

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended: September 30, 2003

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 001-11590

CHESAPEAKE UTILITIES CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Common Stock, par value \$.4867 - 5,635,702 shares outstanding as of September 30, 2003.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2003	2002
OPERATING REVENUES	\$ 24,742,187	\$ 22,009,556
COST OF SALES	12,782,686	10,573,652
GROSS MARGIN	11,959,501	11,435,904
OPERATING EXPENSES		
Operations	8,118,870	8,013,111
Maintenance	443,315	498,250
Depreciation and amortization	2,260,553	2,144,589
Other taxes	979,465	1,058,118
Total operating expenses	11,802,203	11,714,068
OPERATING INCOME (LOSS)	157,298	(278,164)
OTHER (LOSS) INCOME	(16,282)	34,294
INCOME (LOSS) BEFORE INTEREST CHARGES	141,016	(243,870)
INTEREST CHARGES	1,419,887	1,176,379
LOSS BEFORE INCOME TAXES	(1,278,871)	(1,420,249)
INCOME TAXES	(578,239)	(608,150)
NET LOSS FROM CONTINUING OPERATIONS	(700,632)	(812,099)
NET LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX		
Discontinued operations	(58,750)	(127,066)
Loss on sale	(106,028)	-
TOTAL LOSS FROM DISCONTINUED OPERATIONS	(164,778)	(127,066)
NET LOSS	(\$865,410)	(\$939,165)
LOSS PER SHARE OF COMMON STOCK:		
BASIC		
FROM CONTINUING OPERATIONS	(\$0.12)	(\$0.15)
FROM DISCONTINUED OPERATIONS	(0.03)	(0.02)
NET LOSS	(\$0.15)	(\$0.17)
DILUTED		
FROM CONTINUING OPERATIONS	(\$0.12)	(\$0.15)
FROM DISCONTINUED OPERATIONS	(0.03)	(0.02)
NET LOSS	(\$0.15)	(\$0.17)

DIVIDENDS DECLARED PER SHARE OF COMMON STOCK: \$ 0.275 \$ 0.275

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2003	2002
OPERATING REVENUES	\$123,595,098	\$ 99,309,268
COST OF SALES	70,775,536	52,671,658
GROSS MARGIN	52,819,562	46,637,610
OPERATING EXPENSES		
Operations	25,509,232	24,477,951
Maintenance	1,297,485	1,407,655
Depreciation and amortization	6,781,142	6,634,659
Other taxes	3,322,104	3,260,250
Total operating expenses	36,909,963	35,780,515
OPERATING INCOME	15,909,599	10,857,095
OTHER INCOME	92,692	388,857
INCOME BEFORE INTEREST CHARGES	16,002,291	11,245,952
INTEREST CHARGES	4,314,742	3,558,254
INCOME BEFORE INCOME TAXES	11,687,549	7,687,698
INCOME TAXES	4,461,043	2,902,563
NET INCOME FROM CONTINUING OPERATIONS	7,226,506	4,785,135
NET LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX		
Discontinued operations	(253,337)	(311,128)
Loss on sale	(34,454)	-
TOTAL NET LOSS FROM DISCONTINUED OPERATIONS	(287,791)	(311,128)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX	-	(1,916,000)
NET INCOME	\$ 6,938,715	\$ 2,558,007
=====		
EARNINGS (LOSS) PER SHARE OF COMMON STOCK:		
BASIC		
FROM CONTINUING OPERATIONS	\$ 1.29	\$ 0.87
FROM DISCONTINUED OPERATIONS	(0.05)	(0.05)
EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	(0.35)
NET INCOME	\$ 1.24	\$ 0.47
=====		
DILUTED		
FROM CONTINUING OPERATIONS	\$ 1.27	\$ 0.87
FROM DISCONTINUED OPERATIONS	(0.05)	(0.05)
EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	(0.35)
NET INCOME	\$ 1.22	\$ 0.47

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DIVIDENDS DECLARED PER SHARE OF COMMON STOCK:	\$	0.825	\$	0.825
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The accompanying notes are an integral part of these financial statements.

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2003	2002
OPERATING ACTIVITIES		
Net Income	\$ 6,938,715	\$ 2,558,007
Adjustments to reconcile net income to net operating cash:		
Goodwill impairment	-	3,200,000
Depreciation and amortization	7,084,141	6,965,483
Depreciation included in other costs	726,977	828,465
Deferred income taxes, net	2,991,996	(1,086,520)
Mark-to-market adjustments	604,652	(45,155)
Employee benefits and compensation	756,051	205,681
Other	12,453	(41,112)
Changes in assets and liabilities:		
Accounts receivable	5,760,008	7,259,075
Inventory, materials, supplies and storage gas	(2,720,339)	(1,031,969)
Prepaid expenses and other current assets	352,264	(203,267)
Other deferred charges	735,614	(369,146)
Accounts payable	(7,262,453)	(2,016,965)
Refunds payable to customers	(213,473)	(683,382)
Accrued income taxes	(2,302,419)	404,046
Accrued interest	1,021,253	(790,870)
Over (under) recovered deferred purchased gas costs	225,118	4,931,090
Other current liabilities	693,690	(723,543)
Net cash provided by operating activities	15,404,248	19,359,918
INVESTING ACTIVITIES		
Property, plant and equipment expenditures, net	(7,695,569)	(9,142,227)
Sale of discontinued operations	945,404	-
Environmental recoveries, net of expenditures	1,986,312	377,492
Net cash used by investing activities	(4,763,853)	(8,764,735)
FINANCING ACTIVITIES		
Common stock dividends, net of amounts reinvested	(4,045,145)	(3,985,881)
Issuance of stock:		
Dividend Reinvestment Plan optional cash	248,533	214,857
Retirement Savings Plan	704,409	773,488
Net repayment under line of credit agreements	(7,000,000)	(6,419,401)
Proceeds from issuance of long-term debt	-	60,681
Repayment of long-term debt	(1,658,333)	(1,408,908)
Net cash used by financing activities	(11,750,536)	(10,765,164)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,110,141)	(169,981)
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	2,458,276	1,188,335
CASH AND CASH EQUIVALENTS END OF PERIOD	\$ 1,348,135	\$ 1,018,354

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	SEPTEMBER 30, 2003	DECEMBER 31, 2002
PROPERTY, PLANT AND EQUIPMENT		
Natural gas distribution and transmission	\$ 185,037,787	\$ 179,487,574
Propane	34,921,466	34,479,798
Advanced information services	1,525,930	1,475,060
Water services.	3,925,047	4,619,703
Other plant	9,132,866	9,065,440
Total property, plant and equipment	234,543,096	229,127,575
Less: Accumulated depreciation and amortization.	(67,085,298)	(74,348,909)
Net property, plant and equipment	167,457,798	154,778,666
INVESTMENTS	323,692	362,855
CURRENT ASSETS		
Cash and cash equivalents	1,348,135	2,458,276
Accounts receivable (less allowance for uncollectibles of \$885,367 and \$659,628, respectively).	18,605,972	24,045,853
Materials and supplies, at average cost	1,028,003	995,165
Merchandise inventory, at FIFO.	676,596	1,193,585
Propane inventory, at average cost.	4,266,072	4,028,878
Storage gas prepayments	5,754,154	3,033,772
Underrecovered purchased gas costs.	2,743,813	2,968,931
Income taxes receivable	2,790,758	488,339
Deferred income taxes receivable.	774,040	417,665
Prepaid expenses and other current assets	2,606,887	3,588,997
Total current assets.	40,594,430	43,219,461
DEFERRED CHARGES AND OTHER ASSETS		
Environmental regulatory assets	372,366	2,527,251
Environmental expenditures.	571,094	2,557,406
Goodwill, net	869,519	869,519
Other intangible assets, net.	1,234,445	1,927,622
Other deferred charges.	3,950,755	4,701,394
Total deferred charges and other assets	6,998,179	12,583,192
TOTAL ASSETS.	\$ 215,374,099	\$ 210,944,174

