Docket No. 15-1051 Chesapeake Utilities Issuance of Long-Term Debt

1. Paragraph 8 of the filing states that Chesapeake expects to use unsecured long-term debt proceeds to fund capital expenditures as well as potential future capital projects. Please provide a brief explanation of the nature of these projects.

   Chesapeake typically spends approximately 82-88 percent of its original capital budget in the respective budget year with a large portion of the remaining capital budget balance carried over to the next year.

   Chesapeake's original budget for 2015 was $223,640,930. In addition to the budgeted capital expenditures, Chesapeake acquired Gatherco, Inc. in April 2015 for $56,365,336, including issuing $30,164,384 of new common equity plus cash (which was funded from short-term borrowing of $26,200,952).

   The Company now anticipates capital spending will be approximately $160-190 million in 2015, with the remaining budget carried to 2016. The preliminary capital budget for 2016 is expected to be as much as $200 million.

   Approximately 82% of the 2015 capital budget is for Chesapeake's regulated business - including upgrades, expansions, and infrastructure reliability projects for natural gas distribution and transmission in the Delmarva and Florida operations. The projects include the natural gas transmission line to the Calpine power plant in Dover, and the Florida Gas Reliability Infrastructure Program ("GRIP"). The major non-regulated project is a combined heat and power plant under construction in Florida. The 2016 budget includes 80% of regulated business improvements. A significant project next year on Delmarva is the $32 million proposed Eastern Shore Natural Gas reliability project.

2. Can you explain a shelf facility agreement?

   A shelf facility agreement is an uncommitted financing facility for issuing notes multiple times. The shelf facility is documented in advance and is available for Chesapeake to make funding requests for a period up to three years. The shelf facility allows Chesapeake to borrow as needed at the discretion of Chesapeake under the prepared agreement to meet cash flow requirements in a timely manner. The facility is not a committed facility from the lender; but is available with the lender's consent, as requests for funding are made by Chesapeake. Borrowings can be for up to a 15 year average life. The interest rate on each funding is determined at the time of the request, and is based on market conditions at the time of funding. The proposed shelf facility would be similar to the standard private placement agreements Chesapeake has previously entered into as to terms and conditions.

3. Paragraph 7 states that Chesapeake may elect to issue other comparable agreements, with similar terms and conditions, to new and/or existing debt holders. Does this refer to additional funding not requested in this application?

   The application submitted refers to the $150,000,000 Prudential Investment Management, Inc. shelf facility. Chesapeake may separately elect to borrow from alternative lenders based on

capital availability, proposed terms and conditions and interest rate offerings. Any alternative lending agreement would not be in addition to the funds requested under the PSC application. The alternative issuance gives Chesapeake flexibility to take advantage of competitive market conditions offered by other lenders.

4. The application states that the initial funding authorization from the Board of Directors allowed up to $ 200,000,000.

B. Has the Board of Directors approved the additional funding? Will the additional $100,000,000 be approved by the Board of Directors prior to the signing of agreements with PNC and Prudential?

The Chesapeake Board of Directors authorized the Company to enter both the $150,000,000 PNC revolving credit agreement and the $150,000,000 Prudential shelf agreement, with a combined initial funding authority up to $200,000,000 from the Board of Directors at this time.

The Board of Directors has not yet authorized the $100,000,000 additional funding. It is anticipated the Board of Directors would authorize the additional funding in the next year (2016) as the additional funding is needed. The intent of the PSC application is to obtain $300,000,000 funding authority from the Delaware Public Service Commission, and provide a subsequent confirmation of the Board of Directors approval of the additional $100,000,000 when authorized by the Board of Directors. Both Board approval and PSC notification would occur prior to the actual financing of the $100 million.

C. The consolidated balance sheet in Attachment B shows a credit of $ 200,000,000 in short-term borrowing after the issuance. Is the initial issuance being used for short-term debt exclusively?

The consolidated balance sheet in Attachment A shows the initial capital requirements of $279,730,266 for capital expenditures and the Gatherco acquisition - financed with $90,000,000 of new equity as previously approved by the Commission, plus funds initially provided by short-term debt of $189,730,266. The new $200,000,000 long-term debt shown in the application largely replaces the short-term borrowing.

D. The financial statements in Attachment B seem to only reflect the initial funding amount of $ 200,000,000. Should the statements reflect the amount requested in the application?

The initial funding amount of $200,000,000 is intended to provide financing for the original $223,364,930 capital budget and the Gatherco acquisition. The additional $100 million of long-term debt will be authorized and funded as the 2016 capital expenditures are incurred.

5. Please explain why the SEC Method is not used on Schedule 3.

The Company has filed its Application consistent with those in the past; if there should be any changes in methodology, please let us know.