

CHESAPEAKE UTILITIES CORPORATION

Year-End 2016 Earnings Conference Call

Wednesday, March 1, 2017



Forward Looking Statements and Other Disclosures

Safe Harbor Statement: Some of the Statements in this document concerning future Company performance will be forward-looking within the meanings of the securities laws. Actual results may materially differ from those discussed in these forward-looking statements, and you should refer to the additional information contained in Chesapeake Utilities Corporation's 2016 Annual Report on Form 10-K filed with the SEC and our other SEC filings concerning factors that could cause those results to be different than contemplated in today's discussion.

REG G Disclosure: Today's discussion includes certain non-GAAP financial measures as defined under SEC Regulation G. Although non-GAAP measures are not intended to replace the GAAP measures for evaluation of Chesapeake's performance, Chesapeake believes that the portions of the presentation, which include certain non-GAAP financial measures, provide a helpful comparison for an investor's evaluation purposes.

Gross Margin: Gross Margin is determined by deducting the cost of sales from operating revenue. Cost of sales includes the purchased fuel cost for natural gas, electric and propane distribution operations and the cost of labor spent on different revenue-producing activities. Other companies may calculate gross margin in a different manner.

Fiscal Year 2016

Financial Highlights

- Diluted EPS of \$2.86 and Net Income of \$44.7 million (10th consecutive year of record earnings)
- Invested 31% in Capital Expenditures as a percentage of Average Total Capitalization
- Return on Equity of 11.3%
- Annualized Dividend increased 6.1% to \$1.22 per share
- Total Shareholder Return of 20.2%

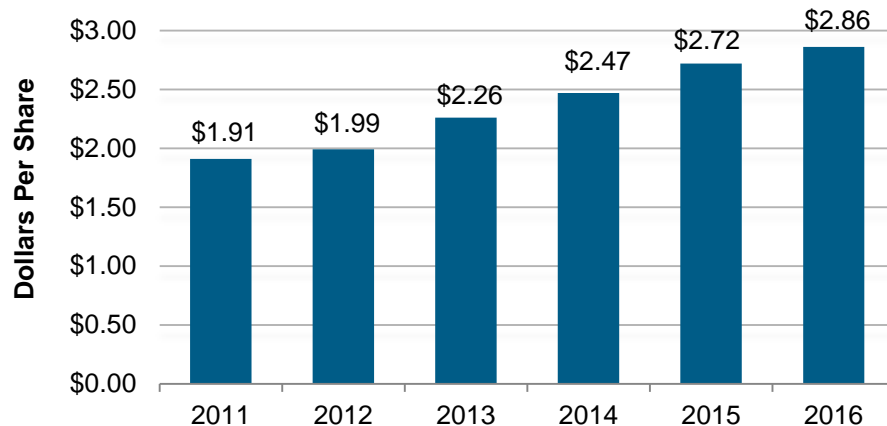
Business Highlights

- Growth in natural gas distribution and transmission businesses on several fronts
- Eight Flags Energy CHP plant constructed and placed in service
- Higher operating income contribution from Aspire Energy (first full year/additional growth)
- Continued investment in Florida via the GRIP (gas infrastructure replacement program)
- Positive outcomes from several regulatory proceedings
- PESCO's natural gas marketing business – new services and expanded territories

Generating Record Results

EPS and Net Income

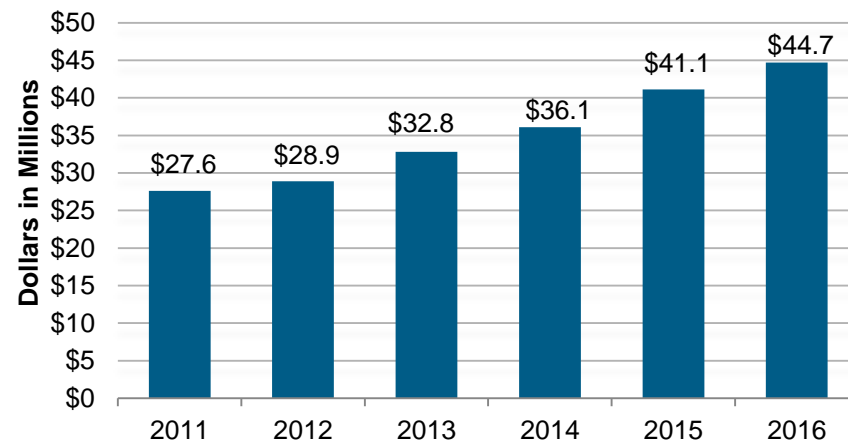
Diluted EPS



- 2016 growth in EPS of 5.1%
- 5-year compound annual growth rate of 8.4%
- 10-year compound annual growth rate of 9.3%

