CHESAPEAKE UTILITIES CORPORATION

Second Quarter Earnings Conference Call

Friday, August 4, 2017

Wesley College, Dover, DE

Reaching New Heights

Transforming Opportunities

Investing in Growth

Engaging Our Team

Forward Looking Statements and Other Disclosures

<u>Safe Harbor Statement</u>: 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.

<u>REG G Disclosure</u>: 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.

<u>Gross Margin</u>: 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.

Second Quarter 2017 Highlights

- Contributions from Eight Flags and growth from natural gas transmission and distribution operations were exceeded by the impact of warmer weather and higher depreciation and operating expenses in support of growth
- Strong growth in margin from current and planned projects expected over the remainder of 2017 and future years

Earnings per share were $0.37 compared to $0.52 in the same quarter last year; drivers of the $0.15 per share change

- Unusual items: Warmer weather and wind-down Xeron (- $0.04 per share)
- Eight Flags and distribution and transmission growth offset operating expenses to support growth (+ $0.01 per share)
- Higher depreciation and taxes due to increased investment (- $0.05 per share)
- Higher interest and increased shares outstanding (- $0.04 per share)
- Other items (- $0.03 per share)

Key Second Quarter Accomplishments:

- Eastern Shore's White Oak Mainline Expansion and the System Reliability project completed and in service
- Eastern Shore rate case is proceeding; interim rates effective August 1st and settlement negotiations underway
- Northwest Florida Pipeline expansion construction underway with service scheduled to begin in the second quarter of 2018
- PESCO acquired the assets of ARM Energy Management on August 1st

Consolidated Financial Results

For the periods ended June 30th

For the periods ended June 30,
(in thousands except per share amounts)

	Second Quarter		Year-to-Date	
	2017	2016	2017	2016
Operating Income				
Regulated Energy segment	$ 13,730	$ 15,226	$ 36,747	$ 39,545
Unregulated Energy segment	(38)	412	11,492	12,347
Other businesses and eliminations	(26)	104	102	230
Total Operating Income	13,666	15,742	48,341	52,122
Other Expenses	607	8	884	42
Interest Charges	3,073	2,624	5,811	5,274
Income Before Taxes	9,986	13,110	41,646	46,806
Income Taxes	3,940	5,081	16,456	18,410
Net Income	**$ 6,046**	**$ 8,029**	**$ 25,190**	**$ 28,396**
Diluted Earnings Per Share	**$0.37**	**$0.52**	**$1.54**	**$1.85**

Reconciliation of Second Quarter Results

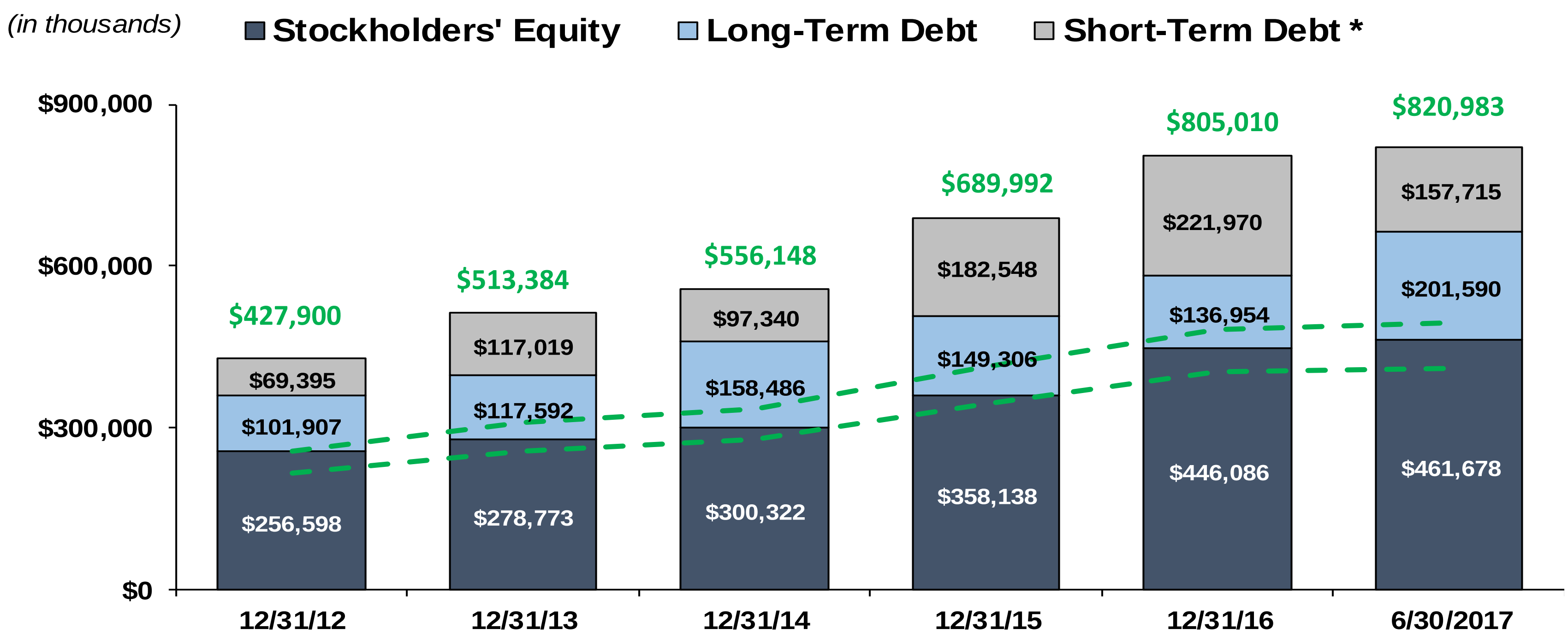
Key Variances for the three months ended June 2017 vs. 2016 included:

