In November 1993 DNREC advised the Company that it would require a remediation of the soil contamination under the state's Hazardous Substance Cleanup Act. The Company met with DNREC personnel in December 1993 to discuss the scope of any remediation of the site, and in January 1994, submitted a proposed workplan, together with comments on the draft Consent Decree. Initial comments from DNREC on the Work Plan were received in March 1994, appropriate revisions were prepared and the Work Plan was resubmitted. Several additional sets of comments on the Work Plan were received from DNREC. 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 has begun in 1995 at an estimated cost of approximately $200,000. It is management's opinion that these and any other costs will be recoverable in future rates.

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

### RESULTS OF OPERATIONS FOR THE QUARTER ENDED JUNE 30, 1995

The Company recognized net income of $764,085 for the three months ended June 30, 1995, representing an increase in net income of $880,669 as compared to the corresponding period in 1994. As indicated in the table below, the increase in earnings before interest and taxes ("EBIT") is due to higher earnings or a reduction in loss before interest and taxes ("LBIT") by all segments of the Company.

| | FOR THE QUARTER ENDED JUNE 30, | | |
|---|---|---|---|
| | 1995 | 1994 | Change |
| Earnings Before Interest and Taxes | | | |
| Natural Gas Distribution | $652,420 | $544,147 | $108,273 |
| Natural Gas Transmission | 1,416,056 | 250,135 | 1,165,921 |
| Propane Distribution | (362,243) | (429,190) | 66,947 |
| Information Technology Services and Other | 184,649 | (14,971) | 199,620 |
| Eliminations | (63,234) | (103,145) | 39,911 |
| Total EBIT | 1,827,648 | 246,976 | 1,580,672 |
| Operating Income Taxes | 458,306 | (341,574) | 799,880 |
| Interest | 692,675 | 665,890 | 26,785 |
| Non-Operating Income, Net | 87,418 | (39,244) | 126,662 |
| Net Income | $764,085 | $(116,584) | $880,669 |

Natural Gas Distribution

The natural gas distribution segment reported EBIT of $652,420 for the second quarter 1995 as compared to EBIT of $544,147 for the corresponding period last year, an increase of $108,273. The increase in EBIT is due to an increase in gross margin in all of our service territories, partially offset by an increase in operating expenses.

| | FOR THE QUARTER ENDED JUNE 30, | | |
|---|---|---|---|
| | 1995 | 1994 | Change |
| Revenue | $10,720,619 | $10,718,471 | $2,148 |
| Cost of Gas | 6,839,884 | 7,160,811 | (320,927) |
| Gross Margin | 3,880,735 | 3,557,660 | 323,075 |
| Operations & Maintenance | 2,163,143 | 2,049,641 | 113,502 |
| Depreciation & Amortization | 603,259 | 537,530 | 65,729 |
| Other Taxes | 461,913 | 426,342 | 35,571 |
| EBIT | $652,420 | $544,147 | $108,273 |

The increase in gross margin is primarily due to an increase in firm sales in our northern service territories due to cooler than normal spring temperatures in the second quarter of 1995 when compared to the corresponding period of 1994. In addition, our Florida service territory had an increase in transportation sales to two co-generation facilities that began operations in April and July of 1994.

The increase in operations and maintenance expenses of $113,502 is due to an increase in customer accounting expenses, mains, meter and house regulating equipment. Depreciation and amortization expenses increased $65,729 due to plant placed in service during the past year. Other taxes increased $35,571 primarily due to an increase in property and payroll taxes.

Natural Gas Transmission

The natural gas transmission segment reported EBIT of $1,416,056 for the second quarter of 1995 as compared to EBIT of $250,135 for the corresponding period last year, an increase of $1,165,921. The increase in EBIT is due to an increase in gross margin and a decrease in operating expenses.

| | FOR THE QUARTER ENDED JUNE 30, | | |
|---|---|---|---|
| | 1995 | 1994 | Change |
| Revenue | $10,256,182 | $7,868,230 | $2,387,952 |
| Cost of Gas | 7,887,217 | 6,626,019 | 1,261,198 |

| | | | |
|---|---|---|---|
| Gross Margin | 2,368,965 | 1,242,211 | 1,126,754 |
| Operations & Maintenance | 684,852 | 733,147 | (48,295) |
| Depreciation & Amortization | 174,239 | 174,445 | (206) |
| Other Taxes | 93,818 | 84,484 | 9,334 |
| EBIT | $1,416,056 | $250,135 | $1,165,921 |

