

BUREAU OF REVENUE REQUIREMENTS  
ELECTRIC & GAS ACCOUNTING

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FLORIDA PUBLIC SERVICE  
COMMISSION

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AUDITING &  
FINANCIAL ANALYSIS DIV

**ANNUAL REPORT OF**

**NATURAL GAS UTILITIES**

**CHESAPEAKE UTILITIES CORPORATION**

**WINTER HAVEN, FLORIDA**

**TO THE**

**FLORIDA PUBLIC SERVICE COMMISSION**

**FOR THE**

***YEAR ENDED DECEMBER 31, 1997***

Officer or other person to whom correspondence should be addressed concerning this report:

Name:	Anne V. Wood	Title:	Accounting & Rates Manager
Address:	P.O. Box 960	City:	Winter Haven State: FL
Telephone No.:	941-293-2125		PSC/AFA 20 (197)

# INSTRUCTIONS FOR FILING THE ANNUAL REPORT OF NATURAL GAS UTILITIES

## GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.
- II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.
- V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.
- VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.
- VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.
- VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

## DEFINITIONS

- I. Btu per cubic foot —The total heating value expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60° F if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury at 32° F, and under standard gravitational force (980.665 cm per sec. <sup>2</sup>) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)
- II. Respondent — The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

# ANNUAL REPORT OF NATURAL GAS UTILITIES

## IDENTIFICATION

01 Exact Legal Name of Respondent Chesapeake Utilities Corporation-Florida Division		02 Year of Report December 31, 1997
03 Previous Name and Date of Change (if name changed during year)		
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 1015 6th St. NW., Winter Haven, Florida 33881		
05 Name of Contact Person Anne V. Wood	06 Title of Contact Person Accounting and Rates Manager	
07 Address of Contact Person (Street, City, State, Zip Code) 1015 6th St. NW., Winter Haven, Florida 33881		
08 Telephone of Contact Person, Including Area Code 941-299-2883	09 Date of Report (Mo, Da, Yr) April 30, 1998	

## ATTESTATION

I certify that I am the responsible accounting officer of

**Chesapeake Utilities Corporation**

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 1997 to December 31, 1997, inclusive.

I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

<u>4/27/98</u> Date	<u><i>Michael P. McMasters</i></u> Signature
<u>Michael P. McMasters</u> Name	<u>Vice President, Treasurer &amp; Chief Financial Officer</u> Title

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Name of Respondent Chesapeake Utilities Corporation	For the Year Ended Dec. 31, 1997
GENERAL INFORMATION	
<p>1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.</p> <p style="padding-left: 40px;">Michael P. McMasters-Vice President, Treasurer &amp; Chief Financial Officer 1015 6th St NW, Winter Haven, Florida 33881 1514 S. Alexander Street, Plant City, Florida 33566 909 Silver Lake Blvd., Dover, Delaware 19901</p>	
<p>2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.</p> <p style="padding-left: 40px;">State of Delaware-1947</p>	
<p>3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.</p> <p style="padding-left: 40px;">N/A</p>	
<p>4. State the type of utility and nonutility services furnished by respondent during the year in each State in which the respondent operated.</p> <p style="padding-left: 40px;">Class B</p>	
<p>5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?</p> <p style="padding-left: 40px;">No</p>	

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee (s), state name of

trustee (s), name of beneficiary or beneficiaries for whom trust was maintained, and purpose of the trust.

2. If the above required information is available from the SEC 10K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.

N/A

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

**CORPORATIONS CONTROLLED BY RESPONDENT**

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.  
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.

3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.  
4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

**DEFINITIONS**

1. See the Uniform System of Accounts for a definition of control.  
2. Direct control is that which is exercised without interposition of an intermediary.  
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.  
4. Joint control is that in which neither interest can effectively

control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
Chesapeake Utilities Corporation	Diversified Energy Services Company	100%	

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.  
2. If a change was made during the year in the incumbent of

any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.  
3. Utilities which are required to file the same data with the Securities and Exchange Commission, may substitute a copy of item 4 of Regulation S-K (identified as this page). The substituted page(s) should be the same size as this page.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	Chairman, CEO	Ralph J. Adkins	\$56,669
2	President, COO	John R. Schimkaitis	\$40,357
3	Vice-President, Treasurer, and CFO	Michael P. McMasters	\$10,969
4	Vice-President of Marketing	Philip S. Barefoot	\$20,472
5	Vice-President of Natural Gas	Steven C. Thompson	\$14,968
6	Secretary	Wayne L. Hart	\$10,601
7	Vice-President, Asst. Treasurer, Asst. Secretary	William C. Boyles	\$17,611
8	Vice-President	Jeremy D. West	\$14,305
9	Assistant Treasurer	Beth W. Cooper	\$10,275
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12	Note: The salaries above represent only that portion allocated to the Florida Division.		
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DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.

2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
Ralph J. Adkins, Chairman of Board, CEO	909 Silver Lake Blvd, Dover Delaware 19901	9	officer
John R. Schimkaitis, President, COO	909 Silver Lake Blvd, Dover Delaware 19901	9	officer
John W. Jardine, Jr., Director	909 Silver Lake Blvd, Dover Delaware 19901	19	\$3,841.04
Jeremiah P. Shea, Director	909 Silver Lake Blvd, Dover Delaware 19901	19	\$3,841.04
Robert F. Rider, Director	909 Silver Lake Blvd, Dover Delaware 19901	11	\$2,777.04
William G. Warden III, Director	909 Silver Lake Blvd, Dover Delaware 19901	18	\$3,689.04
Rudolph M. Peins, Jr., Director	909 Silver Lake Blvd, Dover Delaware 19901	15	\$3,385.04
Waler J. Coleman, Director	909 Silver Lake Blvd, Dover Delaware 19901	12	\$2,929.04
Richard Bernstein, Director	909 Silver Lake Blvd, Dover Delaware 19901	11	\$2,777.04
Richard Bernstein, Director			
<p>Note: The fees above represent only that portion allocated to the Florida Division.</p>			

SECURITY HOLDERS AND VOTING POWERS

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became vested with voting rights and

give other important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent: if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants or rights were issued on a prorata basis.

1. Give date of the latest closing of the stock book prior to the end year, and state the purpose of such closing:

2. State the total number of votes cast at the latest general meeting prior to the end of year for the election of directors of the respondents and number of such votes cast by proxy.

Total:  
By Proxy:

3. Give the date and place of such meeting:

VOTING SECURITIES

Number of votes as of (date):

Line No.	Name (Title) and Address of Security Holder (a)	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
4	TOTAL votes of all voting securities				
5	TOTAL number of security holders				
6	TOTAL votes of security holders listed below				
7					
8					
9	Shareholder information may be obtained through:				
10					
11	W.L. Hart, Secretary				
12	909 Silver Lake Boulevard				
13	Dover, Delaware 19901				
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IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important information to franchise rights:

Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.

2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.

3. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.

4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other conditions. State name of Commission authorizing lease and give reference to such authorization.

5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases,

development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements etc.

6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Give reference to Commission authorization if any was required.

7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.

8. State the estimated annual effect and nature of any important wage scale changes during the year.

9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.

10. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 8, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

11. Estimate increase or decrease in annual revenues due to important rate changes: State effective rate and approximate amount of increase or decrease from each revenue classification. State the number of customers affected.

12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by instruction 1 to 11 above, such notes may be attached to this page.

1-10

11. By its Order No. PSC-98-0455-FOF-GU (March 31, 1998) the Florida Public Service Commission approved the Company's request, in Docket No. 971559-GU, for a Limited Proceeding to Restructure Rates and for Approval of Gas Transportation Agreements. The Company proposed to restructure its rates to more closely reflect the cost for each rate class. The restructuring proposal was revenue neutral; its approval has no effect on the utility's total revenue. The approved rates are effective for all meter readings taken on or after May 2, 1998. The average number of customers at December 31, 1997 was 8,837. The proposed base rate changes for each customer class are as shown below.

<u>Service Class</u>	<u>Percent Increase</u>
Residential Sales Service	7.76%
Residential Annual Contract Service	7.76%
Commercial Sales Service	13.22%
Commercial Large Volume Sales Service	28.38%
Industrial Sales Service/Firm Transportation Service	7.38%
Industrial Interruptible Sales Service/Contract Transportation Service	31.75%
Special Contract Transportation Service	(38.39%)

12. None

**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	<b>UTILITY PLANT</b>			
2	Utility Plant (101-106, 114)	20-21	\$22,296,030	\$23,560,709
3	Construction Work in Progress (107)	20-21	495,552	62,883
4	<b>TOTAL Utility Plant (Enter Total of lines 2 and 3)</b>		<b>22,791,582</b>	<b>23,623,592</b>
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115)	20-21	(6,634,650)	(7,472,271)
6	<b>Net Utility Plant (Enter Total of line 4 less 5)</b>		<b>16,156,932</b>	<b>16,151,321</b>
7	Utility Plant Adjustments (116)	19		
8	Gas Stored (117.1, 117.2, 117.3, 117.4)	-		
9	<b>OTHER PROPERTY AND INVESTMENTS</b>			
10	Nonutility Property (121)	-		
11	(Less) Accum. Prov. for Depr. and Amort. (122)	-		
12	Investments in Associated Companies (123)	-		
13	Investment in Subsidiary Companies (123.1)	-		
14	Other Investments (124)	-		
15	Special Funds (125-128)	-		
16	<b>TOTAL Other Property and Investments (Total of lines 10 through 15)</b>			
17	<b>CURRENT AND ACCRUED ASSETS</b>			
18	Cash (131)	-	245,964	94,707
19	Special Deposits (132-134)	-		
20	Working Funds (135)	-	825	825
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-		
23	Customer Accounts Receivable (142)	-	2,102,922	2,339,523
24	Other Accounts Receivable (143)	-	-	-
25	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	-	(52,736)	(67,257)
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Assoc. Companies (146)	-	(4,884,986)	(4,475,501)
28	Fuel Stock (151)	-		
29	Fuel Stock Expense Undistributed (152)	-		
30	Residuals (Elec) and Extracted Products (Gas) (153)	-		
31	Plant Material and Operating Supplies (154)	-	321,913	196,252
32	Merchandise (155)	-		
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Undgrd. & Liq. Nat. Gas Stored (164.1-164.3)	-		
36	Prepayments (165)	32	51,234	43,723
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable (171)	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-		
41	Miscellaneous Current and Accrued Assets (174)	-		
42	<b>TOTAL Current and Accrued Assets (Enter Total of lines 18 through 41)</b>		<b>(2,214,864)</b>	<b>(1,867,730)</b>
43	<b>DEFERRED DEBITS</b>			
44	Unamortized Debt Expense (181)	-		
45	Extraordinary Property Losses (182.1)	32		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	32		
47	Other Regulatory Assets (182.3)	33		
48	Prelim. Survey and Investigation Charges (Gas) (183.1, 183.2)	-		
49	Clearing Accounts (184)	-		
50	Temporary Facilities (185)	-		
51	Miscellaneous Deferred Debits (186)	34	1,150,123	257,792
52	Def. Losses from Disposition of Utility Plant. (187)	-		
53	Research, Devel. and Demonstration Expend. (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	-		
55	Accumulated Deferred Income Taxes (190)	35	464,819	471,369
56	Unrecovered Purchased Gas Costs (191)	-	(121,317)	(112,276)
57	<b>TOTAL Deferred Debits (Enter Total of lines 44 through 56)</b>		<b>1,493,625</b>	<b>616,885</b>
58	<b>TOTAL Assets and other Debits (Enter Total of lines 6, 7, 8, 16, 42, 57)</b>		<b>\$15,435,693</b>	<b>\$14,900,476</b>

