

Standing Strong. Embracing Change. **Shaping Our Future.**



Second Quarter 2021
Earnings Call

August 5, 2021

Presenters



Jeff Householder
President & CEO



Beth Cooper
Executive Vice President,
CFO and Asst. Secretary



Jim Moriarty
Executive Vice President,
General Counsel , Corporate
Secretary and Chief Policy
and Risk Officer

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. You should refer to the additional information contained in Chesapeake Utilities' Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC and other subsequent SEC filings concerning factors that could cause those results to be different than contemplated in today's discussion.

Reg D Disclosure

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

Gross Margin (Non-GAAP Measure)

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 and excludes depreciation, amortization and accretion. Other companies may calculate gross margin in a different manner.

Second Quarter 2021 Financial Performance

Continued Profitable Growth Driving Results

Expansion projects, customer growth, and pipeline replacements generated \$3.0 million in additional gross margin for Q2

Increased customer consumption increased gross margin by \$2.0 million for Q2

Acquisitions (Elkton and Western Natural Gas) added \$1.1 million in incremental gross margin for Q2

Second quarter 2021 earnings per share from continuing operations was \$0.78, an increase of \$0.14 or 21.9% compared to \$0.64 for the second quarter of 2020.

Year-to-date 2021 earnings per share from continuing operations was \$2.75, an increase of \$0.34 or 14.1% compared to \$2.41 for year-to-date 2020.

Hurricane Michael regulatory proceeding resulted in \$3.1 million in gross margin for Q2

Reduction in \$1.5 million of expenses associated with COVID-19 pandemic for Q2

Margin from Aspire Energy added \$0.7 million gross margin for Q2

For the quarters and six months ended June 30, 2021 and 2020

(in thousands except per share data)

Total Gross Margin

Operating Income

Other Income, Net

Interest Charges

Pre-tax Income

Income Taxes

Net Income from Continued Ops

Income (Loss) Discontinued Ops

Net Income

Diluted EPS from Continued Ops

Diluted EPS

Second Quarter		Year-to-Date	
2021	2020	2021	2020
<u>\$ 84,381</u>	<u>\$ 74,090</u>	<u>\$ 201,271</u>	<u>\$ 173,911</u>
\$ 22,578	\$ 17,977	\$ 74,175	\$ 60,111
1,456	(279)	1,841	3,039
(5,054)	(5,054)	(10,159)	(10,868)
18,980	12,644	65,857	52,282
(5,165)	(1,983)	(17,570)	(12,580)
13,815	10,661	48,287	39,702
(2)	295	(8)	184
<u>\$ 13,813</u>	<u>\$ 10,956</u>	<u>\$ 48,279</u>	<u>\$ 39,886</u>
<u>\$0.78</u>	<u>\$0.64</u>	<u>\$2.75</u>	<u>\$2.41</u>
<u>\$0.78</u>	<u>\$0.66</u>	<u>\$2.75</u>	<u>\$2.42</u>

Strong Performance driven by over \$27 million in additional gross margin for the first half of 2021. The year-to-date timing impact of Hurricane Michael impact will reverse in the third quarter as the regulatory proceeding was finalized in the third quarter of 2020 and the year-to-date impact was reflected in the third quarter.

Financial Summary

Second Quarter Operating Results for 2021 and 2020

Chesapeake Utilities is committed to Gross Margin Growth through efficient operations.

Consolidated Results

(in thousands)	Three Months Ended June 30,		Change	Percent Change
	2021	2020		
Gross margin	\$ 84,381	\$ 74,090	\$ 10,291	13.9 %
Depreciation, amortization and property taxes	20,532	17,093	3,439	20.1 %
Other operating expenses	41,271	39,020	2,251	5.8 %
Operating income	\$ 22,578	\$ 17,977	\$ 4,601	25.6 %

- Gross Margin increased \$10.3M or 13.9% compared to Q2 2020
 - ✓ 16.3% Growth in Regulated
 - ✓ 5.4% Growth in Unregulated

- Operating income increased 25.6%, driven by operating income growth for the Regulated Energy Segment of 26.7%.

- For the Unregulated Energy Segment, revenue and earnings are typically greater during the first and fourth quarters, when consumption of energy is highest due to colder temperatures.

Regulated Energy Segment

(in thousands)	Three Months Ended June 30,		Change	Percent Change
	2021	2020		
Gross margin	\$ 66,463	\$ 57,131	\$ 9,332	16.3 %
Depreciation, amortization and property taxes	16,651	13,769	2,882	20.9 %
Other operating expenses	27,004	25,356	1,648	6.5 %
Operating income	\$ 22,808	\$ 18,006	\$ 4,802	26.7 %