The increase in revenue and cost of gas is primarily due to a 106% increase in industrial interruptible sales volumes. This was partially offset by a 17% decrease in the cost of gas which is passed on to our customers. The increase in gross margin is attributable to the increase in interruptible sales volumes as natural gas competed favorably with alternative fuels. The increase in industrial interruptible sales is primarily due to increased sales to the methanol plant. Sales volumes and margins to this customer were up 153% and 168%, respectively, when compared to the same period last year. Adding to the increased gross margin is a $549,000 reduction in the amount expensed in 1995 to accrue for a potential refund, when compared to the corresponding period in 1994 (see note 4 to the Consolidated Financial Statements). Of the $549,000 reduction in 1995, $412,000 was a one-time expense in June 1994 to fully accrue for a refund ordered by FERC.

The decrease in operations and maintenance expenses of $48,295 is due to a delay in the painting of a structure and reduction in cathodic related maintenance expenses in the second quarter of 1995 when compared to the same period of 1994. Other taxes increased $9,334 due to plant placed in service during the past year and an increase in pipeline safety assessments from the federal government.

## Propane Distribution

For the second quarter of 1995, the propane distribution segment experienced a LBIT of $362,243. These results were more favorable than those achieved for the corresponding quarter in 1994, with the segment recognizing a decrease in LBIT of $66,947, or 16%, over the second quarter 1994 LBIT of $429,190. Slightly over one-half of this decrease in LBIT was attributable to an increased gross margin, with the remaining decline in LBIT being a direct result of reduced operating expenses.

| | FOR THE QUARTER ENDED JUNE 30, | | |
|---|---|---|---|
| | 1995 | 1994 | Change |
| Revenue | $2,503,533 | $3,168,118 | $(664,585) |
| Cost of Gas | 1,248,735 | 1,949,889 | (701,154) |
| Gross Margin | 1,254,798 | 1,218,229 | 36,569 |
| Operations & Maintenance | 1,215,342 | 1,226,412 | (11,070) |
| Depreciation & Amortization | 325,485 | 338,320 | (12,835) |
| Other Taxes | 76,214 | 82,687 | (6,473) |
| LBIT | $(362,243) | $(429,190) | $66,947 |

Revenues and cost of gas decreased in 1995, when compared to the same period in 1994 due to sales in 1994 to a wholesale customer under a non-recurring contract. The increase in gross margin resulted from a 2% increase in sales volumes, coupled with a 5% increase in the average margin per gallon. The increase in gallon sales directly related to a larger customer base and slightly colder temperatures. The rise in the average margin per gallon corresponded to a higher selling price per gallon, partially offset by a higher cost per gallon. Selling prices are adjusted in response to demand and competition. Regional market prices for propane did not drop as far in the second quarter of 1995, as compared to 1994, resulting in a higher propane cost for the segment.

Operations and maintenance expenses decreased by $11,070, or 1%, largely as a result of lower vehicle maintenance, advertising and insurance expenses. Depreciation and amortization dropped by $12,835, or 4%, as assets obtained in a prior acquisition became fully depreciated. Other taxes also declined $6,473, or 8%, as a result of lower real estate and personal property taxes.

## Information Technology Services and Other

The information technology services and other segment recognized an EBIT of $184,649 and a LBIT of $14,971 for the second quarters ended June 30, 1995 and 1994, respectively. This increase in EBIT of $199,620 is attributable to higher revenues and lower operating expenses.

| | FOR THE QUARTER ENDED JUNE 30, 1995 | 1994 | Change |
|---|---|---|---|
| Revenue | $2,070,528 | $1,909,460 | $161,068 |
| Operations & Maintenance | 1,578,630 | 1,604,208 | (25,578) |
| Depreciation & Amortization | 232,671 | 255,919 | (23,248) |
| Other Taxes | 74,578 | 64,304 | 10,274 |
| EBIT/LBIT | $184,649 | $(14,971) | $199,620 |

Higher consulting and programming training, resource placement, facilities management, hardware and consulting and programming revenues contributed to the overall increase in revenues of $161,068, or 8%. Partially offsetting these higher revenues was reduced system software revenue, as well as the absence of any Currin and Associates, Inc. ( C&A ) revenues due to its dissolution in 1994. Included in the second quarter results were $413,028 and $556,138 of intercompany revenues for 1995 and 1994, respectively. Of these total intercompany revenues, $63,236 and $103,144 corresponded to intercompany EBIT for 1995 and 1994, respectively. The decline in intercompany revenues from 1994 to 1995, and therefore, intercompany EBIT, illustrates the drop in development time as UtiliCISTM, the customer information and billing system for the Company s natural gas distribution segment, is in its implementation stage. UtiliCISTM is expected to be completed in 1995.