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	<b>PROPRIETARY CAPITAL</b>			
2	Common Stock (201, 202, 203, 205, 206, 207)	-		
3	Preferred Stock Issued (204)	-		
4	Other Paid-In Capital (208-211) & Accounts 212, 213, 214	-		
5	Retained Earnings (215, 215.1, 216)	15-16	9,861,408	10,494,874
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	15-16		
7	(Less) Reacquired Capital Stock (217)	-		
8	<b>TOTAL Proprietary Capital (Enter Total of lines 2 through 7)</b>		<b>9,861,408</b>	<b>10,494,874</b>
9	<b>LONG-TERM DEBT</b>			
10	Bonds (221)	37		
11	(Less) Reacquired Bonds (222)	37		
12	Advances from Associated Companies (223)	37		
13	Other Long-Term Debt (224)	37		
14	Unamortized Premium on Long-Term Debt (225)	38		
15	(Less) Unamortized Discount on Long-Term Debt-Dr. (226)	38		
16	<b>TOTAL Long-Term Debt (Enter Total of lines 10 through 15)</b>			
17	<b>OTHER NONCURRENT LIABILITIES</b>			
18	Obligations Under Capital Leases - Noncurrent (227)	-		
19	Accumulated Provision for Property Insurance (228.1)	-		
20	Accumulated Provision for Injuries and Damages (228.2)	-		
21	Accumulated Provision for Pensions and Benefits (228.3)	-		
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-		
24	<b>TOTAL Other Noncurrent Liabilities (Enter Total of lines 18 through 23)</b>			
25	<b>CURRENT AND ACCRUED LIABILITIES</b>			
26	Notes Payable (231)	-		
27	Accounts Payable (232)	-	1,714,204	1,056,528
28	Notes Payable to Associated Companies (233)	-		
29	Accounts Payable to Associated Companies (234)	-		
30	Customer Deposits (235)	-	496,982	491,273
31	Taxes Accrued (236)	41	(115,162)	14,383
32	Interest Accrued (237)	-		17
33	Dividends Declared (238)	-		
34	Matured Long-Term Debt (239)	-		
35	Matured Interest (240)	-		
36	Tax Collections Payable (241)	-	88,952	98,430
37	Miscellaneous Current and Accrued Liabilities (242)	43	60,870	122,341
38	Obligations Under Capital Leases-Current (243)	-		
39				
40	<b>TOTAL Current and Accrued Liabilities (Enter Total of lines 26 through 39)</b>		<b>\$2,245,856</b>	<b>\$1,782,972</b>
41	<b>DEFERRED CREDITS</b>			
42	Customer Advances for Construction (252)	-	57,155	40,931
43	Other Deferred Credits (253)	43	1,721,145	938,181
44	Other Regulatory Liabilities (254)	45		
45	Accumulated Deferred Investment Tax Credits (255)	42	386,572	367,049
46	Deferred Gains from Disposition of Utility Plant (256)	-		
47	Unamortized Gain on Reacquired Debt (257)	39		
48	Accumulated Deferred Income Taxes (281-283)	44	1,163,557	1,276,469
49	<b>TOTAL Deferred Credits (Enter Total of lines 42 through 48)</b>		<b>3,328,429</b>	<b>2,622,630</b>
50				
51	<b>TOTAL Liabilities and Other Credits (Enter Total of lines 8, 16, 24, 40 and 49)</b>		<b>\$15,435,693</b>	<b>\$14,900,476</b>
52				

STATEMENT OF INCOME

1. Report amounts for Accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,k,m,o) in a similar manner to a utility department. Spread the amount (s) over lines 01 through 24 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in Account 414, Other Utility Operating Income, in the same manner as Accounts 412 and 413 above.

3. Report data for lines 7,9,10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.

4. Use page 19 for important notes regarding the statement of income or any account thereof.

5. Give concise explanations on page 19 concerning

unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.

6. Give concise explanations on page 19 concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting

Line No.	Account (a)	Ref. Page No. (b)	Total Current Year (c)	Total Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	46-47	\$19,460,381	\$20,909,507
3	Operating Expenses			
4	Operation Expenses (401)	49-51	15,231,637	16,346,139
5	Maintenance Expenses (402)	49-51	358,898	366,111
6	Depreciation Expense (403)	25-27	759,222	719,860
7	Amort. & Depl. of Utility Plant (404-405)	25-27	172,500	218,703
8	Amort. of Utility Plant Acq. Adj. (406)	25-27	33,961	33,961
9	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)	-		
10	Amort. of Conversion Expenses (407.2)	-		
11	Regulatory Debits (407.3)	-		
12	(Less) Regulatory Credits (407.4)	-		
13	Taxes Other Than Income Taxes (408.1)	41	1,299,636	1,302,289
14	Income Taxes - Federal (409.1)	41	240,130	(59,456)
15	- Other (409.1)	41	41,105	(10,178)
16	Provision for Deferred Inc. Taxes (410.1)	35, 44	247,622	804,569
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	35, 44	(105,891)	(162,805)
18	Investment Tax Credit Adj. - Net (411.4)	42		
19	(Less) Gains from Disp. of Utility Plant (411.6)	-		
20	Losses from Disp. of Utility Plant (411.7)	-		
21	(Less) Gains from Disposition of Allowances (411.8)	-		
22	Losses from Disposition of Allowances (411.9)	-		
23	TOTAL Utility Operating Expenses (Total of lines 4 -22)		18,278,820	19,559,193
24	Net Utility Operating Income (Total of line 2 less 23) (Carry forward to page 14, line 25)		1,181,561	1,350,314

STATEMENT OF INCOME (Continued)

revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be attached at page 19.

8. Enter on page 19 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of

allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 22, and report the information in the blank space on page 19 or in a supplemental statement.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY - WATER		Line No.
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
		\$19,460,381	\$20,909,507			1
						2
						3
		15,216,739	16,346,139			4
		358,898	366,111			5
		759,222	719,860			6
		172,500	218,703			7
		33,961	33,961			8
						9
						10
						11
						12
		1,299,636	1,302,289			13
		240,130	(59,456)			14
		41,105	(10,178)			15
		247,622	804,569			16
		(105,891)	(162,805)			17
						18
						19
						20
						21
						22
		18,278,820	19,559,193			23
						24
		1,181,561	1,350,314			

STATEMENT OF INCOME (Continued)

Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 12)		\$1,181,561	\$1,350,314
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-		
	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-		
31	Revenues From Nonutility Operations (417)	-	-	-
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-		
34	Equity in Earnings of Subsidiary Companies (418.1)	15-16		
35	Interest and Dividend Income (419)	-	9,633	7,799
36	Allowance for Other Funds Used During Construction (419.1)	-	-	-
37	Miscellaneous Nonoperating Income (421)	-		
38	Gain on Disposition of Property (421.1)	-		
39	TOTAL Other Income (Enter Total of lines 29 through 38)		9,633	7,799
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)	-		
42	Miscellaneous Amortization (425)	60		
43	Miscellaneous Income Deductions (426.1-426.5)	56	(1,176)	(1,459)
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		(1,176)	(1,459)
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	41		
47	Income Taxes - Federal (409.2)	41	(2,717)	(2,037)
48	Income Taxes - Other (409.2)	41	(465)	(349)
49	Provision for Deferred Income Taxes (410.2)	35, 44		
50	(Less) Provision for Deferred Income Taxes - Cr. (411.2)	35, 44		
51	Investment Tax Credit Adj.- Net (411.5)	-		
52	(Less) Investment Tax Credits (420)	-	19,523	19,523
53	TOTAL Taxes on Other Inc. and Ded. (Enter Total of 46 through 52)		16,341	17,137
54	Net Other Income and Deductions (Enter Total of lines 39,44,53)		24,798	23,477
55	Interest Charges			
56	Interest on Long-Term Debt (427)	-	397,499	416,514
57	Amortization of Debt Disc. and Expense (428)	38	20,217	20,951
58	Amortization of Loss on Reacquired Debt (428.1)	-		
59	(Less) Amort. of Premium on Debt - Credit (429)	38		
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)	-		
61	Interest on Debt to Assoc. Companies (430)	60		
62	Other Interest Expense (431)	56	155,176	75,046
63	(Less) Allow. for Borrowed Funds Used During Const. - Cr. (432)	-	-	-
64	Net Interest Charges (Total of lines 56 through 63)		572,892	512,511
65	Income Before Extraordinary Items (Enter Total of lines 25, 54 and 64)		633,467	861,280
66	Extraordinary Items			
67	Extraordinary Income (434)	-		
68	(Less) Extraordinary Deductions (435)	-		
69	Net Extraordinary Items (Enter Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)	41		
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
72	Net Income (Enter Total of lines 65 and 71)		\$633,467	\$861,280

STATEMENT OF RETAINED EARNINGS

1. Report all changes in appropriate retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.  
 2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).  
 3. State the purpose and amount for each reservation or appropriation of retained earnings.  
 4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.

5. Show dividends for each class and series of capital stock.  
 6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.  
 7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.  
 8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 19.

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
	<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216)</b>		
1	Balance - Beginning of Year		\$9,861,408
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit		
5	Credit		
6	Credit		
7	Credit		
8	Credit		
9	TOTAL Credits to Retained Earnings (Account 439) (Enter Total of lines 4 through 8)		
10	Debit		
11	Debit		
12	Debit		
13	Debit		
14	Debit		
15	TOTAL Debits to Retained Earnings (Account 439) (Enter Total of lines 10 through 14)		
16	Balance Transferred from Income (Account 433 less Account 418.1)		633,466
17	Appropriations of Retained Earnings (Account 436)		
18			
19			
20			
21	TOTAL Appropriations of Retained Earnings (Account 436)		
22	(Enter Total of lines 18 through 20)		
23	Dividends Declared - Preferred Stock (Account 437)		
24			
25			
26			
27			
28	TOTAL Dividends Declared - Preferred Stock (Account 437)		
29	(Enter Total of lines 24 through 27)		
30	Dividends Declared - Common Stock (Account 438)		
31			
32			
33			
34			
35	TOTAL Dividends Declared - Common Stock (Account 438)		
36	(Enter Total of lines 31 through 34)		
37	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
38	Balance - End of Year (Enter Total of lines 01, 09, 15, 16, 22, 29, 36 and 37)		\$10,494,874

Name of Respondent Chesapeake Utilities Corporation		For the Year Ended Dec. 31, 1997
STATEMENT OF RETAINED EARNINGS (Continued)		
Line No.	Item (a)	Amount (b)
	<b>APPROPRIATED RETAINED EARNINGS (Account 215)</b>	
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.	
39		
40		
41		
42		
43		
44		
45	<b>TOTAL Appropriated Retained Earnings (Account 215)</b>	
	<b>APPROPRIATED RETAINED EARNINGS - Amortization , Reserve, Federal (Account 215.1)</b>	
	State below the total amount set aside through appropriations of retained earnings, as of the end of the year, in compliance with the provisions of Federally granted hydroelectric project licenses held by the respondent. If any reductions or changes other than the normal annual credits hereto have been made during the year, explain such items in a footnote.	
46	<b>TOTAL Appropriated Retained Earnings - Amortization Reserve, Federal (Account 215.1)</b>	
47	<b>TOTAL Appropriated Retained Earnings (Accounts 215, 215.1)(Enter Total of lines 45 &amp; 46)</b>	
48	<b>TOTAL Retained Earnings (Account 215, 215.1, 216)(Enter Total of lines 38 and 47)</b>	<b>\$10,494,874</b>
	<b>UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)</b>	
49	Balance - Beginning of Year (Debit or Credit)	
50	Equity in Earnings for Year (Credit) (Account 418.1)	
51	(Less) Dividends Received (Debit)	
52	Other Changes (Explain)	
53	Balance - End of year	<b>\$10,494,874</b>

STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondent's annual stockholders report are applicable to this statement, such notes should be attached to page 19. Information about noncash investing and financing activities should be provided on page 19. Provide also on page 19 a reconciliation between "Cash and Cash Equivalents at end of Year" with related amounts on the balance sheet.

3. Operating Activities - Other: include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on page 19 the amounts of interest paid (net of amounts capitalized) and income taxes paid.

2. Under "Other" specify significant amounts and group others.

Line No.	DESCRIPTION (See Instructions for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow From Operating Activities:	
2	Net Income (Line 72(c) on page 14)	\$633,467
3	Non-Cash Charges (Credits) to Income:	
4	Depreciation and Depletion	892,117
5	Amortization of (Specify) Acquis. Adjustment, Environmental, Reserve Deficits	227,559
6		
7		
8	Deferred Income Taxes (Net)	106,362
9	Investment Tax Credit Adjustments (Net)	(19,523)
10	Net (Increase) Decreases in Receivables	(222,080)
11	Net (Increase) Decreases in Inventory	125,661
12	Net (Increase) Decreases in Allowances Inventory	
13	Net (Decrease) Increase in Payables and Accrued Expenses	(462,884)
14	Net (Increase) Decreases in Other Regulatory Assets	
15	Net (Decrease) Increase in Other Regulatory Liabilities	
16	(Less) Allowance for Other Funds Used During Construction	
17	(Less) Undistributed Earnings from Subsidiary Companies	
18	Other: Prepayments	7,511
19	Misc Debits/Credits	93,143
20	Purchased Gas Adjustment	(9,041)
21	Net Cash Provided by (Used in) Operating Activities (Total of lines 2 through 20)	1,372,292
22		
23	Cash Flows from Investment Activities:	
24	Construction and Acquisition of Plant( including land):	
25	Gross Additions to Utility Plant	(1,500,467)
26	Gross Additions to Common Utility Plant	
27	Gross Additions to Environmental Costs	(31,563)
28	(Less) Allowance for Other Funds Used During Construction	
29	Other: CWIP, RWIP, Adjustments	435,367
30	Reserve for Refund Applied to Environmental	-
31		
32		
33	Cash Outflows for Plant (Total of lines 24 through 32)	(1,096,663)
34		
35	Acquisition of Other Noncurrent Assets (d)	
36	Proceeds from Disposal of Noncurrent Assets (d) Salvage less cost of removal	(17,401)
37	Investment in and Advances to Assoc. and Subsidiary Companies	
38	Contributions and Advances from Assoc. and Subsidiary Companies	(409,485)
39	Disposition of Investments in (and Advances to)	
40	Associated and Subsidiary Companies	
41	Purchases of Investment Securities (a)	
42	Proceeds from Sales of Investment Securities (a)	

STATEMENT OF CASH FLOWS (Continued)

4. Investing Activities

5. Codes used:

Include at other (line 31) net cash outflows to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed on page 19.  
Do not include on this statement the dollar amount of leases capitalized per USofA General instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on page 19.