(in thousands except per share data)	Pre-Tax Income	Net Income	Diluted Earnings Per Share
Second Quarter 2016 Reported Results	$ 13,110	$ 8,029	$ 0.52
Adjusting for Unusual Items:			
Weather Impact	(675)	(409)	$ (0.03)
Impact of Shutdown of Xeron Operations	(351)	(213)	$ (0.01)
	(1,026)	(622)	$ (0.04)
Operating Income from Eight Flags	868	526	$ 0.03
Other Increased Gross Margins:			
Regulated Energy Segment	1,335	808	$ 0.05
Unregulated Energy Segment	(179)	(108)	$ (0.01)
	1,156	700	$ 0.04
Increased Other Operating Expenses	(1,606)	(973)	$ (0.06)
Increased Depreciation, Asset Removal and Property Taxes	(1,337)	(810)	$ (0.05)
Higher interest and increased shares outstanding	(449)	(272)	$ (0.04)
Net other changes and expenses	(730)	(532)	$ (0.03)
Second Quarter 2017 Reported Results	$ 9,986	$ 6,046	$ 0.37

Total Capitalization

Strong Balance Sheet to Support Growth

Target Equity to Total Capitalization Ratio of 50% - 60%



Equity/Permanent Capitalization	71.6%	70.3%	65.5%	70.6%	76.5%	69.6%
Equity/Total Capitalization	60.0%	54.3%	54.0%	51.9%	55.4%	56.2%

**** Short-Term Debt includes Current Portion of Long-Term Debt***

Continuing to Build for the Future

2017 Forecasted Capital Expenditures of $208 million

$ thousands	2017 Forecasted Capital Expenditures
$105,147	Natural Gas Transmission
$ 85,200	Natural Gas and Electric Distribution *(1)*
$ 10,451	Propane Distribution
$ 7,153	Corporate / Other
$207,951	**Total Forecasted Capital Spending**

(1) Natural Gas and Electric Distribution includes Delmarva, Florida and Ohio

Current Growth Initiatives

Project	Estimated Annual Margin 2018	Estimated Annual Margin 2019
2017 Eastern Shore Natural Gas (ESNG) Expansion	$9.3 million	$15.8 million
FPU Gas Reliability Infrastructure System (GRIP)	$14.4 million	$15.1 million
Eight Flags Combined Heat and Power Plant	$8.7 million	$9.0 million
FPU Northwest Florida Expansion	$4.0 million	$5.1 million
Eastern Shore Natural Gas System Reliability	$4.5 million	$4.5 million
Total Projects	$40.9 million	$49.5 million

