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, 1996

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.)

909 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 - 3,773,099 shares issued as of June 30, 1996.

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PART I
FINANCIAL INFORMATION

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	JUNE 30, 1996 (UNAUDITED)	DECEMBER 31 1995
PROPERTY, PLANT AND EQUIPMENT		
Natural gas distribution	$67,061,099	$64,785,616
Natural gas transmission	27,532,190	25,651,558
Propane distribution	20,053,108	19,645,973
Advanced information services	966,323	841,661
Other plant	3,795,507	3,563,247
Gas plant acquisition adjustment	795,004	795,004
Total property, plant and equipment	120,203,231	115,283,059
Less: Accumulated depreciation and amortization	(35,709,036)	(33,567,446)
Net property, plant and equipment	84,494,195	81,715,613
INVESTMENTS	2,074,722	1,957,218
CURRENT ASSETS		
Cash and cash equivalents	968,125	977,407
Accounts receivable, less allowance for uncollectibles	7,781,483	12,701,256
Materials and supplies, at average cost	1,152,291	844,786
Propane inventory, at average cost	975,591	1,442,633
Storage gas prepayments	1,657,367	2,663,721
Underrecovered purchased gas costs	214,082	0
Income taxes receivable	0	193,916
Prepaid expenses	729,525	842,460
Deferred income taxes	1,257,178	1,362,289
Total current assets	14,735,642	21,028,468
DEFERRED CHARGES AND OTHER ASSETS		
Environmental cost	8,456,718	8,618,712
Order 636 transition cost	1,199,625	1,463,157
Other deferred charges and intangible assets	3,487,644	4,010,812
Total deferred charges and other assets	13,143,987	14,092,681
TOTAL ASSETS	$114,448,546	$118,793,980

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

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CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

CAPITALIZATION AND LIABILITIES	JUNE 30, 1996 (UNAUDITED)	DECEMBER 31 1995
CAPITALIZATION		
Stockholders' equity		
Common Stock, par value $.4867 per share; (authorized 12,000,000 shares; issued 3,773,099 and 3,721,589 shares, respectively)	$1,836,197	$1,811,211
Additional paid-in capital	18,404,270	17,592,242
Retained earnings	27,115,563	23,385,097
Less:		
Unearned compensation-restricted stock awards	(532,001)	(415,107)
Net unrealized loss on marketable securities	(10,537)	(72,839)
Total stockholders' equity	46,813,492	42,300,604
Long-term debt, net of current portion	29,412,368	29,794,639
Total capitalization	76,225,860	72,095,243
CURRENT LIABILITIES		
Current portion of long-term debt	783,271	864,849
Short-term borrowings	0	4,800,000
Accounts payable	7,022,719	11,162,775
Refunds payable to customers	744,969	966,940
Income taxes payable	1,405,538	0
Accrued interest	708,853	742,701
Overrecovered purchased gas costs	0	53,374
Dividends payable	877,246	837,358
Other accrued expenses	2,941,513	3,123,191
Total current liabilities	14,484,109	22,551,188
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	8,946,129	9,136,808
Deferred investment tax credits	908,720	931,247
Environmental liability	6,949,696	7,113,572
Accrued pension costs	2,336,645	2,118,545
Order 636 transition liability	1,199,625	1,463,157
Other liabilities	3,397,762	3,384,220
Total deferred credits and other liabilities	23,738,577	24,147,549
TOTAL CAPITALIZATION AND LIABILITIES	**$114,448,546**	**$118,793,980**

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CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

FOR THE QUARTER ENDED
JUNE 30,

	1996	1995
OPERATING REVENUES	$23,850,551	$22,074,663
OPERATING EXPENSES		
Purchased gas costs	13,974,083	12,926,940
Operations	5,376,266	4,771,005
Maintenance	482,025	506,894
Depreciation and amortization	1,312,439	1,335,653
Other taxes	825,754	706,523
Income taxes	478,902	458,306
Total operating expenses	22,449,469	20,705,321
OPERATING INCOME	1,401,082	1,369,342
OTHER INCOME AND DEDUCTIONS	56,747	87,418
INCOME BEFORE INTEREST CHARGES	1,457,829	1,456,760
INTEREST CHARGES	625,372	692,675
NET INCOME	$832,457	$764,085
EARNINGS PER SHARE OF COMMON STOCK (1):		
Primary:		
Earnings per share	$0.22	$0.21
Average shares outstanding	3,790,533	3,693,016
Fully diluted:		
Earnings per share	$0.22	$0.21
Average shares outstanding	4,033,294	3,941,261

