

State of Florida



Public Service Commission

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

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

DATE: December 27, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Richards, Buys, Cicchetti) *CRR* *MB* *ALM*
Office of the General Counsel (Taylor) *JA* *WRB*

RE: Docket No. 20170251-GU – Application for authorization to issue common stock, preferred stock and secured and/or unsecured debt, and to enter into agreements for interest rate swap products, equity products and other financial derivatives, and to exceed limitation placed on short-term borrowings in 2018, by Chesapeake Utilities Corporation.

AGENDA: 01/09/18 – Consent Agenda – Final Order – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Please place the following securities application on the consent agenda for approval.

Docket No. 20170251-GU – Application for authorization to issue common stock, preferred stock and secured and/or unsecured debt, and to enter into agreements for interest rate swap products, equity products and other financial derivatives, and to exceed limitation placed on short-term borrowings in 2018, by Chesapeake Utilities Corporation.

Chesapeake Utilities Corporation (Chesapeake or Utility) seeks authority to issue during calendar year 2018: up to 8,215,000 shares of Chesapeake common stock, up to 2,000,000 shares of Chesapeake preferred stock, up to \$550 million in secured and/or unsecured debt; to enter into agreements up to \$200 million in interest rate swap products, equity products and other financial derivatives; and to issue short-term obligations in an amount not to exceed \$275 million.

Docket No. 20170251-GU

Date: December 27, 2017

Chesapeake allocates funds to the Chesapeake Utilities Corporation - Florida Division, Florida Public Utilities Company (FPUC), FPUC - Indiantown Division, and FPUC - Fort Meade Division on an as-needed basis. Chesapeake acknowledges that in no event will such allocations to the Florida Divisions exceed 75 percent of the proposed equity securities (common stock and preferred stock), long-term debt, short-term debt, interest rate swap products, equity products, and financial derivatives issued by Chesapeake.

Pursuant to Section 366.04, Florida Statutes (F.S.), the Commission shall have jurisdiction to regulate and supervise each public utility in the issuance and sale of its securities, except a security which is a note or draft maturing not more than one year after the date of such issuance and sale and aggregating not more than five percent of the par value of the other securities of the public utility then outstanding.

For 2018, five percent of Chesapeake's aggregate outstanding balance of other securities (i.e., common stock equity at par value and long term debt) is \$11,107,778. Chesapeake requests approval to issue short-term debt in excess of five percent of the Utility's aggregate balance of other securities. Staff believes the Utility's request conforms to Section 366.04, F.S., and the dollar amounts proposed in the application are reasonable.

Staff has reviewed the Utility's projected capital expenditures. The amount requested by Chesapeake exceeds its expected capital expenditures. The additional amount requested exceeding the projected capital expenditures allows for financial flexibility for the purposes enumerated in the Utility's petition, as well as, unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends the Utility's petition to issue securities be approved.

For monitoring purposes, this docket should remain open until April 30, 2019, to allow the Utility time to file the required Consummation Report.