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CHESAPEAKE UTILITIES CORP

FORM 8-K
(Current report filing)

Filed 08/04/11 for the Period Ending 08/04/11

Address	909 SILVER LAKE BLVD PO BOX 615 DOVER, DE 19903-0615
Telephone	3027346799
CIK	0000019745
Symbol	CPK
SIC Code	4923 - Natural Gas Transmission and Distribution
Industry	Natural Gas Utilities
Sector	Utilities
Fiscal Year	12/31

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 4, 2011

CHESAPEAKE UTILITIES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**001-11590**	**51-0064146**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

Registrant's telephone number, including area code: **(302) 734-6799**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On August 4, 2011, Chesapeake Utilities Corporation issued a press release announcing its financial results for the three and six months ended June 30, 2011. A copy of the press release is attached as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibit 99.1 — Press Release of Chesapeake Utilities Corporation, dated August 4, 2011.

SIGNATURE

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 hereunto duly authorized.

CHESAPEAKE UTILITIES CORPORATION

/s/ Beth W. Cooper
Beth W. Cooper
Senior Vice President and Chief Financial Officer

Date: August 4, 2011

Exhibit 99.1

FOR IMMEDIATE RELEASE
August 4, 2011
NYSE Symbol: CPK

CHESAPEAKE UTILITIES CORPORATION ANNOUNCES INCREASED SECOND QUARTER EARNINGS

- **Net income was $3.5 million, or $0.37 per share, for the quarter ended June 30, 2011, compared to $3.3 million, or $0.35 per share, for the quarter ended June 30, 2010.**
- **Customer growth in the natural gas distribution operations and continued expansion of its transmission system generated $1.6 million of additional gross margin.**
- **Improved margins from the propane distribution and wholesale marketing operations added $972,000 to gross margin.**

Dover, Delaware — Chesapeake Utilities Corporation (NYSE: CPK) today announced increased financial results for the quarter ended June 30, 2011. The Company's net income for the quarter ended June 30, 2011 was $3.5 million, or $0.37 per share, an increase in net income of $200,000, or $0.02 per share, over net income of $3.3 million, or $0.35 per share, for the quarter ended June 30, 2010. The higher earnings for the second quarter of 2011 reflect additional margins generated from continued growth of the Company's natural gas distribution and transmission operations on the Delmarva Peninsula and in Florida and increased margins in its propane distribution and wholesale marketing operations. These increases more than offset one-time charges associated with a voluntary workforce reduction in Florida of $549,000 and $341,000 in additional costs related to the roll-out and initial implementations of a new product, ProfitZoom ™ , by the Company's advanced information services subsidiary.

On a year-to-date basis, the Company reported net income of $17.3 million for the six months ended June 30, 2011, or $1.79 per share. The year-to-date net income in 2011 decreased slightly by $47,000, compared to the same period in 2010, and earnings per share declined by $0.03 per share due to additional shares outstanding in 2011. The combined effect of continued growth and expansion of the Company's natural gas business, increased margins per gallon in its propane distribution operations, a one-time gain related to proceeds from a propane supply litigation settlement, and lower interest expense largely offset the effects of warmer temperatures during the recent heating season both on the Delmarva Peninsula and in Florida. These warmer temperatures reduced customer consumption of natural gas and propane, as compared to the previous heating season.

"Our strong performance in the second quarter of 2011 reflects our ongoing commitment to serve new markets safely, reliably and cost effectively while maintaining operational excellence in our regulated operations and successfully executing our business plans in our unregulated energy segment," stated Michael P. McMasters, President and Chief Executive Officer of Chesapeake Utilities Corporation. "Our continuing commitment to further extend our natural gas systems to customers and communities seeking such service has positioned us well for future growth in spite of the challenging economic conditions we face. We are moving forward on the Delmarva Peninsula to extend our services to southern Delaware and Cecil and Worcester Counties in Maryland. We are also pursuing multiple growth opportunities throughout our Florida energy operations and are working diligently to transform these opportunities into value added services. We have taken steps to further integrate our Florida operations and expect to see additional cost savings there in the second half of the year. We have substantially completed the development of the ProfitZoom ™ product and are excited about its sales prospects. All of these opportunities position our Company for continued long-term growth."

The discussions of the results for the periods ended June 30, 2011 and 2010, use the term "gross margin," a non-Generally Accepted Accounting Principles ("GAAP") financial measure, which management uses to evaluate the performance of the Company's business segments. For an explanation of the calculation of "gross margin," see the footnote to the Supplemental Income Statement Data chart.

Unless otherwise noted, earnings per share information is presented on a diluted basis.