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

CAPITALIZATION AND LIABILITIES	SEPTEMBER 30, 2003	DECEMBER 31, 2002
CAPITALIZATION		
Stockholders' equity		
Common Stock, par value \$.4867 per share; (authorized 12,000,000 shares; issued and outstanding 5,635,702 and 5,537,710 shares for 2003 & 2002, respectively)	\$ 2,742,633	\$ 2,694,935
Additional paid-in capital	33,612,176	31,756,983
Retained earnings	34,552,256	32,238,510
Total stockholders' equity	70,907,065	66,690,428
Long-term debt, net of current maturities	71,783,624	73,407,684
Total capitalization	142,690,689	140,098,112
CURRENT LIABILITIES		
Current portion of long-term debt	3,665,091	3,938,006
Short-term borrowing	3,900,000	10,900,000
Accounts payable	13,869,900	21,141,996
Refunds payable to customers	284,369	497,842
Customer deposits	1,903,547	2,007,983
Accrued interest	1,721,084	699,831
Dividends payable	1,549,398	1,521,982
Accrued compensation	2,660,683	1,777,544
Other accrued liabilities	1,778,751	2,052,442
Total current liabilities	31,332,823	44,537,626
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	20,611,871	17,263,501
Deferred investment tax credits	506,429	547,541
Environmental liability	632,513	2,802,424
Accrued pension costs	1,897,739	1,619,456
Accumulated negative salvage value	13,221,088	-
Other liabilities	4,480,947	4,075,514
Total deferred credits and other liabilities	41,350,587	26,308,436
COMMITMENTS AND CONTINGENCIES (Note 3)		
TOTAL CAPITALIZATION AND LIABILITIES	\$ 215,374,099	\$ 210,944,174

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. QUARTERLY FINANCIAL DATA The financial information for Chesapeake Utilities Corporation (the "Company" or "Chesapeake") included herein is unaudited and should be read in conjunction with the Company's Annual Report on Form 10-K. In the opinion of management, this financial information reflects normal recurring adjustments, including the cumulative effect of changes in accounting principles, which are necessary for a fair presentation of the Company's interim results. In accordance with United States Generally Accepted Accounting Principles, the Company's management makes certain estimates and assumptions regarding: 1) reported amounts of assets and liabilities, 2) disclosure of contingent assets and liabilities at the date of the financial statements and 3) reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Due to the seasonal nature of the Company's business, there are substantial variations in the results of operations reported on a quarterly basis and, accordingly, results for any particular quarter may not give a true indication of results for the year. Certain amounts in 2002 have been reclassified to conform to the presentation for the current year.

2. CALCULATION OF EARNINGS PER SHARE

ENDED FOR THE PERIOD ENDED SEPTEMBER 30,	THREE MONTHS ENDED		NINE MONTHS	
	2003	2002	2003	2002

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CALCULATION OF BASIC (LOSS) EARNINGS PER SHARE FROM CONTINUING OPERATIONS:				
Net (Loss) Income from continuing operations	(\$700,632)	(\$812,099)	\$7,226,506	
\$4,785,135				
Weighted average shares outstanding	5,626,202	5,503,318	5,595,981	
5,475,555				

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BASIC (LOSS) EARNINGS PER SHARE FROM CONTINUING OPERATIONS				
0.87	(\$0.12)	(\$0.15)	\$ 1.29	\$

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CALCULATION OF DILUTED (LOSS) EARNINGS PER SHARE FROM CONTINUING OPERATIONS:				
RECONCILIATION OF NUMERATOR:				
Net (Loss) Income from continuing operations Basic	(\$700,632)	(\$812,099)	\$7,226,506	
\$4,785,135				
Effect of 8.25% Convertible debentures *	-	-	119,740	
-				

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Adjusted numerator Diluted	(\$700,632)	(\$812,099)	\$7,346,246	
\$4,785,135				

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RECONCILIATION OF DENOMINATOR:				
Weighted shares outstanding Basic	5,626,202	5,503,318	5,595,981	
5,475,555				
Effect of dilutive securities *				
Stock options	-	-	634	
-				
Warrants	-	-	4,400	
1,963				
8.25% Convertible debentures	-	-	187,501	
-				

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Adjusted denominator Diluted	5,626,202	5,503,318	5,788,516	
5,477,518				

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 DILUTED (LOSS) EARNINGS PER SHARE FROM
 CONTINUING OPERATIONS (\$0.12) (\$0.15) \$ 1.27 \$
 0.87
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 * Amounts associated with securities resulting in an anti-dilutive effect
 on earnings per share are not included in this calculation.

3. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

The Company is currently participating in the remediation of three former gas manufacturing plant sites located in three different jurisdictions. The Company has accrued liabilities for these three sites referred to respectively as the Dover Gas Light, Salisbury Town Gas Light and the Winter Haven Coal Gas sites. The Company is currently in discussions with the Maryland Department of the Environment ("MDE") regarding the responsibilities of the Company with respect to a possible fourth site in Cambridge, Maryland.

The Dover Gas Light Site is a former manufactured gas plant site located in Dover, Delaware. In May 2001, the Company, General Public Utilities Corporation, Inc. (now FirstEnergy Corporation), the State of Delaware, the United States Environmental Protection Agency ("USEPA") and the United States Department of Justice signed a settlement term sheet to settle complaints brought by the Company and the United States in 1996 and 1997, respectively, with respect to the Dover Site. In October 2002, the final Consent Decrees were signed and delivered to the United States Department of Justice ("DOJ"). The Consent Decrees were lodged simultaneously with the United States District Court for the District of Delaware and a notice soliciting public comment for a 30-day period was published in the Federal Register. The public comment period ended April 30, 2003 with no public comments. The DOJ filed an Unopposed Motion for Entry of Consent Decrees on June 26, 2003.

By Order dated July 18, 2003, the U.S. District Court for the District of Delaware entered final judgment approving and entering the Consent Decrees resolving this litigation. The entry of the Consent Decrees triggered the parties' obligations to make the payments required by the settlement agreement within thirty days. Chesapeake received from other parties, net settlement payments of \$1.15 million. These proceeds will be passed on to the Company's firm customers, in accordance with the environmental rate rider. Chesapeake has no further obligations under the Consent Decrees at this time.

At June 30, 2003, the Company reduced the liability and associated regulatory asset for remediation of the Dover Gas Light site to \$10,000, based on the approval of the Consent Decrees, representing the Company's estimate of the remaining costs related to the site. At September 30, 2003 the balance remained at \$10,000.

Through September 30, 2003, the Company has incurred approximately \$9.2 million in costs relating to environmental testing and remedial action studies at the Dover Gas Light site. Approximately \$8.8 million (which includes the net settlement of \$1.15 million) has been recovered through September 30, 2003 from other parties or through rates. A regulatory asset has been established for the remaining uncollected costs. They are expected to be recovered through rates or from other responsible parties.

The Salisbury Town Gas Light Site is a former manufactured gas plant site located in Salisbury, Maryland. In cooperation with the MDE, the Company performed the following remedial steps: (1) operation of an air sparging/soil vapor extraction ("AS/SVE") remedial system; (2) monitoring and recovery of product from recovery wells; and (3) monitoring of ground-water quality. In March 2002, with MDE's permission, the Company permanently decommissioned the AS/SVE system and discontinued nearly all on-site and off-site monitoring wells. In November 2002, the Company submitted a request for a No Further Action ("NFA") for the site. In December 2002, the MDE recommended that the Company submit work plans to MDE and place deed restrictions on the property as conditions prior to receiving an NFA. The Company has completed the MDE recommended work plans and has executed the deed restrictions. During the third quarter of 2003 the Company submitted a revised request for the NFA.

The Company has adjusted the liability with respect to the Salisbury Town Gas Light site to \$9,500 at September 30, 2003. This amount is based on the estimated costs to perform limited product monitoring and recovery efforts and fulfill ongoing reporting requirements. A corresponding regulatory asset has been recorded, reflecting the Company's belief that costs incurred will be recoverable in base rates.

Through September 30, 2003, the Company has incurred approximately \$2.9 million for remedial actions and environmental studies at the Salisbury Town Gas Light site. Of this amount, approximately \$1.8 million has been recovered through insurance proceeds or

ratemaking treatment. The Company expects to recover the remaining costs through rates and has established a regulatory asset for those costs.

The Winter Haven Coal Gas site is located in Winter Haven, Florida. In May 2001, the Florida Department of Environmental Protection ("FDEP") approved a remedial action plan that includes the utilization of the AS/SVE technologies to address ground-water impacts throughout a majority of the site. The AS/SVE construction was completed in the fourth quarter of 2002 and is now fully operational. The Company is currently negotiating with FDEP on the extent of additional investigation and remediation work required to address surface soil, ground-water and sediment impacts that will not be remediated by the AS/SVE system. The current estimate of costs to complete the remediation activities at the site is approximately \$613,000 (present value). Accordingly, at September 30, 2003 the Company has accrued a liability of \$613,000. Through September 30, 2003 the Company has incurred approximately \$1.2 million of environmental costs associated with this site. At September 30, 2003 the Company had collected through rates \$260,000 in excess of costs incurred. A regulatory asset of approximately \$353,000 representing the uncollected portion of the estimated cleanup costs has also been recorded.