- Record 2016 net income of \$44.7 million

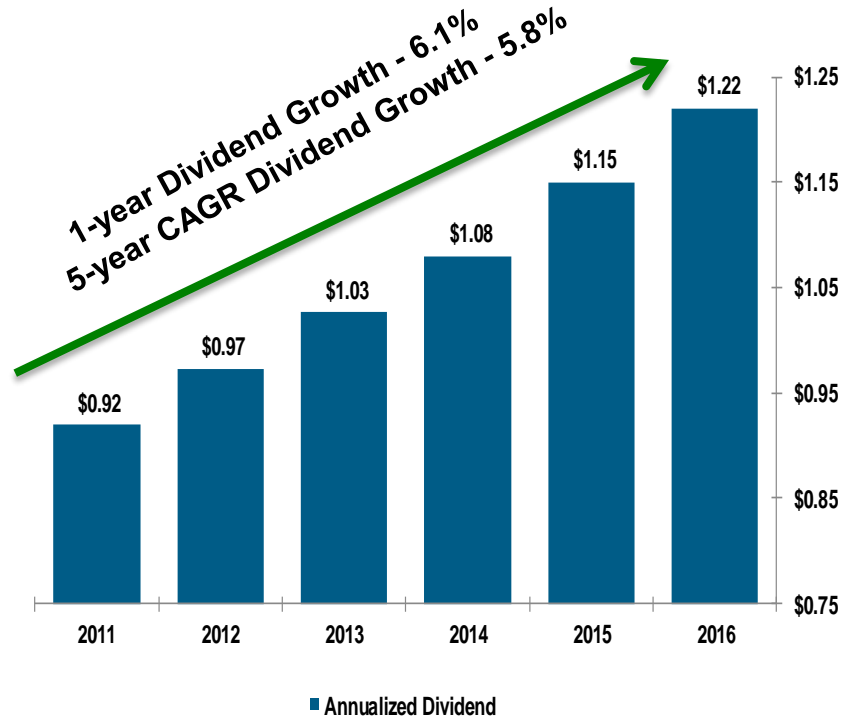
Net Income



Continuous Dividend Growth

Delivering value to shareholders

We deliver outstanding value to shareholders by leveraging our utility foundation, our continuous efforts to identify profitable opportunities supported by our disciplined approach to investing capital.



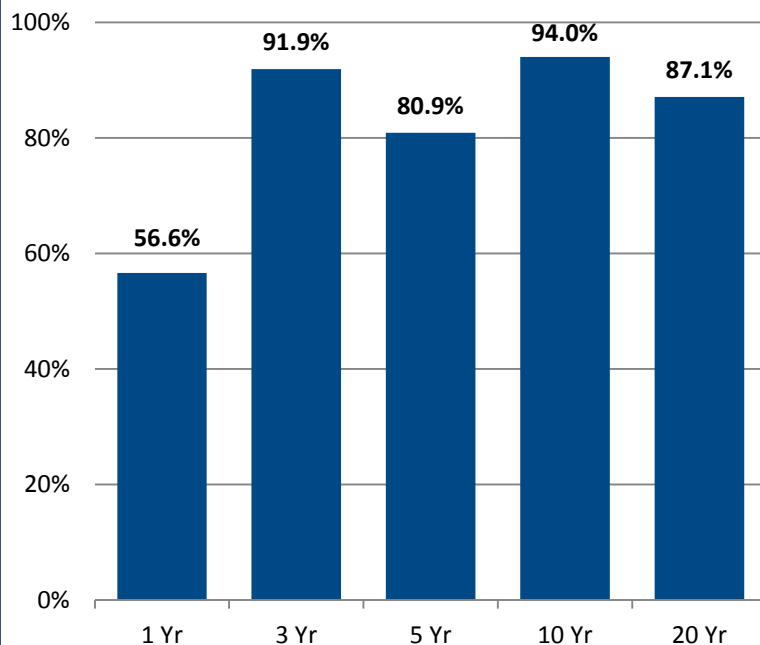
We are committed to long-term growth in shareholder return by providing dividend growth that is supported by sustainable earnings growth.

Shareholder Return

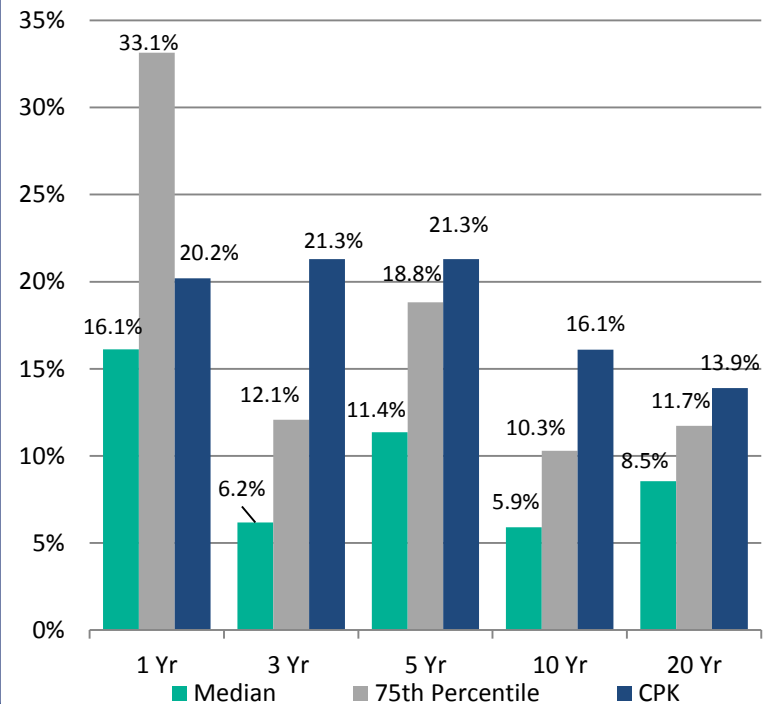
Comparison to Broader Market – NYSE Companies

- In terms of the broader market, Chesapeake is in the top quartile for four of the five periods shown
- For all periods, our compound annual shareholder return has achieved 13.9% or greater

CPK Ranking amongst all NYSE companies for periods ending 12/31/16



Annual Compound Shareholder Returns



Source: Bloomberg

Consolidated Financial Results

For the periods ended December 31st (in thousands except per share amounts)

	Year-to-Date		Fourth Quarter	
	2016	2015	2016	2015
Operating Income				
Regulated Energy	\$ 69,851	\$ 60,985	\$ 17,191	\$ 13,369
Unregulated Energy	13,844	16,355	4,577	2,689
Other	401	418	51	113
Total Operating Income	84,096	77,758	21,819	16,171
Other Income	(441)	293	(372)	297
Interest Charges	10,639	10,006	2,643	2,582
Income Before Taxes	73,016	68,045	18,804	13,886
Income Taxes	28,341	26,905	6,941	5,267
Net Income	\$ 44,675	\$ 41,140	\$ 11,863	\$ 8,619
	Increase \$3,535 or 8.6%		Increase \$3,244 or 37.6%	
Diluted Earnings Per Share	\$ 2.86	\$ 2.72	\$ 0.73	\$ 0.56
	Increase \$0.14 or 5.1%		Increase \$0.17 or 30.4%	