- (a) Net proceeds or payments
- (b) Bonds, debentures and other long-term debt.
- (c) Include commercial paper
- (d) Identify separately such items as investments, fixed assets, intangibles, etc.

6. Enter on page 19 clarifications and explanations.

Line No.	DESCRIPTION (See Instruction No. 5 for Explanation of Codes) (a)	Amounts (b)
46	Loans Made or Purchased	
47	Collections on Loans	
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in	
52	Allowances Held for Speculation	
53	Net Increase (Decrease) in Payables and Accrued Expenses	
54	Other:	
55		
56	Net Cash Provided by (Used in) Investing Activities	
57	(Total of lines 33 through 55)	(1,523,549)
58		
59	Cash Flows From Financing Activities:	
60	Proceeds from Issuance of:	
61	Long-Term Debt (b)	
62	Preferred Stock	
63	Common Stock	
64	Other	
65		
66	Net Increase in Short-term Debt (c)	
67	Other:	
68		
69		
70	Cash provided by Outside Sources (Total of lines 61 through 69)	-
71		
72	Payments of Retirement of:	
73	Long-Term Debt (b)	
74	Preferred Stock	
75	Common Stock	
76	Other:	
77		
78	Net Decrease in Short-Term Debt (c)	
79		
80	Dividends on Preferred Stock	
81	Dividends on Common Stock	
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 through 81)	-
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 21, 57, and 83)	(151,257)
87		
88	Cash and Cash Equivalents at Beginning of Year	246,769
89		
90	Cash and Cash Equivalents at End of Year	\$95,532

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.

2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.

3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and

plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.

4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.

5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.

6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 12-18, such notes may be attached hereto.

1. **Summary of Accounting Policies:**

**Business** - The Florida Division of Chesapeake Utilities Corporation (the Company) is engaged in the distribution of natural gas. The Company serves residential, commercial, and industrial customers in Polk, Osceola, and Hillsborough counties. In 1997, approximately 70% of gas revenues were derived from industrial sales. Commercial sales contributed 18% of gas revenues, and the residential class contributed the remaining 12%.

**Basis of Accounting** - The Company maintains its accounts in accordance with recognized policies prescribed or permitted by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission, which policies conform with generally accepted accounting principles in all material respects.

**Basis of Presentation** - The financial statements were prepared in accordance with the requirements of the Federal Energy Regulatory Commission (FERC). Accordingly, the statements of retained earnings and cash flows for 1996 have been omitted.

**Property, Plant and Equipment and Depreciation** - Utility property is stated at original cost reduced by contributions-in-aid-of-construction. The cost of new property and expenditures for major renewals and betterments are capitalized. The cost of current repairs and minor replacements are charged to operating expense. Upon retirement or disposition, the recorded cost of depreciable plant and the costs of removal, net of salvage, are charged to accumulated depreciation. Maintenance and repairs expenditures are charged to operating expense.

For financial reporting purposes, depreciation expense is computed using straight-line rates applied to the average investment in depreciable property accounts. Annual depreciation provisions, expressed as a percent of average depreciable plant in service, were approximately 4.2% and 4.2% in 1997 and 1996, respectively.

**Investment Tax Credits** - The Company's policy is to defer investment tax credits and amortize them over the composite life of the assets.

**Revenues** - The Company accrues base revenues for services rendered but unbilled at month end to provide a closer matching of revenues and expenses.

**Deferred Charges** - The unamortized discount and expense of issuing bonds is amortized over the lives of related issues. Rate case expenses are deferred and amortized over three years as approved by the FPSC.

**Deferred Gas Costs** - The Company has a purchased gas adjustment clause which provides for the adjustment of rates charged to customers as gas costs fluctuate. These amounts are collected or refunded through adjustments to rates during subsequent annual periods.

**Inventories** - Inventories are stated at the lower of cost or market determined by an average cost method.

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

**Accounting Standards Issued** - the Financial Accounting Standards Board issued SFAS No. 130 regarding the reporting of comprehensive income in the full set of financial statements. The Company must adopt the requirements of the standard in its financial statements for the year beginning January 1, 1998. The effect of the adoption of the standard pertains primarily to SFAS No. 115 regarding held for sale investments, and is not expected to have material impact on the Company's financial statements.

The Financial Accounting Standards Board issued SFAS No. 131, establishing standards public business enterprises to report information about operating segments in annual financial statements and requiring that those enterprises report selected information about operating segments in interim financial reports to shareholders. The Company will adopt the requirements of this standard in the first quarter of the 1998 fiscal year. The adoption of the standard is not expected to have a material impact on the Company's financial statements.

2. **Regulatory Affairs:**

On November 15, 1989, Central Florida Gas Company and Plant City Natural Gas Company, divisions of Chesapeake Utilities Corporation, filed a request with the Florida Public Service Commission (FPSC) in its Docket No. 891179-GU to combine the companies for all ratemaking and accounting purposes and for an overall increase in annual revenues of \$1,315,496. The FPSC approved the consolidation effective July 9, 1990 as well as a combined rate increase in the Company's gross annual revenues of \$780,000 on a permanent basis.

Also effective July 9, 1990 the FPSC authorized the Company to implement a new interruptible flex rate and a corresponding firm rate adjustment provision to its natural gas tariffs. These two provisions allow the Company to adjust, up or down, the non-fuel base tariff rate it charges its interruptible customers as established in the Company's most recent base rate proceeding based on the customers' alternative fuel costs.

The firm rate adjustment requires the Company to pass through to all firm customer classes 50 percent of any incremental increase or decrease in non-fuel revenues deferred as a result of the operation of the flex rate provision of its tariff. These revenues are deferred for a 12-month period ending September 30 of each year. The Company recognizes, on a current basis, the remaining 50 percent of any incremental increase or decrease in non-fuel revenues.

In 1991, the Company filed for and received approval from the FPSC to flow through to the firm customer classes any deferred balance as of September 30 of each year. As of December 31, 1997 the Company had a liability due to ratepayers for 50 percent of the surplus in non-fuel revenues of approximately \$10,000. As of December 31, 1996 the Company had an asset due from firm ratepayers for 50 percent of the deficit in non-fuel revenues of approximately \$35,000.

On December 10, 1993, the FPSC issued an order lowering the Company's authorized midpoint return on equity from 12% to 11% for all regulatory purposes effective January 1, 1994.

On August 5, 1994, the Florida Division filed Modified Minimum Filing Requirements which are required every four years by FPSC regulations. During 1995, the Florida Legislature repealed the law requiring this filing and, as such, the Company's docket was closed without action by the FPSC.

On February 6, 1995 the FPSC approved the Florida Division's proposal to cap its 1994 return on equity (ROE) in response to an overearnings investigation by the FPSC. The amount of the Company's 1994 overearnings as determined by the FPSC was approximately \$62,000.

The above-mentioned order also provided that the maximum ROE for 1995 would be adjusted to reflect more current economic conditions at that time, resulting in an increase or decrease to the 12% ROE by no more than 50 basis points. As a result of this order,

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

the Company's maximum 1995 ROE was lowered to 11.5%. The amount of the Company's 1995 overearnings was determined to be approximately \$230,000. On January 21, 1997, the FPSC voted to allow the Company to apply the 1994 and 1995 overearnings of \$292,000 to its reserve for environmental clean up costs in lieu of a refund to customers.

By its Order No. PSC-96-1455-FOF-GU (March 31, 1996) the Florida Public Service Commission approved the Company's request for a Limited Proceeding to Restructure Rates and for Approval of Gas Transportation Agreements. The Florida Division entered into Gas Transportation Contracts with its two largest customers which resulted in retaining these two customers on the Company's distribution system at rates lower than previously achieved. As a result of this reduction in revenue, the Company proposed in its application, to restructure rates for its remaining customers to more closely reflect the cost of service for each rate class and to recover the level of revenues previously generated by the two contract customers.

The Company's restructuring proposal is revenue neutral. Approval of this request does not result in additional revenues to the Company. However, FPSC approval of the Company's request does enable the Company to retain its two largest customers while providing the Company with the opportunity to achieve its FPSC authorized rate of return.

3.

Related Party Transactions:

Certain expenses and other income items are incurred as a result of transactions with affiliates. At December 31, 1997 and 1998 the Company had a liability of approximately \$4,475,500 and \$4,885,000, respectively, due Chesapeake Utilities Corporation and affiliates for these transactions.

Interest expense allocated through intercompany transactions in 1997 and 1998 was \$547,423 and \$473,333, respectively. The remaining interest expense for 1997 and 1998 of \$25,469 and \$39,179 respectively, was the result of direct interest charges for the division.

4.

Income Taxes:

The components of income tax expense are:

	1997	1998
Current federal	\$242,847	(557,419)
Current state	41,570	(9,529)
Deferred	141,731	641,764
Investment tax credit adjustments, net	(19,523)	(19,523)
Total income tax expense	<u>\$406,625</u>	<u>\$554,983</u>

Deferred tax expense results from timing differences in the recognition of expenses for tax and financial statement purposes. Deferred taxes relate primarily to timing differences created by depreciation and deferred revenue.

Total income tax expense differs from the amount computed by applying the federal income tax rate to pretax book income for the following reasons:

	1997	1998
Federal income tax expense at statutory rates	\$383,631	\$481,533
State income taxes, net of Federal income tax benefit	37,765	51,411
Investment Tax Credit Amortization	(19,523)	(19,523)
Amortization of acquisition adjustment	12,780	12,780
Other	21,982	29,782
Total income tax expense	<u>\$406,625</u>	<u>\$554,983</u>
Income taxes paid	<u>\$351,454</u>	<u>\$139,885</u>

5.

Commitments and Contingencies:

Environmental:

The Company is currently conducting investigations of a site in Winder Haven, Florida, where the Company's predecessor manufactured coal gas earlier this century.

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

A Contamination Assessment Report ("CAR") was submitted to FDEP on July 11, 1990. The CAR contained the results of additional investigations of conditions at the property. These investigations confirmed limited soil and groundwater impacts to the property. By letter dated March 26, 1991, FDEP directed the Company to conduct additional investigations on-site to fully delineate the vertical and horizontal extent of soil and groundwater impacts.

Additional contamination assessment activities were conducted at the site in late 1992 and early 1993. On March 25, 1993, a Contamination Assessment Report Addendum ("CAR Addendum") was delivered to FDEP. The CAR Addendum concluded that soil and groundwater impacts have been adequately delineated as a result of the additional field work. The FDEP approved the CAR and CAR Addendum in April, 1994. The Company is planning to conduct a pilot study to evaluate the feasibility of utilizing air sparge combined with soil vapor extraction as a permanent remedial option for groundwater impacts on site. The cost of the pilot study is estimated to be approximately \$25,000. Prior to implementing the pilot study, on May 10, 1995 the Company submitted to FDEP a pilot study work plan covering the proposed activities. On October 15, 1997, the Company submitted a revised pilot study work plan in response to FDEP's comments. The Company is currently awaiting FDEP's comments thereon. It is not possible to determine whether remedial action will be required by FDEP and, if so, the costs of such remediation.

The Company has spent approximately \$692,000, as of December 31, 1997, on these investigations and expects to recover these expenses, as well as any future expenses, through base rates. These costs have been accounted for as charges to accumulated depreciation. The Company requested and received from the FPSC approval to amortize through base rates \$359,659 of clean-up and removal costs incurred as of December 31, 1986. As of December 31, 1992, these costs were fully amortized. In January 1993, the Company received approval to recover through base rates approximately \$217,000 in additional costs related to the former manufactured gas plant. In a separate docket before the FPSC, the Company received approval to apply a refund of 1991 overearnings of approximately \$118,000 against the balance of unamortized environmental charges incurred as of December 31, 1992 up to the \$217,000 level previously authorized by the FPSC. As a result, the authorized environmental charges were fully amortized as of May, 1994. On February 6, 1995, in a separate docket before the FPSC, the Company received approval to resume its annual accrual to the reserve in the amount of \$71,114. On January 21, 1997 the Company received approval to apply a refund of 1994 and 1995 overearnings of approximately \$292,000 to its reserve for future environmental clean up costs. As of December 31, 1997, the Company has reserved approximately \$435,000 to offset future environmental charges.

The Year 2000:

Chesapeake is dependent upon information systems to operate efficiently and effectively. In order to address the impact of the year 2000 on its many information systems, Chesapeake is in the process of evaluating and remediating any deficiencies. The Company has segregated the evaluation of its readiness and the potential impact of the year 2000 on its systems into two components: primary internal applications and other applications. The Company's primary applications include systems for its financial information; natural gas customer information and billing; and propane customer information, billing and delivery. Other applications include systems for services such as telephone, system control and data acquisition for the pipeline, as well as other vendor's systems. With respect to the three primary applications, Chesapeake has updated its propane customer information, billing and delivery system to a year 2000 compliant version. This system will be tested further to insure compliance during 1998. With respect to the other two primary applications, Chesapeake has conducted initial evaluations and estimates that the cost of any remediation will not be significant. Each application will be tested during 1998. Chesapeake has developed an inventory of other applications and is in the process of developing plans to contact its vendors, test and remediate to the extent necessary.