Highlights for the second quarter of 2011 included:

- Eastern Shore Natural Gas Company ("Eastern Shore"), the Company's natural gas transmission subsidiary, generated gross margin of $542,000 in the second quarter of 2011 from new transportation services associated with its eight-mile mainline extension to interconnect with Texas Eastern Transmission's pipeline system. These services commenced in January 2011 and have a three-year phase-in from 19,324 Mcfs per day to 38,647 Mcfs per day, and an estimated gross margin of $2.4 million in 2011, $3.9 million in 2012 and $4.3 million annually thereafter.

- 14 large commercial and industrial customers added by the Delmarva natural gas distribution operation since July 2010 generated $261,000 in additional gross margin during the second quarter of 2011. These new customers are expected to generate annual margin of $1.1 million in 2011, compared to $196,000 of gross margin generated from these customers in 2010.

- Three percent growth in Delmarva natural gas distribution residential customers generated additional gross margin of $105,000 for the second quarter of 2011.

- The Florida natural gas distribution operation generated additional gross margin of $376,000 from one-percent growth in residential customers and three-percent growth in commercial customers in the second quarter of 2011, compared to the same quarter in 2010. In addition, 700 new customers, added as a result of the purchase of the operating assets of Indiantown Gas Company in August 2010, generated $142,000 of additional gross margin during the current quarter.

- Gross margin from the propane distribution operations for the second quarter of 2011 increased by $658,000 compared to the same quarter in 2010, due primarily to margins per gallon returning to more normal levels on the Delmarva Peninsula and improved margins per gallon in Florida as the Florida propane distribution operation continued to adjust its retail pricing in response to market opportunities.

- The Company recorded $549,000 in one-time charges in May 2011 associated with the voluntary workforce reduction of 31 employees in Florida, which is expected to generate approximately $500,000 in cost savings in 2011 and $800,000 in annual savings thereafter.

- In July 2011, BravePoint, Inc. ("BravePoint"), the Company's advanced information services subsidiary, completed the first successful implementation of its new product, ProfitZoom ™ . At present, BravePoint has three customers, which have implemented, or are in the process of implementing, this new product and has several outstanding sales proposals under consideration by other potential customers.

Comparative results for the quarters ended June 30, 2011 and 2010

Operating income for each of the quarters ended June 30, 2011 and 2010 was $7.8 million. An increase in gross margin of $2.5 million for the quarter ended June 30, 2011 was almost fully offset by an increase in other operating expenses. The Company's operating results for the current quarter included non-recurring costs of $549,000 in one-time charges associated with the voluntary workforce reduction in Florida and $341,000 in additional costs related to the roll-out and initial implementations of ProfitZoom ™ . Also contributing to the increase in other operating expenses were increased regulatory, legal and other costs for the regulated energy businesses, including $316,000 of additional costs associated with the electric franchise dispute in Marianna, Florida and $83,000 in costs with respect to the "Come-Back" filing in Florida and the rate case proceeding for Eastern Shore. Both the "Come-Back" filing and the Eastern Shore rate case proceeding are expected to be resolved in 2011.

Regulated Energy

Operating income for the regulated energy segment for the quarter ended June 30, 2011 was $7.9 million, a decrease of $445,000, or five percent, compared to the same quarter in 2010. This decrease resulted from an increase in gross margin of $1.3 million being offset by an increase in other operating expenses of $1.8 million, as detailed further below. The increase in operating expenses included one-time charges of $481,000 associated with the voluntary workforce reduction in Florida. Items contributing to the period-over-period increase in gross margin are listed in the following table:

(in thousands)	
Gross margin for the three months ended June 30, 2010	$ 28,115
Factors contributing to the gross margin increase for the three months ended June 30, 2011:	
Net customer growth	918
New transportation services	706
Volume decrease — weather and other	(255)
Other	(39)
Gross margin for the three months ended June 30, 2011	$ 29,445

- Gross margin from commercial and industrial customers for the Delmarva natural gas distribution operation increased by $295,000 in the second quarter of 2011, due primarily to the addition of 14 large commercial and industrial customers since July 2010. These 14 new customers, which generated $261,000 of gross margin in the second quarter of 2011, are expected to generate annual margin of $1.1 million in 2011, compared to $196,000 of gross margin in 2010. Three-percent growth in residential customers generated an additional $105,000 for the Delmarva natural gas distribution operation.

  The Company's Florida natural gas distribution operations generated $376,000 of additional gross margin from one-percent growth in residential customers and three-percent growth in commercial customers. In addition, 700 new customers, added as a result of the Company's purchase of the operating assets of Indiantown Gas Company in August 2010, generated $142,000 of gross margin during the second quarter of 2011.

- In January 2011, Eastern Shore commenced new transportation services associated with its eight-mile mainline extension to interconnect with Texas Eastern Transmission's pipeline system. These services generated gross margin of $542,000 in the second quarter of 2011 and have a three-year phase-in from 19,324 Mcfs per day to 38,647 Mcfs per day, and an estimated gross margin of $2.4 million in 2011, $3.9 million in 2012 and $4.3 million annually thereafter.