In August 2002, the Company, along with two other parties, met with MDE to discuss alleged manufactured gas plant contamination at a property located in Cambridge, Maryland. At that meeting, one of the other parties agreed to perform a remedial investigation of the site. The possible exposure of the Company at this site is not known at this time.

It is management's opinion that any un-recovered current costs and any other future costs associated with each of the four sites discussed above will be recoverable through future rates or sharing arrangements with other responsible parties.

OTHER COMMITMENTS AND CONTINGENCIES

The Company's natural gas and propane distribution operations have entered into contractual commitments to purchase gas from various suppliers. The contracts have various expiration dates. In November 2003, the Company entered into a one-year contract with an energy marketing and risk management company to manage a portion of the Company's natural gas transportation and storage capacity. That contract replaced one that expired on October 31, 2003. The previous energy marketing and risk management company had declared bankruptcy; however, the bankruptcy did not result in any adverse financial impact on Chesapeake.

The Company has issued corporate guarantees to certain vendors of its propane wholesale marketing subsidiary. The guarantees at September 30, 2003 totaled \$4.5 million and expire on various dates through September 2004.

The Company is involved in certain legal actions and claims arising in the normal course of business. On September 16, 2003, the Company's wholesale propane marketing operation, Xeron, Inc. received a letter from an attorney representing Enron Gas Liquids, Inc. ("EGLI"), a debtor in a pending chapter 11 case. In this letter, EGLI's attorney claims that Xeron owes EGLI \$727,000 in connection with certain agreements between Xeron and EGLI that required EGLI to deliver gas in January, February and March 2002. EGLI defaulted on the agreements and did not fulfill their obligation to deliver the product. Therefore, under the terms of the agreements, the Company believes that it has valid defenses to the EGLI claim. The Company will vigorously defend its position and believes that it will prevail if this EGLI claim goes to trial.

The Company is also involved in certain legal and administrative proceedings before various governmental agencies concerning rates. In the opinion of management, the ultimate disposition of these proceedings will not have a material effect on the consolidated financial position of the Company.

Certain assets and liabilities of the Company are accounted for in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 71, which, among other matters, provides standards for regulated enterprises for the deferral of costs that will be recovered through future rate increases. If the Company were required to terminate the application of these standards to its regulated operations, all such deferred amounts would be recognized in the income statement at that time. This would result in a charge to earnings, net of applicable income taxes, which could be material.

4. RECENT AUTHORITATIVE PRONOUNCEMENTS ON FINANCIAL REPORTING AND ACCOUNTING The Financial Accounting Standards Board ("FASB") adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" in June 2002, which requires that a liability for a cost associated with an exit or disposal activity be recognized when a liability is incurred. Under previous guidelines, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. Should the Company enter into an exit plan, SFAS No. 146 will be applied prospectively.

FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," was adopted in November 2002. The Company has adopted FIN No. 45. There was no impact on the financial statements; however, the disclosures in the Commitments and Contingencies footnote (Note 3) were expanded to include all required information.

FIN No. 46, "Consolidation of Variable Interest Entities," was adopted in January 2003. Chesapeake does not currently have any

investments in variable interest entities and, therefore, FIN No. 46 has not impacted the Company.

Chesapeake adopted SFAS No. 143, "Accounting for Asset Retirement Obligations," as of January 1, 2003. The Company's regulated operations are allowed by the regulatory bodies to recover the costs of retiring its long-lived assets through the approved depreciation rates. This is sometimes referred to as negative salvage value. Under the pronouncement, the Company was required to record the portion of depreciation that represents negative salvage value as a liability on its financial statements. Previously, it was included in accumulated depreciation. There was no impact on the earnings of the Company. As of January 1, 2003, the liability for accumulated negative salvage value was \$12.1 million and increased during the first nine months of 2003 by approximately \$1.1 million, which was offset by a reduction in accumulated depreciation for the same period of \$13.2 million.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" by requiring that contracts with comparable characteristics be accounted for similarly. The Company does not believe that the adoption of SFAS No. 149 will have a material impact on Chesapeake's financial position or results of operations.

5. SEGMENT INFORMATION Chesapeake uses the management approach to identify operating segments. Chesapeake organizes its business around differences in products or services and the operating results of each segment are regularly reviewed by the Company's chief operating decision maker in order to make decisions about resources and to assess performance. The following table presents information about the Company's reportable segments.

ENDED FOR THE PERIOD ENDED SEPTEMBER 30, 2002	THREE MONTHS ENDED		NINE MONTHS	
	2003	2002	2003	
OPERATING REVENUES, UNAFFILIATED CUSTOMERS				
Natural gas distribution and transmission . . .	\$ 16,894,614	\$ 14,172,555	\$ 80,856,987	\$
66,915,666				
Propane	3,636,283	3,282,636	29,420,717	
18,601,725				
Advanced information services	2,645,511	3,154,916	9,064,082	
9,576,559				
Water services.	1,565,779	1,391,751	4,253,312	
4,207,621				
Other	-	7,698	-	
7,698				
Total operating revenues, unaffiliated customers.	\$ 24,742,187	\$ 22,009,556	\$123,595,098	\$
99,309,269				
INTERSEGMENT REVENUES (1)				
Natural gas distribution and transmission . . .	\$ 26,382	\$ 17,457	\$ 128,147	\$
52,371				
Advanced information services	15,961	101,507	83,985	
101,507				
Water services.	2,431	-	6,955	
-				
Other	174,529	169,929	527,100	
532,039				
Total intersegment revenues	\$ 219,303	\$ 288,893	\$ 746,187	\$
685,917				
OPERATING INCOME (LOSS)				
Natural gas distribution and transmission . . .	\$ 1,545,994	\$ 1,331,116	\$ 12,481,371	\$
10,577,226				
Propane	(1,596,707)	(1,688,874)	2,898,743	
30,409				
Advanced information services	99,495	181,123	326,129	
285,061				
Water services.	13,951	(125,240)	(67,946)	
(235,381)				
Other and eliminations.	94,565	23,711	271,302	
199,780				
TOTAL OPERATING INCOME (LOSS)	157,298	(278,164)	15,909,599	
10,857,095				

* All significant intersegment revenues are billed at market rates and have been eliminated from consolidated revenues.

31,	SEPTEMBER 30,	DECEMBER
	2003	2002
IDENTIFIABLE ASSETS		
Natural gas distribution and transmission . . .	\$158,160,638	\$153,609,232
Propane	35,076,290	37,737,882
Advanced information services	2,574,054	2,734,188
Water services.	3,319,021	3,441,785
Other	12,919,854	9,665,544
 Total identifiable assets	 \$212,049,857	 \$207,188,631

During the third quarter of 2003, the Company sold the assets of one of its water services businesses, bringing the total sold year-to-date to three water businesses. Additionally, an agreement was reached to sell a fourth. Results for all four companies were reclassified to discontinued operations. The results reported above reflect only the continuing operations of the Company. The segment reporting information for 2003 and 2002 presented above does not include discontinued operations.

6. DISCONTINUED OPERATIONS During the third quarter of 2003, Chesapeake sold the assets of a water services business unit based in Idaho. An after-tax loss of \$106,000 on the disposal of water assets was recognized in the third quarter. For the nine months ended September 30, 2003, three water service businesses were sold, resulting in a total after-tax loss of \$34,000 on the sales. As of September 30, 2003, management also had approval to sell the assets of another water services business based in Michigan, and in accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, was reported as a discontinued operation. The sale of the Michigan business was completed on October 9, 2003. The gain on the sale was approximately \$24,000 (after tax) and will be recorded in the October. The loss from operations of discontinued businesses is shown, net of tax, separately on the income statements. The following table presents the balance sheet accounts for discontinued operations, including the Michigan business.

