SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 1999

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 001-11590

CHESAPEAKE UTILITIES CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Common Stock, par value $.4867 - 5,115,971 shares issued as of March 31, 1999.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION 1

ITEM 1. FINANCIAL STATEMENTS 1

CONSOLIDATED STATEMENTS OF INCOME - THREE MONTHS ENDED MARCH 31, 1999 AND 1998 1

CONSOLIDATED BALANCE SHEETS - MARCH 31, 1999 AND DECEMBER 31, 1998 2

CONSOLIDATED STATEMENTS OF CASH FLOWS - THREE MONTHS ENDED MARCH 31, 1999 AND 1998 4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 5

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 9

RESULTS OF OPERATIONS FOR THE QUARTER ENDED MARCH 31, 1999 9

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES 11

OTHER MATTERS 12

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK 15

PART II - OTHER INFORMATION 16

SIGNATURES 17

Powered By EDGAR Online 2002. EDGAR Online, Inc.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Powered By EDGAR Online 2002. EDGAR Online, Inc.

FOR THE THREE MONTHS ENDED MARCH 31,	1999	RESTATED * 1998
OPERATING REVENUES	$55,646,072	$60,169,102
COST OF SALES	37,093,210	43,865,443
GROSS MARGIN	18,552,862	16,303,659
OPERATING EXPENSES		
Operations	6,527,981	5,970,118
Maintenance	419,152	479,112
Depreciation and amortization	1,637,997	1,512,573
Other taxes	1,171,609	1,170,847
Income taxes	3,027,748	2,426,791
Total operating expenses	12,784,487	11,559,441
OPERATING INCOME	5,768,375	4,744,218
OTHER INCOME, NET	73,226	110,391
INCOME BEFORE INTEREST CHARGES	5,841,601	4,854,609
INTEREST CHARGES	898,618	854,007
NET INCOME	$ 4,942,983	$ 4,000,602
EARNINGS PER SHARE OF COMMON STOCK:		
BASIC	$ 0.97	$ 0.80
DILUTED	$ 0.94	$ 0.77

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Powered By EDGAR Online 2002. EDGAR Online, Inc.

RESTATED FOR THE THREE MONTHS ENDED MARCH 31,	1999	1998 *
NET INCOME	$ 4,942,983	$ 4,000,602
UNREALIZED (LOSS) GAIN ON MARKETABLE SECURITIES, NET OF INCOME TAXES	(233,312)	184,388
TOTAL COMPREHENSIVE INCOME	$ 4,709,671	$ 4,184,990

* The financial information for March 1998 has been restated to include the May 1998 business combination with Xeron, Inc., accounted for as a pooling of interests.

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	MARCH 31, 1999 (Unaudited)	DECEMBER 31, 1998 (Audited)
PROPERTY, PLANT AND EQUIPMENT		
Natural gas distribution and transmission	$119,543,045	$117,232,506
Propane distribution and marketing	27,280,714	27,287,807
Advanced information services	1,253,364	1,087,910
Other plant	7,890,514	7,382,965
Total property, plant and equipment	155,967,637	152,991,188
Less: Accumulated depreciation and amortization	(50,133,699)	(48,725,412)
Net property, plant and equipment	105,833,938	104,265,776
INVESTMENTS	3,782,615	4,165,194
CURRENT ASSETS		
Cash and cash equivalents	4,196,363	2,598,084
Accounts receivable (less allowance for uncollectibles of $303,094 and $302,513 in 1999 and 1998, respectively)	16,136,315	14,861,255
Materials and supplies, at average cost	1,752,182	1,728,513
Propane inventory, at average cost	1,509,134	1,787,038
Storage gas prepayments	214,454	2,152,605
Underrecovered purchased gas costs	-	1,552,265
Income taxes receivable	-	344,311
Deferred income taxes	603,345	-
Prepaid expenses	1,268,641	1,596,595
Total current assets	25,680,434	26,620,666
DEFERRED CHARGES AND OTHER ASSETS		
Environmental regulatory assets	2,676,143	2,700,000
Environmental expenditures	3,341,475	3,418,166
Other deferred charges and intangible assets	3,779,724	4,063,811
Total deferred charges and other assets	9,797,342	10,181,977
TOTAL ASSETS	$145,094,329	$145,233,613

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

CAPITALIZATION AND LIABILITIES	MARCH 31, 1999 (Unaudited)	DECEMBER 31, 1998 (Audited)
CAPITALIZATION		
Stockholders' equity		
Common Stock, par value $.4867 per share; (authorized 12,000,000 shares; issued 5,115,971 and 5,093,788 shares, respectively)	$ 2,489,816	$ 2,479,019
Additional paid-in capital	24,582,657	24,192,188
Retained earnings	32,556,375	28,892,384
Accumulated other comprehensive income	630,032	863,344
Less: Unearned compensation related to restricted stock awards	(53,281)	(71,041)
Total stockholders' equity	60,205,599	56,355,894
Long-term debt, net of current portion	36,553,000	37,597,000
Total capitalization	96,758,599	93,952,894
CURRENT LIABILITIES		
Current portion of long-term debt	520,000	520,000
Short-term borrowing	4,500,000	11,600,000
Accounts payable	11,109,781	11,070,642
Refunds payable to customers	484,910	636,153
Income taxes payable	3,052,219	-
Accrued interest	699,471	553,444
Dividends payable	1,278,993	1,273,446
Overrecovered purchased gas costs	386,984	-
Deferred income taxes	-	56,100
Other accrued expenses	4,520,538	3,754,231
Total current liabilities	26,552,896	29,464,016
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	13,176,690	13,260,282
Deferred investment tax credits	757,979	766,802
Environmental liability	2,676,143	2,700,000
Accrued pension costs	1,612,625	1,536,304
Other liabilities	3,559,397	3,553,315
Total deferred credits and other liabilities	21,782,834	21,816,703
TOTAL CAPITALIZATION AND LIABILITIES	$145,094,329	$145,233,613

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Powered By EDGAR Online 2002. EDGAR Online, Inc.