FERC Order No. 636:

The Company is served by one direct natural gas pipeline, Florida Gas Transmission ("FGT"). In connection with the issuance of Order No. 636 ("Order") by the FERC in April 1992, pipelines will incur four types of transition costs in implementing the unbundled service requirement of the Order: (1) gas supply realignment costs (the costs of renegotiating existing gas supply contracts with producers); (2) unrecovered purchased gas adjustment ("PGA") costs (gas costs remaining in the pipelines' PGA account at the time they cease the merchant function); (3) stranded costs (unrecovered costs of assets that cannot be assigned to customers of unbundled services); and (4) new facilities costs (costs of new facilities required to physically implement the Order).

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

FGT has incurred transition costs in the form of gas supply realignment costs and FERC has approved recovery of prudently incurred costs from FGT's customers, such as the Company, through a demand charge beginning November 1, 1993 and extending for five years. The Company estimated that its portion of the transition costs on December 31, 1996 was \$943,000. During 1997, FGT fully recovered its gas supply realignment costs, and ceased recovery of this cost through its demand charge. As a result, the Company reduced its liability and corresponding regulatory asset for transition costs to zero in April 1997.

6. **Pension Plan:**

The Company participates in Chesapeake Utilities Corporation's (CUC) defined benefit pension plan covering substantially all employees. Benefits under the plan are based on the participant's years of service and highest average compensation. CUC's funding policy provides that payments to the trustee shall be equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974. The Company's share of net pension expense for 1997 and 1996 was \$72,163 and \$73,176, respectively.

The accumulated benefit obligation, reconciliation of the funded status and the prepaid pension asset, and the components of net pension expense are presented below for CUC consolidated. Such information is not available on an individual company basis.

ACCUMULATED BENEFIT OBLIGATION  
At December 31,

	1997	1996
Vested	\$7,615,194	\$6,834,661
Nonvested	123,265	139,483
Total accumulated benefit obligation	<u>\$7,738,449</u>	<u>\$6,974,144</u>

	1997	1996
Plan assets at fair value	\$13,692,699	\$10,720,514
Less: Projected Benefit Obligation	<u>(11,534,355)</u>	<u>(10,265,987)</u>
Plan assets in excess of projected benefit obligation	2,058,344	454,527
Less: Unrecognized net gain (loss)	(4,038,679)	(2,820,957)
Unamortized net asset from adoption of SFAS 87	<u>(198,326)</u>	<u>(141,579)</u>
Prepaid pension cost	<u>(\$2,178,661)</u>	<u>(\$2,508,009)</u>

TOTAL NET PENSION COST

	1997	1996
For the years ended December 31,		
Service cost	\$680,192	\$656,985
Interest cost	732,188	658,238
Actual return on assets	(2,427,768)	(1,142,287)
Net amortization and deferral	<u>1,421,028</u>	<u>269,135</u>
Total net pension cost	405,640	442,071
Amounts capitalized as construction cost	<u>(33,842)</u>	<u>(38,860)</u>
Amount charged to expense	<u>\$371,698</u>	<u>\$403,211</u>
Discount rate used in calculating net pension cost	7.25%	7.25%

ASSUMPTIONS

Discount rate	7.25%	7.25%
Average increase in future compensation levels	4.75%	4.75%
Expected long-term rate of return on assets	8.50%	8.50%

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

7. **Other Postretirement Benefits:**

The Company participates in CUC's defined benefit postretirement health care and life insurance plan which covers substantially all natural gas and corporate employees. In the first quarter of 1994, the Company increased the amount that future retirees would be required to contribute to participate in the Company's health care program. The Florida Division's 1997 and 1996 costs under SFAS No. 106, were \$1,268 and \$1,380, respectively.

The health care inflation rate for 1997 and 1996 is assumed to be 9.5% and 10%, respectively. This rate is projected to gradually decrease to an ultimate rate of 5% by the year 2007. A one percentage point increase in the health care inflation rate from the assumed rate would increase the accumulated postretirement benefit obligation by approximately \$98,650 on a consolidated basis as of January 1, 1998, and would increase the aggregate of the service cost and interest cost components of net periodic other postretirement benefit cost for 1998 by approximately \$8,293.

The Florida Public Service Commission has allowed rate recovery for the accrual treatment of SFAS No. 106 costs in rate case decisions rendered for other utilities operating in their jurisdiction. However, the FPSC has indicated that they will continue to review the treatment of SFAS No. 106 costs for ratemaking purposes on a case by case basis and, if it's deemed appropriate, they could rule differently in the future. Given the favorable precedent allowed by the FPSC, the Company does not expect the standard's adoption to have a material effect on results of operations.

The following tables set forth the status of the plan at December 31, 1997 for CUC consolidated. Such information is not available on an individual company basis.

Accrued Postretirement Benefit Liability At December 31, 1997	1997	1996
Accumulated postretirement obligation		
Retirees	\$621,203	\$567,599
Fully eligible active employees	145,356	137,378
Other active	102,340	86,894
Total accumulated postretirement benefit obligation	868,899	791,871
Unrecognized transition obligation	245,154	273,013
Net gain after recognizing change in discount rate		
Unrecognized net loss (gain)	147,422	67,155
Accrued postretirement benefit liability	\$476,323	\$461,703
 ASSUMPTION		
Discount rate	7.25%	7.25%

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

Net Periodic Postretirement Benefit Cost At December 31, 1997	1997	1996
Service cost	\$3,287	\$2,820
Interest cost on APBO	60,221	54,651
Amortization of transition obligation over 20 Years	29,413	27,859
Curtailment loss	0	0
Net periodic postretirement cost	92,921	85,330
Amount capitalized as construction cost	(16,274)	(16,672)
Amount deferred	25,254	25,254
Amount charged to expense	\$101,901	\$93,912
<b>ASSUMPTION</b>		
Discount rate used in calculating net periodic postretirement cost	7.25%	7.25%

## Report of Independent Accountants

To the Board of Directors of  
Chesapeake Utilities Corporation

We have audited the balance sheets of the Florida Division of Chesapeake Utilities Corporation as of December 31, 1997 and 1996, and the related statements of income for the years then ended, and the statement of retained earnings and cash flows for the year ended December 31, 1997, included on pages 10 through 19.6 of the accompanying Federal Energy Regulatory Commission Form No. 2. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Florida Division of Chesapeake Utilities Corporation as of December 31, 1997 and 1996, the results of its operations and its cash flows for the year ended December 31, 1997, and net income for the year ended December 31, 1996 in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the board of directors and management of Chesapeake Utilities Corporation and the Federal Energy Regulatory Commission.

*Coopers & Lybrand L.L.P.*

Tampa, Florida  
February 6, 1998

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

Line No.	Item (a)	Total (b)	Electric (c)
1	<b>UTILITY PLANT</b>		
2	<b>In Service</b>		
3	101 Plant in Service (Classified)	22,773,288	
4	101.1 Property Under Capital Leases		
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified		
7	103 Experimental Plant Unclassified		
8	104 Leased to Others		
9	105 Held for Future Use		
10	114 Acquisition Adjustments	787,421	
11	<b>TOTAL Utility Plant (Enter Total of lines 3 through 10 )</b>	<b>23,560,709</b>	
12	107 Construction Work in Progress	62,883	
13	Accum. Prov. for Depr., Amort., & Depl.(Includes RWIP)	(7,472,271)	
14	<b>Net Utility Plant (Enter total of lines 11 plus 12 less line 13)</b>	<b>23,623,593</b>	
15	<b>DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION</b>		
16	<b>In Service:</b>		
17	108 Depreciation(Includes RWIP)	6,821,612	
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights		
19	111 Amort. of Underground Storage Land and Land Rights		
20	119 Amort. of Other Utility Plant	23,904	
21	<b>TOTAL in Service (Enter Total of lines 17 through 20)</b>	<b>6,845,516</b>	
22	<b>Leased to Others</b>		
23	108 Depreciation		
24	111 Amortization and Depletion		
25	<b>TOTAL Leased to Others (Enter Total of lines 23 and 24)</b>		
26	<b>Held for Future Use</b>		
27	108 Depreciation		
28	111 Amortization		
29	<b>TOTAL Held for Future Use (Enter. Tot. of lines 27 and 28)</b>		
30	111 Abandonment of Leases (Natural Gas)		
31	115 Amort. of Plant Acquisition Adjustment	626,756	
32	<b>TOTAL Acc. Provisions (Should agree with line 14 above) (Enter Total of lines 21, 25, 29, 30, and 31)</b>	<b>7,472,271</b>	

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION, AMORTIZATION AND DEPLETION (Continued)**

Gas (d)	Water (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
22,773,288					3
					4
					5
					6
					7
					8
					9
787,421					10
23,560,709					11
62,883					12
(7,472,271)					13
					14
23,623,593					15
					16
					17
6,821,612					18
					19
					20
23,904					21
6,845,516					22
					23
					24
					25
					26
					27
					28
					29
					30
					31
626,756					32
					33
7,472,271					

## Annual Status Report Analysis of Plant in Service Accounts

Company: Chesapeake Utilities Corporation  
For the Year Ended December 31, 1997

Page 1 of 3

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	CIAC	Adjustments & Transfers	Ending Balance*
374	Land-Distribution		28,464	8,155	0			0	36,619
389	Land-General		96,285	0	0			0	96,285
	Land-Other								
<b>Amortizable General Plant Assets:</b>									
301	Organization	3.00%	23,328	0	0				23,328
302	Franchise and Consent	3.00%	14,124	0	0				14,124
303	Misc Intangible Plant	10.00%	1,002,616	0	0				1,002,616
<b>Subtotal</b>			<b>1,166,617</b>	<b>8,155</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>1,174,972</b>
<b>Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.</b>									
375	Structures and Improvements	3.00%	203,213	25,822	0				229,035
376	Mains (Steel)	3.40%	9,428,077	150,019	(56,140)			38,439	9,580,396
376	Mains (Plastic)	3.30%	2,254,242	532,209	(2,300)			(38,439)	2,745,713
378	M&R Equipment-General	3.50%	453,425	55,429	(5,219)			3,412	507,047
379	M&R Equipment-City	3.80%	718,785	99,992	0			(3,637)	815,119
379	M&R Equipment-City (CIAC)	3.80%	0				(70,318)		(70,318)
380	Dist Plant Services (Steel)	5.70%	1,000,637	3,716	(18,061)				986,292
380	Dist Plant - Services (CIAC)	3.50%	(112,196)	0			(17,452)		(129,648)
380	Dist Plant-Services (Plastic)	3.50%	1,497,406	217,119	(8,587)			548	1,706,486
381	Meters	4.50%	843,172	59,469	(7,652)				894,989
382	Meter Installations	3.20%	591,962	43,326	(3,751)				631,538
383	Regulators	3.40%	564,613	59,432	(442)			(548)	623,056
384	Regulator Installations	3.20%	0	0					0
385	M&R Equipment-Industrial	3.40%	1,233,562	135,227	(7,541)				1,381,268
385	M&R Equipment-Indus CIAC	3.40%	(147,019)	0					(147,019)
387	Other Equipment	3.80%	171,007	13,993	(1,588)				183,413
390	Structures and Improvements	2.60%	321,808	0	0				321,808
391.1	Data processing Equipment	7.60%	57,392	4,605	(6,864)			1,941	57,073
391.2	Office Furniture	6.80%	90,022	3,495	(9,066)				84,451
391.3	Office Equipment	9.40%	57,779	17,951					75,730
391.4	Vax System Equipment	11.20%	51,612	0	0				51,612
392.3	Transportation Equipment	5.70%	119,139	0	0				119,139
393	Stores Equipment	4.00%	0	0	0				0
394	Tools and Work Equipment	5.70%	74,556	0	(5,991)				68,565
396	Power Operated Equipment	8.00%	229,480	0	0				229,480
397	Communication Equipment	6.70%	57,040	0	0				57,040
398	Misc. Equipment	3.60%	48,063	0	0				48,063
392.1	Transportation Equip.	23.80%	533,994	156,560	(102,585)				587,969
<b>Subtotal</b>			<b>20,341,792</b>	<b>1,578,366</b>	<b>(235,787)</b>	<b>0</b>	<b>(67,770)</b>	<b>1,716</b>	<b>21,596,317</b>

## Annual Status Report Analysis of Plant in Service Accounts

Company: Chesapeake Utilities Corporation  
For the Year Ended December 31, 1997

Page 2 of 3

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	CIAC	Adjustments & Transfers	Ending Balance*
(Continued)									

## Annual Status Report Analysis of Plant in Service Accounts

Company: Chesapeake Utilities Corporation  
For the Year Ended December 31, 1997

Page 3 of 3

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	CIAC	Adjustments & Transfers	Ending Balance*
(Continued)									
Capital Recovery Schedules:									
Total Account 101*									
Amortizable Assets:									
	1141 Acquisition Adjustment	6.66%	627,288						627,288
	114 Acquisition Adjustment-Old	N/A	5,543						5,543
	1143 Acquisition Adjustment-Inc. Tax	N/A	154,590						154,590
	Subtotal		787,421	0	0	0	0	0	787,421
<b>Total Utility Plant</b>			22,296,030	1,586,521	(235,787)	0	(87,770)	1,716	123,560,710

Note: \* The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 20.