Operations and maintenance expenses declined $25,578, or 2%, primarily due to the absence of $63,135 of expenses incurred by C&A in 1994 and lower health care and pension costs. These decreased expenses were partially offset by increased expenses in areas such as payroll and hardware, which are directly associated with the increased revenues. Depreciation and amortization declined $23,248, or 9%, due to more assets becoming fully depreciated and the C&A s dissolution. Other taxes rose $10,274, or 16%, in response to the higher payroll costs.

## 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 increase of approximately $127,000 in the second quarter 1995, as compared to the corresponding quarter in 1994 is primarily the absence of the 1994 after tax write-off of our investment in Currin and Associates, Inc., slightly offset by a decrease in 1995 interest income.

## Operating Income Taxes

Income taxes increased due to higher second 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.

## RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1995

The Company recognized net income of $4,422,516 for the six months ended June 30, 1995, representing an increase in net income of $793,014 as compared to the corresponding period in 1994. As indicated in the table below, the increase in EBIT is due to a higher gross margin by the transmission segment offset by a reduced gross margin by the propane segment.

| | FOR THE SIX MONTHS ENDED JUNE 30, 1995 | 1994 | Change |
|---|---|---|---|
| Earnings Before Interest and Taxes | | | |
| Natural Gas Distribution | $3,944,483 | $3,880,652 | $63,831 |
| Natural Gas Transmission | 2,264,064 | 974,736 | 1,289,328 |
| Propane Distribution | 1,642,844 | 2,355,798 | (712,954) |
| Information Technology Services and Other | 474,950 | (28,587) | 503,537 |
| Eliminations | (136,880) | (300,451) | 163,571 |
| Total EBIT | 8,189,461 | 6,882,148 | 1,307,313 |
| Operating Income Taxes | 2,489,157 | 1,970,995 | 518,162 |
| Interest | 1,409,466 | 1,306,472 | 102,994 |
| Non-Operating Income, Net | 131,678 | 24,821 | 106,857 |
| Net Income | $4,422,516 | $3,629,502 | $793,014 |

Natural Gas Distribution

The natural gas distribution segment reported EBIT of $3,944,483 for the first six months of 1995 as compared to EBIT of $3,880,652 for the corresponding period last year, an increase of $63,831. The increase in EBIT is due to an increase in gross margin in our service territories, partially offset by an increase in operating expenses.

| | FOR THE SIX MONTHS ENDED JUNE 30, 1995 | 1994 | Change |
|---|---|---|---|
| Revenue | $28,449,275 | $31,534,659 | $(3,085,384) |
| Cost of Gas | 18,027,540 | 21,397,980 | (3,370,440) |
| Gross Margin | 10,421,735 | 10,136,679 | 285,056 |
| Operations & Maintenance | 4,258,681 | 4,203,676 | 55,005 |
| Depreciation & Amortization | 1,199,626 | 1,068,424 | 131,202 |
| Other Taxes | 1,018,945 | 983,927 | 35,018 |
| EBIT | $3,944,483 | $3,880,652 | $63,831 |

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 5% warmer in the first two quarters of 1995 when compared to the corresponding period of 1994. Partially offsetting this decrease, was an increase in sales to phosphate customers and two co-generation facilities in our Florida division.

The increase in operations and maintenance expenses of $55,005 is due to an increase in maintenance to mains, customer installation expenses, engineering, customer accounting expenses and less administrative expenses transferred to plant. This was partially offset by a decrease to outside services and employee pension and benefits. Depreciation and amortization expenses increased $131,202 due to plant placed in service during the past year.