FOR THE THREE MONTHS ENDED MARCH 31,	1999	* RESTATED 1998
OPERATING ACTIVITIES		
Net Income	$ 4,942,983	$ 4,000,602
Adjustments to reconcile net income to net operating cash:		
Depreciation and amortization	1,964,781	1,700,620
Deferred income taxes, net	(743,036)	(27,717)
Investment tax credit adjustments	(8,823)	(6,733)
Mark-to-market adjustments	-	-
Employee benefits	76,321	135,935
Employee compensation from lapsing stock restrictions	17,760	29,961
Other, net	(17,776)	(4,920)
Changes in assets and liabilities:		
Accounts receivable, net	(1,275,060)	944,272
Inventory, materials, supplies and storage gas	2,192,386	3,548,715
Other current assets	327,954	499,591
Other deferred charges	239,464	129,373
Accounts payable, net	39,139	(1,812,471)
Refunds payable to customers	(151,243)	(33,132)
Overrecovered purchased gas costs	1,939,250	1,444,062
Other current liabilities	4,338,065	2,299,887
Net cash provided by operating activities	13,882,165	12,848,045
INVESTING ACTIVITIES		
Property, plant and equipment expenditures, net	(3,238,506)	(1,929,062)
Net cash used by investing activities	(3,238,506)	(1,929,062)
FINANCING ACTIVITIES		
Common stock dividends net of amounts reinvested of $109,421 and $99,855, respectively	(1,165,025)	(992,313)
Issuance of stock:		
Dividend Reinvestment Plan optional cash	43,880	47,664
Retirement Savings Plan	183,790	90,514
Net repayment under line of credit agreements	(7,100,000)	(7,600,010)
Repayments of long-term debt	(1,008,025)	(531,327)
Net cash used by financing activities	(9,045,380)	(8,985,472)
NET INCREASE IN CASH	$ 1,598,279	$ 1,933,511
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,598,084	4,829,176
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,196,363	$ 6,762,687

* The financial information for March 1998 has been restated to include the May 1998 business combination with Xcom, Inc., accounted for as a pooling of interests.

Powered By EDGAR Online www.edgar-online.com

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. QUARTERLY FINANCIAL DATA Chesapeake Utilities Corporation's (the "Company") financial information included herein is unaudited and should be read in conjunction with the Company's 1998 annual report on Form 10-K. In the opinion of management, the financial information reflects normal recurring adjustments, which are necessary for a fair presentation of the Company's interim results. Due to the seasonal nature of the Company's business, there are substantial variations in the results of operations reported on a quarterly basis; therefore, the results of operations for an interim period may not give a true indication of results for the year. Certain amounts in 1998 have been reclassified to conform with current year presentation.

2. CALCULATION OF EARNINGS PER SHARE

FOR THE THREE MONTHS ENDED MARCH 31, 1999 1998

CALCULATION OF BASIC EARNINGS PER SHARE:

Net Income	$4,942,983	$4,000,602
Weighted Average Shares Outstanding	5,108,057	5,024,680
BASIC EARNINGS PER SHARE	$ 0.97	$ 0.80

CALCULATION OF DILUTED EARNINGS PER SHARE:

Reconciliation of Numerator:		
Net Income - Basic	$4,942,983	$4,000,602
Effect of 8.25% Convertible debentures	47,162	48,082
Adjusted numerator - Diluted	$4,990,145	$4,048,684
Reconciliation of Denominator:		
Weighted Shares Outstanding - Basic	5,108,057	5,024,680
Effect of Dilutive Securities 8.25% Convertible debentures	223,403	227,760
Adjusted denominator - Diluted	5,331,460	5,252,440
DILUTED EARNINGS PER SHARE	$ 0.94	$ 0.77

3. INVESTMENTS The investment balance at March 31, 1999 and December 31, 1998 consists primarily of a 7.3% ownership interest in the common stock of Florida Public Utilities Company ("FPU"). 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 net of income tax as a separate component of stockholders' equity. The market value of $3.2 million at March 31, 1999 and $3.7 million at December 31, 1998 exceeded the aggregate cost basis of the Company's portfolio by $1.0 million and $1.55 million, respectively. As noted below, the Company has entered into an agreement to sell this investment at a price which currently exceeds market value.