Also generating additional gross margin of $103,000 in the second quarter of 2011 were new transportation services that commenced in May and November 2010, as a result of Eastern Shore's system expansion projects. These expansions added 2,666 Mcfs of capacity per day with estimated annual gross margin of $574,000 in 2011, of which $143,000 was recorded in the second quarter of 2011. These projects generated $216,000 of gross margin in 2010 ($40,000 in the second quarter of 2010).

Eastern Shore entered into two additional transportation services agreements with an existing industrial customer, one for the period of May 2011 through April 2021 for an additional 3,290 Mcfs per day and the other one for the period of November 2011 through October 2012 for an additional 9,192 Mcfs per day. These additional services, which are a result of a system expansion, generated additional gross margin of $61,000 in the second quarter of 2011 and are expected to generate additional gross margin of $356,000 in 2011, $1.2 million in 2012 and $369,000 annually thereafter.

- Lower customer consumption in the Florida natural gas operations decreased gross margin by $377,000 during the second quarter of 2011, compared to the same quarter in 2010. This decrease was offset partially by increased non-weather-related consumption by residential customers in Delaware and commercial and industrial customers in Maryland.

Other operating expenses for the regulated energy segment increased by $1.8 million, or nine percent, in the second quarter of 2011, compared to the same quarter in 2010, due largely to the following factors:

- One-time charges of $481,000 associated with the voluntary workforce reduction in Florida;
- Increased regulatory, legal and other costs, including $316,000 of additional costs associated with the electric franchise dispute in Marianna, Florida and $83,000 in costs associated with the "Come-Back" filing in Florida and the rate case proceeding for Eastern Shore;
- $258,000 in higher depreciation expense and asset removal costs from capital investments made since the second half of 2010;
- $153,000 in additional expenses related to pipeline integrity projects for Eastern Shore to comply with increased pipeline regulatory requirements; and
- $79,000 of other operating expenses associated with the purchase of the operating assets of Indiantown Gas Company in August 2010.

Unregulated Energy

Operating income for the unregulated energy segment for the quarter ended June 30, 2011 was $4,000, compared to a loss of $791,000 for same quarter in 2010. An increase in gross margin of $1.3 million was partially offset by an increase in other operating expenses of $501,000. Items contributing to the period-over-period increase in gross margin are listed in the following table:

(in thousands)	
Gross margin for the three months ended June 30, 2010	$ 5,547
Factors contributing to the gross margin increase for the three months ended June 30, 2011:	
Increase in margin per gallon	658
Propane wholesale marketing	314
Natural gas marketing	291
Other	33
Gross margin for the three months ended June 30, 2011	$ 6,843

- The propane distribution operations generated additional gross margin of $658,000 due to higher margins per gallon in the second quarter of 2011, compared to the same quarter in 2010. During the current quarter, margins per gallon returned to more normal levels on the Delmarva Peninsula. Significantly colder temperatures in early 2010 increased customer consumption and led to the propane distribution operations having to purchase spot propane supply at higher costs, resulting in lower margins per gallon during the second quarter of 2010. More normal temperatures during 2011 and fewer spot purchases during the peak heating season resulted in margins per gallon returning to more normal and historical levels in the second quarter of 2011. Also contributing to the gross margin increase were improved margins per gallon in Florida as the Florida propane distribution operation continued to adjust its retail pricing in response to market conditions.

- Xeron, Inc. ("Xeron"), the Company's propane wholesale marketing subsidiary, generated a $314,000 increase in gross margin during the second quarter of 2011, compared to the same quarter in 2010, due primarily to a 56-percent increase in trading activity.

- The Company's natural gas marketing subsidiary, Peninsula Energy Services Company, Inc. ("PESCO"), generated higher gross margin of $291,000 during the second quarter of 2011 resulting primarily from favorable imbalance resolutions with third-party intra-state pipelines, with which PESCO contracts supply. Such imbalance resolutions are not predictable and therefore, are not included in the Company's long-term financial plans or forecasts.

Other operating expenses for the unregulated energy segment increased by $501,000 for the second quarter of 2011, compared to the same period in 2010, due primarily to the following factors: (a) increased payroll and benefit costs of $344,000, attributable primarily to higher accruals for performance incentive compensation; (b) increased vehicle expenses of $108,000 resulting from an increase in fuel prices; and (c) one-time charges of $67,000 associated with the voluntary workforce reduction in Florida mentioned previously.

Other

The other segment reported an operating loss of $91,000 for the quarter ended June 30, 2011, compared to operating income of $244,000 for the same quarter in 2010. The decrease of $335,000 in operating results was attributable primarily to lower operating income of $418,000 from BravePoint, offset partially by the absence in 2011 of $92,000 in merger-related transition costs in the second quarter of 2010.