Natural Gas Transmission

The natural gas transmission segment reported EBIT of $2,264,064 for the first six months of 1995 as compared to EBIT of $974,736 for the corresponding period last year, an increase of $1,289,328. The increase in EBIT is due to an increase in gross margin and a decrease in operating expenses.

| | FOR THE SIX MONTHS ENDED JUNE 30, 1995 | 1994 | Change |
|---|---|---|---|
| Revenue | $19,978,867 | $19,826,852 | $152,015 |
| Cost of Gas | 15,879,530 | 16,935,214 | (1,055,684) |
| Gross Margin | 4,099,337 | 2,891,638 | 1,207,699 |

| | | | |
|---|---|---|---|
| Operations & Maintenance | 1,292,462 | 1,396,051 | (103,589) |
| Depreciation & Amortization | 348,478 | 348,890 | (412) |
| Other Taxes | 194,333 | 171,961 | 22,372 |
| EBIT | $2,264,064 | $974,736 | $1,289,328 |

The increase in revenue is primarily due to a 64% increase in industrial interruptible sales volumes which was offset by a 24% decrease in the cost of gas which is passed on to our customers. The increase in gross margin is attributable to the increase in interruptible sales volumes as natural gas competed favorably with alternative fuels. The increase in industrial interruptible sales is primarily due to increased sales to the methanol plant. Sales volumes and margins to this customer were up 78% and 84%, respectively, when compared to the same period last year. Adding to the increased gross margin is a $549,000 reduction in the amount expensed in 1995 to accrue for a potential refund, when compared to the corresponding period in 1994 (see note 4 to the Consolidated Financial Statements). Of the $549,000 reduction in 1995, $412,000 was a one-time expense in June 1994 to fully accrue for a refund ordered by FERC.

The decrease in operations and maintenance expenses of $103,589 is due to a reduction in employee benefits and the delay in the painting of structures and reduction in cathodic related maintenance expenses in the second quarter of 1995 when compared to the same period of 1994. Other taxes increased $22,372 due to plant placed in service during the past year, an increase in pipeline safety assessments from the federal government and payroll related taxes.

## Propane Distribution

The propane distribution segment recognized EBIT of $1,642,844 for the first six months of 1995. As compared to EBIT for the six months ended June 30, 1994, these results represent a decline in earnings of $712,954, or 30%. Producing this decrease in EBIT was a lower gross margin, offset slightly by reduced operating expenses, particularly depreciation and amortization.

| | FOR THE SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|
| | 1995 | 1994 | Change |
| Revenue | $9,837,432 | $11,839,701 | $(2,002,269) |
| Cost of Gas | 4,755,577 | 6,005,005 | (1,249,428) |
| Gross Margin | 5,081,855 | 5,834,696 | (752,841) |
| Operations & Maintenance | 2,597,542 | 2,605,994 | (8,452) |
| Depreciation & Amortization | 649,011 | 679,820 | (30,809) |
| Other Taxes | 192,458 | 193,084 | (626) |
| EBIT | $1,642,844 | $2,355,798 | $(712,954) |

The decrease in gross margin resulted from an 11% decline in sales volumes, as well as a 2% decrease in the average margin per gallon. The decrease in gallon sales resulted from average temperatures in 1995 being 5% warmer than the corresponding period in 1994. Furthermore, the magnitude and timing of the colder temperatures experienced in the first quarter of 1994 did not recur in 1995. The decrease in the average margin per gallon corresponded to a higher cost per gallon, which was only partially offset by higher selling prices.

Operations and maintenance expenses decreased by $8,452, just under 1%, as a result of lower advertising, pension and benefits, and insurance expenses. Depreciation and amortization decreased by $30,809, or approximately 5%, as various assets obtained in a prior acquisition became fully depreciated.

## Information Technology Services and Other

For the six months ended June 30, the information technology services and other segment recognized an EBIT of $474,950 and a LBIT of $28,587 for 1995 and 1994, respectively. This increase in EBIT of $503,537 is the outcome of higher revenues and lower operating expenses.

| | FOR THE SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|
| | 1995 | 1994 | Change |

| | | | |
|---|---|---|---|
| Revenue | $4,363,042 | $4,110,710 | $252,332 |
| Operations & Maintenance | 3,250,574 | 3,419,823 | (169,249) |
| Depreciation & Amortization | 469,813 | 560,757 | (90,944) |
| Other Taxes | 167,705 | 158,717 | 8,988 |
| EBIT/LBIT | $474,950 | $(28,587) | $503,537 |