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

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

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CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

FOR THE SIX MONTHS ENDED
JUNE 30,

	1996	1995
OPERATING REVENUES	$68,120,815	$52,971,460
OPERATING EXPENSES		
Purchased gas costs	41,533,203	29,899,031
Operations	11,190,699	9,724,209
Maintenance	963,362	918,392
Depreciation and amortization	2,620,197	2,666,927
Other taxes	1,876,715	1,573,440
Income taxes	3,257,877	2,489,157
Total operating expenses	61,442,053	47,271,156
OPERATING INCOME	6,678,762	5,700,304
OTHER INCOME AND DEDUCTIONS	116,843	131,679
INCOME BEFORE INTEREST CHARGES	6,795,605	5,831,983
INTEREST CHARGES	1,314,139	1,409,466
NET INCOME	$5,481,466	$4,422,517
EARNINGS PER SHARE OF COMMON STOCK (1):		
Primary:		
Earnings per share	$1.45	$1.20
Average shares outstanding	3,774,356	3,682,586
Fully diluted:		
Earnings per share	$1.39	$1.15
Average shares outstanding	4,019,764	3,933,193

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

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

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

FOR THE SIX MONTHS ENDED
JUNE 30,

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	1996	1995
OPERATING ACTIVITIES		
Net Income	$5,481,466	$4,422,516
Adjustments to reconcile net income to net operating cash		
Depreciation and amortization	2,891,454	2,827,420
Deferred income taxes, net	(44,468)	(788,893)
Investment tax credit adjustments	(22,527)	(22,527)
Employee benefits	181,177	70,813
Employee compensation from lapsing stock restrictions	204,785	216,885
Allowance for refund	0	282,240
Other	(164,239)	(609,401)
Changes in assets and liabilities:		
Accounts receivable	4,919,773	1,046,177
Inventory, materials, supplies and storage gas	1,165,891	1,606,637
Prepaid expenses	112,935	(47,224)
Other deferred charges	563,961	389,950
Accounts payable	(4,140,056)	(1,148,674)
Refunds payable to customers	(221,971)	90,427
(Under)Overrecovered purchased gas costs	(267,456)	1,425,658
Other current liabilities	1,383,926	2,270,661
Net cash provided by operating activities	12,044,651	12,032,665
INVESTING ACTIVITIES		
Property, plant and equipment expenditures, net	(5,416,309)	(5,856,261)
Purchases of investments, net	(15,230)	(38,836)
Net cash used by investing activities	(5,431,539)	(5,895,097)
FINANCING ACTIVITIES		
Common stock dividends net of amounts reinvested of $291,367 and $225,484, respectively	(1,389,005)	(1,406,342)
Net repayments under line of credit agreements	(4,800,000)	(4,500,000)
Proceeds from issuance of treasury stock	0	147,608
Repayments of long-term debt	(463,849)	(518,580)
Net cash used by financing activities	(6,652,854)	(6,277,314)
NET DECREASE IN CASH	(39,742)	(139,746)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	977,407	398,751
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$937,665	$259,005

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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 1995 have been reclassified to conform with the 1996 presentation.

2. COMMITMENTS AND CONTINGENCIES ENVIRONMENTAL MATTERS

Dover Gas Light 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.

The EPA issued the site Record of Decision ("ROD") dated August 16, 1994. The remedial action selected by the EPA in the ROD addresses the ground- water contamination with a combination of hydraulic containment and natural attenuation. Remediation selected for the soil at the site is to meet stringent clean-up standards for the first two feet of soil and less stringent standards for the soil below two feet. The ROD estimates the costs of selected remediation of ground-water and soil at $2.7 million and $3.3 million, respectively.