## Annual Status Report

### Analysis of Entries in Accumulated Depreciation & Amortization

Company: Chesapeake Utilities Corporation  
For the Year Ended December 31, 1997

Page 1 of 3

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
<b>Amortizable General Plant Assets:</b>										
301	Organization	(18,696)	(700)							(19,396)
302	Franchise and Consent	(4,085)	(424)							(4,509)
303	Misc Intangible Plant	(104,440)	(100,262)							(204,702)
			0							0
<b>Acquisitions</b>										
115	Cost of Acquisition	(494,228)	(33,961)							(528,189)
114	Cost of Acquisition-old	(5,543)	0							(5,543)
1152	Inc. Tax on Acquis Adjustment	(71,925)	(21,098)							(93,023)
	<b>Subtotal</b>	<b>(698,917)</b>	<b>(156,445)</b>	0	0	0	0	0	0	<b>(855,361)</b>
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
375	Structures and Improvements	(24,283)	(6,581)		0					(30,864)
376	Mains (Steel)	(3,234,904)	(323,682)		56,140		1,657			(3,500,799)
376	Mains (Plastic)	(286,214)	(83,241)		2,300		42			(367,113)
378	M&R Equipment-General	(47,463)	(17,133)		5,219		2,064	(28)		(57,341)
379	M&R Equipment-City	(113,513)	(27,964)		0			132		(141,344)
379	M&R Equipment-City (CIAC)	0	0							0
380	Dist Plant Services (Steel)	(300,728)	(62,853)		19,004		29,527	(944)		(315,994)
380	Dist Plant - Services (CIAC)	18,933	3,927		0					22,860
380	Dist Plant-Services (Plastic)	(122,307)	(52,015)		7,643		2,479	942		(163,257)
381	Meters	(316,428)	(38,969)		7,652					(347,745)
382	Meter Installations	(100,889)	(19,589)		3,751		1,155			(115,572)
383	Regulators	(135,514)	(20,070)		442			2		(155,140)
384	Regulator Installations	0	0		0					0
385	M&R Equipment-Industrial	(178,992)	(44,710)		7,541			2,027		(214,135)
385	M&R Equipment-Indus CIAC	5,672	4,999		0					10,670
387	Other Equipment	(34,091)	(6,778)		1,588					(39,281)
390	Structures and Improvements	(64,910)	(8,367)		0					(73,277)
391.1	Data processing Equipment	(23,581)	(4,281)		6,864	(75)			(944)	(22,016)
931.2	Office Furniture	(27,000)	(6,356)		9,066		0			(24,291)
391.3	Office Equipment	(10,145)	(6,999)		0					(17,144)
391.4	Vax System Equipment	(1,889)	(5,781)		0			0		(7,650)
392.3	Transportation Equipment	(88,354)	(6,791)		0		0			(95,145)
393	Stores Equipment	0	0		0					0
394	Tools and Work Equipment	(19,872)	(4,207)		5,991					(18,088)
396	Power Operated Equipment	(65,477)	(18,358)		0					(83,836)
397	Communication Equipment	(16,863)	(3,822)		0					(20,685)
398	Misc. Equipment	(4,277)	(1,731)		0					(6,008)
392.1	Transportation Equip. Autos	(348,834)	(132,895)		102,585	(19,448)	0			(398,591)
	<b>Subtotal</b>	<b>(5,541,903)</b>	<b>(894,248)</b>	0	235,787	(19,523)	36,924	2,132	(944)	<b>(6,181,775)</b>

**Annual Status Report**  
**Analysis of Entries in Accumulated Depreciation & Amortization**

Company: Chesapeake Utilities Corporation  
 For the Year Ended December 31, 1997

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
(Continued)										

## Annual Status Report Analysis of Entries in Accumulated Depreciation & Amortization

Company: Chesapeake Utilities Corporation  
For the Year Ended December 31, 1997

Page 3 of 3

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
(Continued)										
<b>Capital Recovery Schedules:</b>		This schedule should identify each approved capital recovery schedule.								
111-375	Accum Amort Structures & Imp	0	0							0
111-397	Accum Amort Comm Equipment	0	0							0
362	Gas Holders	(395,658)	(71,114)				31,563	0		(435,209)
<b>Subtotal</b>		<b>(395,658)</b>	<b>(71,114)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,563</b>	<b>0</b>	<b>0</b>	<b>(435,209)</b>
List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 12.										
	374 Land and Land Rights	0								0
	389 Land and Land Rights	1,642						(1,642)		0
<b>Subtotal</b>		<b>1,642</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,642)</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>		<b>(6,634,835)</b>	<b>(1,121,806)</b>	<b>0</b>	<b>235,787</b>	<b>(19,523)</b>	<b>68,487</b>	<b>490</b>	<b>(944)</b>	<b>(7,472,345)</b>

Note: \* The grand total of beginning and ending balances must agree to Line 17, Page 20.

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

**CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)**

1. Report below descriptions and balances at end of year of projects in process of construction (107).

2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).

3. Minor projects (less than \$500,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Miscellaneous	\$62,883	\$116,834
2			
3			
4			
5			
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39			
40			
41	<b>TOTAL</b>	<b>\$62,883</b>	<b>\$116,834</b>

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended  
Dec. 31, 1997

**CONSTRUCTION OVERHEADS-GAS**

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.  
2. On page 30 furnish information concerning construction overheads.  
3. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain on page 30 the accounting procedures employed

and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.  
4. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c)
1	Administrative and General	\$71,621	
2	Transportation	\$26,804	
3			
4			
5			
6			
7			
8			
9			
10			
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37			
38	TOTAL	\$98,425	

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

GENERAL DESCRIPTION OF CONSTRUCTION OVERHEAD PROCEDURE

1. For each construction overhead explain: (a) the nature and extent of work, etc., the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.

Total payroll charged to construction x (Total payroll taxes+Net employee benefits+Workers Comp) =  
Total Payroll

Overhead amount charged to construction (recorded by individual work order)



**PREPAYMENTS (Account 165)**

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Prepayment (a)	Balance at End of Year (In Dollars) (b)
1	Prepaid Insurance	41,329
2	Prepaid Rents	
3	Prepaid Taxes (page 41)	
4	Prepaid Interest	
5	Gas Prepayments	
6	Miscellaneous Prepayments: Prepaid Postage	2,393
7	<b>TOTAL</b>	<b>\$43,723</b>

**EXTRAORDINARY PROPERTY LOSSES (Account 182.1)**

Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	N/A					
2						
3						
4						
5						
6						
7						
8						
9	<b>TOTAL</b>					

**UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)**

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
10	N/A					
11						
12						
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19						
20						
21	<b>TOTAL</b>					

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended  
Dec. 31, 1997

**OTHER REGULATORY ASSETS (Account 182.3)**

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).

2. For regulatory assets being amortized, show period of amortization in column (a).

3. Minor items (amounts less than \$25,000) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance Beginning of Year (b)	Debits (c)	Credits		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1						
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42						
43	TOTAL					

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

MISCELLANEOUS DEFERRED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.  
2. For any deferred debit being amortized, show period of amortization in column (a).

3. Minor items (amounts less than \$25,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debit (a)	Balance at Beginning of Year (b)	Debits (c)	Account Charged (d)	Credit Amount (e)	Balance End of Year (f)
1	Conservation	\$14,051	\$286,331	400	\$209,528	\$70,854
2	FASB 109 Reg Asset Depr.	192,863	-	282,283	5,925	\$186,938
3	Deferred 836 TCR Costs	843,209	-	253-4	843,209	-
4	Cashier Over/Under	-	49	903	49	-
5						
6						
7						
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44						
45						
46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses					
49	(See Pages 61 - 62)					
50	TOTAL	\$1,150,123				\$257,792

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

**ACCUMULATED DEFERRED INCOME TAXES (Account 190)**

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.  
2. At Other (Specify), include deferrals relating to other income and deductions.

3. If more space is needed, use separate pages as required.  
4. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed under Other.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR				ADJUSTMENTS				Balance at End of Year (k)
			Amounts Debited to Acct. 410.1 (c)	Amounts Credited to Acct. 411.1 (d)	Amounts Debited to Acct. 410.2 (e)	Amounts Credited to Acct. 411.2 (f)	DEBITS		CREDITS		
							Acct. No. (g)	Amount (h)	Acct. No. (i)	Amount (j)	
1	ELECTRIC										
2											
3											
4											
5	TOTAL Electric (Lines 2 - 4)										
6	GAS										
7	Self Insurance	60,882	-	5,419							66,301
8	Conservation	(5,287)	(21,375)	-							(26,662)
9	Purchased Gas Adjustment	45,652	(3,403)	-							42,249
10	Unbilled Revenue	60,398	-	8,284							68,682
11	Bad Debts	19,845	-	-							19,845
12	Capitalized Interest/Overhead	123,327	-	13,298							136,625
13	Pensions	114,849	(9,104)	-							105,745
14	OPRB	26,736	(421)	-							26,315
15	Bonuses	18,417		13,852							32,269
16											
17											
18											
19	Other										
20	TOTAL Gas (Lines 7 - 19)	464,819	(34,303)	40,853							\$471,369
21	Other (Specify)										
22	TOTAL (Account 190) (Enter Total of lines 5,20 & 21)	\$464,819	(\$34,303)	\$40,853							\$471,369

NOTES

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

**SECURITIES ISSUED OR ASSUMED AND  
SECURITIES REFUNDED OR RETIRED DURING THE YEAR**

1. Furnish a supplemental statement giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses. Identify as to Commission authorization numbers and dates.

2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.

3. Included in the identification of each class and series of security, as appropriate, the interest or dividend rate,

nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance of redemption price and name of the principal underwriting firm through which the security transactions were consummated.

4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.

5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as particulars (details) of the transactions whereby the respondent undertook to pay obligations of another company if any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

N/A

LONG-TERM DEBT (Accounts 221, 222, 223, and 224)

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e. year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

2. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.

3. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.

4. For receiver's certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.

5. In a supplemental statement, give explanatory particulars (details) for Accounts 223 and 224 of net changes

during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.

6. If the respondent has pledged any of its long-term debt securities, give particulars (details) in a footnote, including name of the pledgee and purpose of the pledge.

7. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.

8. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

9. Give particulars (details) concerning any long-term debt authorized by a regulatory Commission but not yet issued.

Line No.	Class and Series of Obligation and Name of Stock Exchange (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	INTEREST FOR YEAR		Total Amount Outstanding (g)
					Rate (in %) (e)	Amount (f)	
1							
2	1st Mortgage Bond Series "G"	12/15/85	01/01/98		6.23	9,739	62,500
3	1st Mortgage Bond Series "I"	12/29/89	12/15/04		9.37	486,147	4,820,000
4	Convertible Debentures	02/15/89	03/01/14		8.25	331,966	3,926,000
5	Senior Note	01/15/93	01/01/08		7.97	797,000	10,000,000
6	Senior Note 2	10/01/95	10/01/10		6.91	691,000	10,000,000
7	Senior Note 3	12/15/97	01/01/12		6.85	30,027	10,000,000
8	Skipjack Inc.	09/10/86	02/01/98		12.00	1,490	-
9							
10	Allocation to Florida Division	397,499					
11	Allocation to Other Jurisdictions	1,949,870					
12							
13	Total Chesapeake Utilities Corp.	2,347,369					
14							
15							
16							
17							
18							
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21							
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23							
24							
25							
26							
27	TOTAL					2,347,369	38,808,500

Name of Respondent  
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For the Year Ended

Dec. 31, 1997

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.

2. Show premium amounts by enclosing the figures in parentheses.

3. In column (b) show the principal amount of bonds or other long-term debt originally issued.

4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.