CHESAPEAKE UTILITIES CORPORATION - DISCONTINUED OPERATIONS

BALANCE SHEETS (UNAUDITED)

ASSETS	SEPTEMBER 30, 2003	DECEMBER 31, 2002
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	\$ 781,619	\$ 1,730,476
Less: Accumulated depreciation and amortization.	(295,172)	(475,512)
Net property, plant and equipment	486,447	1,254,964
CURRENT ASSETS		
Cash and cash equivalents	44,862	203,731
Accounts receivable (less allowance for uncollectibles of \$37,764 and \$48,860, respectively).	517,341	354,843
Merchandise inventory, at FIFO.	171,050	503,705
Income taxes receivable	1,391,717	3,100
Deferred income taxes receivable.	-	17,101
Prepaid expenses.	23,251	82,874
Total current assets.	2,148,221	1,165,354
OTHER ASSETS		
Intangible assets, net.	689,574	1,335,225
Deferred income taxes receivable.	-	1,277,116
Total other assets.	689,574	2,612,341
TOTAL ASSETS.	\$ 3,324,242	\$ 5,032,659

CAPITALIZATION AND LIABILITIES	SEPTEMBER 30, 2003	DECEMBER 31, 2002
CAPITALIZATION		
Common Stock.	\$ 16,000	\$ 16,000
Additional paid-in capital.	116,548	116,548
Retained earnings	(70,773)	217,016
Total stockholders' equity.	61,775	349,564
Long-term debt, net of current maturities	-	7,047
Total capitalization.	61,775	356,611

CURRENT LIABILITIES

Current portion of long-term debt	-	7,047
Accounts payable	34,517	104,596
Due to parent company	2,488,763	3,747,846
Customer deposits	17,517	31,512
Other accrued liabilities	91,670	125,047
<hr/>		
Total current liabilities	2,632,467	4,016,048
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DEFERRED CREDITS AND OTHER LIABILITIES

Other Liabilities	630,000	660,000
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Total deferred credits and other liabilities	630,000	660,000
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COMMITMENTS AND CONTINGENCIES (Note 3)

TOTAL CAPITALIZATION AND LIABILITIES	\$ 3,324,242	\$ 5,032,659
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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS DESCRIPTION

Chesapeake Utilities Corporation (the "Company" or "Chesapeake") is a diversified utility company engaged in natural gas distribution and transmission, propane distribution and marketing, advanced information services and other related businesses.

The Company's strategy is to grow earnings from a stable utility foundation by investing in related businesses and services that provide opportunities for higher, unregulated returns. This growth strategy includes acquisitions and investments in unregulated businesses as well as the continued investment and expansion of the Company's utility operations that provide the stable base of earnings. The Company continually reevaluates its investments to ensure that they are consistent with its strategy and the goal of enhancing shareholder value. The Company's unregulated businesses and services currently include propane distribution and wholesale marketing, advanced information services and water conditioning and treatment.

Chesapeake continues to reassess its water services activities and take actions to improve returns from this business segment. The assets and operations of one business were sold in the third quarter and another business was sold in October 2003, increasing to four the number of water services businesses sold in 2003. Management continues to look at options for the remaining three water service businesses.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's capital requirements reflect the capital-intensive nature of its business and are principally attributable to the construction program and the retirement of outstanding debt. The Company relies on cash generated by operations and short-term borrowing to meet normal working capital requirements and to finance temporarily capital expenditures. During the first nine months of 2003, net cash provided by operating activities, net cash used by investing activities and net cash used by financing activities were approximately \$15.2 million, \$4.6 million and \$11.8 million, respectively.

The Board of Directors has authorized the Company to borrow up to \$35.0 million of short-term debt from various banks and trust companies. As of September 30, 2003, Chesapeake had five unsecured bank lines of credit with three financial institutions, totaling \$65.0 million, for short-term cash needs to meet seasonal working capital requirements and to temporarily fund portions of its capital expenditures. Two of the bank lines, totaling \$15.0 million, are committed. The other three lines are subject to the banks' availability of funds. In the first nine months of 2003, cash provided by operations was adequate to fund capital expenditures and the reduction in short-term debt outstanding. At September 30, 2003, the debt outstanding under these lines was \$3.9 million, compared to \$10.9 million at December 31, 2002. Additionally, at September 30, 2003 The Company had outstanding an irrevocable letter of credit in the amount of \$693,600 issued to one of the Company's insurance providers. The letter of credit reduced the available borrowing under the short-term lines.

During the nine-month periods ended September 30, 2003 and 2002, capital expenditures were approximately \$7.9 million and \$9.1 million, respectively. Chesapeake has budgeted \$16.5 million for capital expenditures during 2003. This amount includes \$12.1 million for natural gas distribution and transmission, \$2.3 million for propane distribution and marketing, \$237,000 for advanced information services and \$451,000 for other operations. The Company had originally budgeted \$1.2 million for water services; however, the sale of the assets for four of its water service businesses is expected to reduce the actual spending below this level. The natural gas distribution and transmission expenditures are for expansion and improvement of facilities. The propane expenditures are to support customer growth and for the replacement of equipment. The advanced information services expenditures are for computer hardware, software and related equipment. Budgeted expenditures for water services were to support customer growth and replace equipment. The other operations budget includes general plant, computer software and hardware expenditures. Financing for the capital expenditure program for the balance of 2003 is expected to be provided from short-term borrowing and cash provided by operating activities. The capital expenditure program is subject to continual review and modification. Actual capital requirements may vary from the above estimates due to a number of factors including acquisition opportunities, possible divestiture of additional water businesses, changing economic conditions, customer growth in existing areas, regulation, availability of capital and new growth opportunities.

The Company has budgeted \$202,000 for capital expenditures in 2003 related to environmental remediation projects, and expects to make additional expenditures in future years. Management does not expect any such expenditures or financing to have a material adverse effect on the financial position or capital resources of the Company (see Note 3 to the Consolidated Financial Statements).

As of September 30, 2003 common equity represented 49.7 percent of total capitalization, compared to 47.6 percent as of December 31, 2002. Combining short-term financing with total capitalization, the equity component would have been 47.2 percent and 43.0 percent, respectively. The Company remains committed to maintaining a sound capital structure and strong credit ratings in order to provide the financial flexibility needed to access the capital markets when required. This commitment, along with adequate and timely rate relief for the Company's regulated operations, is intended to ensure that the Company will be able to attract capital from outside sources at a

reasonable cost.

Interest expense for the first nine months of 2003 increased approximately \$756,000, or 21 percent, over the same period in 2002. The increase reflects the increase in the average long-term debt balance caused by the placement of \$30.0 million completed in October 2002. The average long-term debt balance in the first nine months of 2003 was \$75.8 million with an average interest rate of 7.2 percent, compared to \$50.0 million with an average interest rate of 7.6 percent in the first nine months of 2002. The increase in long-term debt was offset by a reduction in the average short-term borrowing balance, which decreased from \$32.8 million in the first nine months of 2002 to \$3.4 million in the first nine months of 2003. The average interest rate for short-term borrowing dropped from 2.4 percent for the first nine months of 2002 to 1.7 percent in the first nine months of 2003.

RESULTS OF OPERATIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2003

CONSOLIDATED OVERVIEW

The Company experienced a seasonal loss from continuing operations of \$701,000, or \$0.12 per share, for the third quarter of 2003, an improvement of \$111,000 compared to a net loss from continuing operations of \$812,000, or \$0.15 per share for the corresponding period in 2002. The improved results reflect the continued strong performance of the regulated natural gas operations and the performance improvement initiatives undertaken at the propane distribution operations. Chesapeake typically experiences a loss in the third quarter, when warm temperatures on the Delmarva Peninsula cause a reduction in the usage of natural gas and propane by heating customers.

During the third quarter of 2003, Chesapeake sold the assets of one water service business with offices in Boise and Moscow, Idaho and reached an agreement to sell the assets of another water service business in Detroit, Michigan. The operating results of these businesses have been presented as discontinued operations. An after-tax loss of \$106,000 was recognized in the third quarter on the disposal of the water assets. The Michigan sale was closed on October 9, 2003. A gain of approximately \$24,000 will be recorded in the fourth quarter related to the Michigan sale.

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Operating Income (Loss)			
Natural Gas Distribution & Transmission.	\$ 1,545,994	\$ 1,331,116	\$ 214,878
Propane.	(1,596,707)	(1,688,874)	92,167
Advanced Information Services.	99,495	181,123	(81,628)
Water Services	13,951	(125,240)	139,191
Other & Eliminations	94,565	23,711	70,854
Operating Income (Loss).	157,298	(278,164)	435,462
Other (Loss) Income.	(16,282)	34,294	(50,576)
Interest Charges	1,419,887	1,176,379	243,508
Income Taxes	(578,239)	(608,150)	29,911
Net Loss from Continuing Operations.	(\$700,632)	(\$812,099)	\$ 111,467

NATURAL GAS DISTRIBUTION AND TRANSMISSION

The natural gas distribution and transmission segment earned operating income of \$1.5 million for the third quarter of 2003 compared to \$1.3 million for the corresponding period last year, an increase of \$215,000.