On November 18, 1994, EPA issued a "Special Notice Letter" (the "Letter") to Chesapeake and three other PRPs. The Letter includes, 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 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 ROD. The Order was also issued to General Public Utilities Corporation, Inc. ("GPU"), which both 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 ROD, on-site pre-design and investigation began in July.

On March 6, 1995, the Company commenced litigation against the State of Delaware for contribution to the remedial costs being incurred to carry out the ROD. In December of 1995, this case was dismissed without prejudice based on a settlement agreement (the "Settlement") between the parties. Under the Settlement, the State agreed to support the Company s proposal to reduce the soil remedy for the site, described below, to contribute $600,000 toward the cost of implementing the ROD, and to reimburse the EPA for $400,000 in oversight costs. The Settlement is contingent upon a formal settlement agreement between EPA and the State of Delaware being reached within the next two years. Upon satisfaction of all conditions of the Settlement, the litigation will be dismissed with prejudice.

On July 7, 1995, the Company submitted to EPA a study proposing to reduce the level and cost of soil remediation from that identified in the ROD. Although this proposal was supported by the State of Delaware, as required by the Settlement, it was rejected by the EPA on January 30, 1996.

On June 25, 1996, the Company initiated litigation against GPU for contribution to the remedial costs incurred by Chesapeake in connection with complying with the ROD. At this time, management cannot predict the outcome of the litigation or the amount, if any of proceeds to be received.

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The Company is currently engaged in investigations related to additional parties who may be PRPs. Based upon these investigations, the Company will consider suit against other PRPs. The Company expects continued negotiations with PRPs in an 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. This amount reflects the EPA's estimate, as stated in the ROD for remediation of the site according to the ROD. The recorded liability may be adjusted upward or downward as the design phase progresses and the Company obtains construction bids for performance of the work. The Company has also recorded a regulatory asset of $6.0 million, corresponding to the recorded liability. Management believes that in addition to the $600,000 expected to be contributed by the State of Delaware under the Settlement, the Company will be equitably entitled to contribution from other responsible parties for a portion of the expenses to be incurred in connection with the remedies selected in the ROD. Management also believes that the amounts not so contributed will be recoverable in the Company's rates.

As of June 30, 1996, the Company has incurred approximately $3.8 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 actual environmental costs incurred over a five to seven-year period beginning in 1990. In December 1995, the Delaware Public Service Commission, authorized recovery of all unrecovered environmental cost incurred through September 30, 1995. This amount totaled $564,514. The recovery was authorized by a means of a rider (supplement) to base rates, applicable to all firm service customers. The costs would be recovered through a five-year amortization offset by the deferred tax benefit associated with those environmental costs. The deferred tax benefit equals the projected cashflow savings realized by the Company in connection with a reduced income tax liability due to the possibility of accelerated deduction allowed on certain environmental costs when incurred. Each year a new rider rate will be calculated to become effective December 1. Each year the rider rate will be based on the amortization of actual expenditures through September of the filing year plus amortization of expenses from previous years. The advantage of the rider, which was effective January 1, 1996, is that it is not necessary to file a rate case every year to recover expenses incurred. As of June 30, 1996, the unamortized balance and amount of environmental cost not included in the rider, were $746,000 and $366,000, respectively. With the rider mechanism established, it is management's opinion that these costs and any future cost, net of the deferred income tax benefit, will be recoverable in rates.

Salisbury Town Gas Light Site

In cooperation with the Maryland Department of the Environment ("MDE"), the Company has completed an assessment of the Salisbury manufactured gas plant site. The assessment determined that there was localized contamination of ground-water. A remedial design report was submitted to MDE in November 1990 and included a proposal to monitor, pump and treat any contaminated ground-water on-site. 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 mid-year 1996, with operations starting in the third quarter.