7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period		Balance at Beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1	N/A							
2								
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UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.  
 2. In column (c) show the principal amount of bonds or other long-term debt reacquired.  
 3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts.  
 4. Show loss amounts by enclosing the figures in parentheses.  
 5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debit-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	N/A					
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3						
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RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME  
FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 14)	\$633,467
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	Add Back Federal Taxes	242,847
6	Add Back ITC Amortization and Deferred Tax Expense	122,208
7	Deductions Recorded on Books Not Deducted for Return	
8	Unbilled Revenue=22,013, Cap O/H & Int=14,656, Environmental=39,551, Accrued Bonuses=36,812,	305,519
9	CIAC=87,770, Flex Revenue=45,514, Self Insurance=14,440, Meals=10,842,	
10	Goodwill Amortization=33,961	
11		
12		
13	Income Recorded on Books Not Included in Return	
14		
15		
16		
17		
18		
19		
20		
21	Deductions on Return Not Charged Against Book Income	
22	PGA=9,041, Depreciation=403,703, IRS Cap Costs=5,146,	(589,785)
23	OPRB=1,118, Conservation=56,803, Pensions=24,195, Asset Gain/Loss=52,855,	
24	Cost of Removal=36,924	
25		
26		
27		
28		
29		
30	Federal Tax Net Income	\$714,256
31	Show Computation of Tax:	
32	Federal Taxable Income \$714,256	
33	x Tax Rate x.34	
34		
35	Current Federal Income Tax \$242,847	
36	=====	
37		

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended  
Dec. 31, 1997

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

	Name of Taxing Authority	Federal Income	State Income	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Sales and Other	Total
1	TAXES (ACCRUED/PREPAID BEG. OF YEAR	(121,304)	(84,829)	0	0	0	412	46,085	31,977	(174)	12,871	(115,162)
2	Taxes Charged During Year											
3	Accrued State and Federal Income Tax	242,847	41,570									284,417
4	State Sales Tax											0
5	State Utility Tax							475,128				475,128
6	State Regulatory Tax								71,843			71,843
7	Payroll Tax						143,060					143,060
8	Property Tax				340,755							340,755
9	Occupational Tax										1,946	1,946
10	Other and Excise Tax					3,983				242	18,819	21,054
11												0
12	TOTAL TAXES CHARGED DURING YEAR (Lines 3-11)	242,847	41,570	0	340,755	3,983	143,060	475,128	71,843	242	18,765	1,338,001
13	Taxes Paid During Year											
14	Accrued State and Federal Income Tax	(291,454)	(60,000)									(351,454)
15	State Sales Tax										(194,228)	(194,228)
16	State Utility Tax							(483,703)				(483,703)
17	State Regulatory Tax								(69,665)			(69,665)
18	Payroll Tax						(247,819)					(247,819)
19	Property Tax				(340,755)							(340,755)
20	Occupational Tax										(1,946)	(1,946)
21	Other and Excise Tax					(3,983)				(171)	(18,819)	(20,963)
22											0	0
23	TOTAL TAXES PAID DURING YEAR (Lines 14-22)	(291,454)	(60,000)	0	(340,755)	(3,983)	(247,819)	(483,703)	(69,665)	(171)	(212,991)	(1,710,351)
24	Adjustments (list)											0
25	Sales Tax Accrued										191,445	191,445
26	Other	121,304	84,829				104,317				0	310,450
27	TOTAL ADJUSTMENTS (Lines 24-26)	121,304	84,829	0	0	0	104,317	0	0	0	191,445	501,895
28	TAXES (ACCRUED/PREPAID END OF YEAR (Lines 1+12-23+/-27)	(48,607)	(18,430)	0	0	0	170	37,508	33,955	(103)	9,890	14,383

DISTRIBUTION OF TAXES CHARGED

		Federal Income	State Income	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Other	Total
29												
30	Electric (Account 408.1, 409.1)											
31	Gas (Account 408.1, 409.1)	240,130	41,105	0	340,755	3,933	143,060	475,128	71,843	242	16,178	1,332,172
32	Other Utility Departments (408.1, 409.1)											
33	Other Income and Deductions (408.2, 409.2)											
34	Extraordinary Items (Account 409.3)											
35	Other Utility Operating Income (408.1, 409.1)											
36	Adjust. to Retained Earnings (Account 439)											
37	CWIP (Account 207)											
38	Other (list) 408-Franchise (1)										246,035	246,035
39	4285-Non-Operating Income Tax	2,717	485									3,182
40	Income Tax True-Up		0								2,566	2,566
41	Misc. Adjustments								79			79
42	TOTAL (Should equal Lines 12+/-Line 27, if applicable)	242,847	41,570	0	340,755	3,933	143,060	475,128	71,722	242	264,799	1,584,054

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

**ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)**

Report below the information applicable to Account 255.  
Where appropriate, segregate the balances and transactions  
by utility and nonutility operations. Explain by footnote any

correction adjustment to the account balance shown in col-  
umn (g). Include in column (i) the average period over which  
the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year		Allocations to Current Year's Income		Adjustments (g)	Balance at End Year (h)	Average Period of Allocation to Income (i)
			Acct. No. (c)	Amount (d)	Acct. No. (e)	Amount (f)			
1	Gas Utility								
2	3%								
3	4%								
4	7%								
5	10%	(386,572)	420	19,523				(367,049)	
6									
7									
8	TOTAL	(386,572)		19,523				(367,049)	
9	Other List separately and show 3%, 4%, 7% 10% and TOTAL								

**Notes**

1. Use this space to explain any adjustments made in this period.
2. Use this space to list by year generated and by amount any ITCs that have not been utilized and have not expired by the end of the period.

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**MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)**

1. Describe and report the amount of other current and accrued liabilities at the end of year. 2. Minor items (less than \$50,000) may be grouped under appropriate title.

Line No.	Item (a)	Balance at End of Year (b)
1	Accrued Audit Fees	\$18,491
2	Accrued Flex Rate Liability	10,087
3	Accrued Legal	-
4	Accrued Bonuses	93,763
5	Accrued Payroll	-
6		
7		
8		
9		
10		
11		
12		
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14		
15		
16		
17		
18	<b>TOTAL</b>	<b>\$122,341</b>

**OTHER DEFERRED CREDITS (Account 253)**

1. Report below the particulars (details) called for concerning other deferred credits. amortization.  
 2. For any deferred credit being amortized, show the period of 3. Minor items (less than \$25,000) may be grouped by classes.

Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS		Credits (e)	Balance at End of Year (f)
			Contra Account (c)	Amount (d)		
1	109 Reg Liab. Depr	158,374	282,283		20,641	179,015
2	109 Reg Liab ITC	240,166	283-255	12,129		228,037
3	Accrued 636 TCR Liab.	943,209	1865-4	943,209	-	-
4	Accrued Pension	305,208	92607	86,768	62,572	281,012
5	Accrued OPRB	71,050	926015	1,193	75	69,932
6	Unearned Interest Income	3,138	419	4784	181,831	180,185
7						
8						
9						
10						
11						
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13						
14						
15						
16						
17						
18						
19						
20						
21	<b>TOTAL</b>	<b>\$1,721,145</b>		<b>\$1,048,083</b>	<b>\$265,119</b>	<b>\$938,181</b>

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended  
Dec. 31, 1997

**ACCUMULATED DEFERRED INCOME TAXES (Accounts 281, 282, 283)**

Line No.	Balance at Beginning of Year	Changes During Year				Adjustments				Balance at End of Year
		Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		
						Account No.	Amount	Account No.	Amount	
1										
2	<b>ACCOUNT 281 - ACCELERATED AMORTIZATION PROPERTY</b>									
3	Electric									
4	Gas									
5	Other									
6										
7	TOTAL ACCOUNT 281 (Lines 3 thru 6)									
8										
9	<b>ACCOUNT 282 - OTHER PROPERTY</b>									
10	Electric									
11	Gas Depreciation Related	(1,064,300)	(203,522)	47,911		var	26,566	var	(12,296)	(1,205,641)
12	Other									
13										
14	TOTAL ACCOUNT 282 (Lines 10 thru 13)	(1,064,300)	(203,522)	47,911		var	26,566	var	(12,296)	(1,205,641)
15										
16	<b>ACCOUNT 283 - OTHER</b>									
17	Electric									
18	Gas	(99,257)	(9,797)	17,127		var	21,099			(70,828)
19	Other									
20										
21	TOTAL ACCOUNT 283 - OTHER (Lines 17 thru 20)	(99,257)	(9,797)	17,127		var	21,099			(70,828)
22										
23	<b>ELECTRIC</b>									
24	Federal Income Tax									
25	State Income Tax									
26										
27	TOTAL ELECTRIC (Lines 24 thru 26)									
28										
29	<b>GAS</b>									
30	Federal Income Tax	(988,644)	(181,321)	55,282			40,515		(10,452)	(1,084,620)
31	State Income Tax	(174,913)	(31,998)	9,756			7,150		(1,844)	(191,849)
32										
33	TOTAL GAS (Lines 30 thru 32)	(1,163,557)	(213,319)	65,038			47,665		(12,296)	(1,276,469)
34										
35	<b>OTHER</b>									
36	Federal Income Tax									
37	State Income Tax									
38										
39	TOTAL OTHER (Lines 36 thru 38)									
40										
41	TOTAL (Total of lines 7, 14, 21 and Lines 27, 33, 39)	(1,163,557)	(213,319)	65,038			47,665		(12,296)	(1,276,469)
42										

NOTES

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended  
Dec. 31, 1997

**OTHER REGULATORY LIABILITIES (Account 254)**

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).  
2. For regulatory liabilities being amortized, show period of amortization in column (a).

3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance Beginning of Year (b)	Debits		Credits (d)	Balance End of Year (e)
			Contra Account (b)	Amount (c)		
1						
2	N/A					
3						
4						
5						
6						
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40						
41	TOTAL					

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

**GAS OPERATING REVENUES (Account 400)**

1. Report below natural gas operating revenues for each prescribed account in tototal.
2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3. Report number of customers, columns (f) and (g), on the basis of meters, except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
4. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
5. Report gas service revenues and therms sold by rate schedule.

Line No.	Title of Account (a)	OPERATING REVENUES	
		Amount for Year (b)	Amount for Previous Year (c)
<b>1</b>	<b>GAS SERVICE REVENUES</b>		
<b>2</b>	<b>FIRM SALES SERVICE</b>		
3	480 Residential	2,270,071	2,502,791
4	481 Commercial	3,465,510	3,194,669
5	481 Industrial	3,540,926	2,959,869
6	481		
7	481		
8	481		
<b>9</b>	<b>INTERRUPTIBLE SALES SERVICE</b>		
10	481 Industrial Interruptible	6,380,882	8,242,720
11	481		
<b>12</b>	<b>FIRM TRANSPORTATION SERVICE</b>		
13	489 Firm Transportation	1,779,423	1,744,656
14	489 LVCTS	659,227	666,810
15	489		
<b>16</b>	<b>INTERRUPTIBLE TRANSPORTATION SERVICE</b>		
17	489 Interruptible Transportation	601,270	579,478
18	489 Public Authority Transportation	8,347	-
19	482 Other Sales to Public Authorities	24,003	15,682
20	484 Flex Rate - Refund/Surplus	53,220	(30,690)
21	TOTAL Sales to Ultimate Consumers	18,782,679	19,875,985
22	483 Sales for Resale	381,814	834,275
23	Off-System Sales		
24	TOTAL Nat. Gas Service Revenues	19,164,493	20,710,260
25	TOTAL Gas Service Revenues	19,164,493	20,710,260
<b>26</b>	<b>OTHER OPERATING REVENUES</b>		
27	485 Intracompany Transfers		
28	487 Forfeited Discounts		
29	488 Misc. Service Revenues	273,851	192,393
30	489 Rev. from Trans. of Gas of Others (not included		
31	in above rate schedules)		
32	493 Rent from Gas Property		
33	494 Interdepartmental Rents		
34	495 Other Gas Revenues		
35	Initial Connection		
36	Reconnect for Cause		
37	Collection in lieu of disconnect		
38	Returned Check		
39	Other Unbilled and Other	22,037	(24,444)
40	495.1 Overrecoveries Purchased Gas		
41	TOTAL Other Operating Revenues	295,888	167,949
42	TOTAL Gas Operating Revenues	19,460,381	20,878,209
43	(Less) 496 Provision for Rate Refunds	-	31,298
44	TOTAL Gas Operating Revenues Net of Provision for Refunds	19,460,381	20,909,507
45	Sales for Resale		
46	Other Sales to Public Authority		
47	Interdepartmental Sales		
48	<b>TOTAL</b>	<b>\$19,460,381</b>	<b>\$20,909,507</b>

GAS OPERATING REVENUES (ACCOUNT 400) (Continued)

6. If increases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.  
7. See page 9, Important Changes During Year, for important new territory added and important rate increases or decreases.

THERMS OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUSTOMERS PER MO.		Line No.
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year	Number for Previous Year (g)	
				1
				2
1,919,867	2,358,279	7,965	7,881	3
5,693,249	5,909,236	783	770	4
6,964,697	6,782,589	69	68	5
				6
				7
				8
				9
18,884,138	24,650,391	14	13	10
				11
				12
17,213,390	16,300,210	-	-	13
58,373,190	60,329,920	3	3	14
				15
				16
14,752,127	14,216,210	-	-	17
211,000	-			18
66,829	37,890	1	1	19
				20
124,078,487	130,584,725			21
1,357,869	3,125,250	2	2	22
125,436,356	133,709,975	8,837	8,538	23
				24
				25
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NOTES

The transportation customers are already included as customers in the sales category.

**RESIDENTIAL AND COMMERCIAL SPACE HEATING CUSTOMERS**

A residential space heating customer is a customer whose major fuel for heating is gas.