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Revenue.	\$ 16,920,996	\$ 14,190,012	\$ 2,730,984
Cost of gas.	8,607,836	6,728,589	1,879,247
Gross margin	8,313,160	7,461,423	851,737
Operations & maintenance	4,425,817	3,918,455	507,362
Depreciation & amortization.	1,663,367	1,518,562	144,805
Other taxes.	677,982	693,290	(15,308)
Operating expenses	6,767,166	6,130,307	636,859
Total Operating Income	\$ 1,545,994	\$ 1,331,116	\$ 214,878

Gross margins for the Delaware and Maryland distribution divisions increased \$349,000 from 2002. Delaware and Maryland experienced an increase of 1,839 residential customers, or 6 percent, in the third quarter of 2003 compared to the third quarter of 2002. The increase was the result primarily of new housing construction. The Company estimates that each residential customer added contributes \$360 annually to gross margin and requires an additional cost of \$100 for operations and maintenance expenses. Finally, a rate restructuring in Delaware in December 2002 increased the monthly minimum charge per customer, resulting in increased margins during non-heating months.

Gross margins for the Florida distribution operations were also up \$437,000, due to the implementation of transportation services and customer additions. The transmission operation's margins increased by \$54,000.

The gross margin increases were partially offset by higher operating expenses, primarily operations and maintenance expenses that relate to the increased volumes and earnings and pension and employee costs. Depreciation was higher, reflecting the continued investment in plant assets.

PROPANE

For the third quarter of 2003, the propane segment experienced a seasonal operating loss of \$1.6 million compared to a \$1.7 million loss for the third quarter of 2002. A gross margin decrease of \$228,000 was more than offset by decreases in operating expenses of \$320,000.

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Revenue	\$ 3,636,283	\$ 3,282,636	\$ 353,647
Cost of sales	2,280,092	1,698,702	581,390
Gross margin	1,356,191	1,583,934	(227,743)
Operations & maintenance	2,422,606	2,696,584	(273,978)
Depreciation & amortization	385,151	417,084	(31,933)
Other taxes	145,141	159,140	(13,999)
Operating expenses	2,952,898	3,272,808	(319,910)
Total Operating Loss	(\$1,596,707)	(\$1,688,874)	\$ 92,167

The margin decrease for the propane segment was due primarily to a decrease of \$256,000 in the propane wholesale marketing operations and a decline of \$135,000 in the Florida distribution operations, partially offset by an increase of \$119,000 for the Delmarva distribution operations. The wholesale marketing operations experienced a slow down in trading activities due to lower wholesale price volatility. This was partially offset by a reduction of \$137,000 in operating expenses. The Florida distribution operations had reduced margins from service work during the third quarter of 2003 compared to 2002. Performance improvement initiatives at the Delmarva propane distribution operations resulted in reduced operating expenses of \$251,000.

ADVANCED INFORMATION SERVICES

The advanced information services business contributed operating income of \$99,000 for the third quarter of 2003 compared to \$181,000 for the third quarter of last year, a decrease of \$82,000.

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Revenue	\$ 2,661,472	\$ 3,256,423	(\$594,951)
Cost of sales	1,281,096	1,668,567	(387,471)

Gross margin	1,380,376	1,587,856	(207,480)
Operations & maintenance	1,130,889	1,208,236	(77,347)
Depreciation & amortization.	47,256	49,713	(2,457)
Other taxes.	102,736	148,784	(46,048)
Operating expenses	1,280,881	1,406,733	(125,852)
Total Operating Income	\$ 99,495	\$ 181,123	(\$81,628)

This segment has been adversely affected by the nation's economic slowdown and the resulting postponement or cancellation of discretionary consulting projects; however, the Company has countered declining revenues by implementing cost reduction measures, including reductions in staffing. A non-recurring sale of software contributed \$284,000 to operating income in the third quarter of 2003.

WATER BUSINESS OPERATIONS

Water services continuing operations earned \$14,000 for the third quarter of 2003, an improvement of \$139,000 in operating income (loss), compared to a loss of \$125,000 for the same period in 2002.

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Revenue.	\$ 1,568,210	\$ 1,391,751	\$ 176,459
Cost of sales.	615,177	512,103	103,074
Gross margin	953,033	879,648	73,385
Operations & maintenance	781,930	861,610	(79,680)
Depreciation & amortization.	117,201	100,163	17,038
Other taxes.	39,951	43,115	(3,164)
Operating expenses	939,082	1,004,888	(65,806)
Total Operating Income (Loss).	\$ 13,951	(\$125,240)	\$ 139,191

An increase in margins of \$73,000 coupled with a decrease in operating expenses of \$66,000 generated the improvement. During the third quarter of 2003, Chesapeake sold the assets of one water service business with offices in Boise and Moscow, Idaho. Additionally, an agreement was reached to sell the assets of another dealership in the Detroit, Michigan area. The results of the two businesses have been reclassified to discontinued operations (with the operations of the two businesses sold in the second quarter). Included in discontinued operations for the third quarter of 2003 is approximately \$24,000 (pre-tax) representing fixed overhead expense allocations that will not result in future savings for the Company.

Chesapeake continues to reassess its water services operations and take actions in an effort to improve returns from this business segment. Further action may include the sale of some or all of the remaining businesses.

OTHER BUSINESS OPERATIONS

Other operations and eliminating entries contributed operating income of \$95,000 for the third quarter of 2003 compared to income of \$24,000 for the third quarter of last year. Other operations consist primarily of subsidiaries that own real estate leased to other Company subsidiaries. Eliminations are entries required to eliminate activities between business segments from the consolidated results.

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Revenue	\$ 174,529	\$ 177,627	(\$3,098)
Cost of sales	-	-	-
Gross margin	174,529	177,627	(3,098)
Operations & maintenance	18,573	21,045	(2,472)
Depreciation & amortization	59,529	59,067	462
Other taxes	13,656	13,790	(134)
Operating expenses	91,758	93,902	(2,144)
Operating Income Other	82,771	83,725	(954)
Operating Income Eliminations	11,794	(60,014)	71,808
Total Operating Income	\$ 94,565	\$ 23,711	\$ 70,854

INCOME TAXES

The Company's income tax benefit for the third quarter of 2003 was a lower than 2002 due to lower losses. The federal income tax rate was consistent year to year. The Company's effective tax rate during periods of losses or lower earnings, such as the third quarter, appears lower than the annual effective rate because of the impact of tax savings, such as the tax deductibility of dividends paid to the Company's Employee Stock Ownership Plan ("ESOP").

INTEREST EXPENSE

Interest for the third quarter of 2003 increased approximately \$244,000, or 21 percent, over the same period in 2002. The increase resulted from the issuance of \$30.0 million of long-term debt in October 2002 at an interest rate of 6.64 percent. The proceeds from this debt issuance were used to repay \$30.0 million of short-term borrowings that were carrying lower rates. The short-term rates fluctuate daily.

The average long-term debt balance in the third quarter of 2003 was \$75.5 million with an average interest rate of 7.2 percent, compared to \$49.7 million with an average interest rate of 7.6 percent in the third quarter of 2002. The average borrowing balance for short-term debt decreased from \$32.4 million in the third quarter of 2002 to \$2.6 million in the third quarter of 2003. The average interest rate for short-term borrowing dropped from 2.39 percent in the third quarter of 2002 to 1.31 percent in the third quarter of 2003.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

CONSOLIDATED OVERVIEW

The Company recognized net income from continuing operations of \$7.2 million, or \$1.29 per share, for the first nine months of 2003, an increase of \$2.4 million, or \$0.42 per share, compared to the corresponding period in 2002. As indicated in the following table, the higher earnings for the first nine months of 2003 reflect significant improvement in the natural gas and propane distribution operations due to colder weather and customer growth.

Chesapeake adopted Financial Accounting Standards Board Statement of Accounting Standards No. 142, "Goodwill and Other Intangible Assets," in the first quarter of 2002. As a result of the change in the goodwill impairment testing methods prescribed by SFAS No. 142, a non-cash charge for goodwill impairment of \$1.9 million, after tax, was recorded as the cumulative effect of a change in accounting principle. After giving effect to this charge and the discontinued operations, earnings per share for the first nine months of 2002 were \$0.47.