The cost of remediation is estimated to be approximately $380,000 in capital costs with yearly operating expenses ranging from $136,000 to $195,000 per year. Based on these estimated costs, the Company recorded both a liability and a deferred regulatory asset of $1,113,572 as of December 31, 1995, to cover the Company's projected remediation costs for this site. The liability payout for this site is expected to be over a five-year period. As of June 30, 1996 the Company has incurred approximately $2.0 million for remedial actions and environmental studies and has charged such costs to accumulated depreciation. In January 1990, the Company entered into settlement agreements with a number of insurance companies resulting in proceeds to fund actual environmental costs incurred over a three to five-year period beginning in 1990. The final insurance proceeds were requested and received in 1992. In December 1995, the Maryland Public Service Commission approved recovery of all environmental cost incurred through September 30, 1995 less amounts previously amortized and insurance proceeds. The amount approved for a 10-year amortization was $964,251. Of the $1.9 million in costs reported above, approximately $164,000 has not been recovered through insurance proceeds or received ratemaking treatment. It is management's opinion that these costs incurred and future costs incurred, if any, will be recoverable in rates.

Winter Haven Coal Gas Site

The Company is currently conducting investigations of a site in Winter Haven, Florida, where the Company's predecessors manufactured coal gas earlier this century. A Contamination Assessment Report ("CAR") was submitted to the Florida Department of Environmental Protection ("FDEP") in July 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. In March 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. In March 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. Drafts of the RA and FS were filed with the FDEP during 1995; however, until the RA and FS are complete and accepted as filed 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 also submitted a request to the FDEP to conduct a pilot program for ground water treatment. The program would remediate the ground-water using an air-sparging process. The Company is awaiting FDEP's response.

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The Company has spent approximately $660,000, as of June 30, 1996, on these investigations, and expects to recover these expenses, as well as any future expenses, through base rates. These costs have been accounted for as charges to accumulated depreciation. The Company requested and received from the Florida Public Service Commission ("FPSC") approval to amortize through base rates $359,659 of clean-up and removal costs incurred as of December 31, 1986. As of December 31, 1992, these costs were fully amortized. In January 1993, the Company received approval to recover through base rates approximately $217,000 in additional costs related to the former manufactured gas plant. This amount represents recovery of $173,000 of costs incurred from January 1987 through December 1992, as well as prospective recovery of estimated future costs which had not yet been incurred at that time. The FPSC has allowed for amortization of these costs over a three-year period and provided for rate base treatment for the unamortized balance. In a separate docket before the FPSC, the Company has requested and received approval to apply a refund of 1991 overearnings of approximately $118,000 against the balance of unamortized environmental charges incurred as of December 31, 1992. As a result, these environmental charges were fully amortized as of June 1994. Of the $660,000 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, 1996, the Company has $69,000 accrued. It is management's opinion that future costs, if any, will be recoverable in rates.

Smyrna Coal Gas Site

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

On November 2, 1993, DNREC advised the Company that it would require a remediation of the soil contamination under the state's Hazardous Substance Cleanup Act and submitted a draft Consent Decree to the Company for its review. The Company met with DNREC personnel in December 1993 to discuss the scope of any remediation of the site and, in January 1994, submitted a proposed workplan, together with comments on the proposed Consent Decree. 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 was completed in 1995, at a cost of approximately $268,000. In June 1996, the Company received the certificate of completion from DNREC. It is management's opinion that these costs will be recoverable in rates.

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

RESULTS OF OPERATIONS FOR THE QUARTER ENDED JUNE 30, 1996

The Company recognized net income of $832,457 for the three months ended June 30, 1996, representing an increase in net income of $68,372 as compared to the corresponding period in 1995. 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, except the transmission segment.

	FOR THE QUARTER ENDED JUNE 30,		
	1996	1995	CHANGE
Earnings Before Interest and Taxes			
Natural Gas Distribution	$1,126,234	$ 662,986	$ 463,248
Natural Gas Transmission	641,989	1,416,056	(774,067)
Propane Distribution	(286,315)	(362,243)	75,928
Advanced Information Services and Other	313,418	184,649	128,769
Eliminations & Corporate	84,657	(73,800)	158,457
Total EBIT	1,879,983	1,827,648	52,335
Operating Income Taxes	478,902	458,306	20,596
Interest	625,372	692,675	(67,303)
Non-Operating Income, Net	56,748	87,418	(30,670)
Net Income	$ 832,457	$ 764,085	$ 68,372