BravePoint reported an operating loss of $188,000 in the second quarter of 2011, compared to operating income of $230,000 in the same quarter in 2010. During the second quarter of 2011, BravePoint incurred $341,000 in additional costs associated with the roll-out and initial implementations of ProfitZoom ™ . Also contributing to the decreased operating results was $116,000 in increased benefit costs, as Chesapeake adopted a safe harbor 401(k) plan design on January 1, 2011, which resulted in an increased 401(k) benefit for BravePoint employees in 2011.

ProfitZoom ™ is an integrated system designed specifically for the fire suppression and specialty contracting industries, which includes financial, job costing and service management modules. ProfitZoom ™ is a successor product to another software solution that BravePoint previously marketed and supported for companies in the fire protection industry. Understanding the needs of the industry and utilizing its technology expertise, BravePoint began developing the ProfitZoom ™ product in 2009.

Interest Expense

Interest expense for the quarter ended June 30, 2011 decreased by approximately $191,000, or eight percent, compared to the same quarter in 2010, due primarily to lower interest expense on short-term borrowings and long-term debt. Short-term interest expense decreased by $42,000, largely attributable to lower rates on the $29.1 million term loan credit facility used to temporarily refinance the redemption of the 6.85 percent and 4.90 percent series of Florida Public Utilities Company ("FPU") first mortgage bonds in January 2010. Long-term interest expense decreased by $135,000 due to lower long-term debt as a result of scheduled principal payments.

On June 23, 2011, the Company issued $29 million of 5.68 percent unsecured senior notes to Metropolitan Life Insurance Company and New England Life Insurance Company, pursuant to an agreement executed in June 2010. The Company used the proceeds to permanently refinance the redemption of the 6.85 percent and 4.90 percent series of FPU first mortgage bonds, which were temporarily refinanced using a short-term loan credit facility. Compared to interest expense incurred under the short-term loan credit facility during the first half of 2011, issuance of these senior notes will result in an increase in interest expense of $550,000 in the second half of 2011.

Comparative results for the six months ended June 30, 2011 and 2010

Operating income decreased by $544,000, or two percent, to $32.6 million for the six months ended June 30, 2011, compared to $33.2 million for the same period in 2010, reflecting the impact of warmer temperatures and one-time charges. An increase in gross margin of $2.9 million and an increase in other operating expenses of $3.4 million resulted in the decrease in operating income. Included in operating results for the six months ended June 30, 2011 was approximately $2.4 million in decreased gross margin associated with lower customer consumption of natural gas, electricity and propane, due primarily to warmer temperatures on the Delmarva Peninsula and in Florida during 2011, compared to 2010. Also included in the operating results for the first six months of 2011 were one-time charges of $788,000 associated with the voluntary workforce reduction in Florida and a pension settlement, as well as $549,000 in additional costs related to the roll-out and initial implementations of ProfitZoom ™ . Also contributing to the increase in other operating expenses were increased regulatory, legal and other costs related to the regulated energy businesses, including $316,000 of additional costs associated with the electric franchise dispute in Marianna, Florida and $137,000 in costs with respect to the "Come-Back" filing in Florida and the rate case proceeding for Eastern Shore. Both the "Come-Back" filing and the Eastern Shore rate case proceeding are expected to be resolved in 2011.

Regulated Energy

Operating income for the regulated energy segment for the six months ended June 30, 2011 was $24.2 million, a decrease of $1.7 million, or six percent, compared to the same period in 2010. An increase in gross margin of $979,000 offset by an increase in other operating expenses of $2.6 million resulted in the decrease in operating income. Items contributing to the period-over-period increase in gross margin are listed in the following table:

(in thousands)	
Gross margin for the six months ended June 30, 2010	$ 65,478
Factors contributing to the gross margin increase for the six months ended June 30, 2011:	
Decreased customer consumption, due primarily to weather	(2,002)
Net customer growth	1,756
New transportation services	1,351
Other	(126)
Gross margin for the six months ended June 30, 2011	$ 66,457

- Customer consumption of natural gas and electricity decreased both on the Delmarva Peninsula and in Florida during the first six months of 2011, compared to the same period in 2010. The decline in consumption is due primarily to significantly warmer weather during the heating season, resulting in a period-over-period decrease of $2.0 million in gross margin. Heating degree-days decreased by five percent, or 144 heating degree-days, on the Delmarva Peninsula and by 43 percent, or 408 heating degree-days, in Florida during the first six months of 2011, compared to the same period in 2010.

- Gross margin from commercial and industrial customers for the Delmarva natural gas distribution operation increased by $584,000 in the first six months of 2011, due primarily to the addition of 14 large commercial and industrial customers since July 2010. These 14 new customers, which generated $509,000 of gross margin in the first half of 2011, are expected to generate annual margin of $1.1 million in 2011, $509,000 of which has been reflected in the year-to-date results. The same customers generated $196,000 of gross margin in the second half of 2010. Two-percent growth in residential customers generated an additional $271,000 in gross margin for the Delmarva natural gas distribution operation.