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Operating Income (Loss)			
Natural Gas Distribution & Transmission.	\$ 12,481,371	\$ 10,577,226	\$ 1,904,145

Propane	2,898,743	30,409	2,868,334
Advanced Information Services	326,129	285,061	41,068
Water Services	(67,946)	(235,381)	167,435
Other & Eliminations	271,302	199,780	71,522
<hr/>			
Operating Income	15,909,599	10,857,095	5,052,504
Other Income	92,692	388,857	(296,165)
Interest Charges	4,314,742	3,558,254	756,488
Income Taxes	4,461,043	2,902,563	1,558,480
<hr/>			
Net Income from Continuing Operations	\$ 7,226,506	\$ 4,785,135	\$ 2,441,371
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NATURAL GAS DISTRIBUTION AND TRANSMISSION

The natural gas distribution and transmission segment earned operating income of \$12.5 million for the first nine months of 2003 compared to \$10.6 million for the corresponding period last year, an increase of \$1.9 million.

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Revenue	\$ 80,985,134	\$ 66,968,037	\$14,017,097
Cost of gas	47,920,917	37,585,321	10,335,596
Gross margin	33,064,217	29,382,716	3,681,501
Operations & maintenance	13,395,446	11,978,226	1,417,220
Depreciation & amortization	5,001,702	4,779,850	221,852
Other taxes	2,185,698	2,047,414	138,284
Operating expenses	20,582,846	18,805,490	1,777,356
Total Operating Income	\$ 12,481,371	\$ 10,577,226	\$ 1,904,145

Gross margins for the Delaware and Maryland distribution divisions increased \$2.4 million from 2002. Temperatures for the first nine months of 2003 were 30 percent colder than 2002 (745 heating degree-days) and 14 percent colder than the 10-year average (396 heating degree-days). The Company estimates that, on an annual basis, for each heating degree-day variance from the 10-year average, gross margins change by \$1,680. An increase in the average number of customers also contributed to the increase. Delaware and Maryland experienced an increase of 1,902 in the average number of customers, or 6.4 percent, in the first nine months of 2003 compared to the same period in 2002. The Company estimates that each residential customer added contributes \$360 annually to gross margin and requires an additional cost of \$100 for operations and maintenance expenses.

Gross margins for the Florida distribution operations were also up \$1.1 million, due to the implementation of transportation services and customer additions. The transmission operation's margin increased by \$106,000.

The margin increases were partially offset by higher operating expenses, primarily operations and maintenance expenses and other taxes that relate to the increased volumes and earnings and pension and employee costs. Depreciation was higher, reflecting the continued investment in natural gas operations.

PROPANE

For the first nine months of 2003, the propane segment contributed operating income of \$2.9 million compared to \$30,000 for the first nine months of 2002. Gross margin increased \$3.1 million, but was partially offset by increases in operating expenses of \$241,000.

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Revenue	\$ 29,420,717	\$ 18,601,725	\$10,818,992
Cost of sales	16,236,221	8,526,687	7,709,534
Gross margin	13,184,496	10,075,038	3,109,458
Operations & maintenance	8,579,531	8,243,773	335,758
Depreciation & amortization	1,143,516	1,235,716	(92,200)
Other taxes	562,706	565,140	(2,434)
Operating expenses	10,285,753	10,044,629	241,124
Total Operating Income	\$ 2,898,743	\$ 30,409	\$ 2,868,334

The margin increase for the propane segment was due primarily to an increase of \$3.0 million for the Delmarva distribution operations. Volumes sold for the first nine months increased 3.5 million gallons or 25 percent. Temperatures for the nine months were 30 percent colder than 2002 (745 heating degree-days) and 14 percent colder than the 10-year average (396 heating degree-days). The Company estimates that on an annual basis, for each heating degree-day variance from the 10-year average, margins change by \$1,670. Additionally, the margin per retail gallon improved by \$0.065 in the first nine months of 2003 compared to 2002. The margin increase was partially offset by increased operating expenses, primarily related to the higher volumes and revenues, including an increase in the reserve for bad debts. The Florida propane distribution operations experienced an increase in margins of \$131,000 for the nine-month period; however, the margin included \$192,000 related to a non-recurring service project.

The Company's propane wholesale marketing operation experienced a decrease in margins of \$43,000 and a decrease of \$101,000 in operating expenses, leading to an improvement of \$58,000 in operating income. Although wholesale price volatility created trading opportunities early in 2003, a slow down in trading activities for the third quarter reduced margins. Offsetting costs savings have allowed the wholesale marketing operation to improve operating income for the period.

ADVANCED INFORMATION SERVICES

The advanced information services business earned operating income of \$326,000 for the first nine months of 2003 compared to income of \$285,000 for the first nine months of last year. The increase is the result of decreased operating expenses that offset a decline in revenue.

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Revenue	\$ 9,148,067	\$ 9,678,066	(\$529,999)
Cost of sales	5,043,257	5,050,516	(7,259)
Gross margin	4,104,810	4,627,550	(522,740)
Operations & maintenance	3,239,011	3,719,944	(480,933)
Depreciation & amortization	146,127	158,301	(12,174)
Other taxes	393,543	464,244	(70,701)
Operating expenses	3,778,681	4,342,489	(563,808)
Total Operating Income	\$ 326,129	\$ 285,061	\$ 41,068

This segment continues to be adversely affected by the nation's economic slowdown as discretionary consulting projects have been postponed or cancelled. However, strong cost containment efforts have reduced operating expenses to offset margin reductions. Operating income for 2003 includes approximately \$284,000 related to a non-recurring sale of software.

WATER BUSINESS OPERATIONS

Water services continuing operations experienced an operating loss of \$68,000 for the first nine months of 2003, compared to an operating loss of \$235,000 for the same period in 2002, an improvement of \$167,000.

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Revenue	\$ 4,260,267	\$ 4,207,621	\$ 52,646
Cost of sales	1,590,538	1,543,444	47,094

Gross margin	2,669,729	2,664,177	5,552
Operations & maintenance	2,262,716	2,471,753	(209,037)
Depreciation & amortization.	336,060	287,480	48,580
Other taxes.	138,899	140,325	(1,426)
Operating expenses	2,737,675	2,899,558	(161,883)
Total Operating Loss	(\$67,946)	(\$235,381)	\$ 167,435

An increase in margins of \$6,000 and a decrease in operating expenses of \$162,000 generated the improvement. During the first nine months of 2003, Chesapeake sold the assets of three water service businesses, based in Venice, Florida, Rochester, Minnesota and Boise and Moscow, Idaho. Additionally, it reached an agreement to sell the assets of a fourth business located outside Detroit, Michigan. The results of the four businesses have been reclassified to discontinued operations. Included in discontinued operations for 2003 is approximately \$83,000 (pre-tax) representing fixed overhead expense allocations that will not result in future savings for the Company.

Chesapeake continues to reassess its water services operations and take actions in an effort to improve returns from this business segment. These actions may include the sale of some or all of the remaining businesses.

OTHER BUSINESS OPERATIONS

Other operations and eliminations generated operating income of \$271,000 for the first nine months of 2003, compared to \$200,000 for the first nine months of last year. Other operations consist primarily of subsidiaries that own real estate leased to other Company subsidiaries. Eliminations are entries required to eliminate activities between business segments from the consolidated results.

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	2003	2002	CHANGE
Revenue.	\$ 527,100	\$ 539,737	(\$12,637)
Cost of sales.	-	-	-
Gross margin	527,100	539,737	(12,637)
Operations & maintenance	58,907	63,504	(4,597)
Depreciation & amortization.	178,589	173,312	5,277
Other taxes.	41,260	43,126	(1,866)
Operating expenses	278,756	279,942	(1,186)
Operating Income Other	248,344	259,795	(11,451)
Operating Income Eliminations.	22,958	(60,015)	82,973
Total Operating Income	\$ 271,302	\$ 199,780	\$ 71,522

INCOME TAXES

Income taxes were higher due to the increase in operating income for the nine months ended September 30, 2003. The federal income tax rate was consistent year to year.

INTEREST EXPENSE

Interest expense for the first nine months of 2003 increased approximately \$756,000, or 21 percent, over the same period in 2002. The increase reflects the increase in the average long-term debt balance caused by the placement of \$30.0 million completed in October

2002, offset somewhat by a lower average interest rate. The average long-term debt balance in the first nine months of 2003 was \$75.8 million with an average interest rate of 7.2 percent, compared to \$50.0 million with an average interest rate of 7.6 percent in the first nine months of 2002. The increase in long-term debt was partially offset by a reduction in the average short-term borrowing balance, which decreased from \$32.8 million in the first nine months of 2002 to \$3.4 million in the first nine months of 2003. The average interest rate for short-term borrowing dropped from 2.38 percent for the first nine months of 2002 to 1.70 percent in the first nine months of 2003.