In August 1998, the Company entered into an agreement to sell its investment in FPU for $16.50 per share to The Southern Company. The execution of the agreement is contingent on the approval of the Securities and Exchange Commission. If regulatory approval is received, the Company will recognize a $1.4 million pre-tax gain or $863,000, after taxes.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

4. COMMITMENTS AND CONTINGENCIES - ENVIRONMENTAL MATTERS The Company is currently participating in the investigation, assessment and remediation of three former gas manufacturing plant sites located in different jurisdictions, including the exploration of corrective action options to remove environmental contaminants. The Company has accrued liabilities for two of these sites, the Dover Gas Light and Salisbury Town Gas Light sites.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

(A) DOVER GAS LIGHT SITE

The Dover site has been listed by the Environmental Protection Agency Region III ("EPA") on the Superfund National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). In 1994, the EPA issued the site Record of Decision ("ROD"), which selected a remedial plan and estimated the costs of the selected remedy at $2.7 million for ground-water remediation and $3.3 million for soil remediation. In 1995, the EPA issued an order to the Company under Section 106 of CERCLA (the "Order"), requiring the Company to fund or implement the ROD. The Order was also issued to General Public Utilities Corporation, Inc. ("GPU"), which both the EPA and the Company believe is liable under CERCLA. Other potentially responsible parties ("PRPs") such as the State of Delaware were not ordered to perform the ROD. Although notifying the EPA of objections to the Order, the Company agreed to comply. GPU informed the EPA that it did not intend to comply with the Order. The EPA may seek judicial enforcement of its Order, as well as significant financial penalties for failure to comply. Additional information pertaining to remediation costs, investigations related to additional parties who may be PRPs and/or litigation initiated by the Company can be found in the Company's annual report on Form 10-K for the year ended December 31, 1998 (see the "Environmental - Dover Gas Light Site" section, beginning on page 11).

In June 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 of proceeds to be received, if any.

In July 1996, the Company began the design phase of the ROD, on-site pre- design and investigation. A pre-design investigation report ("the report") was filed in October 1996 with the EPA. The report, which required EPA approval, provided up to date status on the site, which the EPA used to determine if the remedial design selected in the ROD was still the appropriate remedy.

In the report, the Company proposed a modification to the soil clean-up remedy selected in the ROD to take into account an existing land use restriction banning future development at the site. In April of 1997, the EPA issued a fact sheet stating that the EPA was considering the proposed modification. The fact sheet included an overall cost estimate of $5.7 million for the proposed modified remedy and a new overall cost estimate of $13.2 million for the remedy selected in the ROD. On August 28, 1997, the EPA issued a Proposed Plan to modify, with respect to soil remediation only, the current clean-up plan that would involve the following three elements: (1) excavation and off-site thermal treatment of the contents of the former subsurface gas holders; (2) implementation of soil vaporization extraction; and (3) pavement of the parking lot. The overall estimated clean-up cost of the site under the proposed plan was $4.2 million ($1.5 million for soil remediation and $2.7 million for ground-water remediation) as compared to the ROD cleanup estimate of $6.0 million ($3.3 million for soil remediation and $2.7 million for ground-water remediation). In January 1998, the EPA issued a ROD Amendment, which modified the soil remediation to conform to the proposed plan and included the estimated soil clean-up costs of $4.2 million.

During the fourth quarter of 1998 the Company completed the first element of the soil remediation. Over the next twelve to eighteen months the Company will finalize the remaining two elements of the soil remediation and initiate the ground-water remedial activities.

The Company's independent consultants have prepared preliminary cost estimates of two potentially acceptable alternatives to complete the ground- water remediation activities at the site. The costs range from a low of $390,000 in capital and $37,000 per year of operating costs for 30 years for natural attenuation to a high of $4.0 million in capital and $500,000 per year in operating costs for 30 years for a pump and treat system. A decision by the EPA as to the most appropriate ground-water remediation method is likely in 1999. The capital costs necessary to begin ground-water remediation are expected to be incurred over the next twelve to eighteen months.

The Company cannot predict which ground-water remediation method will be selected by the EPA and accordingly, has adjusted its accrual to $2.1 million at December 31, 1998 for the Dover site, as well as a regulatory asset for an equivalent amount. Of this amount, $1.5 million is for ground-water remediation

Powered By EDGAR Online 2002. EDGAR Online, Inc.

and $600,000 is for the remaining soil remediation. The $1.5 million represents the low end of the ground-water remedy estimates described above. 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.

As of March 31, 1999, the Company has incurred approximately $6.7 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. The final insurance proceeds were requested and received in 1992. In December 1995, the Delaware Public Service Commission authorized a process to review and provide recovery of all current and future unrecovered environmental costs incurred by means of a rider (supplement) to base rates, applicable to all firm service customers. As of March 31, 1999, $874,000 of environmental costs is not included in the December 1, 1998 rider. With the rider mechanism established, it is management's opinion that these costs and any future costs, net of the deferred income tax benefit, will be recoverable in rates. For additional information pertaining to the rider, refer to the "Environmental - Dover Gas Light Site" section of the Company's annual report on Form 10-K for the year ended December 31, 1998, beginning on page 11.

(B) SALISBURY TOWN GAS LIGHT SITE
In cooperation with the Maryland Department of the Environment ("MDE"), the Company completed assessment of the Salisbury manufactured gas plant site, determining that there was localized ground-water contamination. During 1996, the Company completed construction and began the Air Sparging and Soil-Vapor Extraction remediation procedures. Chesapeake has been reporting the remediation and monitoring results to the Maryland Department of the Environment on an ongoing basis since 1996.

The estimated cost of the remaining remediation is approximately $136,000 per year for operating expenses for a period of five years. Based on these estimated costs, the Company adjusted its liability and deferred regulatory asset to $600,000 on December 31, 1998, to cover the Company's projected remediation costs for this site. As of March 31, 1999, the Company has incurred approximately $2.6 million for remedial actions and environmental studies. 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 costs incurred through September 30, 1995 less amounts previously amortized and insurance proceeds. The amount approved for a 10- year amortization period was $964,251. Of the $2.6 million in costs reported above, approximately $794,000 has not been recovered through insurance proceeds or received ratemaking treatment. It is management's opinion that these and any future costs incurred will be recoverable in rates.