FY 2016 Results

- Growth in natural gas distribution and transmission businesses generated \$8.9 million in additional regulated energy operating income
- Higher unregulated energy operating income for Aspire Energy and Eight Flags CHP drove growth in unregulated energy gross margin; while warmer weather and lower retail margins per gallon for propane reduced operating income for unregulated energy

Regulated Energy Segment Results

For the periods ended December 31st (in thousands)

	FY 2016	FY 2015
Gross Margin	\$ 196,080	\$ 179,088
Operations & Maintenance	88,098	83,616
Settlement Gain/Asset Impairment	(130)	(1,497)
Depreciation & Amortization	25,677	24,195
Other Taxes	12,584	11,789
Other Operating Expenses	126,229	118,103
Operating Income	\$ 69,851	\$ 60,985
	2016 Q4	2015 Q4
Gross Margin	\$ 50,633	\$ 45,064
Operations & Maintenance	23,294	22,469
Depreciation & Amortization	6,769	6,087
Other Taxes	3,379	3,139
Other Operating Expenses	33,442	31,695
Operating Income	\$ 17,191	\$ 13,369

FY 2016 Results

- Higher operating income driven by increased gross margin as follows:
 - \$7.2 million from natural gas transmission expansions and interim services
 - \$4.0 million generated by additional Florida GRIP investments
 - \$2.7 million from other natural gas distribution and transmission customer growth
 - \$1.5 million from rates implemented for the Delaware division (partial year)
 - \$1.4 from regulated natural gas services provided to the Eight Flags CHP
 - \$736,000 from Sandpiper conversions from propane to natural gas

Unregulated Energy Segment Results

For the periods ended December 31st (in thousands)

	FY 2016	FY 2015
Gross Margin	\$ 64,962	\$ 60,317
Operations & Maintenance	42,659	36,536
Depreciation & Amortization	6,386	5,679
Other Taxes	2,073	1,747
Other Operating Expenses	51,118	43,962
Operating Income	\$ 13,844	\$ 16,355
	2016 Q4	2015 Q4
Gross Margin	\$ 19,582	\$ 14,388
Operations & Maintenance	12,523	9,543
Depreciation & Amortization	1,874	1,706
Other Taxes	608	450
Other Operating Expenses	15,005	11,699
Operating Income	\$ 4,577	\$ 2,689

FY 2016 Results

- Higher gross margin of \$4.6 million :
 - \$4.2 million from Aspire Energy for the first quarter
 - \$1.7 million from Aspire as a result of pricing amendments, additional management fees, and higher volumes delivered
 - \$3.6 million from Eight Flags CHP plant, which commenced operations in June 2016
 - \$1.0 million from PESCO due to new contracts and customers served
- Offsetting the increases were:
 - Propane retail margins per gallon returning to more normal levels
 - Lower propane customer consumption as a result of warmer weather
 - Lower gross margin from Xeron

Reconciliation of 2016 Results Year-to-Date

Key variances for the twelve months ended December 2016 vs. 2015 included:

<i>(in thousands except per share data)</i>	<u>Pre-Tax Income</u>	<u>Net Income</u>	<u>Diluted Earnings Per Share</u>
Year ended December 31, 2015 Reported Results	\$ 68,045	\$ 41,140	\$ 2.72
Adjusting for Unusual Items:			
Weather impact primarily in the first quarter	(3,595)	(2,200)	\$ (0.15)
Non-recurring gain from 2015 settlement agreement	(1,370)	(838)	\$ (0.06)
	<u>(4,965)</u>	<u>(3,038)</u>	<u>\$ (0.21)</u>
Increased Gross Margins:			
Regulated Energy Segment	18,092	11,069	\$ 0.75
Unregulated Energy Segment	1,912	1,170	\$ 0.08
	<u>20,004</u>	<u>12,239</u>	<u>\$ 0.83</u>
Increased Other Operating Expenses	(10,801)	(6,608)	\$ (0.44)
Net contribution from Aspire Energy (acquisition)	3,130	1,915	\$ 0.09
Impact of common stock issuance	-	-	\$ (0.05)
Interest Charges and Net Other Changes	<u>(2,397)</u>	<u>(973)</u>	<u>\$ (0.08)</u>
Year ended December 31, 2016 Reported Results	<u>\$ 73,016</u>	<u>\$ 44,675</u>	<u>\$ 2.86</u>

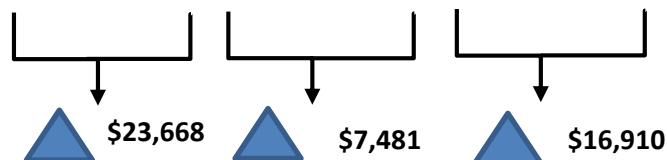
Gross Margin Highlights

Major Projects and Initiatives Summary

Gross Margin for the Period

<i>Dollars in thousands</i>	Actual		Estimate	
	2015	2016	2017	2018
Completed Projects since 2014				
Aspire Energy	\$ 6,324	\$ 12,271	\$ 13,376	\$ 14,302
Natural Gas Transmission Capital Investment (Expansions & Contracts)	7,704	14,896	12,926	9,941
Florida GRIP	7,508	11,552	13,727	14,407
Delaware Division Rate Case	-	1,487	2,250	2,250
Eight Flags CHP (Both Regulated and Unregulated Impacts)	-	4,998	8,156	8,457
Total Completed Projects since 2014	\$ 21,536	\$ 45,204	\$ 50,435	\$ 49,357
Projects and Initiatives underway				
ESNG System Reliability and 2017 Expansion Projects (1)	-	-	2,250	20,238
Total Projects and Initiatives Underway	\$ -	\$ -	\$ 2,250	\$ 20,238
Major Projects and Initiatives Total	\$ 21,536	\$ 45,204	\$ 52,685	\$ 69,595