ENVIRONMENTAL MATTERS

The Company continues to work with federal and state environmental agencies to assess the environmental impact and explore options for corrective action at three former gas manufacturing plant sites. The Company believes that future costs associated with these sites will be recoverable in rates or through sharing arrangements with, or contributions by, other responsible parties. The Company is in discussions with the Maryland Department of the Environment regarding a fourth site located in Cambridge, Maryland. The outcome of this matter cannot be determined at this time. See Note 3 to the Consolidated Financial Statements for further information.

OTHER MATTERS

REGULATORY MATTERS

The Delaware, Maryland and Florida Public Service Commissions regulate the Company's natural gas distribution operations, while its natural gas transmission operation is regulated by the Federal Energy Regulatory Commission ("FERC").

On August 2, 2001, the Delaware division filed a general rate increase application. Interim rates, subject to refund, went into effect on October 1, 2001. The Delaware Public Service Commission approved a settlement agreement for Phase I of the Rate Increase Application in April 2002. Phase I should result in an increase in rates of approximately \$380,000 per year, during periods of average temperatures (the results for the periods after October 1, 2001, when the interim rates went into effect, reflect the impact of this increase). Phase II of the filing was approved by the Delaware Public Service Commission in November 2002. Phase II should result in an additional increase in rates of approximately \$90,000 per year. Phase II also reduces the Company's sensitivity to warmer than normal weather by changing the minimum customer charge and the margin sharing arrangement for interruptible sales, off-system sales and capacity release income.

On October 31, 2001, Eastern Shore Natural Gas Company ("Eastern Shore"), the Company's natural gas transmission subsidiary, filed a rate change with FERC pursuant to the requirements of the Stipulation and Agreement dated August 1, 1997. Following settlement conferences held in May 2002, the parties reached a settlement in principle on or about May 23, 2002 to resolve all issues related to its rate case.

The Offer of Settlement and the Stipulation and Agreement were finalized and filed with FERC on August 2, 2002. The agreement provides that Eastern Shore's rates will be based on a cost of service of \$12.9 million per year. Cost savings estimated at \$456,000 will be passed on to firm transportation customers. On October 10, 2002, FERC issued an Order approving the Offer of Settlement and the Stipulation and Agreement. Settlement rates went into effect on December 1, 2002.

During October 2002, Eastern Shore filed for recovery of gas supply realignment costs associated with the implementation of FERC Order No. 636. The costs totaled \$196,000 (including interest). It is uncertain at this time when FERC will consider this matter or the ultimate outcome.

On March 31, 2003, Eastern Shore filed an application with FERC for authorization to construct and operate new facilities in Pennsylvania and Delaware. On October 8, 2003, FERC issued an order authorizing Eastern Shore to construct and operate the facilities as proposed. The \$8.5 million project is comprised of three phases and is scheduled to be in service on November 1, 2003, November 1, 2004, and November 1, 2005, respectively. Assuming completion by the above dates, this project will provide increased firm transportation capacity to four existing customers by a total of 15,100 dekatherms per day, a 14% increase over and above Eastern Shore's current peak day transportation capacity. The requests for additional service by Eastern Shore's existing customers are a reflection of the continued growth in Eastern Shore's market area.

Eastern Shore continues to proceed with the necessary project planning that will allow Eastern Shore to meet its customers' requests to serve an additional 3,800 dekatherms per day of natural gas beginning in the 2003/2004 heating season.

Eastern Shore completed the development of a new interactive web site ("IWS") to replace its current Electronic Bulletin Board, as required by FERC. Completion of this project allowed Eastern Shore to achieve the compliance standards established by the North American Energy Standards Board ("NAESB") and will fulfill Eastern Shore's goal of finding new and better ways to service our customers by providing them with an interactive web site capable of managing their natural gas transportation needs on Eastern Shore's pipeline system. Eastern Shore's new IWS successfully went on-line in August of 2003. The IWS was certified by an independent NAESB expert to be fully compliant with current NAESB standards as required by the FERC.

In June 2003, Eastern Shore filed to intervene and participate in FERC Docket No. PA03-12-000, a fact-finding proceeding which was established by the FERC to investigate and determine the causes of electric transmission congestion on the Delmarva Peninsula and seek potential solutions to the problem. Eastern Shore submitted written testimony and recommendations detailing the manner in which natural gas can be utilized to help resolve this matter. This proceeding is still on going and Eastern Shore will continue to monitor and participate as appropriate. Eastern Shore believes natural gas can play a significant role in complementing potential solutions to the problem.

Eastern Shore also continued its active participation in the Delaware Energy Task Force. The Task Force included seventeen members from various public and private sectors invited by the Governor to respond to the Governor's stated goal to make Delaware "the most energy-efficient state in the country." The Delaware Energy Task Force presented its Final Report to the Governor in September 2003. By its participation on the task force, Eastern Shore was able to help shape and develop the recommendations contained in the Final Report. For example, a primary strategy was deemed to be "Enhance availability of natural gas", along with the recommendation that the State should evaluate possible incentives for expanding residential and commercial natural gas service.

On March 29, 2002, the Florida division filed tariff revisions with the Florida PSC to complete the unbundling process by requiring all customers, including residential, to migrate to transportation service and authorize the Florida division to exit the merchant function. Transportation services were already available to all non-residential customers. On November 5, 2002, the Florida PSC approved the Company's request for the first phase of the unbundling process, as a pilot program, for a minimum two-year period. The Company began implementing the program in November 2002 and must submit an interim report for review by the Florida PSC after one year. As a part of this pilot program, the Company has filed and received Florida PSC approval to address transition costs and the level of base rates. The Company made an additional filing in September 2003 regarding the disposition of the over-recovered gas cost balances and the implementation of the operational balancing account mechanism.

COMPETITION

The Company's natural gas operations compete with other forms of energy including electricity, oil and propane. The principal competitive factors are price, and to a lesser extent, accessibility. The Company's natural gas distribution operations have several large volume industrial customers that have the capacity to use fuel oil as an alternative to natural gas. When oil prices decline, these interruptible customers convert to oil to satisfy their fuel requirements. Lower levels in interruptible sales occur when oil prices are lower relative to the price of natural gas. Oil prices, as well as the prices of electricity and other fuels are subject to fluctuation for a variety of reasons; therefore, future competitive conditions are not predictable. To address this uncertainty, the Company uses flexible pricing arrangements on both the supply and sales sides of its business to maximize sales volumes. As a result of the transmission business' conversion to open access, this business has shifted from providing competitive sales service to providing transportation and contract storage services.

The Company's natural gas distribution operations located in Maryland, Delaware and Florida offer transportation services to certain industrial customers. In 2001, the Florida operation extended transportation service to commercial customers and, in 2002 to residential customers. With transportation services now available on the Company's distribution systems, the Company is competing with third party suppliers to sell gas to industrial customers and, in Florida, to commercial customers. (The Company no longer performs the merchant function for gas sales to its residential customers in Florida.) The Company's competitors include the interstate transmission company if the distribution customer is located close enough to the transmission company's pipeline to make a direct connection economically feasible. The customers at risk are usually large volume commercial and industrial customers with the financial resources and capability to bypass the Company's distribution operations in this manner. In certain situations, the Company's distribution operations may adjust services and rates for these customers to retain their business. The Company expects to continue to expand the availability of transportation services to additional classes of distribution customers in the future. The Company established a natural gas sales and supply operation in Florida in 1994 to compete for customers eligible for transportation services.

The Company's propane distribution operations compete with several other propane distributors in the Company's service territories, primarily on the basis of service and price. Competitors include several large national propane distribution companies, as well as an increasing number of local suppliers. Some of these competitors have pricing strategies designed to acquire market share.

The Company's advanced information services segment faces competition from a number of competitors, many of which have greater resources available to them than those of the Company. This segment competes on the basis of technological expertise, reputation and price.

The water services segment faces competition from a variety of national and local suppliers of water conditioning and treatment services and with bottled water. This segment competes on the basis of marketing expertise, promotions and price.

RECENT PRONOUNCEMENTS

The FASB adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" in June 2002. It requires that a liability for a cost associated with an exit or disposal activity be recognized when a liability is incurred. Under previous guidelines, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. Should the Company enter into an exit plan, SFAS No. 146 will be applied prospectively.

FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," was adopted in November 2002. The Company has adopted FIN No. 45. There was no impact on the financial statements; however, the disclosures in the Commitments and Contingencies footnote (Note 3) were expanded to include all required information.