(C) WINTER HAVEN COAL GAS SITE In May 1996, the company filed an Air Sparging and Soil Vapor Extraction Pilot Study Work Plan for the Winter Haven site with the Florida Department of Environmental Protection ("FDEP"). The Work Plan described the Company's proposal to undertake an Air Sparging and Soil Vapor Extraction ("AS/SVE") pilot study to evaluate at the site. After discussions with the FDEP, the Company filed a modified AS/SVE Pilot Study Work Plan, the description of the scope of work to complete the site assessment activities and a report describing a limited sediment investigation performed in 1997. The FDEP responded by requesting additional field investigation work, which was completed during the first quarter of 1999. In addition, the FDEP approved the AS/SVE Pilot Study Work Plan, which the Company expects to begin during June 1999. It is not possible to determine what remedial action will be required by FDEP and the cost of such remediation.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

The Company has spent and received recovery through rates charged to customers of approximately $699,000 on these investigations as of March 31, 1999. The Florida Public Service Commission has allowed the Company to continue to accrue for future environmental costs. At March 31, 1999, Chesapeake had $517,000 accrued to recover future costs, which might be incurred. It is management's opinion that these and future costs, if any above this level, will also be recoverable in rates.

5. RECENT ACCOUNTING PRONOUNCEMENTS

FASB STATEMENTS AND OTHER AUTHORITATIVE PRONOUNCEMENTS ISSUED DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, establishing accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. This statement does not allow retroactive application to financial statements for prior periods. Chesapeake will adopt the requirements of this standard in the first quarter of 2000, as required. The Company believes that adoption of this statement will not have a material impact on the Company's financial position or results of operations.

The Emerging Issues Task Force released Issue 98-10, "Accounting for Energy Trading and Risk Management Activities", effective January 1, 1999. The Company records its use of derivatives in accordance with the standard by marking open positions to market value.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

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

RESULTS OF OPERATIONS FOR THE QUARTER ENDED MARCH 31, 1999

CONSOLIDATED OVERVIEW

The Company recognized net income of $4.9 million - $.97 per share - for the first quarter of 1999, representing an increase in income of $942,000, or $.17 per share, as compared to the corresponding period in 1998. As indicated in the following table, the increase in income is primarily due to greater Earnings Before Interest and Taxes ("EBIT") from the propane and natural gas segments. The increases are primarily due to colder temperatures during the first quarter of 1999. Based on heating degree days, temperatures in the Company's northern service territories were 17% colder than the same period in 1998 although they were still 9% warmer than normal. The impact of weather on the specific seg- ments of the Company is discussed below.

FOR THE THREE MONTHS ENDED MARCH 31,	1999	1998	Change
Earnings Before Interest & Taxes			
Natural Gas Distribution & Transmission	$ 5,190,513	$ 4,680,780	$ 509,733
Propane Distribution & Marketing	3,215,464	2,106,164	1,109,300
Advanced Information Services	262,849	267,914	(5,065)
Other & Eliminations	127,297	116,151	11,146
EBIT	8,796,123	7,171,009	1,625,114
Operating Income Taxes	3,027,748	2,426,791	600,957
Interest	898,618	854,007	44,611
Non-Operating Income, net	73,226	110,391	(37,165)
Net Income	$ 4,942,983	$ 4,000,602	$ 942,381

NATURAL GAS DISTRIBUTION AND TRANSMISSION

The natural gas distribution and transmission segment reported EBIT of $5.2 million for the first quarter of 1999 as compared to $4.7 million for the corresponding period last year - an increase of $510,000. The increase in EBIT is due an increase in gross margin somewhat offset by higher operating expenses.

FOR THE THREE MONTHS ENDED MARCH 31,	1999	1998	Change
Revenue	$24,601,898	$27,070,648	$(2,468,750)
Cost of Gas	13,730,542	16,977,270	(3,246,728)
Gross Margin	10,871,356	10,093,378	777,978
Operations & Maintenance	3,641,572	3,453,761	187,811
Depreciation & Amortization	1,203,840	1,112,446	91,394
Other Taxes	835,431	846,391	(10,960)
Total Operating Expenses	5,680,843	5,412,598	268,245
EBIT	$ 5,190,513	$ 4,680,780	$ 509,733

Gross margin increased due to colder temperatures combined with a 4.6% growth in residential and commercial customers. Deliveries to these customers increased 9% due to the colder weather and the increased number of residential and commer- cial customers. The colder temperatures and increases in customers served contributed to a rise in margin of approximately $778,000. Also contributing to the rise in margin were increases in transportation revenue due to system ex- pansion. Although gross margin increased $778,000 from 1998 to 1999, revenue and the associated cost of gas declined due to a reduction in the price of gas. Changes in the cost of gas are passed on to customers

Powered By EDGAR Online 2002. EDGAR Online, Inc.

through the purchased gas adjustment clauses in the Company's tariffs. Increases in operating expenses were driven by depreciation, employee benefits, marketing programs designed to continue building customer growth and billable service work. These are par- tially offset by decreased consulting, legal and data processing costs.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

In an effort to reduce the impact of warmer temperatures in the future, the Company filed to modify the rate design in one of its jurisdictions. The proposal will increase the margins contributed by weather-sensitive customers during periods when the weather is significantly warmer and decrease margins contributed by them when the weather is significantly cooler. The proposed change is expected to be approved during the second quarter of 1999. The Company intends to make a similar filing in other temperature-sensitive jurisdictions.