  The Florida natural gas distribution operations generated $576,000 of additional gross margin from one-percent growth in residential customers and three-percent growth in commercial customers. In addition, 700 new customers, added as a result of the Company's purchase of the operating assets of Indiantown Gas Company in August 2010, generated $325,000 of gross margin during the first six months of 2011.

- In January 2011, Eastern Shore commenced new transportation services associated with its eight-mile mainline extension to interconnect with Texas Eastern Transmission's pipeline system. These new services generated gross margin of $1.1 million in the first six months of 2011 and have a three-year phase-in from 19,324 Mcfs per day to 38,647 Mcfs per day and an estimated gross margin of $2.4 million in 2011, $3.9 million in 2012 and $4.3 million annually thereafter.

  Also generating additional gross margin of $247,000 in the first six months of 2011 were new transportation services that commenced in May 2010 and November 2010, as a result of Eastern Shore's system expansion projects. These expansions added 2,666 Mcfs of capacity per day and an estimated annual gross margin of $574,000 in 2011, $287,000 of which was recorded in the first six months of 2011. These projects generated $216,000 of gross margin in 2010 ($40,000 in the first six months of 2010).

Eastern Shore entered into two additional transportation services agreements with an existing industrial customer, one for the period of May 2011 through April 2021 for an additional 3,290 Mcfs per day and the other one for the period of November 2011 through October 2012 for an additional 9,192 Mcfs per day. These additional services, which are a result of a system expansion, generated additional gross margin of $61,000 in the second quarter of 2011 and are expected to generate additional gross margin of $356,000 in 2011, $1.2 million in 2012 and $369,000 annually thereafter.

Partially offsetting these margin increases were decreased margins of $40,000 from transportation service contracts, which expired in April 2010.

Other operating expenses for the regulated energy segment increased by $2.6 million in the six months ended June 30, 2011, due largely to the following factors:

- One-time charges totaling $651,000 associated with the voluntary workforce reduction in Florida and a pension settlement;
- Increased regulatory, legal and other costs, including $316,000 of additional costs associated with the electric franchise dispute in Marianna Florida and $137,000 in costs with respect to the “Come-Back” filing in Florida and the rate case proceeding for Eastern Shore;
- $559,000 in higher depreciation expense and asset removal costs from capital investments made since the second half of 2010;
- $416,000 in additional expenses related to pipeline integrity projects for Eastern Shore to comply with increased pipeline regulatory requirements; and
- $147,000 of other operating expenses during the first half of 2011 associated with the purchase of the operating assets of Indiantown Gas Company in August 2010.

Unregulated Energy

Operating income for the unregulated energy segment for the six months ended June 30, 2011 was $8.5 million, an increase of $1.5 million, or 22 percent, compared to the same period in 2010. An increase in gross margin of $2.0 million was partially offset by an increase in other operating expenses of $430,000. Items contributing to the period-over-period increase in gross margin are listed in the following table:

(in thousands)	
Gross margin for the six months ended June 30, 2010	$ 20,858
Factors contributing to the gross margin increase for the six months ended June 30, 2011:	
Increase in margin per gallon	1,539
Volume decrease — weather and other	(934)
Gain from litigation settlement	575
Propane wholesale marketing	412
Natural gas marketing	301
Miscellaneous fees and other	87
Gross margin for the six months ended June 30, 2011	$ 22,838

- The propane distribution operations generated additional gross margin of $1.5 million due to higher margins per gallon in the first six months of 2011, compared to the same period in 2010. During the first half of 2011, margins per gallon returned to more normal levels on the Delmarva Peninsula. Significantly colder temperatures in early 2010 increased customer consumption and led to the propane distribution operations having to purchase spot propane supply at higher costs, resulting in lower margins per gallon during that period. More normal temperatures during 2011 and fewer spot purchases during the peak heating season resulted in margins per gallon in the first half of 2011 returning to levels more consistent with prior years. Also contributing to the gross margin increase were higher margins per gallon in Florida as the Florida propane distribution operation continued to adjust its retail pricing in response to market conditions.

- A decrease in heating degree-days in the first six months of 2011, compared to the same period in 2010, and a decrease in propane deliveries to bulk customers due to the timing of deliveries, resulted in decreased gross margin of $934,000.

- The Company recorded a one-time gain of $575,000 in the first quarter of 2011 related to the Company's share of proceeds received from an antitrust litigation settlement with a major propane supplier.

- Xeron, the Company's propane wholesale marketing subsidiary, generated a $412,000 increase in gross margin during the first six months of 2011, compared to the same period in 2010, due primarily to a 50-percent increase in trading activity.