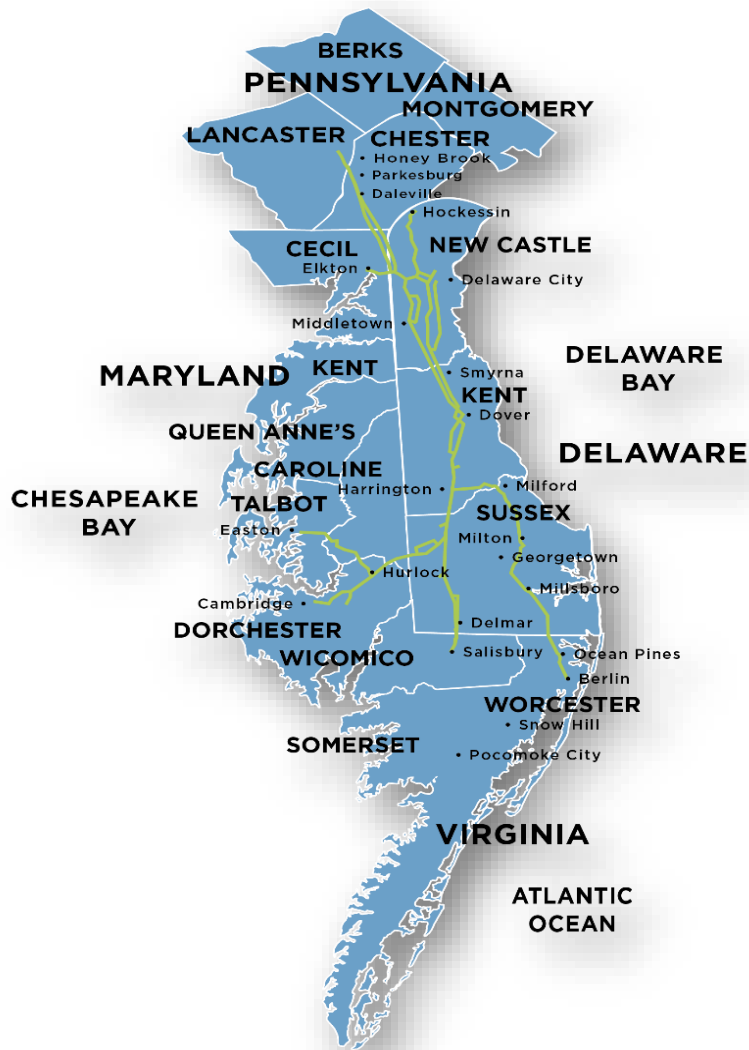
(1) ESNG 2017 rate case impact not included beyond recovery of system reliability project



We are focused on developing new growth opportunities that will increase the margin growth in 2017 and beyond

Eastern Shore Natural Gas

2017 Expansion Project Overview



Purpose

- Enables Eastern Shore Natural Gas (ESNG) to meet growing demand for energy that is reliable, clean, and at a low cost
- Increases firm transportation deliverability in our region by approximately 25 percent, supporting economic growth in the region
- Precedent agreements have been signed by five of ESNG's existing customers, who have requested new firm transportation services

FERC Considerations

- FERC approved ESNG's request to commence the pre-filing review process on May 17, 2016
- On December 30, 2016, Eastern Shore filed its CP application, requesting the FERC approve the project in May 2017.

Eastern Shore Natural Gas

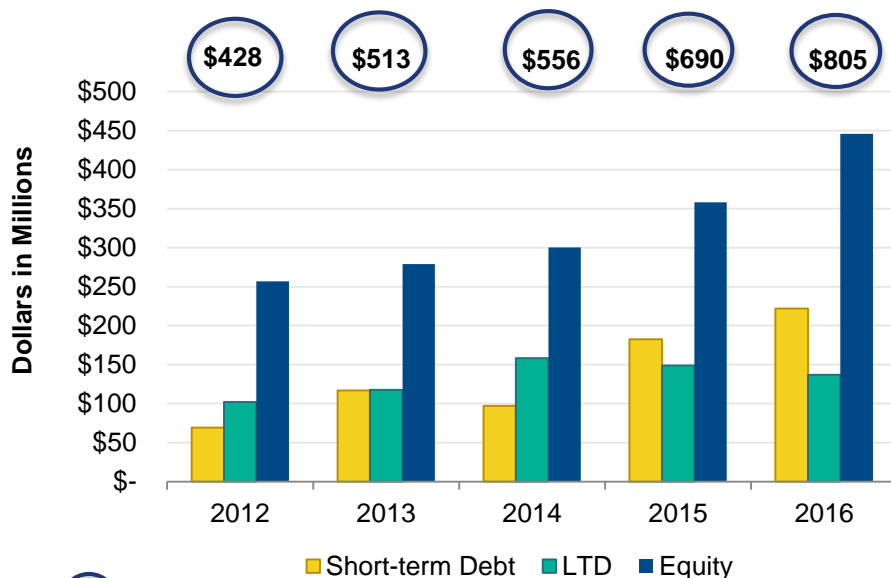
2017 Expansion Project Details

<u>Miles of Pipeline/Compression:</u>	~23 miles of pipeline looping in Pennsylvania, Maryland and Delaware ~17 miles of new mainline extension
<u>Other Facilities:</u>	Upgrades to the TETCO interconnect 3,550 hp new compression-Daleville Compressor Station Two new pressure control stations
<u>Total Capacity Increase (dt/d):</u>	Up to an aggregate of 61,162 dekatherms
<u>Capital Investment:</u>	Approximately \$98.6 Million
<u>Annual Estimated Margin:</u>	\$15.7 million in the first full year of operation
<u>Construction Commencement:</u>	Second quarter of 2017 - subject to the timing of FERC approval
<u>In Service:</u>	Late in fourth quarter 2017