Line No.	Item (a)	Residential (b)	Commercial (c)
1	Average Number of Space Heating Customers for the Year (Estimate if not known. Designate with an asterisk if estimated.)	N/A	
2	For Space Heating Only, Estimated Average Therms (14.73 psia at 60 degrees F) Per Customer for the Year		
3	Number of Space Heating Customers Added During the Year		
4	Number of Unfilled Application for Space Heating at End of Year		

**INTERRUPTIBLE, OFF PEAK, AND FIRM SALES TO DISTRIBUTION SYSTEM INDUSTRIAL CUSTOMERS**

<p>1. Report below the average number of interruptible, off peak, and firm industrial customers on local distribution systems of the respondent, and the Therms of gas sales to these customers for the year.</p> <p>2. Interruptible customers are those to whom service may be interrupted under terms of the customer's gas contract, or to whom service is required to be interrupted, regardless of the contractual arrangements in emergency periods,</p>	<p>by law, ordinance, directive, or other requirement of government authority. State in a footnote the basis on which interruptible customers are reported.</p> <p>3. Off peak sales are seasonal and other sales which do not occur during wintertime demands.</p> <p>4. Report pressure base of gas volumes at 14.73 psia at 60 degrees F.</p>
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Line No.	Item (a)	Number/Amount (b)
1	Interruptible Customers	
2	Average Number of Customers for the Year	14
3	Therms of Gas Sales for the Year	18,884,138
4	Off Peak Customers	
5	Average Number of Customers for the Year	
6	Therms of Gas Sales for the Year	
7	Firm Customers	
8	Average Number of Customers for the Year	69
9	Therms of Gas Sales for the Year	6,964,697
10	TOTAL Industrial Customers	
11	Average Number of Customers for the Year	83
12	Therms of Gas Sales for the Year	25,848,835

Name of Respondent		For the Year Ended	
Chesapeake Utilities Corporation		Dec. 31, 1997	
GAS OPERATION AND MAINTENANCE EXPENSES			
If the amount for previous year is not derived from previously reported figures, explain in footnotes.			
Line No.	Account	Amount for Current Year	Amount for Previous Year
1	<b>1. PRODUCTION EXPENSES</b>		
2	A. Manufactured Gas Production		
3	B. TOTAL Natural Gas Prod. and Gathering (Enter Total of Accts. 750 - 769)		
4	C. TOTAL Products Extraction (Enter Total of Accounts 770 through 791)		
5	D. TOTAL Exploration and Development (Enter Total of Accts. 795 through 798)		
6	E. Other Gas Supply Expenses		
7	Operation		
8	800 Natural Gas Well Head Purchases		
9	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
10	801 Natural Gas Field Line Purchases		
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases - Total Purchases	11,863,875	13,969,574
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases		
16	(Less) 805.1 Purchased Gas Cost Adjustments	(9,041)	(815,059)
17	TOTAL Purchased Gas (Enter Total of Lines 8 to 16)	11,854,834	13,154,515
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses		
24	807.5 Other Purchased Gas Expenses		
25	TOTAL Purchased Gas Expenses (Enter Total of lines 20 through 24)		
26	808.1 Gas Withdrawn from Storage--Debit		
27	(Less) 808.2 Gas Delivered to Storage--Credit		
28	809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit		
29	(Less) 809.2 Deliveries of Natural Gas for Processing--Credit		
30	Gas Used in Utility Operations--Credit		
31	810 Gas Used for Compressor Station Fuel--Credit		
32	811 Gas Used for Products Extraction--Credit		
33	812 Gas Used for Other Utility Operations--Credit	(3,041)	(2,522)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(3,041)	(2,522)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supp. Exp. (Total of Lines 17,18,25,26 through 29,34,35)	11,851,793	13,151,993
37	TOTAL Production Expenses (Enter Total of Lines 2,3,4,5 and 36)	11,851,793	13,151,993
38	<b>2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES</b>		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)		
40	B. TOTAL Other Storage Expenses (Enter Total of Accounts 840 through 843.9)		
41	C. TOTAL Liquefied Nat Gas Terminaling & Processing Expenses (Enter Total of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Enter Total of lines 39, 40, and 41)		
43	<b>3. TRANSMISSION EXPENSES</b>		
44	TOTAL Transmission Expenses (Enter Total of Accounts 850 through 867)		
45			
46			

**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

Line No.	Account	Amount for Current Year	Amount for Previous Year
47	<b>4. DISTRIBUTION EXPENSES</b>		
48	Operation		
49	870 Operation Supervision and Engineering	237,045	297,607
50	871 Distribution Load Dispatching	86,148	87,553
51	872 Compressor Station Labor and Expenses		
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	162,920	163,784
54	875 Measuring and Regulating Station Expenses--General		
55	876 Measuring and Regulating Station Expenses--Industrial		
56	877 Measuring and Regulating Station Expenses--City Gate Check Sta.	13,236	26,873
57	878 Meter and House Regulator Expenses	227,885	206,338
58	879 Customer Installations Expenses	204,573	97,377
59	880 Other Expenses	64,089	57,807
60	881 Rents	12,435	9,430
61	TOTAL Operation (Enter Total of lines 49 through 60)	1,008,332	946,769
62	Maintenance		
63	885 Maintenance Supervision and Engineering		
64	886 Maintenance of Structures and Improvements	-	-
65	887 Maintenance of Mains	106,872	135,680
66	888 Maintenance of Compressor Station Equipment		
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	16,587	16,202
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	72,382	63,063
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Sta.	22,308	17,957
70	892 Maintenance of Services	35,042	31,030
71	893 Maintenance of Meters and House Regulators	68,389	59,312
72	894 Maintenance of Other Equipment	17,131	17,950
73	TOTAL Maintenance (Enter Total of Lines 63 through 72)	338,711	341,194
74	TOTAL Distribution Expenses (Enter Total of Lines 61 and 73)	1,347,043	1,287,963
75	<b>5. CUSTOMER ACCOUNTS EXPENSES</b>		
76	Operation		
77	901 Supervision	71,554	82,974
78	902 Meter Reading Expenses	72,577	77,163
79	903 Customer Records and Collection Expenses	345,574	305,768
80	904 Uncollectible Accounts	56,010	31,529
81	905 Miscellaneous Customer Accounts Expenses		
82	TOTAL Customer Accounts Expenses (Enter Total of Lines 77 through 81)	545,715	497,434
83	<b>6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES</b>		
84	Operation		
85	907 Supervision	-	-
86	908 Customer Assistance Expenses		
87	909 Informational and Instructional Expenses	9,994	12,952
88	910 Miscellaneous Customer Service and Informational Expenses		
89	TOTAL Customer Service and Informational Expenses (Enter Total of Lines 85 through 88)	9,994	12,952
90	<b>7. SALES EXPENSES</b>		
91	Operation		
92	911 Supervision		
93	912 Demonstrating and Selling Expenses	227,059	205,427
94	913 Advertising Expenses	7,937	5,365
95	916 Miscellaneous Sales Expenses	2,773	854
96	9094 Community Affairs	9,994	
97	TOTAL Sales Expenses (Enter Total of lines 92 through 95)	247,764	211,646

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

Line No.	Account	Amount for Current Year	Amount for Previous Year
98	<b>8. ADMINISTRATIVE AND GENERAL EXPENSES</b>		
99	Operation		
100	920 Administrative and General Salaries	455,058	424,755
101	921 Office Supplies and Expenses	301,887	319,773
102	(Less) (922) Administrative Expenses Transferred—Cr.	(89,490)	(87,258)
103	923 Outside Services Employed	217,952	199,479
104	924 Property Insurance	8,057	10,200
105	925 Injuries and Damages	163,865	192,136
106	926 Employee Pensions and Benefits	373,202	338,660
107	927 Franchise Requirements	-	-
108	928 Regulatory Commission Expenses	37,904	12,688
109	(Less) (929) Duplicate Charges—Cr.		
110	930.1 General Advertising Expenses		
111	930.2 Miscellaneous General Expenses	63,014	62,813
112	931 Rents	46,584	52,099
113	TOTAL Operation (Enter Total of lines 100 through 112)	1,578,033	1,525,345
114	Maintenance		
115	935 Maintenance of General Plant	20,187	24,917
116	TOTAL Administrative and General Exp. (Total of lines 113 and 115)	1,598,220	1,550,262
117	TOTAL Gas O. and M. Exp. (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	15,590,535	16,712,250
118			
119			
120			
121			
122			
123			
124			
125			
126			
127			
128			
129			
130	<b>NUMBER OF GAS DEPARTMENT EMPLOYEES</b>		
131			
132	1. The data on number of employees should be reported for payroll period ending nearest to October 31,		
133	or any payroll period ending 60 days before or after October 31.		
134	2. If the respondent's payroll for the reporting period includes any special construction personnel,		
135	include such employees on line 3, and show the number of such special construction employees in a footnote.		
136	3. The number of employees assignable to the gas department from joint functions of combination utilities		
137	may be determined by estimate, on the basis of employee equivalents. Show the estimated number of		
138	equivalent employees attributed to the gas department from joint functions.		
139			
140	1. Payroll Period Ended (Date)	December 31, 1997	
141	2. Total Regular Full-Time Employees	44	
142	3. Total Part-Time and Temporary Employees	2	
143	4. Total Employees	46	
144			
145			
146			
147			

**GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1)**

1. Provide totals for the following accounts:
- 800 Natural Gas Well Head Purchases
  - 800.1 Natural Gas Well Head Purchases, Intra-company Transfers
  - 801 Natural Gas Field Line Purchases
  - 802 Natural Gas Gasoline Plant Outlet Purchases
  - 803 Natural Gas Transmission Line Purchases
  - 804 Natural Gas City Gate Purchases
  - 804.1 Liquefied Natural Gas Purchases
  - 805 Other Gas Purchases
  - 805.1 Purchase Gas Cost Adjustments

The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.

2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years.

3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b).

4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)

Line No.	Account Title (a)	Gas Purchased-Therms (14.73 per 60 F) (b)	Cost of Gas (in dollars) (c)	Average Cost Per Therm (To nearest .01 of a cent) (d)
1	Producer/Marketer 800 - Natural Gas Well Head Purchases	31,320,199	\$11,863,875	37.88
2	800.1 - Natural Gas Well Head Purchases, Intra-company Transfers			
3	801 - Natural Gas Field Line Purchases			
4	802 - Natural Gas Gasoline Plant Outlet Purchases			
5	803 - Natural Gas Transmission Line Purchases			
6	804 - Natural Gas City Gate Purchases			
7	804.1 - Liquefied Natural Gas Purchases			
8	805 - Other Gas Purchases			
9	805.1 - Purchased Gas Cost Adjustments	-	(9,041)	
10	<b>TOTAL (Enter Total of lines 1 through 9)</b>	<b>31,320,199</b>	<b>\$11,854,834</b>	<b>37.85</b>

**NOTES TO GAS PURCHASES**

GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 810, 811, 812)

1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.  
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.  
3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.

4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e).  
5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Therms of Gas Used (c)	Natural Gas		Manufactured Gas	
				Amount of Credit (d)	Amount per Therm (In cents) (e)	Therms of Gas Used (f)	Amount of Credit (g)
1	810 Gas used for Compressor Station Fuel -- Cr.						
2	811 Gas used for Products Extraction -- Cr.						
3	Gas Shrinkage and Other Usage in Respondent's Own Proc.						
4	Gas Shrinkage, Etc. for Respondent's Gas Processed by Others						
5	812 Gas used for Other Util. Oprs-- Cr. (Report separately for each principal uses. Group minor uses)						
6	Heating and Cooling	92115	2,167	\$752	34.70		
7	Vehicles	1841	6,333	\$2,179	34.41		
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL		8,500	\$2,931	34.48		

**OTHER GAS SUPPLY EXPENSES (Account 813)**

Report other gas supply expenses by descriptive titles which clearly indicate the nature of such expenses. Show maintenance expenses separately. Indicate the functional classification and purpose of property to which any expenses relate.

Line No.	Description (a)	Amount (in dollars) (b)
1		
2	N/A	
3		
4		
5		
6		
7		
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9		
10		
11		
12		
13		
14	<b>TOTAL</b>	

**MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)**

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other	
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent	\$63,014
4	Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown)	
5		
6		
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15		
16		
17		
18		
19	<b>TOTAL</b>	<b>\$63,014</b>

DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accounts 403,404.1,404.2,404.3,405)  
(Except Amortization of Acquisition Adjustments)

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.

A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification	Depreciation Expense (Account 403)	Amortization & Depletion of Prod. Nat. Gas Land & Land Rights (Account 404.1)	Amortization of Under-ground Storage Land & Land Rights (Account (404.2)	Amortization of Other Limited-term Gas Plant (Account 404.3)	Amortization of Other Gas Plant (Account 405)	Total (b to f) (g)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Intangible Plant					101,386	101,386
2	Production plant, manufactured gas						
3	Production and gathering plant, nat. gas						
4	Products extraction plant						
5	Underground gas storage plant						
6	Other storage plant						
7	Base load LNG term. & proces. plant						
8	Transmission Plant						
9	Distribution Plant	692,530				71,113	763,643
10	General Plant	66,892				-	66,892
11	Common Plant-Gas						
12							
13							
14							
15							
16							
17							
18							
19							
20							
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34							
35							
36							
37	TOTAL	\$759,222				\$172,499	\$931,721

**PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS**

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.

(a) **Miscellaneous Amortization (Account 425)** - Describe the nature of items included in this account, the contra account charged, the total of amortization charged for the year, and the period of amortization.

(b) **Miscellaneous Income Deductions** - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$25,000 may be grouped by classes within the above accounts.