- Gross margin generated by PESCO increased $301,000 in the first six months of 2011, compared to the same period in 2010. This increase resulted primarily from favorable imbalance resolutions with third-party intra-state pipelines, with which PESCO contracts supply. Such imbalance resolutions are not predictable and therefore, are not included in the Company's long-term financial plans or forecasts.

Other operating expenses for the unregulated energy segment increased by $430,000 for the first half of 2011, compared to the same period in 2010, due primarily to the following factors: (a) increased payroll and benefit costs of $347,000, attributable primarily to higher accruals for performance incentive compensation; (b) increased vehicle expenses of $202,000 resulting from an increase in fuel prices; and (c) one-time charges of $67,000 associated with the voluntary workforce reduction in Florida as we continued to integrate the Florida operations.

Other

The other segment reported an operating loss of $74,000 for the six months ended June 30, 2011, compared to operating income of $366,000 for the same period in 2010. The decrease in operating results of $440,000 was attributable primarily to lower operating income of $548,000 from BravePoint, offset partially by the absence in 2011 of $111,000 in merger-related transition costs in the first half of 2010.

BravePoint reported an operating loss of $282,000 in the first six months of 2011, compared to operating income of $265,000 in the same period in 2010. During the first six months of 2011, BravePoint incurred $549,000 in additional costs associated with the roll-out and initial implementations of ProfitZoom ™ . Also contributing to the decreased operating results was $249,000 in increased benefit costs, as Chesapeake adopted a safe harbor 401(k) plan design on January 1, 2011, which resulted in an increased 401(k) benefit for BravePoint employees in 2011.

Interest Expense

Interest expense for the six months ended June 30, 2011 decreased by approximately $403,000, or nine percent, compared to the same period in 2010, due primarily to a decrease of $424,000 in long-term interest expense as scheduled repayments decreased the outstanding principal balance.

Other Information

Chesapeake will host a conference call on Friday, August 5, 2011, at 10:30 a.m. Eastern Time to discuss the Company's financial results for the second quarter of 2011. To participate in this call, dial 866.821.5457 and reference Chesapeake Utilities Corporation's 2011 Second Quarter Financial Results Conference Call. To access the replay recording of this call, please visit the Company's website at http://www.chpk.com/conferencecalls .

Chesapeake Utilities Corporation and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)
For the Periods Ended June 30, 2011 and 2010
(in thousands, except shares and per share data)

	Second Quarter		Year to Date	
	2011	**2010**	**2011**	**2010**
Operating Revenues				
Regulated Energy	**$ 54,327**	$ 52,740	**$ 139,329**	$ 144,367
Unregulated Energy	**29,692**	24,615	**88,442**	83,885
Other	**2,812**	2,706	**5,658**	5,069
Total Operating Revenues	**86,831**	80,061	**233,429**	233,321
Operating Expenses				
Regulated energy cost of sales	**24,882**	24,625	**72,872**	78,889
Unregulated energy and other cost of sales	**24,420**	20,384	**68,711**	65,474
Operations	**20,401**	18,526	**40,237**	37,524
Maintenance	**1,892**	1,789	**3,595**	3,489
Depreciation and amortization	**4,937**	4,545	**9,958**	9,389
Other taxes	**2,523**	2,431	**5,441**	5,397
Total operating expenses	**79,055**	72,300	**200,814**	200,162
Operating Income	**7,776**	7,761	**32,615**	33,159
Other income (loss), net of other expenses	**27**	(11)	**50**	103
Interest charges	**2,114**	2,305	**4,265**	4,667
Income Before Income Taxes	**5,689**	5,445	**28,400**	28,595
Income tax expense	**2,169**	2,105	**11,133**	11,281
Net Income	**$ 3,520**	$ 3,340	**$ 17,267**	$ 17,314
Weighted Average Shares Outstanding:				
Basic	**9,557,707**	9,467,222	**9,546,606**	9,443,708
Diluted	**9,650,887**	9,557,352	**9,642,374**	9,550,670
Earnings Per Share of Common Stock:				
Basic	**$ 0.37**	$ 0.35	**$ 1.81**	$ 1.83
Diluted	**$ 0.37**	$ 0.35	**$ 1.79**	$ 1.82

Chesapeake Utilities Corporation and Subsidiaries
Supplemental Income Statement Data (Unaudited)
For the Periods Ended June 30, 2011 and 2010
(in thousands, except degree-day data)