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NATURAL GAS DISTRIBUTION

The natural gas distribution segment reported EBIT of $1,126,234 for the second quarter 1996 as compared to EBIT of $662,986 for the corresponding period last year, an increase of $463,248. 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, 1996	1995	CHANGE
Revenue	$15,602,300	$10,708,140	$4,894,160
Cost of Gas	10,727,790	6,839,884	3,887,906
Gross Margin	4,874,510	3,868,256	1,006,254
Operations & Maintenance	2,426,999	2,149,102	277,897
Depreciation & Amortization	744,453	594,255	150,198
Other Taxes	576,824	461,913	114,911
EBIT	$ 1,126,234	$ 662,986	$ 463,248

The increase in revenue and cost is primarily due to rate increases that went into effect during the second half of 1995, 4% colder than normal second quarter temperatures in our northern service territories and increased sales to interruptible industrial customers. Gross margin also increased due to the inclusion of revenue related taxes now required to be shown as revenue and corresponding other tax expense.

The increase in operations expense is primarily due to an increase in compensation, pension and benefits. Depreciation and amortization expense increased due to plant placed in service during the past year. Other taxes were higher due to the inclusion of taxes in revenue mentioned above.

NATURAL GAS TRANSMISSION

The natural gas transmission segment reported EBIT of $641,989 for the second quarter of 1996 as compared to EBIT of $1,416,056 for the corresponding period last year, a decrease of $774,067. The decrease in EBIT is primarily due to a decrease in gross margin.

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	FOR THE QUARTER ENDED JUNE 30, 1996	1995	CHANGE
Revenue	$7,660,939	$10,256,182	$(2,595,243)
Cost of Gas	6,016,536	7,887,217	(1,870,681)
Gross Margin	1,644,403	2,368,965	(724,562)
Operations & Maintenance	707,824	684,852	22,972
Depreciation & Amortization	191,332	174,239	17,093
Other Taxes	103,258	93,818	9,440
EBIT	$ 641,989	$ 1,416,056	$ (774,067)

The reduction in gross margin is primarily related to the decrease in volumes of natural gas delivered to two industrial interruptible customers a municipal power plant and the methanol plant. The methanol plant shut down operations on April 1, 1996. The management of the methanol plant has stated that they will continue to monitor methanol prices and will re-evaluate their position as to reopening or permanently closing on or about October 1, 1996. For the same period in 1995, the methanol plant contributed approximately 34% of the segment's net income.

As previously reported, Eastern Shore Natural Gas Company filed with FERC an abbreviated application for a blanket certificate of public convenience to provide open access transportation service. It was originally expected that open access transportation service would be implemented in the second half of 1996. It appears that such implementation may not occur until the first half of 1997.

PROPANE DISTRIBUTION

For the second quarter of 1996, the propane distribution segment experienced a LBIT of $286,315. These results were more favorable than those achieved for the corresponding quarter of 1995, with the segment recognizing a decrease in LBIT of $75,928, or 21%, over the second quarter 1995 LBIT of $362,243. The decrease in LBIT was attributable to an increased gross margin, offset by increased operations and maintenance expense.

	FOR THE QUARTER ENDED JUNE 30, 1996	1995	CHANGE
Revenue	$3,021,758	$2,503,533	$ 518,225
Cost of Gas	1,441,688	1,248,735	192,953
Gross Margin	1,580,070	1,254,798	325,272
Operations & Maintenance	1,459,827	1,215,342	244,485
Depreciation & Amortization	332,640	325,485	7,155
Other Taxes	73,918	76,214	(2,296)
EBIT	$ (286,315)	$ (362,243)	$ 75,928

The increase in gross margin is due primarily to a 16% increase in sales volumes due to 9% colder temperatures than the same period last year and an increase in the average margin per gallon.

Operations and maintenance expense rose due to increases in compensation, pension, benefits and delivery related expenses.

ADVANCED INFORMATION SERVICES AND OTHER

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The advanced information services and other segment recognized an EBIT of $313,418 and $184,649 for the second quarters ended June 30, 1996 and 1995, respectively. This increase in EBIT of $128,769 is attributable to lower operating expenses.

