



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: JULY 15, 1999

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (JAYE)

FROM: DIVISION OF AUDITING & FINANCIAL ANALYSIS (SAMAAN)
DIVISION OF ELECTRIC & GAS (MILLS)
DIVISION OF LEGAL SERVICES (JAYE)

RE: DOCKET NO. 981213-GU - APPLICATION OF FLORIDA DIVISION OF CHESAPEAKE UTILITIES FOR MODIFICATION OF AUTHORITY TO ISSUE AND SELL SECURITIES FOR THE FISCAL YEAR 1999.

AGENDA: JULY 27, 1999 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

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CASE BACKGROUND

On September 23, 1998, the Florida Division of Chesapeake Utilities Corporation (Chesapeake or the Company) filed an application seeking Commission approval to issue and sell equity securities and short-term obligations during the calendar year 1999.

Chesapeake sought authority to issue up to 5,000,000 shares of common stock, \$70,000,000 in long-term secured and/or unsecured debt and \$40,000,000 of short-term borrowings pursuant to section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code. The company proposed to issue up to 731,034 new shares of its common stock for the purpose of administering Chesapeake's

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Retirement Savings Plan, Performance Incentive Plan, Automatic Dividend Reinvestment and Stock Purchase Plan and conversion of the Company's Convertible Debentures. Reserved for issuance pursuant to the Company's Retirement Savings Plan was 45,082 shares of common stock. The Commission approved the Company's earlier application in Order No. PSC-98-1678-FOF-GU, issued December 10, 1998.

Chesapeake filed the instant Petition for Modification of Authority to Issue Common Stock during the Twelve Months Ending December 31, 1999, on June 25, 1999, requesting the Commission's approval to modify its authority to issue additional common stock. In this petition, the Company is seeking permission to issue up to 50,000 new shares in addition to the 45,082 shares of common stock previously approved for its Retirement Savings Plan in 1999.

ISSUE 1: Should the Commission grant Chesapeake's petition to modify its authority to issue and sell up to 50,000 additional shares of common stock for the purpose of administering its Retirement Savings Plan during the twelve months ending December 31, 1999?

RECOMMENDATION: Yes, the petition for modification of authority to issue and sell common stock during the twelve months ending December 31, 1999 should be granted. (SAMAAN)

STAFF ANALYSIS: In its original application, Chesapeake requested authority to issue and sell equity as well as, \$70,000,000 of long-term debt and \$40,000,000 short-term debt securities during the calendar year 1999.

Staff's preliminary analysis of Chesapeake's financial condition indicated that the issuance and sale of the above discussed securities, within the limits described, would not impair

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the ability of Chesapeake to perform the services of a public utility. In Order No. PSC-98-1678-FOF-GU, issued December 10, 1998, the Commission approved the Utility's application.

Chesapeake requests a modification of the authority to issue and sell securities approved in Order No. PSC-98-1678-FOF-GU. The Company is not requesting a change in the aggregate amount approved, but rather it is requesting Commission approval for issuance of additional stock to administer its Retirement Savings Plan. Chesapeake asserts that there have been no major changes in its financial position since the filing of its earlier petition for 1999.

Based on the representations in its petition, staff believes Chesapeake's application for modification of authority to issue and sell securities during the twelve months ending December 31, 1999, should be granted.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open until April 15, 2000, for monitoring and to allow the company time to file the required Consummation Report. (JAYE)

STAFF ANALYSIS: This docket should remain open until April 15, 2000, for monitoring and to allow the company time to file the required Consummation Report.