Unregulated Energy Segment

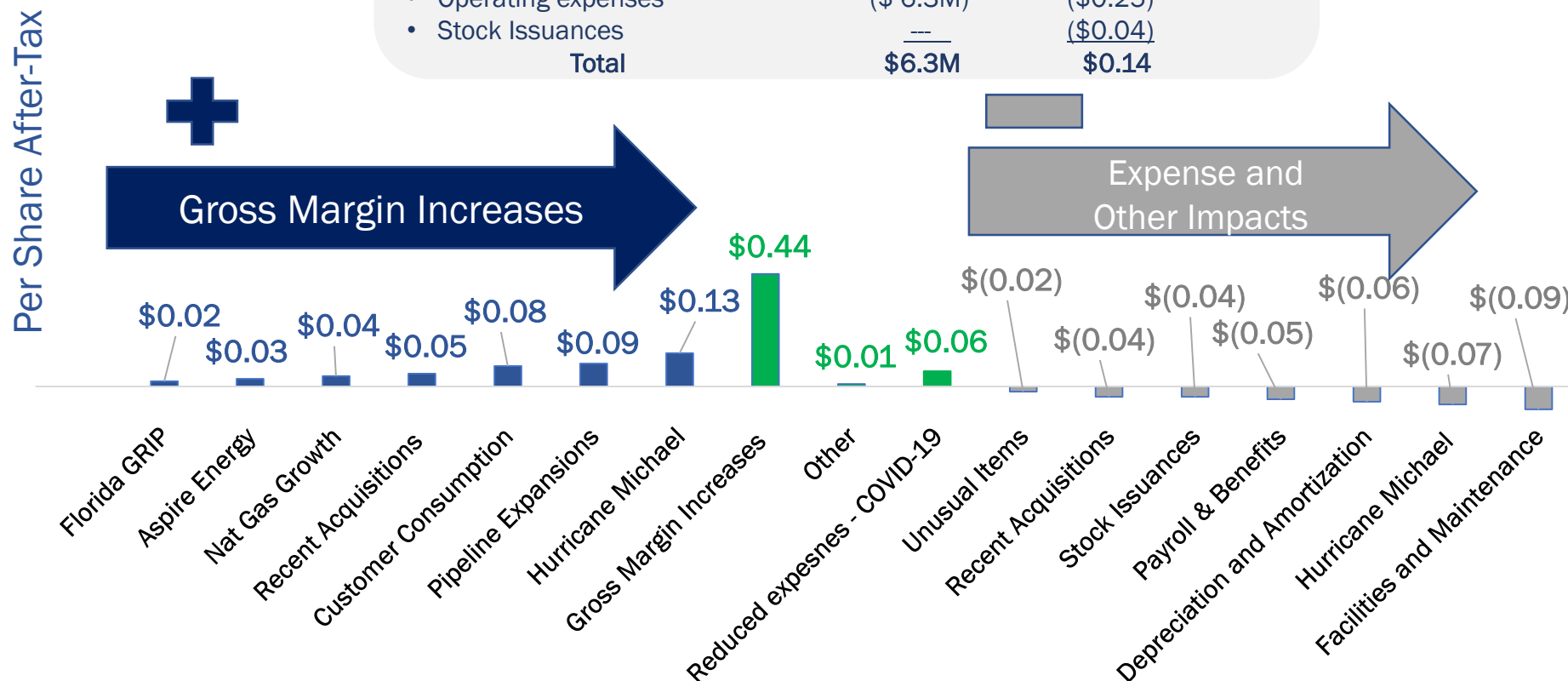
(in thousands)	Three Months Ended June 30,		Change	Percent Change
	2021	2020		
Gross margin	\$ 17,952	\$ 17,032	\$ 920	5.4 %
Depreciation, amortization and property taxes	3,862	3,303	559	16.9 %
Other operating expenses	14,535	13,448	1,087	8.1 %
Operating income (loss)	\$ (445)	\$ 281	\$ (726)	NMF

Key Drivers of Our Performance

Quarter Ended June 30, 2021

Earnings per share drivers

	Pre-tax Income	EPS after-tax
• Gross Margin	\$10.5M	\$0.44
• COVID-19	\$ 1.5M	\$0.06
• Other/Interest	\$ 0.1M	\$0.01
• Unusual Items	\$ 2.0M	(\$0.02)
• Depreciation and Amortization	(\$ 1.5M)	(\$0.06)
• Operating expenses	(\$ 6.3M)	(\$0.25)
• Stock Issuances	---	(\$0.04)
Total	\$6.3M	\$0.14