Total Capitalization

Strong Balance Sheet to Support Growth

Capital Structure (Total Capitalization)



■ Short-term Debt ■ LTD ■ Equity

○ - Denotes Total Capitalization in Millions

- Our disciplined approach to capitalization has resulted in a strong balance sheet and positions us well to access capital for growth:

- New equity issuance in 2016
- Short-term lines of credit
- Five Year Revolving Credit
- Long-Term Private Placements

Equity as a Percentage of Total Capitalization

2012	2013	2014	2015	2016
60%	54%	54%	52%	55%

- Our target equity ratio is 50-60%

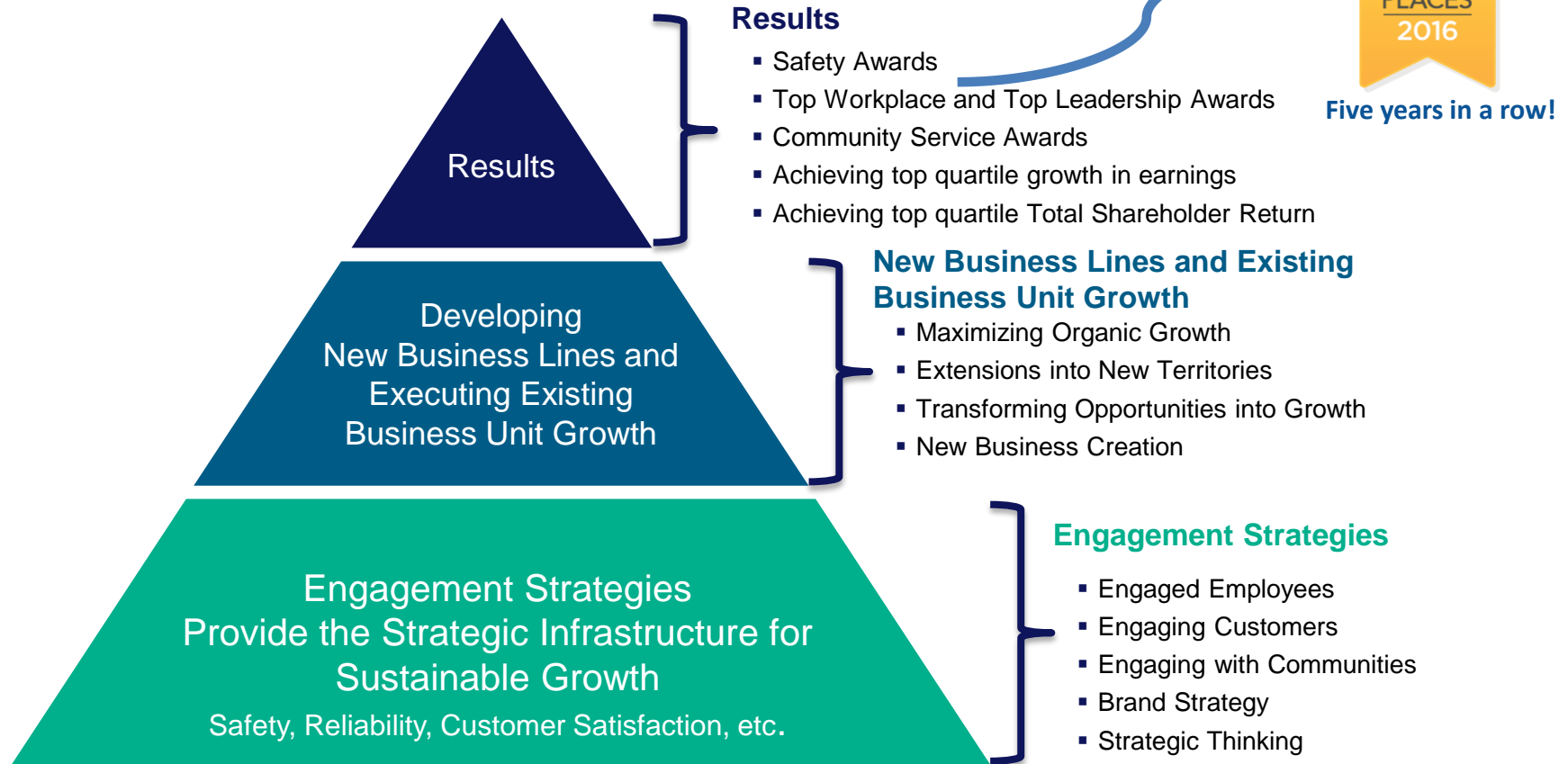
2017 Debt Facilities

Facility	Maturity	Total Facility	Interest Rate	Borrowing (1)	Availability
Bank Lines	10/31/2017	\$170 million	Libor plus 1.00%	\$160 million	\$10 million
Revolving Credit	10/8/2020	\$150 million	Libor plus 1.00%	\$50 million	\$92 million
Shelf Facility	10/8/2018	\$150 million	US10Y plus Spread	\$70 million	\$80 million

- (1) Borrowing under the Bank Lines and Revolver as of 12/31/16.
 Revolver availability includes letters of credit of \$8 million.
 Borrowing of \$70 million under the Shelf Facility at 3.25% to occur in April.