	FOR THE QUARTER ENDED JUNE 30, 1996	1995	CHANGE
Revenue	$1,894,832	$1,070,528	$(175,696)
Operations & Maintenance	1,440,428	1,578,630	(138,202)
Depreciation & Amortization	69,234	232,671	(163,437)
Other Taxes	71,752	74,578	(2,826)
EBIT	$ 313,418	$ 184,649	$ 128,769

The decrease in revenue is due primarily to the decision to no longer provide facilities management services at Capital Data Systems ("CDS") as previously reported, partially offset by an increase in consulting and resource services revenue at United Systems, Inc. ("USI").

Operations and maintenance expense decreased due to the reduction in expenses associated with no longer providing facilities management services at CDS, partially offset by increase in payroll and outside services expense at USI. Depreciation and amortization decreased, in part, due to the write-off of the Page-IT billing software product in 1995 in conjunction with the termination of CDS' largest facilities management customer.

INTEREST

The decrease in interest expense is associated with lower short-term borrowing balances, as compared to the same period last year, coupled with a lower interest rate on the 1996 balances.

NON-OPERATING INCOME

Non-operating income decreased approximately $31,000 as compared to the same period in 1995, primarily due to the 1995 level for allowance of funds used during construction recorded on construction projects that were subsequently closed during that year.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1996

The Company recognized net income of $5,481,466 for the six months ended June 30, 1996, representing an increase in net income of $1,058,950 as compared to the corresponding period in 1995. As indicated in the table below, the increase in EBIT is due to a higher earnings by all segments of the Company, excluding the transmission segment.

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	FOR THE SIX MONTHS ENDED JUNE 30,		
	1996	1995	CHANGE
Earnings Before Interest and Taxes			
Natural Gas Distribution	$5,882,954	$3,965,237	$1,917,717
Natural Gas Transmission	1,197,085	2,264,064	(1,066,979)
Propane Distribution	2,065,907	1,642,844	423,063
Advanced Information Services and Other	680,775	474,950	205,825
Eliminations & Corporate	109,918	(157,634)	267,552
Total EBIT	9,936,639	8,189,461	1,747,178
Operating Income Taxes	3,257,877	2,489,157	768,720
Interest	1,314,139	1,409,466	(95,327)
Non-Operating Income, Net	116,843	131,678	(14,835)
Net Income	$5,481,466	$4,422,516	$1,058,950

NATURAL GAS DISTRIBUTION

The natural gas distribution segment reported EBIT of $5,882,954 for the first six months of 1996 as compared to EBIT of $3,965,237 for the corresponding period last year, an increase of $1,917,717. 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,		
	1996	1995	CHANGE
Revenue	$43,318,721	$28,424,317	$14,894,404
Cost of Gas	29,791,577	18,027,540	11,764,037
Gross Margin	13,527,144	10,396,777	3,130,367
Operations & Maintenance	4,852,158	4,231,057	621,101
Depreciation & Amortization	1,486,506	1,181,538	304,968
Other Taxes	1,305,526	1,018,945	286,581
EBIT	$ 5,882,954	$ 3,965,237	$ 1,917,717

The increase in gross margin primarily occurred in the Company s operating divisions located in the northern service territory due to increased deliveries of natural gas coupled with rate increases that went into effect during the second half of 1995. The increased deliveries resulted from temperatures which were 8% colder than the same period in 1995. Gross margin also increased due to inclusion of revenue related taxes now required to be shown as revenue and corresponding other tax expense.

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Operations expense increased in the areas of compensation, pension, benefits and customer service expenses. Depreciation and amortization expense increased due to plant placed in service during the past year. Other taxes were higher due to the inclusion of taxes in revenue shown above.

NATURAL GAS TRANSMISSION

The natural gas transmission segment reported EBIT of $1,197,085 for the first six months of 1996 as compared to EBIT of $2,264,064 for the corresponding period last year, a decrease of $1,066,979. The decrease in EBIT is due to a decrease in gross margin and an increase in operating expenses. During 1995, the transmission segment accrued monthly for a potential refund to customers in conjunction with the purchased gas adjustment clause. The transmission segment subsequently settled the issue with the Federal Energy Regulatory Commission in August 1995. These accruals in 1995 resulted in reducing EBIT $325,000 for the first six months of 1995. Exclusive of these accruals in 1995, EBIT decreased $1,392,000 when comparing the first six months of 1996 to the same period in 1995.