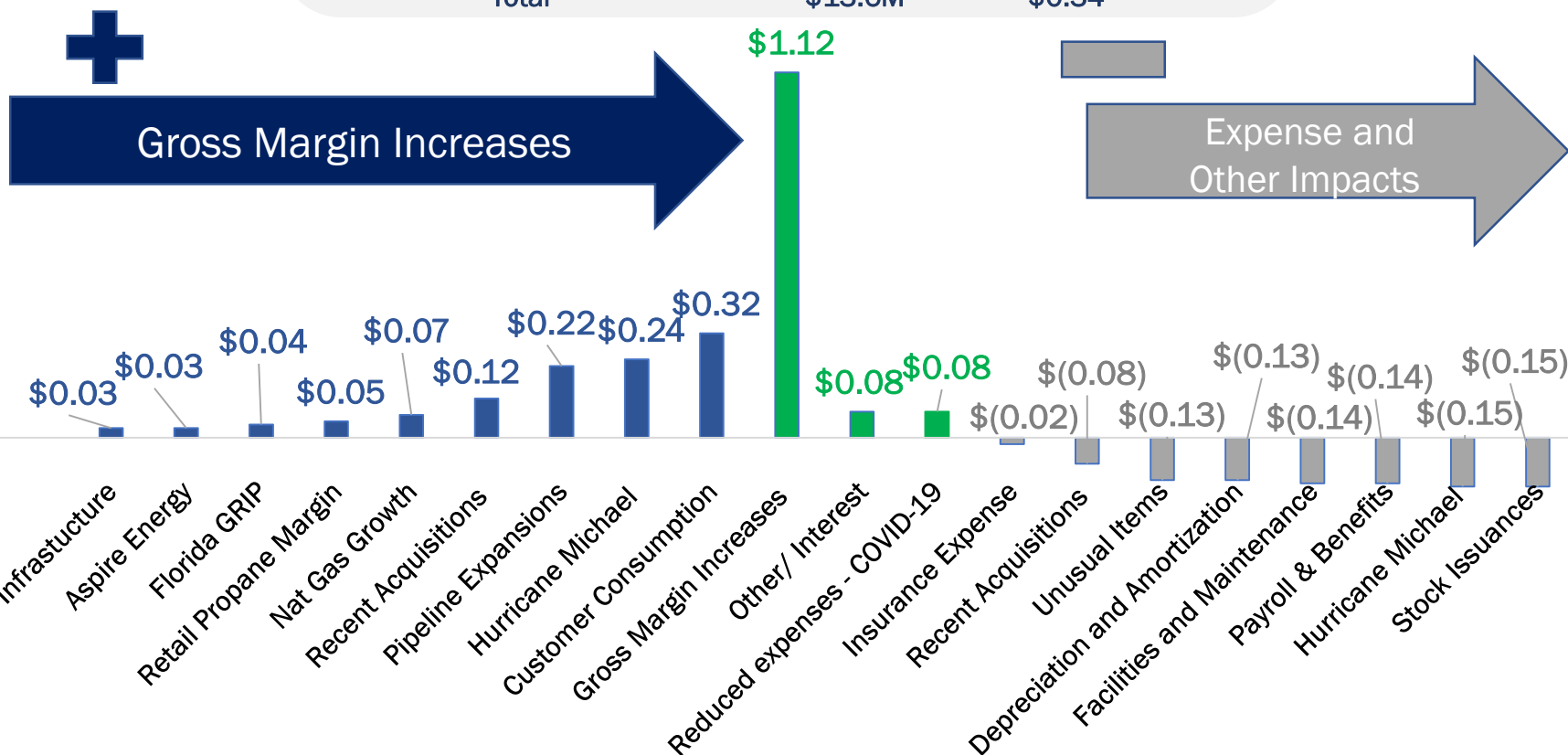
Key Drivers of Our Performance

Year-to-Date Ended June 30, 2021

Earnings per share drivers

	<u>Pre-tax Income</u>	<u>EPS after-tax</u>
• Gross Margin	\$26.5M	\$1.12
• COVID-19 Expenses	\$ 1.9M	\$0.08
• Other	\$ 1.7M	\$0.08
• Unusual Items	(\$ 0.6M)	(\$0.13)
• Depreciation and Amortization	(\$ 3.2M)	(\$0.13)
• Operating expenses	(\$12.7M)	(\$0.53)
• Stock Issuances	—	(\$0.15)
Total	\$13.6M	\$0.34

Per Share After-Tax



Capital Expenditures Forecast Still on Track with 2021 Initial Guidance

(dollars in thousands)

Regulated Energy:

Natural gas distribution

Natural gas transmission

Electric distribution

Total Regulated Energy

Unregulated Energy:

Propane distribution

Energy transmission

Other unregulated energy

Total Unregulated Energy

Other:

Corporate and other businesses

Total Capital Expenditures

Forecast 2021	
Low	High
\$ 79,000	\$ 85,000
55,000	60,000
9,000	13,000
143,000	158,000
82%	79%
9,000	12,000
14,000	15,000
8,000	12,000
31,000	39,000
1,000	3,000
\$ 175,000	\$ 200,000



**Del-Mar Energy Pathway Project
Somerset County, MD Expansion
(Currently Underway)**

**Year-to-date 2021
Capital expenditures
were \$107.8 million**

2021 Key Projects:

- *Del-Mar Energy Pathway*
- *Florida's Western Palm Beach County Expansion*
- *Florida GRIP*
- *Natural gas distribution and transmission system expansions including several newly announced projects*
- *Natural gas and electric system infrastructure improvement activities*
- *Marlin Gas Services' CNG transport growth and expansion into RNG and LNG transport*
- *Newly announced pipeline expansion projects*

Capital Structure Overview

Strong Balance Sheet to Support Growth

Stockholders' equity	
Long-term debt, net of current maturities	
Total permanent capitalization	
Current portion of long-term debt	
Short-term debt	
Total capitalization and short-term financing	
Equity to Permanent Capital	
Equity to Total Capitalization	
New Long-Term Debt Issuance	
Net New Equity Issuance	

06/30/21	12/31/2020
\$ 741,564	\$ 697,085
498,450	508,499
\$ 1,240,014	\$ 1,205,584
13,600	13,600
169,294	175,644
\$ 1,422,908	\$ 1,394,828
59.8%	57.8%
52.1%	50.0%
\$ -	\$ 90,000
\$ 9,089	\$ 89,700

Long-Term Debt
Avg. Interest
Rate - 3.61%

Short-Term Debt
Avg. Interest
Rate - 1.11%

Within
our target
equity range

- Stockholders' Equity increased \$44.5 million during the first half of 2021 primarily driven by:
 - Strong Net Income drives Retained Earnings increase \$32 million
 - Dividend Reinvestment and Stock Compensation Plans increased \$9.1 million
 - Other Comprehensive Income \$3.4 million



Organic Growth

Optimize the earnings potential in our existing businesses through organic growth and business transformation.



Gas Transmission

Pursue intrastate and interstate gas transmission projects in selected markets.



Propane

Expand the propane wholesale, retail and AutoGas businesses in the Mid-Atlantic and Southeast, including through new acquisitions.



Marlin Gas Services

Expand Marlin virtual pipeline and product transport business (CNG, LNG, RNG, Hydrogen, CO²).



Sustainable Investments

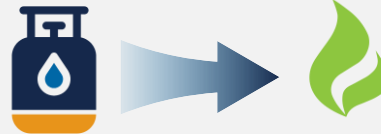
- Renewable Natural Gas from waste sources
- CNG/RNG vehicle fuels
- Combined Heat and Power Projects
- Renewable power generation associated with RNG
- Hydrogen transportation

We see a long runway ahead for continued growth in our core natural gas, propane and electric delivery businesses. Our attention is focused on lowering carbon emissions in our internal operations, and working with our contractors, suppliers and customers to reduce their carbon impacts. There is great opportunity for us to build a solid portfolio of sustainable energy investments.