Company Performance & Direction

Strategic Platform for Sustainable Growth

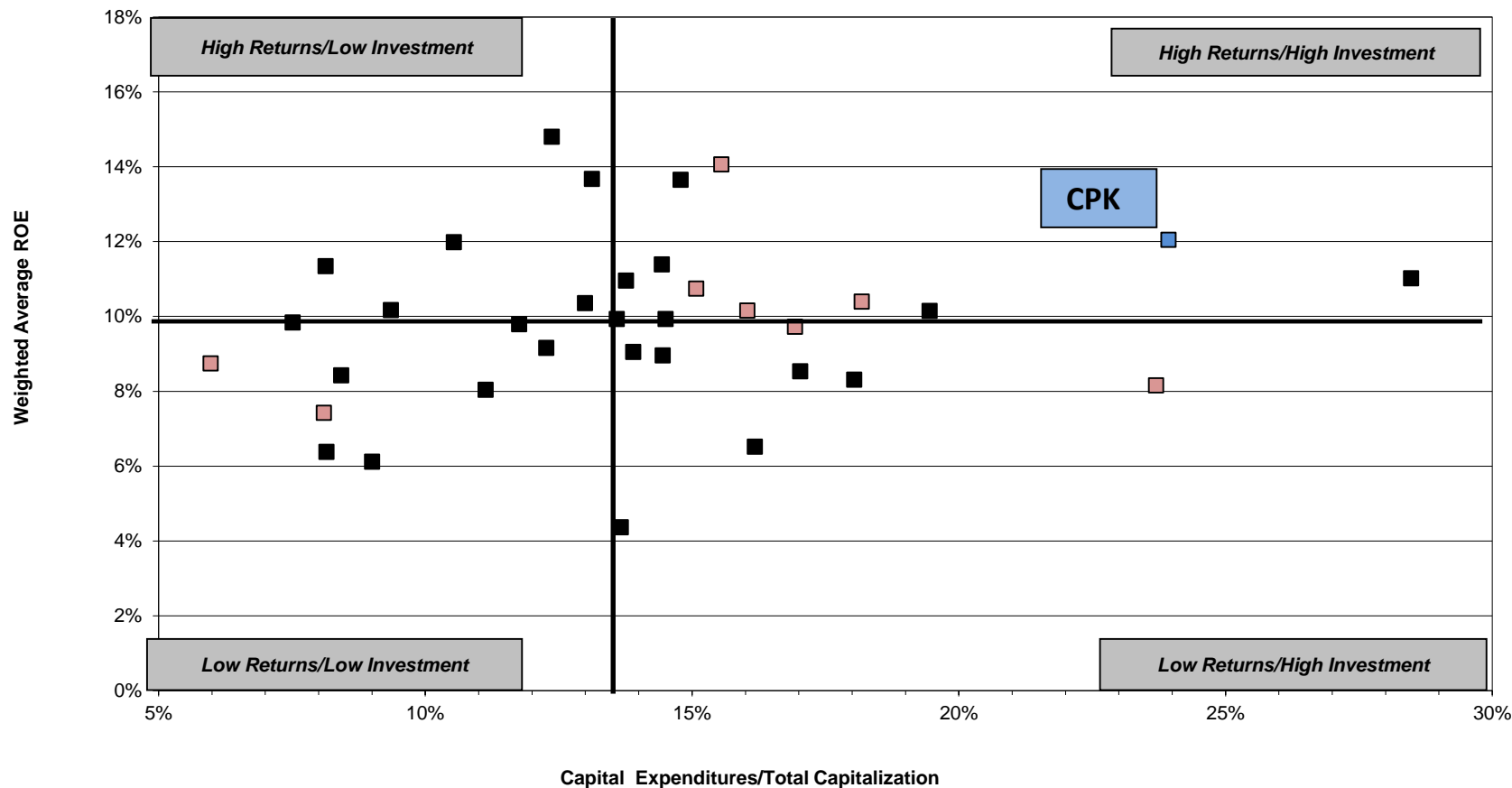


Our strategy continues to produce financial performance with strong growth in earnings, capital investments and return on equity. We are making investments in the strategic infrastructure needed to develop and execute sustainable long-term growth strategies and are committed to continue to invest at returns on capital that will drive shareholder value.

Performance Quadrant

Peer ROE vs. Capital Expenditures

October 1, 2013 – September 30, 2016



■ Chesapeake

■ Industry Index *

■ Electric & Combination Groups

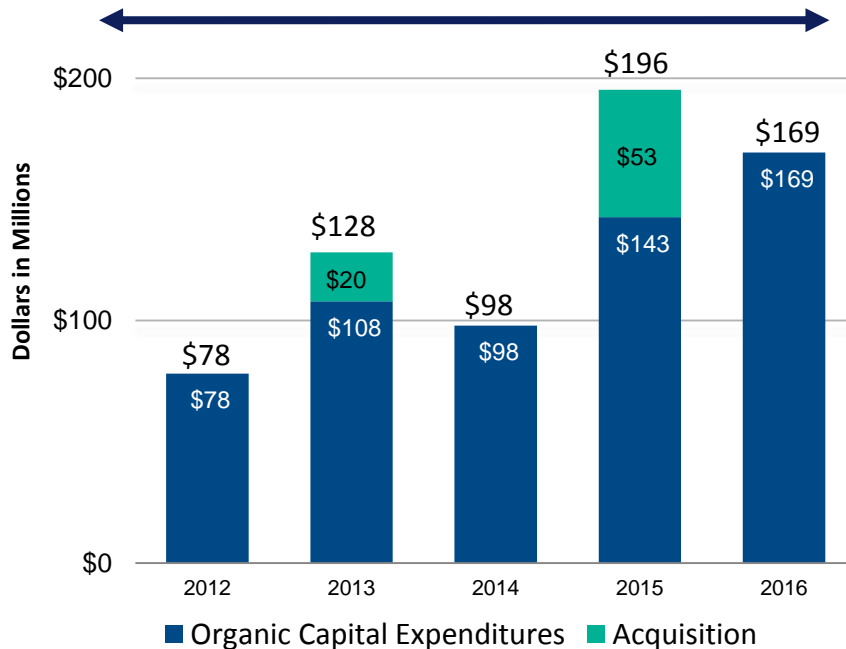
* Includes companies previously a part of the Edward Jones Natural Gas Distribution peer group.