	FOR THE SIX MONTHS ENDED JUNE 30, 1996	1995	CHANGE
Revenue	$19,370,231	$19,978,867	$ (608,636)
Cost of Gas	16,020,684	15,879,530	141,154
Gross Margin	3,349,547	4,099,337	(749,790)
Operations & Maintenance	1,558,368	1,292,462	265,906
Depreciation & Amortization	382,663	348,478	34,185
Other Taxes	211,431	194,333	17,098
EBIT	$ 1,197,085	$ 2,264,064	$(1,066,979)

The reduction in gross margin is primarily related to the decrease in volumes of natural gas delivered to two industrial interruptible customers as discussed previously in the second quarter results of operations.

Operations and maintenance expense was higher due to increases in compensation, pension, benefits and maintenance of mains partially offset by a reduction in outside service expenses. Depreciation and amortization expense increased due to plant placed in service during the past year.

PROPANE DISTRIBUTION

The propane distribution segment recognized EBIT of $2,065,907 for the first six months of 1996. As compared to EBIT for the six months ended June 30, 1995, these results represent an increase in earnings of $423,063 or 26%. Producing this increase in EBIT was a higher gross margin, offset by increased operating expenses.

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	FOR THE SIX MONTHS ENDED JUNE 30,		
	1996	1995	CHANGE
Revenue	$13,048,554	$9,837,432	$3,211,122
Cost of Gas	7,002,700	4,755,577	2,247,123
Gross Margin	6,045,854	5,081,855	963,999
Operations & Maintenance	3,127,321	2,597,542	529,779
Depreciation & Amortization	664,356	649,011	15,345
Other Taxes	188,270	192,458	(4,188)
EBIT	$ 2,065,907	$1,642,844	$ 423,063

The increase in gross margin of $963,999 is due primarily to a 19% increase in sales volumes resulting from the 8% colder temperatures experienced during the first six months of 1996 when compared to the same period in 1995.

Operations and maintenance expense rose primarily due to increases in compensation, pension, benefits, outside services and delivery related expenses.

ADVANCED INFORMATION SERVICES AND OTHER

For the six months ended June 30, the advanced information services and other segment recognized an EBIT of $680,775 and $474,950 for 1996 and 1995, respectively. This increase in EBIT of $205,825 is the outcome of lower operating and depreciation expenses.

	FOR THE SIX MONTHS ENDED JUNE 30,		
	1996	1995	CHANGE
Revenue	$4,010,841	$4,363,042	$(352,201)
Operations & Maintenance	3,020,663	3,250,574	(229,911)
Depreciation & Amortization	137,913	469,813	(331,900)
Other Taxes	171,490	167,705	3,785
EBIT	$ 680,775	$ 474,950	$ 205,825

The decrease in revenue is due primarily to the decision to no longer provide facilities management services at CDS, partially offset by an increase in consulting and resource services revenues at USI.

Operations and maintenance expense decreased due to the reduction in expenses associated with no longer providing facilities management services at CDS, partially offset by an increase in compensation and outside services at USI. Depreciation and amortization expense decreased, in part, due to the write-off of the Page-IT billing software product in 1995 in conjunction with the termination of CDS' largest facilities management customer.

INTEREST

The decrease in interest expense is associated with lower short-term borrowing balances, as compared to the same period last year, and lower interest rates on the 1996 balances.

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NON-OPERATING INCOME

Non-operating income decreased approximately $15,000 as compared to the same period in 1995 for the same reason as previously described in the quarterly results, partially offset by an increase in interest income.

OPERATING INCOME TAXES

Income taxes increased due to higher earnings for the six months ended June 30, 1996 when compared to the corresponding period in 1995.

ENVIRONMENTAL MATTERS

The Company continued to work with federal and state environmental agencies to assess the environmental impacts and explore corrective actions at several former gas manufacturing plant sites (see Note 2 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 1996, 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 $12.0 million, $5.4 million and $6.7 million, 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 million from banks and trust companies. As of June 30, 1996, the Company had four $8 million 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, 1996 and 1995 were $0 and $3.5 million, respectively.