Major Initiatives



**DELMARVA AND FLORIDA
ORGANIC GROWTH AND
PIPELINE EXPANSIONS**



**COMMUNITY GAS
SYSTEM CONVERSIONS
CUSTOMER GROWTH,
AUTOGAS, ACQUISITIONS**



**DISTRIBUTION SYSTEM
IMPROVEMENT PROJECTS**



**SAFETY TOWN
STATE OF THE ART
TRAINING CENTER**



**INFRASTRUCTURE
INVESTMENT**



**RNG
COLLABORATIONS**

**MARLIN
TRANSPORT
(VIRTUAL PIPELINE)**

Major Projects and Initiatives

Margin Contribution

		Gross Margin for the Period					
		Three Months Ended		Six Months Ended		Year Ended	Estimate for
		June 30,		June 30,		December 31,	Fiscal
		2021	2020	2021	2020	2020	2021 2022
<i>in thousands</i>							
<u>Pipeline Expansions:</u>							
New	Western Palm Beach County, Florida Expansion	\$ 1,172	\$ 967	\$ 2,340	\$ 1,968	\$ 4,167	\$ 4,811 5,227
	Del-Mar Energy Pathway	921	452	1,805	641	2,462	4,134 6,708
	Callahan Intrastate Pipeline	2,121	536	4,239	536	3,851	7,564 7,598
	Guernsey Power Station	47	-	94	-	-	514 1,486
	Winter Haven Expansion	-	-	-	-	-	- 426
	Beachside Pipeline Expansion	-	-	-	-	-	- -
	Total Pipeline Expansions	4,261	1,955	8,478	3,145	10,480	17,023 21,445
CNG Transportation		1,708	2,107	3,785	3,454	7,231	7,900 8,500
Renewable Natural Gas ("RNG") Transportation		-	-	-	-	-	150 1,000
<u>Acquisitions:</u>							
New	Elkton Gas	746	-	2,058	-	1,344	3,992 4,113
	Western Natural Gas	389	-	939	-	389	2,066 2,251
	Escambia Meter Station	83	-	83	-	-	583 1,000
	Total Acquisitions	1,218	-	3,080	-	1,733	6,641 7,364
<u>Regulatory Initiatives:</u>							
New	Florida GRIP	4,181	3,609	8,236	7,305	15,178	16,848 17,882
	Hurricane Michael regulatory proceeding	3,145	-	5,720	-	10,864	11,014 11,014
	Capital Cost Surcharge Programs	120	128	257	261	523	1,186 1,985
	Elkton STRIDE Plan	-	-	-	-	-	45 299
Total Regulatory Initiatives		7,446	3,737	14,213	7,566	26,565	29,093 31,180
Total		\$ 14,633	\$ 7,799	\$ 29,556	\$ 14,165	\$ 46,009	\$ 60,807 69,489

	2021	2022	Total
Increases (000's)	\$14,798	\$8,682	\$23,480

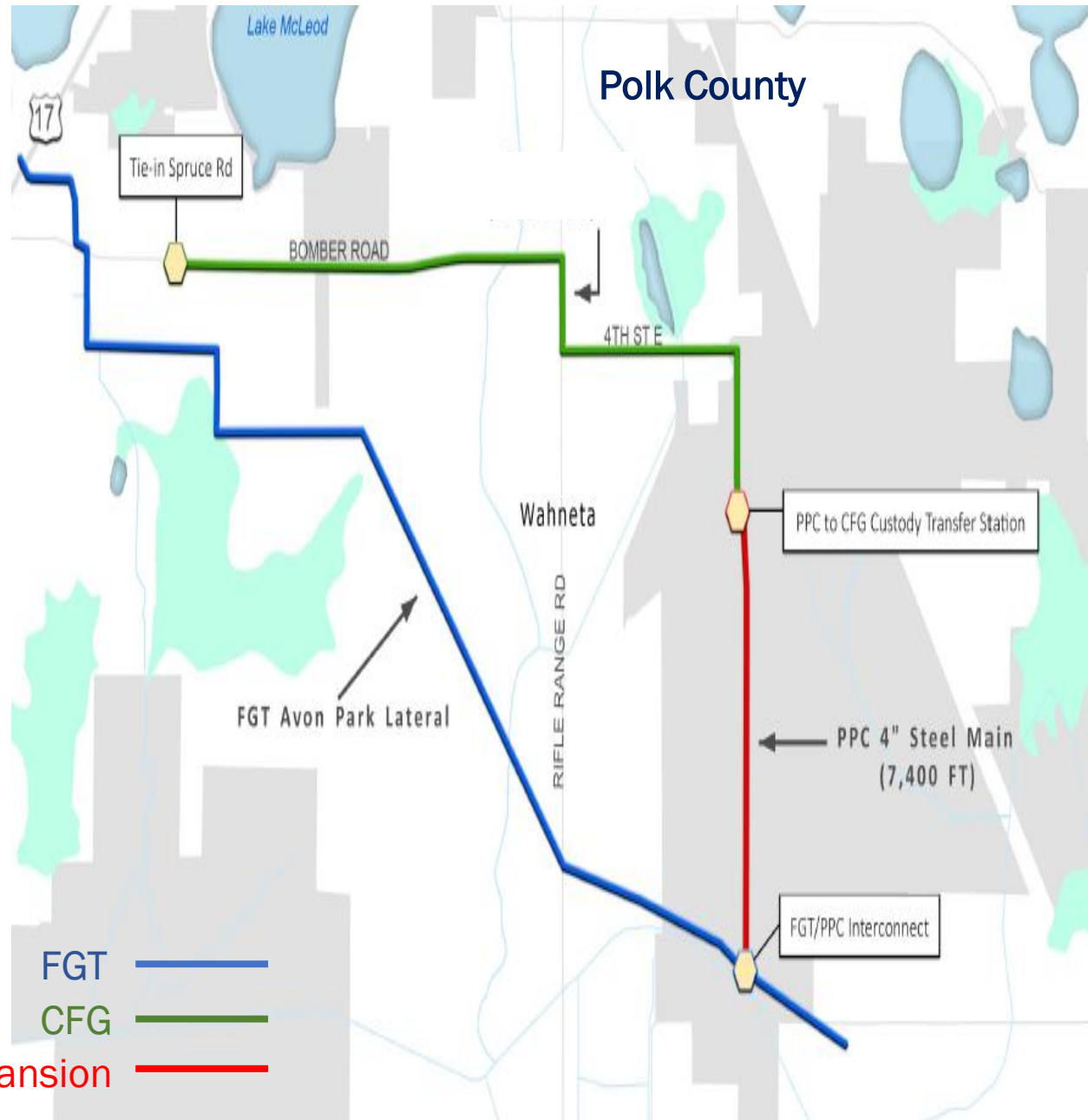
Key Expansion Projects

Pipeline Growth and Margin Contribution

Project	Capital Investment	Fully In-Service	Annual Gross Margin Estimate
West Palm Beach County	\$28.9 million	2021 Fourth Quarter	\$5.2 million
Del-Mar Energy Pathway (incl. distribution capital investment and margin)	\$63.4 million	2021 Fourth Quarter	\$6.7 million
Callahan Pipeline (JV)	\$33.5 million CPK 50%	2020 Second Quarter	\$7.6 million
Guernsey Power Station	\$6.5 million	2021 Fourth Quarter	\$1.5 million
New Winter Haven Expansion	\$3.5 million	2022 Beginning First Quarter	\$0.4 million
New Beachside Pipeline Extension	\$16.7 million	2023 Beginning First Quarter	\$2.5 million

Total Pipeline Project Investments of \$152.5 million generates incremental gross margin of \$23.9 million, including distribution margin currently identified with the project.