FIN No. 46, "Consolidation of Variable Interest Entities," was adopted in January 2003. Chesapeake does not currently have any investments in variable interest entities and, therefore, FIN No. 46 has not impacted the Company.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" by requiring that contracts with comparable characteristics be accounted for similarly. The Company does not believe that the adoption of SFAS No. 149 will have a material impact

on Chesapeake's financial position or results of operations.

INFLATION

Inflation affects the cost of labor, products and services required for operations, maintenance and capital improvements. While the impact of inflation has remained low in recent years, natural gas and propane prices are subject to rapid fluctuations. Fluctuations in natural gas prices are passed on to customers through the gas cost recovery mechanism in the Company's tariffs. To help cope with the effects of inflation on its capital investments and returns, the Company seeks rate relief from regulatory commissions for regulated operations while monitoring the returns of its unregulated business operations. To compensate for fluctuations in propane gas prices, the Company adjusts its propane selling prices to the extent allowed by the market.

CAUTIONARY STATEMENT

Chesapeake has made statements in this report that are considered to be forward-looking statements. These statements are not matters of historical fact. Sometimes they contain words such as "believes," "expects," "intends," "plans," "will," or "may," and other similar words of a predictive nature. These statements relate to matters such as the potential sale of the water businesses, customer growth, changes in revenues or margins, capital expenditures, environmental remediation costs, regulatory approvals, market risks associated with the Company's propane wholesale marketing operation, competition, inflation and other matters. It is important to understand that these forward-looking statements are not guarantees, but are subject to certain risks and uncertainties and other important factors that could cause actual results to differ materially from those in the forward-looking statements. These factors include, among other things:

- o the temperature sensitivity of the natural gas and propane businesses;
- o the effect of spot, forward and futures market prices on the Company's distribution, wholesale marketing and energy trading businesses;
- o the effects of competition on the Company's unregulated and regulated businesses;
- o the effect of changes in federal, state or local regulatory and tax requirements, including deregulation;
- o the effect of accounting changes;
- o the effect of compliance with environmental regulations or the remediation of environmental damage;
- o the effects of general economic conditions on the Company and its customers;
- o the ability of the Company's new and planned facilities and acquisitions to generate expected revenues; and
- o the Company's ability to obtain the rate relief and cost recovery requested from utility regulators and the timing of the requested regulatory actions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the potential loss arising from adverse changes in market rates and prices. Long-term debt is subject to potential losses based on the change in interest rates. The Company's long-term debt consists primarily of fixed rate senior notes, first mortgage bonds and convertible debentures, none of which was issued for trading purposes. The carrying value of long-term debt at September, 2003 was \$75.4 million, with a fair value of \$82.4 million, based mainly on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The Company is exposed to changes in interest rates due to the use of fixed rate long-term debt to finance the business. Management continually monitors fluctuations in interest rates and debt markets to assess the benefits of changing the mix of long and short-term debt or refinancing existing debt.

The Company's propane distribution business is exposed to market risk as a result of propane storage activities and entering into fixed price contracts for supply. The Company can store up to approximately 4 million gallons (including leased storage) of propane during the winter season to meet its customers' peak requirements and to serve metered customers. Decreases in the wholesale price of propane will cause the value of stored propane to decline. To mitigate the impact of price fluctuations, the Company has adopted a risk management policy that allows the propane distribution operation to enter into fair value hedges of its inventory. However, at September 30, 2003 there were no hedged items.

The Company's propane wholesale marketing operation is a party to natural gas liquids ("NGL") forward contracts, primarily propane contracts, with various third parties. These contracts require that the propane wholesale marketing operation purchase or sell NGL at a fixed price at fixed future dates. At expiration, the contracts are settled by the delivery of NGL to the Company or the counter party or booking out the transaction. (Booking out is a procedure for financially settling a contract in lieu of the physical delivery of energy.) The propane wholesale marketing operation also enters into futures contracts that are traded on the New York Mercantile Exchange. In certain cases, the futures contracts are settled by the payment or receipt of a net amount equal to the difference between the current market price of the futures contract and the original contract price; however, they may also be settled for physical receipt or delivery of propane.

The forward and futures contracts are entered into for trading and wholesale marketing purposes. The propane marketing business is subject to commodity price risk on its open positions to the extent that market prices for NGL deviate from fixed contract settlement prices. Market risk associated with the trading of futures and forward contracts are monitored daily for compliance with the Company's Risk Management Policy, which includes volumetric limits for open positions. To manage exposures to changing market prices, open

positions are marked up or down to market prices and reviewed by oversight officials on a daily basis. Additionally, the Risk Management Committee reviews periodic reports on market and the credit risk of counter-parties, approves any exceptions to the Risk Management Policy (within limits established by the Board of Directors) and authorizes the use of any new types of contracts. Quantitative information on forward and futures contracts at September 30, 2003 is presented in the following table. All of the contracts mature within twelve months.

AT SEPTEMBER 30, 2003	QUANTITY IN GALLONS	ESTIMATED MARKET PRICES	WEIGHTED AVERAGE CONTRACT PRICES
FORWARD CONTRACTS			
Sale	14,260,000	\$0.5200 - \$0.5500	\$0.5419
Purchase	10,640,000	\$0.5200 - \$0.5500	\$0.5408
FUTURES CONTRACTS			
Sale	280,000	\$0.5200 - \$0.5500	\$0.5214
Purchase	160,000	\$0.5200 - \$0.5500	\$0.5163

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

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer of the Company, with the participation of other Company officials, have evaluated the Company's "disclosure controls and procedures" (as such term is defined under Rule 13a-14(c) promulgated under the Securities Exchange Act of 1934, as amended) as of September 30, 2003. Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

CHANGES IN INTERNAL CONTROLS

During the fiscal quarter of the Company ending September 30, 2003, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 3 to the Consolidated Financial Statements

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

- Exhibit 3 - Revised Bylaws of Chesapeake Utilities Corporation

- Exhibit 31.1 - Certificate of Chief Executive Officer of Chesapeake Utilities Corporation pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, dated November 14, 2003

- Exhibit 31.2 - Certificate of Chief Financial Officer of Chesapeake Utilities Corporation pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, dated November 14, 2003

- Exhibit 32.1 - Certificate of Chief Executive Officer of Chesapeake Utilities Corporation pursuant to 18 U.S.C.

Section 1350, dated November 14, 2003 - Exhibit 32.2 - Certificate of Chief Financial Officer of Chesapeake Utilities Corporation pursuant to 18 U.S.C.

Section 1350, dated November 14, 2003

(b) Reports on Form 8-K:

Earnings press release dated November 7, 2003 (Items 5 and 12)

SIGNATURES

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

Chesapeake Utilities Corporation

/s/ Michael P. McMasters

*Michael P. McMasters
Vice President and Chief Financial
Officer*

Date: November 14, 2003

2.2 ANNUAL MEETING. The annual meeting of stockholders shall be held each year at such time and place, within or outside of the State of Delaware, as shall be designated by the Board of Directors and stated in the notice of the meeting. At the annual meeting the stockholders shall elect the Directors of the Corporation and may transact any other business that is properly brought before the meeting.

2.3 ADVANCE NOTICE REQUIREMENT FOR STOCKHOLDER PROPOSALS.

EXHIBIT 31.1

**CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, John R. Schimkaitis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chesapeake Utilities Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations;
 - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting; and

Date: November 14, 2003

/s/ John R. Schimkaitis

John R. Schimkaitis
President and Chief Executive
Officer

EXHIBIT 31.2

**CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Michael P. McMasters, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chesapeake Utilities Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting; and

Date: November 14, 2003

/s/ Michael P. McMasters

*Michael P. McMasters
Vice President and Chief Financial
Officer*

EXHIBIT 32.1

**CERTIFICATE OF CHIEF EXECUTIVE OFFICER
OF
CHESAPEAKE UTILITIES CORPORATION
(PURSUANT TO 18 U.S.C. SECTION 1350)**

I, John R. Schimkaitis, President and Chief Executive Officer, of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Chesapeake Utilities Corporation ("Chesapeake") for the period ended September 30, 2003, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake.

/s/John R.

Schimkaitis

John R. Schimkaitis

November 14, 2003

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATE OF CHIEF FINANCIAL OFFICER
OF
CHESAPEAKE UTILITIES CORPORATION
(PURSUANT TO 18 U.S.C. SECTION 1350)**

I, Michael P. McMasters, Vice President and Chief Financial Officer of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Chesapeake Utilities Corporation ("Chesapeake") for the period ended September 30, 2003, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake.

/s/ Michael P.

McMasters

Michael P. McMasters

November 14, 2003

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

End of Filing