PROPANE DISTRIBUTION AND MARKETING

For the first quarter of 1999, the propane segment reported earnings before interest and taxes of $3.2 million, as compared to $2.1 million for the same period last year. The $1.1 million increase in income is primarily the result of increased gross margin.

FOR THE THREE MONTHS ENDED MARCH 31,	1999	1998	Change
Revenue	$27,586,694	$30,496,244	$(2,909,550)
Cost of Sales	21,574,469	25,612,947	(4,038,478)
Gross Margin	6,012,225	4,883,297	1,128,928
Operations & Maintenance	2,300,394	2,263,160	37,234
Depreciation & Amortization	324,719	327,643	(2,924)
Other Taxes	171,648	186,330	(14,682)
Total Operating Expenses	2,796,761	2,777,133	19,628
EBIT	$ 3,215,464	$ 2,106,164	$ 1,109,300

The increase in gross margin is due primarily to a $1.2 million increase in distribution margins offset by a $67,000 reduction in wholesale marketing margins. Distribution gross margin increased primarily due to colder temperatures during the first quarter of 1999 when compared to the same period last year. The change in temperatures resulted in a 16% increase in propane gallons distributed. The impact of colder temperatures combined with increases in customers served contributed to a rise in margin of approximately $1.1 million. Lower wholesale propane supply costs helped to increase the distribu- tion margins earned per gallon sold. Wholesale marketing margins were slightly lower than those experienced during the first quarter of 1998 due to the lack of price volatility in the wholesale propane market. Operating expenses increased slightly due to increased marketing, employee benefits and delivery expenses for the distribution operation.

ADVANCED INFORMATION SERVICES

The advanced information services segment recognized an EBIT of $263,000 and $268,000 for the quarters ended March 31, 1999 and 1998, respectively. The 2% decrease in EBIT is attributable to an increase in expenses.

FOR THE THREE MONTHS ENDED MARCH 31,	1999	1998	Change
Revenue	$ 3,008,350	$ 2,278,259	$ 730,091
Cost of Sales	1,514,382	1,117,386	396,996
Gross Margin	1,493,968	1,160,873	333,095
Operations & Maintenance	1,030,299	733,215	297,084
Depreciation & Amortization	58,478	41,658	16,820
Other Taxes	142,342	118,086	24,256
Total Operating Expenses	1,231,119	892,959	338,160
EBIT	$ 262,849	$ 267,914	$ (5,065)

Higher revenues are primarily due to increased consulting and training services, partially offset by a reduction in placement service revenues. Operating expenses increased primarily in the areas of compensation due to staffing increases and employee benefits. Depreciation is also

Powered By EDGAR Online 2002. EDGAR Online, Inc.

higher primarily due to computer equipment purchases to support increased attendance in training classes and increased staffing.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

OPERATING INCOME TAXES
Operating income taxes increased due to the increase in operating income.

COMPREHENSIVE INCOME
The Company has disclosed an unrealized loss on the sale of marketable securities of $233,000, reflecting a market price of $14.75 at March 31, 1999 as compared to a sale price of $16.50 at December 31, 1998, related to its investment in Florida Public Utilities Company ("FPU"). The investment is classified as "Available for Sale" (see Note 3 to the Consolidated Financial Statements). As previously discussed, in August 1998, the Company entered into an agreement with The Southern Company to sell its investment in FPU for $16.50 per share. If the sale is consummated, the Company will recognize a non-recurring, after tax gain of approximately $863,000, which represents the difference between the sale price and Chesapeake's cost basis.

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 5 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 borrowing to meet normal working capital requirements and temporarily finance capital expenditures. During the first three months of 1999, 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 $13.9 million, $3.2 million and $9.0 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 $20 million from various banks and trust companies. As of March 31, 1999, the Company had three unsecured bank lines of credit, totaling $28 million. 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 borrowing at March 31, 1999 and December 31, 1998 were $4.5 and $11.6 million, respectively.

During the three months ended March 31, 1999 and March 31, 1998, net property, plant and equipment expenditures were approximately $3.2 and $1.9 million, respectively. Chesapeake has budgeted $23.8 million for capital expenditures during 1999. This amount includes $19.9 million for natural gas distribution and transmission; $1.9 million for propane distribution and marketing; $336,000 for advanced information services; and $1.7 million for general plant. The natural gas expenditures are for expansion and improvement of facilities in existing service territories and improvement and expansion of the pipeline system, specifically, the construction of eight miles of pipeline to provide additional firm transportation capacity to two existing customers. The propane expenditures are to support customer growth and the replacement of older equipment. The advanced information services expenditures are for computer hardware, software and related equipment. General expenditures are for building improvements, computer software and hardware. Financing for the 1999 con- struction program is expected to be provided from short-term borrowing and cash from operations. The construction program is subject to continuous review and modification. Actual construction expenditures may vary from the above estimates due to a number of factors including inflation, changing economic conditions, regulation, sales growth and the cost and availability of capital.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

Chesapeake has budgeted $2.2 million for environmental related expenditures during 1999 and expects to incur additional expenditures in future years (see Note 5 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.

The Company is continually evaluating new business opportunities and acquisitions, some of which may require the Company to obtain financing. Management will consider the impact of any such financing on the Company's financial position in its evaluation of the business opportunity or acquisi- tion. Such financing are not expected to have a material adverse effect on the financial position or capital resources of the Company.