Comprising the increase in revenues of $252,332 were higher consulting and programming training, resource placement and consulting and programming revenues, as well as a sale of Page-ITTM, the segment s billing software product for the telecommunication industry. Partially offsetting these higher revenues were reduced hardware sales. Of the total revenues for the six months ended June 30, 1995 and 1994, $865,098 and $1,229,417, respectively, represented intercompany revenues. The intercompany EBIT associated with these revenues are eliminated in consolidation; these amounts totalled $136,881 and $300,451 for 1995 and 1994, respectively. The intercompany revenue and EBIT amounts for the six months ended June 30, 1995 continued to decline over the prior year as less time is being spent on the development of UtiliCISTM, a customer information and billing system designed for the Company s natural gas distribution segment. UtiliCISTM is in an implementation stage, with completion scheduled in 1995.

Operations and maintenance expenses declined $169,249, or 5%, primarily due to the absence of $136,301 of expenses incurred by C&A in 1994. Despite recognizing significant decreases in such expenses as health care, pension and hardware, these reductions were partially offset by increases in other operations expenses, primarily payroll. Payroll rose in response to increased revenues. Depreciation and amortization declined $90,944, or 16%, due to certain pieces of hardware becoming fully depreciated and the dissolution of C&A. Other taxes increased $8,988, or 6%, as a result of higher payroll costs.

### 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

Non-operating income increased approximately $107,000 as compared to the same period in 1994, primarily due to the absence of the 1994 after tax write-off of our investment in Currin and Associates, Inc., slightly offset by a decrease in 1995 interest income.

### Operating Income Taxes

Income taxes increased due to higher 1995 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 future 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 six 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 $12,033,000, $5,895,000 and $6,277,000, 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 June 30, 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 June 30, 1995 and 1994 were $3,500,000 and $0, respectively.

On July 6, 1995, the Company entered into an agreement for the private placement of $10,000,000 of 6.91% Senior Notes due in 2010. It is anticipated that funding on these Senior Notes will occur in October 1995. The Company will use the proceeds to retire $4,091,000 of the 10.85% Senior Notes of Eastern Shore Natural Gas Company, originally due October 1, 2003, and to repay short-term borrowing under the Company s lines of credit.

During the six months ended June 30, 1995 and 1994, net property, plant and equipment expenditures were approximately $5,856,000 and $4,050,000, 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 structures and the remaining $200,000 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 June 30, 1995, common equity represented 62.9% 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
The Annual Meeting of Stockholders was held on May 16, 1995. Proposals as submitted in the proxy statement were voted on as follows:

1. All Board of Director nominees were elected to the classes indicated in the proxy statement.
2. The Chesapeake Utilities Corporation Directors Stock Compensation Plan was approved.
3. Amendments to the Company s Certificate of Incorporation (the Certificate) for the purpose of modernizing the Certificate

was approved.

4. Amendments to the Certificate authorizing 2,000,000 shares of preferred stock was approved.
5. Amendments to the Certificate changing the number of Directors to a number to be determined by the Board was defeated.
6. Ratification of the selection of the Company s independent auditors through the fiscal year ending December 31, 1995 was approved.

Item 5: Other Information

None

Item 6(a): Exhibits

Exhibit 3 - Certificate of Incorporation of Chesapeake Utilities Corporation is 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
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Senior Vice President and Assistant Treasurer
(Principal Financial and Accounting Officer)

Date: August 15, 1995

# RESTATED CERTIFICATE OF INCORPORATION

# OF

# CHESAPEAKE UTILITIES CORPORATION

Chesapeake Utilities Corporation, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the Corporation is CHESAPEAKE UTILITIES CORPORATION. The date of filing the Corporation's original Certificate of Incorporation with the Secretary of State of the State of Delaware was November 12, 1947.

2. This restated Certificate of Incorporation restates and integrates and further amends the Certificate of Incorporation of this Corporation.

3. The text of the Certificate of Incorporation of the Corporation as amended or supplemented heretofore and herewith is hereby restated to read as herein set forth in full:

FIRST: The name of the Corporation is CHESAPEAKE UTILITIES CORPORATION.

SECOND: The address of its registered office in the State of Delaware is 1013 Centre Road, in the City of Wilmington, County of New Castle, 19805. The name of its registered agent at such address is Corporation Services Company.