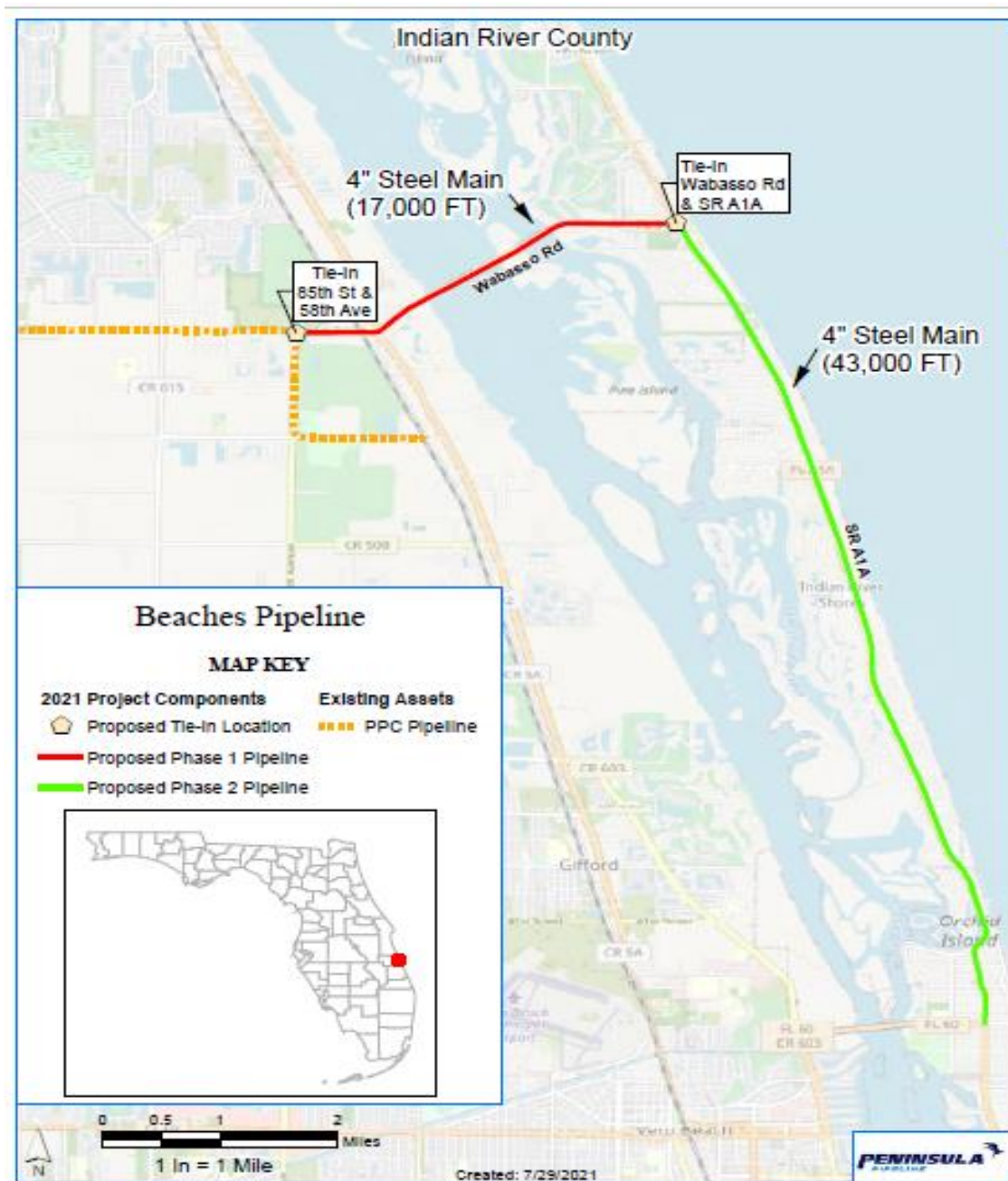
- Peninsula Pipeline will provide Chesapeake Utilities' Central Florida Gas ("CFG") with incremental firm service in the Winter Haven, Florida, area.
- CFG is also extending its distribution system to connect to the new station.
- Additional gross margin of \$0.4 million beginning in 2022 and beyond.



New

- Peninsula Pipeline to provide incremental firm service in Indian River County, Florida, to support Florida City Gas' growth along the Indian River Shore barrier island.
- Pipeline from the Sebastian, Florida, area east under the Intercoastal Waterway and southward on the barrier island.
- Estimated capital \$16.7 million.
- Projected additional annual gross margin of \$2.5 million in 2023 and beyond.