Source: Bloomberg

Capital Expenditures – Investments in Growth

Historical Capital Expenditures

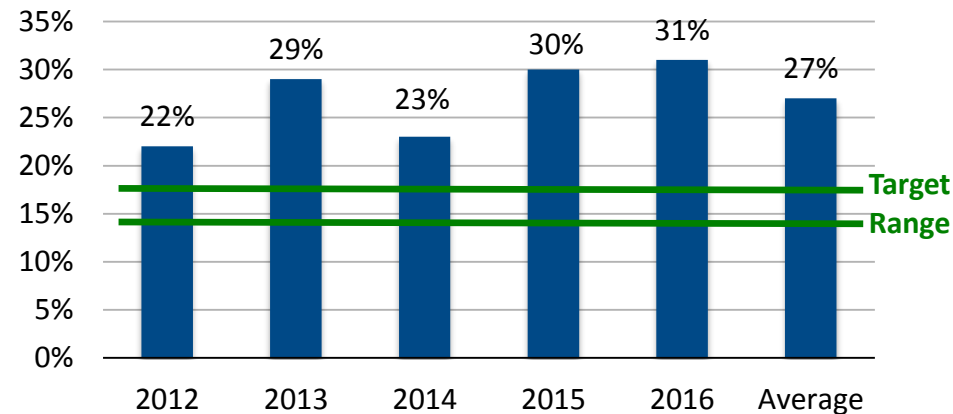
Cumulative Expenditures and Acquisitions of \$669 Million



- The Company invested \$169 million in new capital expenditures in 2016.
- Of the 2016 capital investments, approximately 83% correspond to regulated energy investments.
- We have invested approximately \$669 million over the last five years, which represents approximately 83% of the Company's Total Capitalization of \$805 million at 12/31/2016.

- In 2016, the Company invested 31% in terms of Capital Expenditures / Average Total Capitalization.
- Over the last five years, the Company has invested an average of 27% of Average Total Capitalization in new capital expenditures, which exceeds our "target range" of 13% - 15%.

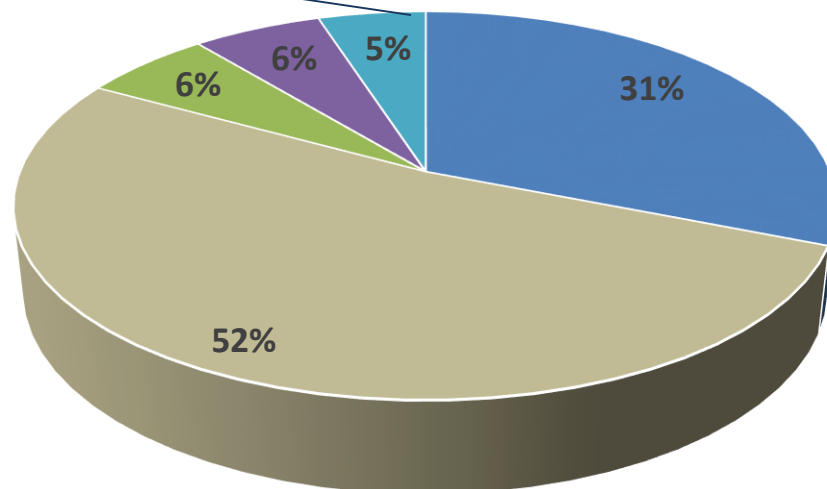
Capital Expenditures/ Average Total Capitalization



Continuing to Build for the Future

2017 Budgeted Capital Expenditures of \$260 million

\$ thousands	2017 Budgeted Capital Expenditures
\$34,298	Delmarva Natural Gas / Sandpiper
\$52,481	Florida Natural Gas
\$130,137	Eastern Shore Natural Gas
\$15,070	Florida Electric
\$4,990	Aspire Energy
\$11,153	Propane Distribution
<u>\$12,187</u>	Corporate / Other
\$260,316	Total Budgeted Capital Spending



Regulated	89.1%
Unregulated	6.3%
Other	<u>4.6%</u>
Total	<u>100.0%</u>

- Natural Gas Distribution
- Natural Gas Transmission
- Electric Distribution
- Unregulated Energy
- Corporate/ Other

Key Elements of our Strategy

Grow earnings from a stable utility foundation and invest in related businesses that enhance shareholder value

Executing on capital investments that generate returns greater than our cost of capital

Expanding our energy distribution and transmission businesses organically including new geographic areas

Expand our footprint in potential growth markets through strategic acquisitions

Enter new unregulated energy businesses that complement our existing operating units and growth strategy, while capitalizing on opportunities across the energy value chain

Differentiate Chesapeake as a full-service energy supplier /partner/ provider - through a customer-centric model

Seek to leverage our pipeline capabilities, skill sets, and assets and be a preferred owner and operator of pipeline systems to serve high growth markets within and beyond our existing footprint

Key Initiatives for Growth

Fiscal 2017

Utility

- Customer Growth
- Conversions
- Florida Gas Reliability (GRIP)
- Florida Electric Reliability (ESTAR)
- Service Expansions
 - White Oak Project Completed
 - ESNG 2017 Expansion Constructed
 - Expansion to and in Ocean City
- ESNG Rate Case
- ESNG System Reliability Project Constructed
- **Acquisitions**

Unregulated Energy

- Customer Growth
 - Aspire Energy of Ohio
 - Propane
 - Autogas
 - PESCO – new services and territories
- **Acquisitions**

Fiscal 2018

Utility

- Customer Growth
- Conversions
- Florida Gas Reliability (GRIP)
- Florida Electric Reliability (ESTAR)
- Service Expansions
 - ESNG 2017 Expansion in Service
 - Expansion in Ocean City
 - Florida Gas Expansions
- **Acquisitions**
- **Midstream Opportunities**

Unregulated Energy

- Customer Growth
 - Aspire Energy of Ohio
 - Propane
 - Autogas
 - PESCO – new services and territories
- **Combined Heat & Power Plants**
- **Gas Pipelines for Power Generators**
- **Acquisitions**