(c) **Interest on Debt to Associated Companies (Account 430)** - For each associated company to which interest on debt was incurred during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

(d) **Other Interest Expense (Account 431)** - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

Line No.	Item (a)	Amount (b)
1	Other deductions - 426-5	\$1,176
2	Other interest charges-431,4311,4312,4315	\$155,176
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DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	TOTAL Operation and Maintenance - Electric			
3	Gas			
4	Operation			
5	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.			
6	Transmission			
7	Distribution	610,123		
8	Customer Accounts	284,628		
9	Customer Service and Informational			
10	Sales	177,245		
11	Administrative and General	292,511		
12	TOTAL Operation (Enter Total of lines 5 through 11)	1,364,507		
13	Maintenance			
14	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.			
15	Transmission			
16	Distribution	135,750		
17	Administrative and General	558		
18	TOTAL Maintenance (Enter Total of lines 14 through 17)	136,308		
19	Total Operation and Maintenance	1,500,815		
20	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.			
21	Transmission (Enter Total of lines 6 and 15)	-		
22	Distribution (Enter Total of lines 7 and 16)	745,873		
23	Customer Accounts (Transcribe from line 8)	284,628		
24	Customer Service and Informational (Transcribe from line 9)	-		
25	Sales (Transcribe from line 10)	177,245		
26	Administrative and General (Enter Total of lines 11 and 17)	293,069		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	1,500,815		
28	Other Utility Departments			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)			
31	Utility Plant			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant	179,578		
35	Other			
36	TOTAL Construction (Enter Total of lines 33 through 35)	179,578		
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant	18,612		
40	Other			
41	TOTAL Plant Removal (Enter Total of lines 38 through 40)	18,612		
42				
43	Other Accounts (Specify):			
44	Vehicle Expense	3,023		
45				
46				
47				
48				
49				
50				
51				
52				
53	TOTAL Other Accounts	3,023		
54	TOTAL SALARIES AND WAGES	1,702,028		

Name of Respondent  
Chesapeake Utilities Corporation

For the Year Ended

Dec. 31, 1997

REGULATORY COMMISSION EXPENSES (Account 928)

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.

2. In columns (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.

Line No.	Description (Furnish name of regulatory commission or body, the docket or case number, and a description of the case.) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 186 at Beginning of Year (e)
1	Florida Public Service Commission	-	\$37,904	\$37,904	-
2					
3					
4					
5					
6					
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38					
39					
40	TOTAL	-	\$37,904	\$37,904	-

REGULATORY COMMISSION EXPENSES (Account 928) (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.

4. The totals of columns (e), (i), (k), and (l) must agree with the totals shown at the bottom of page 34

for Account 186.

5. List in column (f), (g) and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.

6. Minor items (less than \$25,000) may be grouped.

EXPENSES INCURRED DURING YEAR			AMORTIZED DURING YEAR		Deferred in Account 186 End of Year (l)	Line No.
CHARGED CURRENTLY TO			Deferred to Account 186 (i)	Contra Account (j)		
Department (f)	Account No. (g)	Amount (h)				Amount (k)
Legal	928	\$16,846	-	-	-	1
Consulting-Depreciation Study	928	21,058	-	-	-	2 3
						4
						5
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						37
						38
						39
		\$37,904	-	-	-	40

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES**

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account 426.4 Expenditures for Certain

Civic, Political and Related Activities.

- (a) Name and address of person or organization rendering services,
- (b) description of services received during year and project or case to which services relate,
- (c) basis of charges,
- (d) total charges for the year, detailing utility department and account charged.

2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.

3. Designate with an asterisk associated companies.

1	Description (a)	Amount (b)
2	Legal	\$70,043
3	Accounting and Audit	\$38,047
4	Other	\$111,862
5		
6		
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36		
37	Total	\$217,952

**Reconciliation of Gross Operating Revenues  
Annual Report versus Regulatory Assessment Fee Return**

Company: **Chesapeake Utilities Corporation**

For the Year Ended December 31, 1997

For the current year, reconcile the gross operating revenues as reported on Page 46 of this report with the gross operating revenues as reported on the utility's regulatory assessment fee return. Explain and justify any differences between the reported gross operating revenues in column (f).

	(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Description	Gross Operating Revenues per Page 46	Interstate and Sales for Resale Adjustments	Adjusted Intrastate Gross Operating Revenues	Intrastate Gross Operating Revenues per RAF Return	Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	15,734,412	172,749 (1)	15,907,161	15,907,161	-
2	Sales for Resale (483) Off System Sales	381,814	(381,814)	-	-	-
3	Total Natural Gas Service Revenues	16,116,226	(209,065)	15,907,161	15,907,161	-
4	Total Other Operating Revenues (485-495)	3,344,155	(123,684) (2)	3,220,471	3,216,540	3,931 (3)
5	Total Gas Operating Revenues	19,460,381	(332,749)	19,127,632	19,123,701	
6	Provision for Rate Refunds (496)	-	-	-	-	-
7	Other (Specify)					
8						
9						
10	<b>Total Gross Operating Revenues</b>	<b>\$19,460,381</b>	<b>(\$332,749)</b>	<b>\$19,127,632</b>	<b>\$19,123,701</b>	<b>\$3,931</b>

Notes:

1) Deduct public authority revenue (24,003)  
 Add flex surplus 53,220  
 Deduct flex refunds -  
 Add conservation revenue 147,498  
 Deduct flex on public authority (3,966)  
 Total adjustment 172,749

2) Add conservation rev on transp. 61,943  
 Adjust net unbilled revenue to gross 22,013  
 1996 True-Up 1,082  
 Deduct Public Authority Transp. (8,347)  
 Deduct Service Revenue (200,375)  
 Total adjustment (123,684)

3) The company booked a final unbilled revenue calculation after the tax return was filed. The adjustment will be reflected in the next return.

**CORPORATE STRUCTURE**

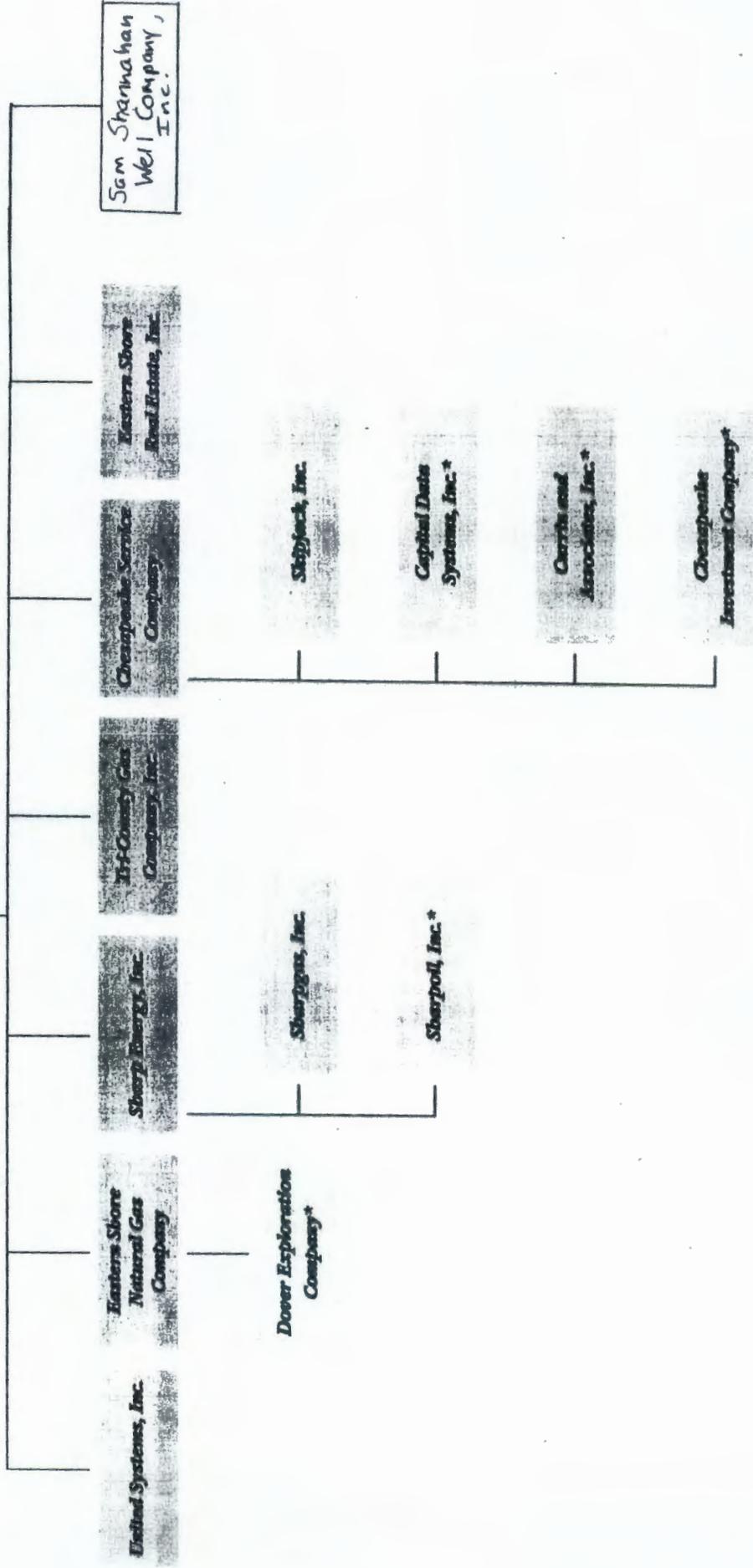
**Company: Chesapeake Utilities Corporation**  
**For the Year Ended December 31, 1997**

Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

**Effective  
Date**

**See Attached**

**LEGAL STRUCTURE**



\*Denotes inactive subsidiary.

**NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES**

**COMPANY: Chesapeake Utilities Corporation**  
**For the Year Ended December 31, 1997**

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

Name of Affiliated Company (a)	Synopsis of Contract (b)
N/A	

**INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000**

**Company: Chesapeake Utilities Corporation**

**For the Year Ended December 31, 1997**

Provide information regarding individual affiliated transactions in excess of \$25,000. Recurring monthly affiliated transactions which exceed \$25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

<b>Name of Affiliate (a)</b>	<b>Description of Transaction (b)</b>	<b>Dollar Amount (c)</b>
	<b>See Page 65.</b>	

**SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS**

**Company: Chesapeake Utilities Corporation**

**For the Year Ended December 31, 1997**

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

- (a) Enter name of affiliate.
- (b) Give description of type of service, or name the product involved.
- (c) Enter contract or agreement effective dates.
- (d) Enter the letter "p" if the service or product is a purchased by the Respondent; "s" if the service or product is sold by the Respondent.
- (e) Enter utility account number in which charges are recorded.
- (f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge for Year		
			"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
Chesapeake Utilities Corp	Payroll	Fiscal year 1997	p	various	\$1,462,587
Chesapeake Utilities Corp	Accounts Payable	Fiscal year 1997	p	various	\$13,423,868
Chesapeake Utilities Corp	Payroll Tax Transfer	Fiscal year 1997	p	various	\$247,374
Chesapeake Utilities Corp	General Corp. Services	Fiscal year 1997	p	various	\$1,801,886
Chesapeake Utilities Corp	Cash Transactions	Fiscal year 1997	s	various	\$16,976,485
Chesapeake Utilities Corp	Gas Supply	Fiscal year 1997	s	various	\$141,859
Chesapeake Utilities Corp	Gas Supply Payroll/Exp	Fiscal year 1997	s	various	\$45,000
Eastern Shore Natural Gas	Accounts Payable	Fiscal year 1997	s	various	\$292
Skipjack	General Corp Services	Fiscal year 1997	p	various	\$14,680
Sharp Energy	Accounts Payable	Fiscal year 1997	p	various	\$2,116
Sharp Energy	Payroll	Fiscal year 1997	p	various	\$1,642

**ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES**

**Company: Chesapeake Utilities Corporation**

**For the Year Ended December 31, 1997**

Provide a summary of affiliated transactions involving asset transfers or the right to use assets.

Name of Affiliate	Description of Asset or Right	Cost/Orig. Cost	Accumulated Depreciation	Net Book Value	Fair Market Value	Purchase Price	Title Passed Yes/No
<b>Purchases from Affiliates:</b>							
Chesapeake Utilities Corporation (parent)	Laptop Computer	\$ 1,940.75	\$ (944.14)	\$ 996.61		\$ 996.61	n/a
<b>Total</b>						<b>\$996.61</b>	
<b>Sales to Affiliates:</b>							
<b>None</b>						<b>Sales Price</b>	
<b>Total</b>						<b>\$</b>	

**EMPLOYEE TRANSFERS**

**Company: Chesapeake Utilities Corporation**

**For the Year Ended December 31, 1997**

List employees earning more than \$30,000 annually transferred to/from the utility to/from an affiliate company.

<b>Company Transferred From</b>	<b>Company Transferred To</b>	<b>Old Job Assignment</b>	<b>New Job Assignment</b>	<b>Transfer Permanent or Temporary and Duration</b>
<b>None</b>				

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