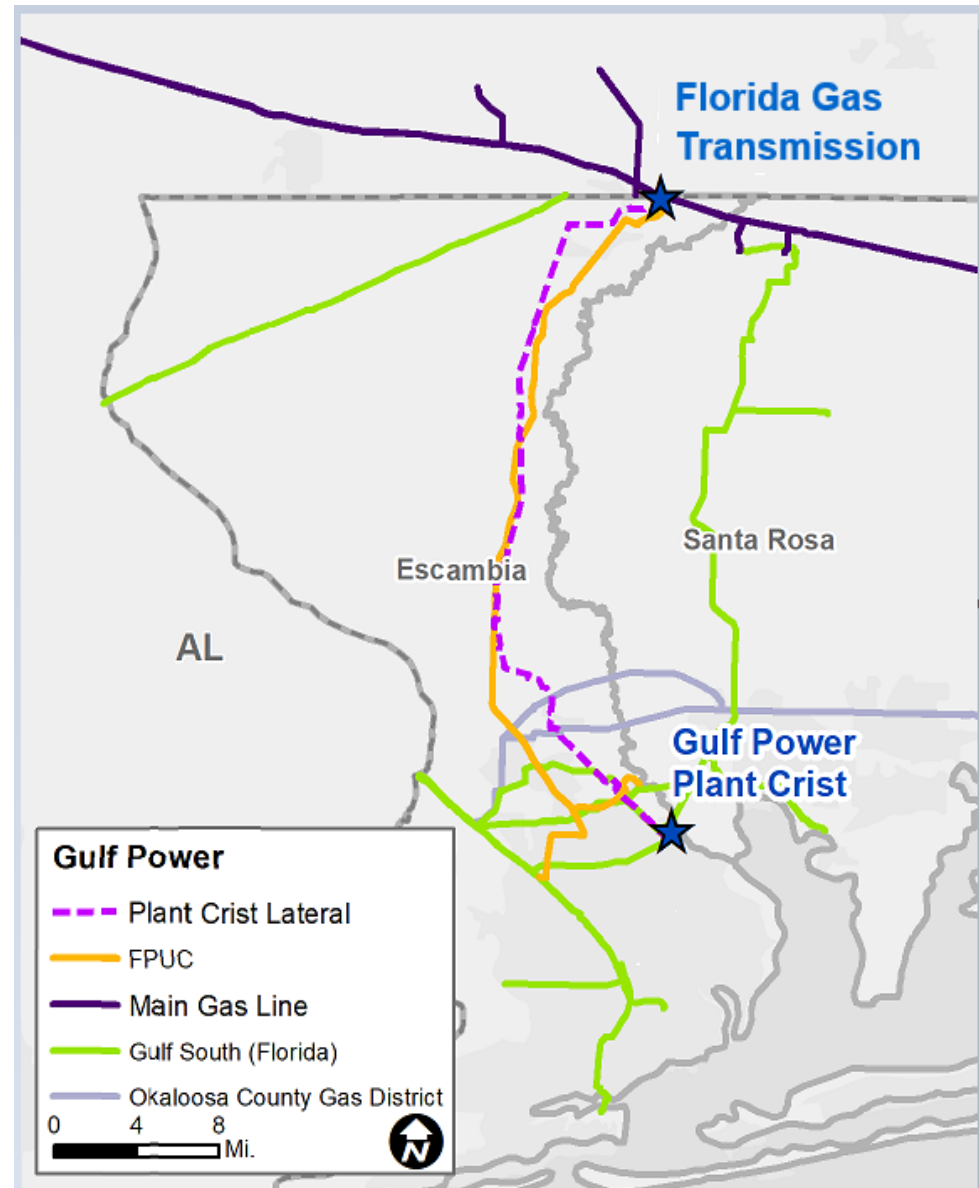
Beachside Pipeline Extension



New

- Peninsula Pipeline purchased the Escambia Meter Station from Florida Power and Light Company and also entered into a Transportation Service Agreement to provide up to 530,000 dts/d of firm service from an interconnect with Florida Gas Transmission to Florida Power & Light's Crist Lateral pipeline.
- Provides \$0.1 million in additional gross margin in the second quarter of 2021; estimated gross margin of approximately \$0.6 million in 2021, growing to \$1.0 million in 2022.

Escambia Meter Station



Active Renewable Natural Gas (RNG) Projects

Noble Road Landfill project where Aspire Energy will construct a 17.5 mile pipeline to inject RNG developed at the landfill for distribution to its end use customers.

BioEnergy Devco and CleanBay renewable natural gas source created from the organic waste transported by Marlin Gas Services to Eastern Shore Natural Gas, and ultimately distributed to CPK's natural gas customers. The projects are under development and the timing of RNG availability is dependent on the construction schedule of each project.

CNG filling station at the Port of Savannah in conjunction with Southern Company Gas. We are utilizing the existing Southern CNG tariff where they will build the physical station and we lease and operate it. The facility is designed to serve local CNG fleets as well as renewable natural gas (RNG) fueled vehicles.

Recent State Level Governmental Affairs Activities

Florida Activity

Energy Preemption Bill

- Filed by the Florida Natural Gas Association (FNGA).
- Has cleared both chambers and was signed by the Governor in June 2021.
- Restricts local governments from limiting energy choice for consumers.
- Retroactive implementation.

Renewable Energy Bill

- Filed by Chesapeake Utilities.
- Has cleared both chambers and was signed by the Governor in June 2021.
- Defines Biogas, Renewable Natural Gas (RNG).
- Amends the definition of Renewable Energy to include RNG as a source.
- Provides for RNGs use in transportation, electric generation, and injection into gas distribution systems.
- Authorizes the PSC to approve cost recovery for RNG contracts that exceed market rates under certain conditions.

Ohio Energy Preemption Bill

- Ohio HB 201
- State Energy preemption legislation to prevent towns and municipalities from banning natural gas passed the Ohio House in a 64-32 favorable vote
- The bill is now in the Ohio Senate Energy & Public Utilities Committee awaiting a hearing.

We continue to monitor other states' activities in regards to energy preemption and renewable energy opportunities.

Regulatory Initiatives

Florida GRIP

- Natural gas pipe replacement program approved by the Florida PSC.
- Since inception in August 2012, invested \$178.9 million of capital expenditures to replace 333 miles of qualifying distribution mains, including \$13.0 million of new pipes during the first six months of 2021.
- Annual gross margin of approximately \$16.8 million in 2021, and \$17.9 million in 2022.

Hurricane Michael Settlement

- The settlement agreement allowed FPU to:
 - (a) refund the over-collection of interim rates through the fuel clause;
 - (b) record regulatory assets for storm costs in the amount of \$45.8 million including interest which will be amortized over six years;
 - (c) recover these storm costs through a surcharge for a total of \$7.7 million annually;
 - (d) collect an annual increase in revenue of \$3.3 million to recover capital costs associated with new plant and a regulatory asset for the cost of removal and undepreciated plant

Capital Cost Surcharge Programs

- Eastern Shore recovery mechanism for capital costs associated with mandated highway or railroad relocation projects that required the replacement of existing Eastern Shore facilities.
- Estimated gross margin of approximately \$1.2 million in 2021 and \$2.0 million in 2022 from relocation projects;

Regulatory Initiatives (cont.)