THIRD: The nature of the business, or objects or purposes to be transacted, promoted or carried on are:

To produce, transmit, distribute and sell natural and manufactured gas; to construct, maintain and operate works for the supply and distribution of electricity for electric lights, heat or power; to supply and distribute water; to transport and store oil; and to produce and distribute steam, heat and power; in each case to or for all persons and places, public and private, where it may be desired, and to carry on all activities and businesses that are usually or may be conveniently carried on by a company in such business or that are incidental to such business; and

To supply in any manner light, heat, steam, energy or power to the public; to explore, impound, develop, acquire and transport natural resources incident to the above-stated businesses; and to supply, maintain and service equipment and systems incident to the above-stated businesses; and

In general, to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

The objects and purposes specified in the foregoing clauses shall, except where otherwise expressed, not be limited or restricted by reference to each other but shall be regarded as separate, independent businesses and purposes.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is Fourteen Million (14,000,000) shares, divided into Twelve Million (12,000,000) shares of Common Stock of the par value of forty-eight and two-thirds cents ($.48 2/3) per share, amounting in the aggregate to Five Million Eight Hundred Forty Thousand Dollars ($5,840.000.00), and Two Million shares of Preferred Stock, in series, of the par value $0.01 per share, amounting in the aggregate to Twenty Thousand Dollars ($20,000).

The express terms and provisions of the shares classified and designated as the Preferred Shares, par value $0.01, are as follows:

(1) Authority to Issue in Series. The Board of Directors is authorized, subject to limitations prescribed by the General Corporation Law of the State of Delaware, to provide for the issuance of the Preferred Shares in series, and by filing a certificate pursuant to the General Corporation Law of the State of Delaware, to establish from time to time the number of shares to be included in such series, and to fix the designations, powers, preferences and relative, participating or other special rights of the shares of each such series, and the qualifications, limitations or restrictions thereof;

(2) Terms. The authority of the Board of Directors with respect to each series of Preferred Shares shall include, but not be limited to, determination of the following:

(a) the number of shares constituting that series and the distinctive designation of that series and the stated value thereof, if any, if different from the par value thereof;

(b) The dividends, if any, payable on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the preference, if any, or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of any class;

(c) Whether that series shall have voting rights or power, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(d) Whether or not that series shall have conversion or exchange privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date upon or date after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of the shares of that series;

(h) The limitations and restrictions, if any, to be effective while any shares of such series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation of, the Common Stock or shares of stock of any other class or any other series of this class;

(i) The conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issue of any additional stock, including additional shares of such series or of any other series of this class or of any other class; and

(j) Any other voting powers, designations, preferences, and relative, participating optional or other special rights, or qualifications, limitations or restrictions thereof, of the shares of such series;

in each case, to the full extent now or hereafter permitted by the laws of the State of Delaware.

FIFTH: In furtherance, and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend and rescind the Bylaws of this Corporation subject to the right of the stockholders to alter, amend or rescind the same.

SIXTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

SEVENTH: Meetings of stockholders may be held without the State of Delaware, if the Bylaws so provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be from time to time designated by the Board of Directors or in the Bylaws of the Corporation.

EIGHTH: The number of directors which shall constitute the whole Board of Directors of the Corporation shall be nine (9). The Board shall be divided into three classes, Class I, Class II and Class III. The number of directors in each class shall be the whole number contained in the quotient arrived at by dividing the number of directors by three and if a fraction is also contained in such quotient, and if such fraction is one-third (1/3) the extra director shall be a member of Class III and if the fraction is two-thirds (2/3) one of the directors shall be a member of Class III and the other shall be a member of Class II. Each director shall serve for a term ending on the third annual meeting following the annual meeting at which such director was elected. The foregoing notwithstanding, each director shall serve until such director's successor shall have been duly elected and qualified, unless such director shall resign, become disqualified, disabled or shall otherwise be removed.

At each annual election, the directors chosen to succeed those whose terms then expire shall be identified as being of the same class as the directors they succeed. If for any reason the number of directors in the various classes shall not conform with the formula set forth in the preceding paragraph, the Board of Directors may redesignate any director into a different class in order that the balance of directors in such classes shall conform thereto.

The Board of Directors, at its first meeting after each annual meeting of stockholders, shall choose such officers with such titles and duties as shall be stated in the Bylaws of the Corporation, who shall hold office until their successors are chosen and qualify in their stead.

Five (5) directors shall constitute a quorum for the transaction of business, and if at any meeting of the Board of Directors there shall be less than a quorum of five (5), a majority of those present may adjourn the meeting from time to time. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors unless a greater number be required by law or by the Certificate of Incorporation.