Gross Margin Highlights

Major Projects and Initiatives Summary

Gross Margin for the Period

Dollars in thousands	Actual 2016	Estimate for 2017	Estimate for 2018	Estimate for 2019
Major Projects and Initiatives Completed				
Aspire Energy of Ohio	$ 12,271	$ 13,376	$ 14,302	$ 14,302
Natural Gas Transmission Services	13,269	13,300	9,012	8,990
Florida GRIP	11,552	13,727	14,407	15,085
Eight Flags CHP	4,998	8,366	8,706	8,960
Total Major Projects and Initiatives Completed	**$ 42,090**	**$ 48,769**	**$ 46,427**	**$ 47,337**
Settled Delaware Division Rate Case	**1,487**	**2,250**	**2,250**	**2,250**
Total Existing Major Projects and Initiatives Completed	**$ 43,577**	**$ 51,019**	**$ 48,677**	**$ 49,587**
Future Major Projects and Initiatives				
2017 ESNG System Expansion Project	-	126	9,313	15,799
Northwest Florida Expansion Project	-	-	3,970	5,100
Revenue Requirement for ESNG System Reliability Project	-	1,875	4,500	4,500
Total Future Major Projects and Initiatives	**$ -**	**$ 2,001**	**$ 17,783**	**$ 25,399**
Total Completed and Future Projects and Initiatives	**$ 43,577**	**$ 53,020**	**$ 66,460**	**$ 74,986**

$9,443 **$13,440** **$8,526**

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

Eastern Shore Natural Gas

2017 System Expansion Project Details

Capital Investment:
- Approximately $98.6 Million

Annual Estimated Margin:
- $15.8 million in the first full year of operation

Construction Period:
- Commence third quarter of 2017
- In service second quarter 2018
- Subject to the timing of FERC approval

Project Description:
- 23 miles of pipeline looping in Pennsylvania, Maryland and Delaware
- 17 miles of new mainline extension
- Upgrades to the TETCO interconnect
- 3,750 hp new compression-Daleville Compressor Station
- Two new pressure control stations

Total Capacity Increase:
- 61,162 dts/d on Eastern Shore's pipeline system

Florida Natural Gas Project

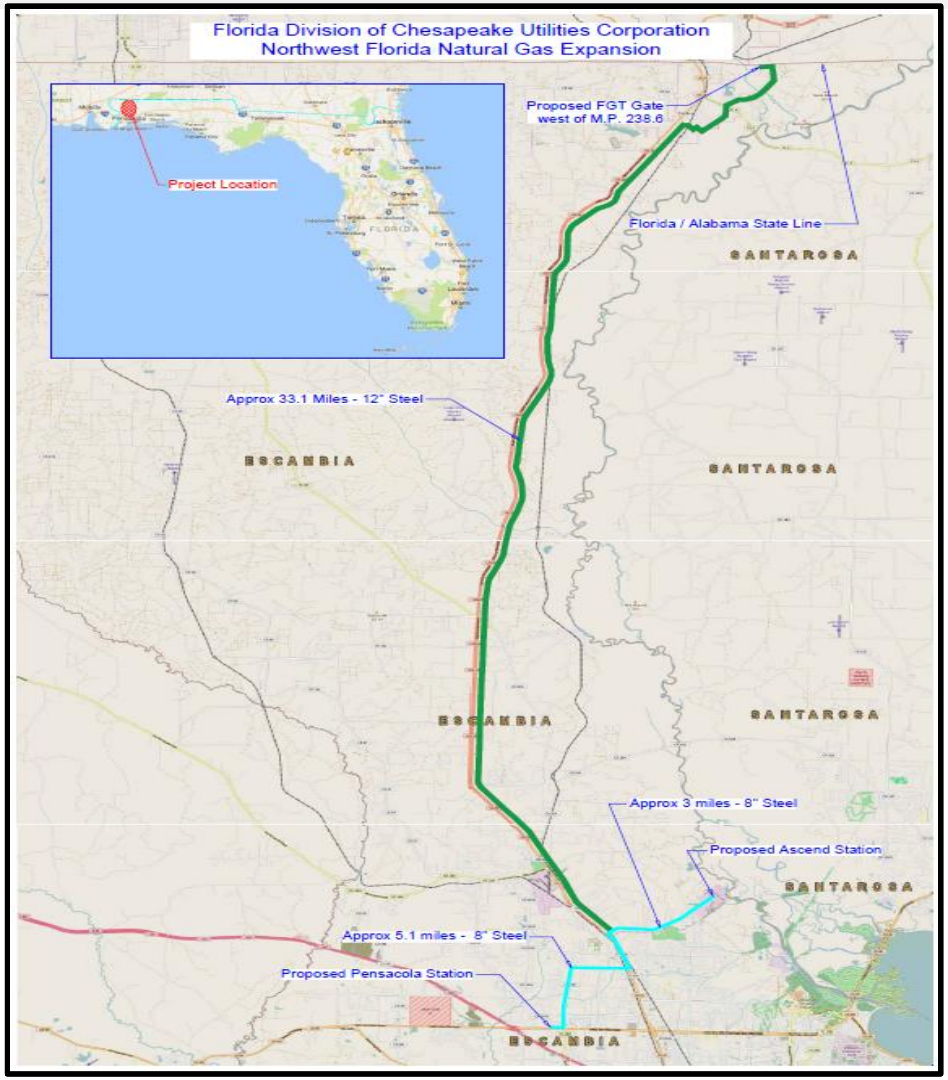
Northwest Florida Expansion

Capital Investment:
- Approximately $35.9 Million

Annual Estimated Margin:
- $5.1 million in the first full year of operation

Construction Period:
- Construction began June 3, 2017
- In service second quarter 2018