As of March 31, 1999, common equity represented 62.2% of permanent capitalization, compared to 60.0% as of December 31, 1998. 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 Com- pany will be able to attract capital from outside sources at a reasonable cost.

OTHER MATTERS

THE YEAR 2000

Chesapeake is dependent upon a variety of information systems to operate efficiently and effectively. In order to address the impact of the Year 2000 ("Year 2000" or "Y2K") on its information systems, Chesapeake is in the process of evaluating and remediating any deficiencies. The Company's evaluation of its readiness and the potential impact of the Year 2000 on its systems have been separated into five components: primary internal applications, embedded sys- tems, vendors/suppliers, end-user computing systems and customers.

-- Chesapeake's primary internal applications include company maintained software systems for its financial information; natural gas customer information and billing; and propane customer information, billing and delivery. The Company completed testing of these three applications in 1998 and deems them Year 2000 ready.

-- Embedded systems include the supervisory control and data acquisition ("SCADA") system for the natural gas transmission segment, telecommunications, metering and other facilities related systems. Chesapeake has currently identified 64 vendors that support the Company's embedded systems. During the first quarter of 1999, no additional vendors or embedded systems were identified. Chesapeake continues to review for additional vendors and/or embedded systems and expects to finalize the review during the second quarter of 1999. The Company has prioritized these vendors into three potential impact classifications: 15 high impact vendors, supporting items such as the SCADA system; 19 medium impact vendors, supporting systems such as telecommunications; and 30 low impact vendors, supporting items such as copiers and postage meters. The Company has been testing these systems and has contacted all of the vendors currently identified, with 85% responding. Of the vendors contacted, a total of 20 vendors - four high impact, six medium impact and ten low impact vendors - indicated they were Y2K ready. The Company has been either working with vendors to reach a state of readiness with the applicable systems or has changed to vendors or systems that are Y2K ready. The SCADA system, the most critical embedded system, is scheduled to be Y2K ready during the second quarter of 1999. Chesapeake will continue to follow up with vendors that are not Y2K ready and will consider alternate providers as necessary to the extent available.

-- Chesapeake has identified 101 vendors/suppliers that supply the Company with products and services that impact various elements of the Company's business. The Company has classified these vendors into three impact classifications: 27 high impact vendors such as suppliers of natural gas or propane; 31 medium impact vendors such as regional communication vendors; and 43 low impact vendors. The Company has requested a Y2K status statement from each of these vendors. The

Powered By EDGAR Online 2002. EDGAR Online, Inc.

Company has received 72 responses, which indicated that nine medium impact and 13 low impact vendors were Y2K ready. The Company will continue to follow up with vendors that are not Y2K ready and will consider alternate providers as necessary to the extent available.

-- End-user computing systems are upgraded periodically through the Company's ongoing replacement program. Chesapeake's personal computers and local area network are Year 2000 ready. The Company's PC-based and network-based software is also Y2K ready.

-- Customers, primarily industrial interruptible natural gas customers, must ensure that their plant controls are Year 2000 ready for their alternative fuel. The Company has identified 107 interruptible customers and will finalize contacting them during the second quarter of 1999. The Company will take into account the results of the survey in developing the natural gas contingency plan.

The Company believes the most significant potential risks with respect to its internal operations, those over which it has direct control, are its ability to: (1) use electronic devices to control and operate its natural gas delivery systems; (2) maintain continuous operation of its computer systems; (3) render timely bills to its customers; and (4) enforce tariffs and contracts applicable to interruptible customers.

The Company relies on the producers of natural gas and suppliers of interstate transportation capacity to deliver natural gas to the Company's natural gas delivery systems. The Company is also dependent on propane producers, suppliers and railroad facilities to receive propane supply. Chesapeake is also dependent on various suppliers of communication services. Should any of these critical vendors fail, the impact of any such failure could become a significant challenge to the Company's ability to meet the demands of its customers, to operate its delivery systems and to communicate with its customers. It could also have a material adverse financial impact, including but not limited to, lost sales revenues, increased operating costs and claims from customers related to business interruptions. The Company's Year 2000 evaluation process is addressing each of these risks and the required remediation. The Company is developing its contingency plan for the Year 2000, which will address various alternatives and will include assessing a variety of scenarios that could emerge and require the Company to react. Chesapeake expects to have its con- tingency plan finalized by the end of the second quarter of 1999. The contin- gency plan will continue to be modified as warranted by changing events.

Chesapeake has incurred approximately $200,000 as of March 31, 1999 to address Year 2000 issues. Estimated costs to complete Chesapeake's Y2K embedded system readiness are $100,000. Until the Company has completed further analysis of the impact of the Year 2000 issue on its embedded systems, vendors/suppliers, end- user computing systems, customers and contingency planning, it is unable to estimate any additional costs it may incur as a result of its efforts.

Presently, no Year 2000-impacted internal applications or embedded systems have been identified that cannot be upgraded or modified within acceptable time frames. The target date for completion of all Year 2000-related activities remains at mid-1999.

CAUTIONARY STATEMENT

We make statements in this report and elsewhere that are considered forward- looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not matters of historical fact. Sometimes they contain words such as "believes," "expects," "intends," "plans," "will," or "may," and other similar words. These statements relate to such topics as customer growth, increases in revenues or margins, Year 2000 readiness, regulatory approvals, market risk associated with the Company's new propane marketing operation, the competitive position of the Company and other matters. It is important to understand that these forward-looking statements are not guarantees, but are subject to certain risks and uncertainties and other important factors that could cause actual results to differ materially from those in the forward-looking statements. These factors include, among other things:

-- the seasonality and temperature sensitivity of Chesapeake's natural gas and propane businesses (that is, the Company's earnings vary depending on the season and, in the winter months, how cold the weather is);

-- consumption patterns of the Company's existing and expected customers in these businesses;

Powered By EDGAR Online 2002. EDGAR Online, Inc.