No director of the Corporation shall be removed from office as a director by vote or other action of stockholders or otherwise unless the director to be removed is physically or mentally disabled or incapacitated to such an extent that such director is unable to perform the duties of a director, or unless the director has been convicted of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal, or unless the director to be removed has been adjudged to be liable for misconduct in the performance of such director's duty to the Corporation by a court of competent jurisdiction and such adjudication is no longer subject to direct appeal.

NINTH: In the event that it is proposed that this Corporation enter into a merger or consolidation with any other corporation and such other corporation or its affiliates singly or in the aggregate own or control directly or indirectly five percent (5%) or more of the outstanding shares of the Common Stock of this Corporation, or that this Corporation sell substantially all of its assets or business, the affirmative vote of the holders of not less than seventy-five percent (75%) of the total voting power of all outstanding shares of stock of this Corporation shall be required for the approval of any such proposal; provided, however, that the foregoing shall not apply to any such merger, consolidation or sale of assets or business which was approved by resolution of the Board of Directors of this Corporation prior to the acquisition of the ownership or control of five percent (5%) of the outstanding shares of this Corporation by such other corporation or its affiliates, nor shall it apply to any such merger, consolidation or sale of assets or business between this Corporation and another corporation fifty percent (50%) or more of the stock of which is owned by this Corporation. For the purposes hereof an "affiliate" is any person (including a corporation, partnership, trust, estate or individual) who directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified; and "control" means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

TENTH: No action required to be taken or which may be taken at any annual or special meeting of shareholders of the Corporation may be taken without a meeting and the power of stockholders to consent in writing to the taking of any action is specifically denied.

ELEVENTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the

Delaware General Corporation Law is amended after approval by the stockholders of this article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

TWELFTH: The provisions set forth in Articles EIGHTH, NINTH, TENTH, and here in Article TWELFTH, may not be repealed or amended in any respect unless such repeal or amendment is approved by the affirmative vote of the holders of not less than seventy-five percent (75%) of the total voting power of all outstanding shares of stock of this Corporation. Except as expressly provided in the preceding sentence, the Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

4. This Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware.

5. That the capital of said Corporation will not be reduced under or by reason of any amendment in this restated Certificate of Incorporation.

IN WITNESS WHEREOF, said CHESAPEAKE UTILITIES CORPORATION has caused its corporate seal to be hereunto affixed and this Restated Certificate of Incorporation to be signed by Ralph J. Adkins, its President, and attested by William C. Boyles, its Assistant Secretary, this 16th day of May, 1995.

Chesapeake Utilities Corporation

By /s/ Ralph J. Adkins
---------------
President

(Corporate Seal)

Attest:

By /s/ William C. Boyles
---------------------
Assistant Secretary

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

EXHIBIT 11
COMPUTATION OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

| | For the Quarter Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 1995 | 1994 | 1995 | 1994 |
| Primary earnings per share calculation: | | | | |
| Weighted average number of shares assuming primary dilution | 3,693,016 | 3,630,355 | 3,682,586 | 3,617,896 |
| Consolidated net income | $764,085 | ($116,584) | $4,422,516 | $3,629,502 |
| Total primary earnings per share | $0.21 | ($0.03) | $1.20 | $1.00 |
| Fully diluted earings per share calculation (1): | | | | |
| Weighted average number of shares assuming primary dilution | 3,693,016 | 3,630,355 | 3,682,586 | 3,617,896 |
| Contingent shares | 248,245 | 255,282 | 250,607 | 256,287 |
| Weighted average number of shares assuming full dilution | 3,941,261 | 3,885,637 | 3,933,193 | 3,874,183 |
| Consolidated net income | $764,085 | ($116,584) | $4,422,516 | $3,629,502 |
| Interest on convertible debt | 86,867 | 89,329 | 174,423 | 178,377 |
| Less: Applicable federal income taxes | 33,878 | 34,838 | 68,025 | 69,567 |
| Adjusted net income | $817,074 | ($62,093) | $4,528,914 | $3,738,312 |
| Fully diluted earnings per share | $0.21 | ($0.02) | $1.15 | $0.96 |

(1) This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although it is contrary to paragraph 40 of APB Opinion No. 15, because it produces an anti-dilutive result for the quarter.

<ARTICLE> UT

| | | |
|---|---|---|
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