	Second Quarter		Year to Date	
Chesapeake and Subsidiaries	**2011**	**2010**	**2011**	**2010**
Gross Margin [1]				
Regulated Energy	**$ 29,445**	$ 28,115	**$ 66,457**	$ 65,478
Unregulated Energy	**6,843**	5,547	**22,838**	20,858
Other	**1,241**	1,390	**2,551**	2,622
Total Gross Margin	**$ 37,529**	$ 35,052	**$ 91,846**	$ 88,958
Operating Income				
Regulated Energy	**$ 7,863**	$ 8,308	**$ 24,171**	$ 25,824
Unregulated Energy	**4**	(791)	**8,518**	6,969
Other	**(91)**	244	**(74)**	366
Total Operating Income	**$ 7,776**	$ 7,761	**$ 32,615**	$ 33,159
Heating Degree-Days — Delmarva Peninsula				
Actual	**382**	428	**2,827**	2,971
10-year average (normal)	**487**	495	**2,863**	2,831
Heating Degree-Days — Florida				
Actual	**14**	9	**534**	942
10-year average (normal)	**30**	33	**594**	547
Cooling Degree-Days — Florida				
Actual	**1,027**	1,037	**1,107**	1,040
10-year average (normal)	**894**	880	**961**	952

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

Chesapeake Utilities Corporation and Subsidiaries
Distribution Utility Statistical Data (Unaudited)

	For the Three Months Ended June 30, 2011				For the Three Months Ended June 30, 2010			
	Delmarva NG Distribution	Chesapeake Florida NG Division	FPU NG Distribution	FPU Electric Distribution	Delmarva NG Distribution	Chesapeake Florida NG Division	FPU NG Distribution	FPU Electric Distribution
Operating Revenues *(in thousands)*								
Residential	**$ 8,581**	**$ 1,065**	**$ 4,417**	**$ 10,111**	$ 7,287	$ 1,109	$ 5,267	$ 10,150
Commercial	**3,932**	**902**	**7,437**	**10,392**	4,304	911	8,681	10,315
Industrial	**1,002**	**1,239**	**2,079**	**2,134**	734	1,170	2,139	2,565
Other [1]	**(2,531)**	**534**	**(909)**	**(300)**	(2,063)	319	(2,623)	(1,123)
Total Operating Revenues	**$ 10,984**	**$ 3,740**	**$ 13,024**	**$ 22,337**	$ 10,262	$ 3,509	$ 13,464	$ 21,907
Volume *(in Mcfs/MWHs)*								
Residential	**469,313**	**61,720**	**235,577**	**68,131**	369,760	74,398	290,991	67,871
Commercial	**555,974**	**271,006**	**683,636**	**78,097**	458,499	339,054	761,650	75,231
Industrial	**691,765**	**3,821,212**	**687,721**	**14,010**	481,873	3,814,830	486,443	20,710
Other	**33,448**	**—**	**(89,195)**	**19,115**	60,879	—	(177,664)	17,898
Total	**1,750,500**	**4,153,938**	**1,517,739**	**179,353**	1,371,011	4,228,282	1,361,420	181,710
Average customers								
Residential	**48,660**	**13,631**	**48,028**	**23,593**	47,431	13,418	47,162	23,585
Commercial	**5,173**	**1,174**	**4,540**	**7,375**	5,128	1,121	4,496	7,378
Industrial	**90**	**57**	**675**	**2**	82	58	582	2
Other	**4**	**—**	**—**	**—**	6	—	—	—
Total	**53,927**	**14,862**	**53,243**	**30,970**	52,647	14,597	52,240	30,965

(1) Operating revenues from “Other” sources include unbilled revenue, under (over) recoveries of fuel cost, conservation revenue, other miscellaneous charges, fees for billing services provided to third-parties and adjustments for pass-through taxes.

Chesapeake Utilities Corporation and Subsidiaries
Distribution Utility Statistical Data (Unaudited)

	For the Six Months Ended June 30, 2011				For the Six Months Ended June 30, 2010			
	Delmarva NG Distribution	Chesapeake Florida NG Division	FPU NG Distribution	FPU Electric Distribution	Delmarva NG Distribution	Chesapeake Florida NG Division	FPU NG Distribution	FPU Electric Distribution
Operating Revenues *(in thousands)*								
Residential	**$ 32,646**	**$ 2,387**	**$ 11,971**	**$ 23,013**	$ 30,430	$ 2,633	$ 14,333	$ 24,557
Commercial	**16,979**	**1,911**	**17,700**	**20,344**	17,086	1,940	20,748	20,714
Industrial	**2,358**	**2,443**	**4,657**	**3,939**	1,810	2,394	4,410	4,555
Other [1]	**(4,841)**	**1,152**	**(2,526)**	**(3,002)**	(2,917)	849	(2,863)	(3,664)
Total Operating Revenues	**$ 47,142**	**$ 7,893**	**$ 31,802**	**$ 44,294**	$ 46,409	$ 7,816	$ 36,628	$ 46,162
Volume *(in Mcfs/MWHs)*								
Residential	**2,150,989**	**194,493**	**724,823**	**155,504**	2,056,174	253,559	845,888	164,899
Commercial	**1,955,429**	**620,600**	**1,617,078**	**151,995**	1,751,364	721,972	1,757,665	150,222
Industrial	**1,497,368**	**7,712,274**	**1,467,359**	**29,680**	1,053,215	7,402,857	1,029,603	39,580
Other	**44,940**	**—**	**(187,463)**	**6,888**	141,950	—	(151,376)	11,644
Total	**5,648,726**	**8,527,367**	**3,621,797**	**344,067**	5,002,703	8,378,388	3,481,780	366,345
Average customers								
Residential	**48,986**	**13,660**	**47,943**	**23,591**	47,808	13,441	47,089	23,558
Commercial	**5,241**	**1,168**	**4,534**	**7,377**	5,196	1,121	4,488	7,380
Industrial	**92**	**59**	**670**	**2**	81	59	578	2
Other	**5**	**—**	**—**	**—**	5	—	—	—
Total	**54,324**	**14,887**	**53,147**	**30,970**	53,090	14,621	52,155	30,940