During the six months ended June 30, 1996 and 1995, net property, plant and equipment expenditures were approximately $5.4 million and $5.9 million, respectively. For 1996, the Company has budgeted $16.8 million for capital expenditures. The components of this amount include $8.8 million for natural gas distribution, $6.1 million for natural gas transmission, $1.6 million for propane distribution, with the remaining $300,000 for computer, office equipment and general plant. The natural gas and propane expenditures are for expansion and improvement of their existing service territories. Natural gas transmission expenditures are to improve the pipeline system by adding a compressor station. Financing of the 1996 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 2 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, 1996, common equity represented 61.4% of permanent capitalization, compared to 58.7% as of December 31, 1995. 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.

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PART II
OTHER INFORMATION

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

Item 1: Legal Proceedings
See Note 2 to the Consolidated 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 21, 1996. 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. Ratification of the selection of the Company s independent auditors through the fiscal year ending December 31, 1996 was approved.

Item 5: Other Information
None

Item 6(a): Exhibits
Exhibit 11 - Computation of Primary and Fully Diluted Earnings Per Share is submitted herewith.

Item 6 (b): Reports on Form 8-K

None

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SIGNATURES

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

CHESAPEAKE UTILITIES CORPORATION

/s/ John R. Schimkaitis
- ----------
John R. Schimkaitis
Executive Vice President and Assistant Treasurer
(Chief Operating and Chief Financial Officer)

Date: August 13, 1996

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CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

EXHIBIT 11
COMPUTATION OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

	FOR THE QUARTER ENDED JUNE 30, (1)		FOR THE SIX MONTHS ENDED JUNE 30,	
	1996	1995	1996	1995
Primary earnings per share calculation:				
Weighted average number of shares assuming primary dilution	3,790,533	3,693,016	3,774,356	3,682,586
Consolidated net income	$832,457	$764,085	$5,481,466	$4,422,516
Total primary earnings per share	$0.22	$0.21	$1.45	$1.20
Fully diluted earings per share calculation (1):				
Weighted average number of shares assuming primary dilution	3,790,533	3,693,016	3,774,356	3,682,586
Contingent shares	242,761	248,245	245,408	250,607
Weighted average number of shares assuming full dilution	4,033,294	3,941,261	4,019,764	3,933,193
Consolidated net income	$832,457	$764,085	$5,481,466	$4,422,516
Interest on convertible debt	84,948	86,867	170,803	174,423
Less: Applicable federal income taxes	33,130	33,878	66,613	68,025
Adjusted net income	$884,275	$817,074	$5,585,656	$4,528,914
Fully diluted earnings per share	$0.22	$0.21	$1.39	$1.15

(1) This calculation is submitted in accordance with Regulation S-K item 601(b)(11).

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ARTICLE UT

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1995
PERIOD END	JUN 30 1996
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	84494195
OTHER PROPERTY AND INVEST	2074722
TOTAL CURRENT ASSETS	14735642
TOTAL DEFERRED CHARGES	13143987
OTHER ASSETS	0
TOTAL ASSETS	114448546
COMMON	1836197
CAPITAL SURPLUS PAID IN	18404270
RETAINED EARNINGS	27115563
TOTAL COMMON STOCKHOLDERS EQ	46813492
PREFERRED MANDATORY	0
PREFERRED	0
LONG TERM DEBT NET	29412368
SHORT TERM NOTES	0
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	783271
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	0
OTHER ITEMS CAPITAL AND LIAB	37439415
TOT CAPITALIZATION AND LIAB	114448546
GROSS OPERATING REVENUE	23850551
INCOME TAX EXPENSE	478902
OTHER OPERATING EXPENSES	21970567
TOTAL OPERATING EXPENSES	22449469
OPERATING INCOME LOSS	1401082
OTHER INCOME NET	56747
INCOME BEFORE INTEREST EXPEN	1457829
TOTAL INTEREST EXPENSE	625372
NET INCOME	832457
PREFERRED STOCK DIVIDENDS	0
EARNINGS AVAILABLEFOR COMM	832457
COMMON STOCK DIVIDENDS	1389005
TOTAL INTEREST ON BONDS	2362538
CASH FLOW OPERATIONS	12044651
EPS PRIMARY	.22
EPS DILUTED	.22

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