-- the wholesale price of propane and market movements in these prices, which affect both the margins in the Company's propane business and the profitability of the propane marketing operation;

-- the relative price of alternative energy sources, to which some of Chesapeake's customers have access;

-- the effects of competition on both unregulated and regulated businesses;

-- the ability of the natural gas segment to attract new customers in an open access environment;

-- the ability of the Company's existing, new and planned facilities to generate expected revenues;

-- the Company's ability to obtain the rate relief requested from utility regulators and the timing of that rate relief; and

-- the Company's ability to identify and address Year 2000 issues successfully, in a timely manner and at a reasonable cost, as well as the ability of the Company's vendors, suppliers, and other service providers and customers to successfully address their own Year 2000 issues in a timely manner.

RECENT ACCOUNTING PRONOUNCEMENTS

Derivatives - SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires that entities recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company believes that adoption of this statement will not have a material impact on the Company's financial position or results of operations.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the potential loss arising from adverse changes in market rates and prices. The Company's long-term debt consists of first mortgage bonds, senior notes and convertible debentures. All of Chesapeake's long-term debt is fixed rate debt and was not entered into for trading purposes. The carrying value of Chesapeake's long-term debt at March 31, 1999 was $37.1 million. The fair value was $39.7 million, based mainly on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The Company is exposed to changes in interest rates as a result of financing through its issuance of fixed rate long-term debt. The Company evaluates whether to refinance existing debt or permanently finance existing short-term borrowing based on the fluctuation in interest rates.

At March 31, 1999, the wholesale propane marketing operation was a party to natural gas liquids ("NGL") forward contracts, primarily propane contracts, with various third parties. These contracts require that the wholesale propane marketing operation purchase or sell NGL at a fixed price at fixed future dates. At expiration, the contracts are settled by the delivery of NGL to the respective party. The wholesale propane marketing operation also enters into futures contracts that are traded on the New York Mercantile Exchange. In certain cases, the futures contracts are settled by the payment of a net amount equal to the difference between the current market price of the futures contract and the original contract price.

The forward and futures contracts are entered into for trading and wholesale marketing purposes. The wholesale propane marketing operation is subject to commodity price risk on their open positions to the extent that NGL market prices deviate from fixed contract settlement amounts. Market risks associated with the trading of futures and forward contracts are monitored daily for com- pliance with Chesapeake's Risk Management Policy, which includes volumetric limits for open positions. In order to manage exposures to changing market prices, open positions are marked to market and reviewed by oversight officials on a daily basis. Additionally, the Risk Management Committee reviews periodic reports on market and credit risk, approves any exceptions to the Risk Manage- ment policy (within the limits established by the Board of Directors) and authorizes the use of any new types of contracts. Listed below is quantitative information on the forward and futures contracts at March 31, 1999. All of the contracts mature during 1999.

At March 31, 1999	Quantity in gallons	Estimated Market Prices	Weighted Average Contract Prices
Forward Contracts			
Sale	14,187,600	$0.2575 - $0.2750	$0.2729
Purchase	10,101,000	$0.2575 - $0.2750	$0.2702
Futures Contracts			
Sale	-	$0.2575 - $0.2750	-
Purchase	4,410,000	$0.2575 - $0.2750	$0.2399

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
See Note 4 to the Consolidated Financial Statements

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS
None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
None

ITEM 5. OTHER INFORMATION
None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K
Exhibit 10 - Form of Executive Employment Agreement dated January 1, 1999, by and between Chesapeake Utilities Corporation and Ralph J. Adkins is filed herewith.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

SIGNATURES

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

CHESAPEAKE UTILITIES CORPORATION

/s/ Michael P. McMasters

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

Date: May 11, 1999

Powered By EDGAR Online 2002. EDGAR Online, Inc.

EXECUTIVE EMPLOYMENT AGREEMENT

AN EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") dated this 1st day of January, 1999, by and between Chesapeake Utilities Corporation, a Delaware corporation (the "Company"), and Ralph J. Adkins ("Executive").

WITNESSETH:

WHEREAS, the Company is currently obtaining the benefit of Executive's services as a part-time executive employee in the capacity of Chairman of the Company's Board of Directors ("Chairman");

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

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

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

1. Employment. The Company agrees to employ Executive, and Executive agrees to accept employment, as an executive officer of the Company in the capacity of Chairman, with such reasonable duties and responsibilities as are consistent with the By-laws of the Company as of the date hereof and the Position Description dated January 1, 1999, appended to this Agreement.

2. Term of Agreement. The term of this Agreement ("Term") shall extend until December 31, 2000.

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

4. Office. During the Term, Executive shall serve as the Company's Chairman.

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

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

7. Other Benefits.

(a) Executive shall be entitled to participate in all profit- sharing, insurance, medical and retirement benefit plans, together with vacation and other employee benefits of the Company, now in effect or as hereafter amended or established, in which Company executive employees are permitted to participate. The Executive's participation shall be in accordance with the terms and provisions of such plans.