Elkton Gas STRIDE Plan

- Settlement reached with the Maryland PSC Staff and the Maryland Office of the Peoples Counsel.
- Aldyl-A pipeline replacement program and to recover the costs of the plan in the form of a fixed charge rider through a proposed 5-year surcharge.
- Expected to go into service in the third quarter of 2021 and generate less than \$0.1 million of margin for the remainder of the year, \$0.3 million in 2022, and \$0.4 million annually thereafter.

COVID-19 Regulatory Proceeding

- Florida regulated business units reached a settlement with the Office of Public Counsel in June 2021.
- Allows the Florida regulated business units to establish a regulatory asset of \$2.1 million.
- Amortize the amount over two years beginning January 1, 2022 and recover the regulatory asset through the Purchased Gas Adjustment and Swing Service mechanisms for the natural gas business units and through the Fuel Purchased Power Cost Recovery clause for the electric division.
- Annual additional gross margin of \$1.0 million that will be offset by a corresponding amortization of regulatory asset expense for both 2022 and 2023

ESG Stewardship

- We take seriously our responsibility to be a good, trusted and ethical corporate citizen, and doing all we can to contribute, through investment, charitable contributions and volunteerism, to greater sustainability, environmental benefits and societal advancement.
- For more than 160 years, we have delivered affordable and sustainable energy solutions that respond timely to the evolving needs of our customers and the communities we serve.
- We take positive and informed steps to continue our tradition of reducing our direct methane emissions, while at the same time helping our customers and communities to reduce their emissions.
- We are committed to ensuring that safety, equity, diversity and inclusion are at the center of our culture.
- Each and every day, we proudly deliver essential, safe, reliable, affordable, sustainable and efficient energy solutions to our customers in Florida, Ohio and across the Delmarva Peninsula.
- We are committed to sustainable growth with financial discipline that generates long-term value for our stakeholders.
- Our success rests on the strength and dedication of our team, our diverse, inclusive and collaborative culture, and our award winning corporate governance practices, all of which contribute to our strong financial performance.

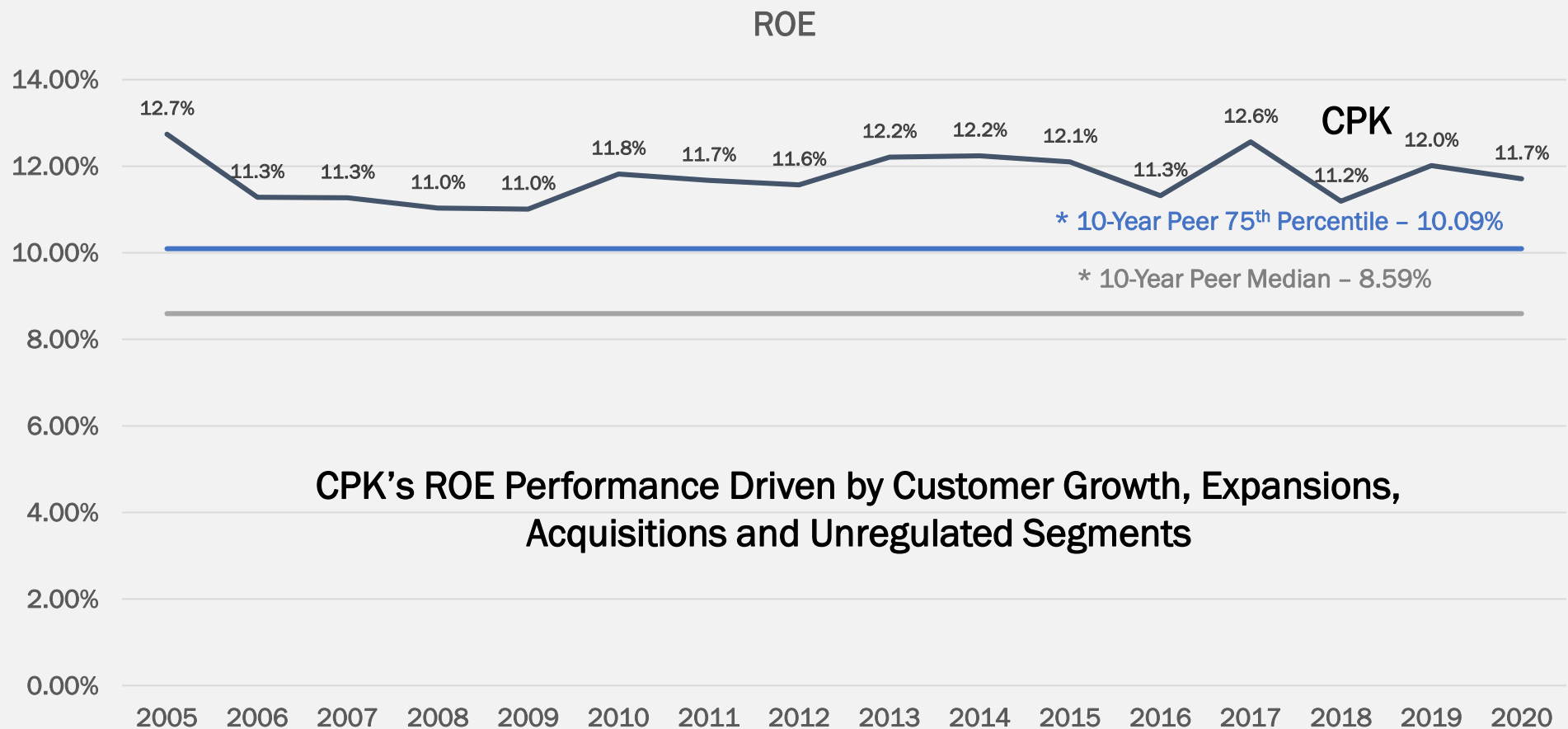
Together, the Chesapeake Utilities Team

PROUDLY DELIVERS UNINTERRUPTED ENERGY SERVICES TO OUR CUSTOMERS

- We have an unwavering focus on advancing initiatives that are consistent with our long-history of growth, upper-quartile performance, and the reduction of greenhouse gas emissions.
- Our inaugural Corporate Responsibility and Sustainability Report will be made available during 2021, providing additional information and insights on our long-standing ESG stewardship.
- We are continuing to strengthen our safety culture.
- We are accelerating a business transformation process to address the organizational and technology enhancements that will support our continued responsible growth.