Opportunistic
Growth

Investment Highlights

A High Growth Energy Delivery Investment Proposition

Diversified Asset Base

- Utility foundation with upside from complementary unregulated energy platform
- Natural gas and electric distribution businesses serving approximately 181,000 utility customers
- 83% of investment in regulated energy and 17% of investment in unregulated energy as of 12/31/16

Strong Financial Performance & Consistent Track Record

- Attractive five year annual compound shareholder return of 21% as of 12/31/16
- 10 consecutive years of EPS growth; 8.3% five year annual compound EPS growth as of 12/31/16
- Achieved ROEs ranging from 11.2% - 12.2% over the last ten years (Average 11.7%)
- 13 consecutive years of dividend growth; 56 consecutive years of dividends
- 6.1% 1-year annualized dividend growth rate (5.8% - five year compound annual growth rate)

Balance Sheet that Supports Growth

- Strong balance sheet with equity to total capitalization target of 50% - 60%
- Total assets of \$1.2 billion with approximately \$987 million of those assets representing net plant
- High investment-grade credit ratings (NAIC1) with ample liquidity to support growth

Future Earnings Growth Opportunities

- \$260 million in budgeted capital expenditures for 2017
- Projects to be completed in 2017 that will generate additional earnings growth in 2018 and beyond
- Continuing to pursue and develop new growth opportunities and regulatory strategies that build on our core businesses
- Continued deployment of the strategies that have generated our success and which provide the strategic infrastructure for sustainable future growth

Any Questions?

Appendix

Current Key Growth Initiatives

Summary of Completed and Underway Projects

	Project	Description	Capacity	Status
Delmarva	Eastern Shore Natural Gas White Oak Expansion	Natural gas transportation services to Calpine's electric generating plant in Dover, DE	Capacity increase of 45,000 dt/d from May to October with allowable interruption period of up to 90 days from November to April	In-Service March 2017
	Eastern Shore Natural Gas System Reliability	Additional facilities that ensure the quality of service and optimal system design and operation	No new capacity is being created; this project is strictly a reliability project	In-Service April 2017
	Eastern Shore Natural Gas 2017 Expansion Project	Capacity expansion of ESNG's existing pipeline to provide additional natural gas transportation services to several customers	Capacity increase of up to 61,162 dt/d	Filing process initiated, Precedent Agreements signed
Florida	Florida Gas Reliability Infrastructure Program (GRIP)	Natural gas pipe replacement program. Enhances reliability and integrity of systems and allows recovery of capital and related costs through rates.	Replaced 214 miles of distribution mains through 2016	Ongoing
	Eight Flags Energy, LLC	Combined heat and power plant operating in our natural gas and electric distribution territory on Amelia Island in Nassau County, Florida.	Plant produces approximately 20MW of base load power sold to FPU for electric distribution. Steam generated sold to Rayonier Performance Fibers	Fully Operational
	Florida Electric Reliability Infrastructure Program (ESTAR)	Florida distribution system replacement program. Enhances reliability and outage response and allows recovery of capital and related costs through rates.	Estimated capital replacement of approximately \$69 million	Florida PSC Filing
Ohio	Aspire Energy of Ohio	Provides natural gas supply to local distribution cooperatives and companies; and sources gas from 300 producers in Eastern Ohio.	2,550 miles of pipeline	Accretive after first 12 months

Eight Flags Energy, LLC

Combined Heat and Power Plant



Project completed and fully operational in July 2016

Project Specifics

- Capital Investment: \$40.0 Million
- Capacity: 20 MW
- Annual Margin: \$8.2 Million
- Est. electric purchase savings: \$3 to \$4 Million per year depending on natural gas prices

- The Eight Flags Energy CHP Plant is fully commissioned and in service, providing opportunities across our business units to deliver more value to our customers and shareholders
- 2016 margin of \$5.0 million and \$8.2 million expected for 2017
- FPU customers will benefit from reliable, environmentally friendly electricity in their homes and businesses and cost savings in the coming years

Regulatory Matters

Delaware and Maryland (LDCs), Florida (FPU) and FERC (ESNG)

	Chesapeake Utilities - Delaware Division	Chesapeake Utilities - Florida Division	FPU Natural Gas	FPU Electric	Chesapeake Utilities - Maryland Division	Eastern Shore	Sandpiper
Regulatory Agency:	Delaware PSC	Florida PSC	Florida PSC	Florida PSC	Maryland PSC	FERC	Maryland PSC
Commission Structure:	5 commissioners	5 commissioners	5 commissioners	5 commissioners	5 commissioners	5 commissioners	5 commissioners
	Part-Time	Full-Time	Full-Time	Full-Time	Full-Time	Full-Time	Full-Time
	Gubernatorial Appointment	Gubernatorial Appointment	Gubernatorial Appointment	Gubernatorial Appointment	Gubernatorial Appointment	Presidential Appointment	Gubernatorial Appointment
Base Rate Proceeding:							
Delay in collection of rates subsequent to filing application	60 days	90 days	90 days	90 days	180 days	Up to 180 days	180 days
Application date associated with the most recent permanent rates	12/21/2015	7/14/2009	12/17/2008	4/28/2014	5/1/2006	12/30/2010 ⁽²⁾	12/2/2015
Effective date of permanent rates	01/01/2017	1/14/2010	1/14/2010 ⁽¹⁾	11/1/2014	12/1/2007	7/29/2011 ⁽²⁾	12/1/2016
Rate increase approved	\$2,250,000	\$2,536,300	\$7,969,000	\$3,750,000	\$648,000	\$805,000 ⁽²⁾	\$—
Rate of return approved	9.75%	10.80%	10.85%	10.25%	10.75%	13.90%	Not Stated

(1) Eastern Shore allowed pre-tax, pre-interest return. ESNG base rate proceeding filed January 27, 2017

THANK YOU!



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