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

8. Termination.

(a) Termination for Cause. This Agreement and Executive's employment hereunder may be terminated by the Company at any time for Cause. In the event of termination for Cause, Executive shall not be entitled to any severance benefits under this Agreement. Unless there is a Change in Control, Cause shall be as the Board may reasonably determine. Following a Change in Control, termination of this Agreement and the Executive's employment shall be deemed to have been for Cause only if it shall have been the result of:

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

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

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

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

(b) Termination Following a Change in Control. After a Change in Control, the term "Termination" shall mean:

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

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

(A) Failure to elect or reelect Executive to, or removal of Executive from, the office set forth in Paragraph 1 hereof;

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

(C) Any other breach by the Company of any provision of this Agreement that is not remedied within thirty days after notice to the Company by Executive; or

(D) The liquidation, dissolution, consolidation or merger of the Company or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation or otherwise) to which all or a significant portion of its assets has been transferred shall have assumed all duties and obligations of the Company under this Agreement; provided that in any event set forth in this Paragraph 8(b)(ii), Executive shall have elected to terminate his employment under this Agreement upon not less than forty (40) and not more than ninety (90) days' notice to the Board, attention of the Secretary, given, except in the case of a continuing breach, within three calendar months after (1) failure to be so elected or reelected, or such removal, (2) expiration of the 30-day cure period with respect to such event, or (3) the closing date of such liquidation, dissolution, consolidation, merger or transfer of assets.

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

(c) Payment Upon Termination. In the event that the Company terminates this Agreement during the Term hereof for any reason other than Cause or Executive's death, the Company shall continue to pay to Executive (or in the event of his death following such termination, his legal representative) his Base Compensation under Paragraph 5 hereof at the semi- monthly rate in effect immediately prior to the date of such termination ("Termination Date"), until December 31, 2000.

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

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

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

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

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

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

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

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

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

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

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

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

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

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

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

15. Arbitration and Legal Fees. In the event of any dispute regarding a refusal or failure by the Company to make payments or provide benefits hereunder for any reason, Executive shall have the right, in addition to all other rights and remedies provided by law, to arbitration of such dispute under the rules of the American Arbitration Association, which right shall be invoked by serving upon the Company a notice to arbitrate, stating the place of arbitration, within ninety (90) days of receipt of notice in any form (including, without limitation, failure by the Company to respond to a notice from Executive within thirty (30) days) that the Company is withholding or proposes to withhold payments or provisions of benefits. In the event of any such dispute, whether or not Executive exercises his right to arbitration, if it shall ultimately be determined that the Company's refusal or failure to make payments or provide benefits hereunder was wrongful or otherwise inconsistent with the terms of this Agreement, the Company shall indemnify and hold harmless Executive from and against any and all expenses incurred in connection with such determination, including legal and other fees and expenses.

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

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

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

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

20. Notices. Unless otherwise stated herein, all notices hereunder shall be in writing and shall be deemed to be given when personally delivered or mailed by United States registered or certified mail, postage prepaid, to, if to the Company, 909 Silver Lake Boulevard, Dover, Delaware 19901, and, if to Executive, the last address therefor shown on the records of the Company. Either the Company or Executive may, by notice to

Powered By EDGAR Online 2002. EDGAR Online, Inc.

the other, designate an address other than the foregoing for the receipt of subsequent notices.

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

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

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

24. Effect of Prior Agreement. This Agreement supersedes, as of January 1, 1999, the Executive Employment Agreement between the Company and Executive dated March 26, 1997, which is hereby terminated as of January 1, 1999, by mutual consent of the Company and Executive.

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

CHESAPEAKE UTILITIES CORPORATION

[CORPORATE SEAL] By:_____ Title:

ATTEST:

Secretary EXECUTIVE

Ralph J. Adkins

Powered By EDGAR Online 2002. EDGAR Online, Inc.

ARTICLE UT

This schedule contains summary financial information extracted from the Consolidated Statement of Income, Consolidated Balance Sheet and Consolidated Statement of Cash Flows included in the Company's Form 10-Q for the quarterly period ended March 31, 1999, and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD END	MAR 31 1999
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	82489301
OTHER PROPERTY AND INVEST	27127252
TOTAL CURRENT ASSETS	25680434
TOTAL DEFERRED CHARGES	9797342
OTHER ASSETS	0
TOTAL ASSETS	145094329
COMMON	2489816
CAPITAL SURPLUS PAID IN	24582657
RETAINED EARNINGS	32556375
TOTAL COMMON STOCKHOLDERS EQ	60205599
PREFERRED MANDATORY	0
PREFERRED	0
LONG TERM DEBT NET	36553000
SHORT TERM NOTES	4500000
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	520000
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	0
OTHER ITEMS CAPITAL AND LIAB	43315730
TOT CAPITALIZATION AND LIAB	145094329
GROSS OPERATING REVENUE	55646072
INCOME TAX EXPENSE	3027748
OTHER OPERATING EXPENSES	9756739
TOTAL OPERATING EXPENSES	12784487
OPERATING INCOME LOSS	5768375
OTHER INCOME NET	73226
INCOME BEFORE INTEREST EXPEN	5841601
TOTAL INTEREST EXPENSE	898618
NET INCOME	4942983
PREFERRED STOCK DIVIDENDS	0
EARNINGS AVAILABLEFOR COMM	4942983
COMMON STOCK DIVIDENDS	1278993
TOTAL INTEREST ON BONDS	717592
CASH FLOW OPERATIONS	13882165
EPS PRIMARY	.97
EPS DILUTED	.94

Powered By EDGAR Online 2002. EDGAR Online, Inc.

End of Filing

Powered By EDGAR Online 2002. EDGAR Online, Inc.