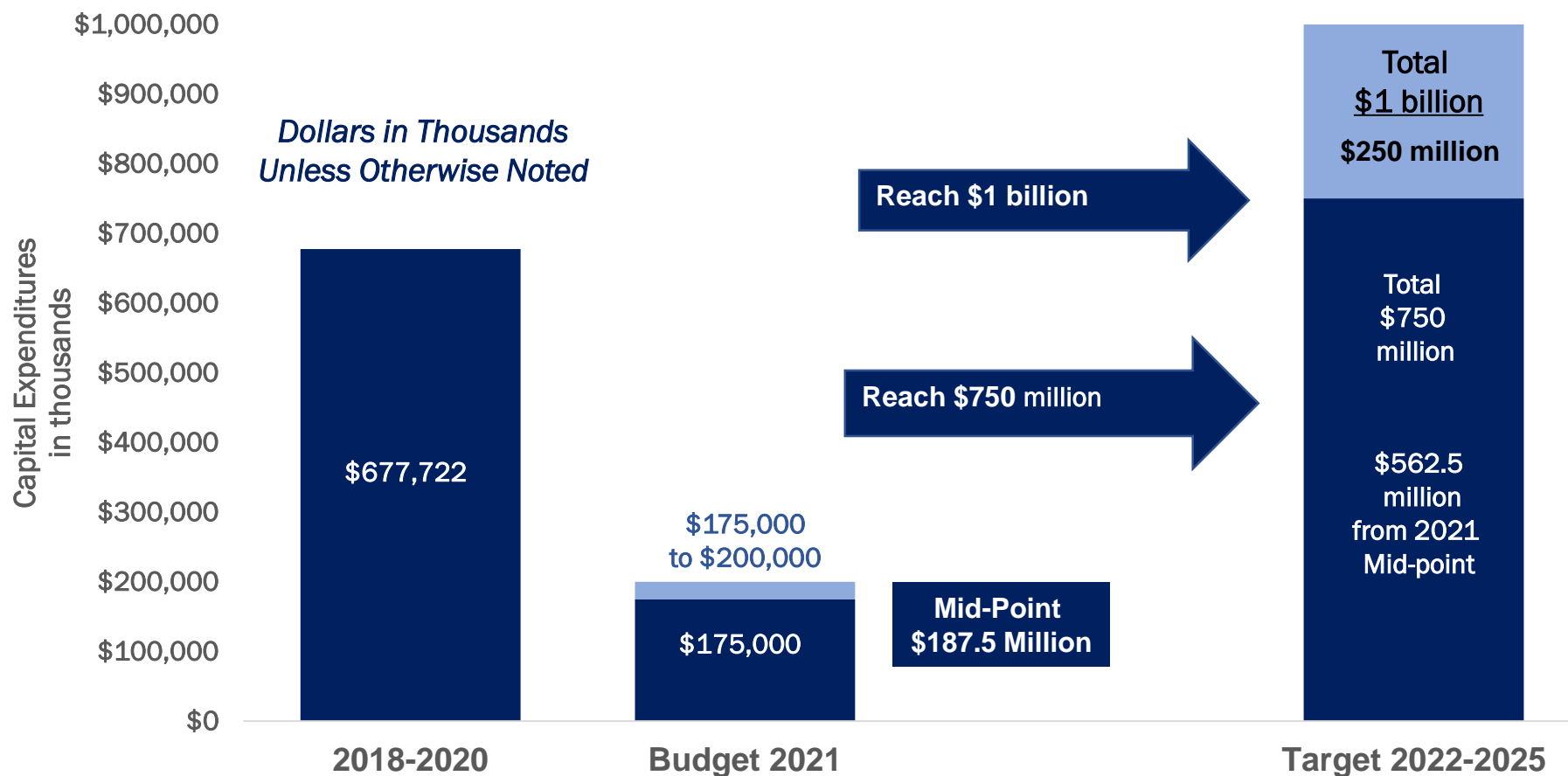


Return on Equity Performance



Capital Investment Guidance

Continued Record Investment in Our Business Growth



Management provides its five year capital expenditure guidance 2021 thru 2025 up to \$1 billion.

*2021 Capital Forecast range of \$175 million to \$200 million
We will continue to update this forecast as we move through the year.

Diluted Earnings per Share Guidance Continuing Operations

Strategic Capital Investments
Continue to Drive Earnings Growth



Diluted Earnings per Share from Continuing Operations

Investment Proposition

Committed to Superior Performance

We seek to identify and develop opportunities to drive our future earnings growth and increase shareholder value.

- Capitalizing on new organic growth and operational efficiencies
- Investing in pipeline systems that provide natural gas service to downstream customers
- Identifying propane opportunities to access new markets with significant growth potential
- Pursuing virtual pipeline opportunities given Marlin capabilities (CNG, LNG, RNG)
- Expanding our RNG footprint through multiple channels throughout our service areas
- Investing in our diverse talented team
- Engaging with communities where we work and live
- Driving brand excellence through safety awards, top workplace, employee engagement and community service

Strong Foundation for Growth:

- Track Record
- Energized Team
- Financial Discipline
- Platforms for Growth

Financial Objectives in Support of Increased Shareholder Value:

- Investing \$750 million to \$1 billion through 2025
- Targeting 2025 EPS \$6.05 to \$6.25
- Seeking 11.0% or higher consolidated return on equity
- Pursuing dividend growth supported by earnings growth
- Maintaining a strong balance sheet

Average Annualized Shareholder Return For Periods Ending July 31, 2021

1 Year	3 Year	5 Year	10 Year	20 Year
50%	16%	16%	20%	16%

Standing Strong. Embracing Change. **Shaping Our Future.**



Thank You