(1) Operating revenues from “Other” sources include unbilled revenue, under (over) recoveries of fuel cost, conservation revenue, other miscellaneous charges, fees for billing services provided to third-parties and adjustments for pass-through taxes.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

Assets *(in thousands, except shares and per share data)*	**June 30, 2011**	**December 31, 2010**
Property, Plant and Equipment		
Regulated energy	**$ 511,008**	$ 500,689
Unregulated energy	**62,399**	61,313
Other	**18,926**	16,989
Total property, plant and equipment	**592,333**	578,991
Less: Accumulated depreciation and amortization	**(129,054)**	(121,628)
Plus: Construction work in progress	**8,317**	5,394
Net property, plant and equipment	**471,596**	462,757
Investments, at fair value	**4,109**	4,036
Current Assets		
Cash and cash equivalents	**1,828**	1,643
Accounts receivable (less allowance for uncollectible accounts of $1,095 and $1,194, respectively)	**80,381**	88,074
Accrued revenue	**8,655**	14,978
Propane inventory, at average cost	**6,790**	8,876
Other inventory, at average cost	**3,266**	3,084
Regulatory assets	**289**	51
Storage gas prepayments	**3,672**	5,084
Income taxes receivable	**9,414**	6,748
Deferred income taxes	**2,170**	2,191
Prepaid expenses	**3,111**	4,613
Mark-to-market energy assets	**335**	1,642
Other current assets	**226**	245
Total current assets	**120,137**	137,229
Deferred Charges and Other Assets		
Goodwill	**35,613**	35,613
Other intangible assets, net	**3,293**	3,459
Long-term receivables	**26**	155
Regulatory assets	**22,300**	23,884
Other deferred charges	**3,415**	3,860
Total deferred charges and other assets	**64,647**	66,971
Total Assets	**$ 660,489**	$ 670,993

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

Capitalization and Liabilities *(in thousands, except shares and per share data)*	**June 30, 2011**	**December 31, 2010**
Capitalization		
Stockholders' equity		
Common stock, par value $0.4867 per share (authorized 25,000,000 shares)	**$ 4,654**	$ 4,635
Additional paid-in capital	**148,796**	148,159
Retained earnings	**87,549**	76,805
Accumulated other comprehensive loss	**(2,999)**	(3,360)
Deferred compensation obligation	**796**	777
Treasury stock	**(796)**	(777)
Total stockholders' equity	**238,000**	226,239
Long-term debt, net of current maturities	**117,123**	89,642
Total capitalization	**355,123**	315,881
Current Liabilities		
Current portion of long-term debt	**9,196**	9,216
Short-term borrowing	**4,248**	63,958
Accounts payable	**64,427**	65,541
Customer deposits and refunds	**25,135**	26,317
Accrued interest	**1,548**	1,789
Dividends payable	**3,299**	3,143
Accrued compensation	**4,623**	6,784
Regulatory liabilities	**11,960**	9,009
Mark-to-market energy liabilities	**216**	1,492
Other accrued liabilities	**12,081**	10,393
Total current liabilities	**136,733**	197,642
Deferred Credits and Other Liabilities		
Deferred income taxes	**92,700**	80,031
Deferred investment tax credits	**203**	243
Regulatory liabilities	**3,670**	3,734
Environmental liabilities	**9,414**	10,587
Other pension and benefit costs	**17,816**	18,199
Accrued asset removal cost — Regulatory liability	**35,919**	35,092
Other liabilities	**8,911**	9,584
Total deferred credits and other liabilities	**168,633**	157,470
Total Capitalization and Liabilities	**$ 660,489**	$ 670,993

Matters discussed in this release may include forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those in the forward-looking statements. Please refer to the Safe Harbor for Forward-Looking Statements in the Company's most recent report on Form 10-Q for further information on the risks and uncertainties related to the Company's forward-looking statements.

Chesapeake Utilities Corporation is a diversified utility company engaged in natural gas distribution, transmission and marketing, electric distribution, propane gas distribution and wholesale marketing, advanced information services and other related services. Information about Chesapeake's businesses is available at www.chpk.com .

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