Project Description:
- 33 miles of transmission pipeline to interconnect with Florida Gas Transmission (FGT)
- 8 miles of distribution pipeline to serve firm LDC commitments in Escambia County (Pensacola), Florida
- Committed utilization 68,500 dts/d, with total capacity of 80,000 dts/d



Celebrating One Year of Operation

Eight Flags Energy Combined Heat and Power Plant

Project Commencement: June 2016

Capital Investment: $40.0 million

Gross Margin :
- $9.4 million in the first full year of operation
- $5.0 million generated in the first half of 2017

Estimated FPU Electric Customer Savings
- $3 to $4 million per year depending on natural gas prices

Project Description:
- Natural-gas-fired fired turbine and electric generator
- Combined heat and power plant
- 20 megawatts base power load
- Sells power to Florida Public Utilities for FPU's retail electric customers under 20-year agreement
- Sells steam to an industrial customer under 20-year agreement
- Natural gas supplied by FPU's distribution and transmission system

Operating Efficiency and Highlights:
- Eight Flags CHP is running at 78% efficiency
- Eight Flags is running at 98% utilization

Recent Honors for Eight Flags CHP Plant

- ***Southeastern Electric Exchange, Inc*****. recognized the Eight Flags CHP plant as a 2017 Industry Excellence Award in the Production Category**
- ***Southeastern Gas Association* recognized Eight Flags CHP plant as 2017 First Place Engineering Award**
- ***Power Engineering* recognized the plant as Best CHP Project for 2016**

Business Unit Overview

PESCO Energy

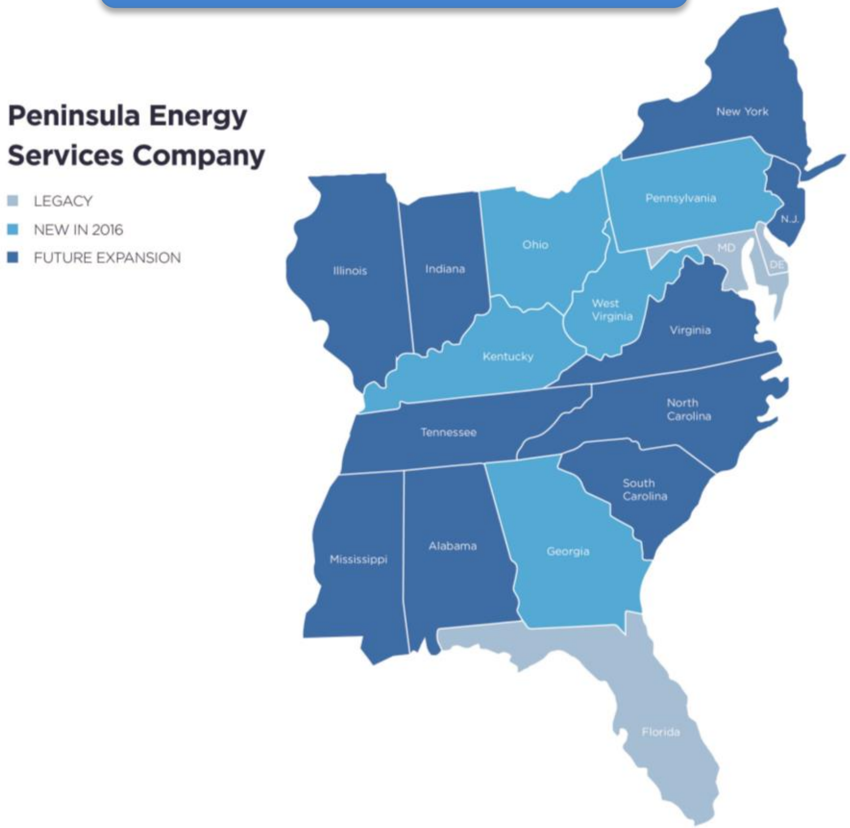
- Provides energy marketing services, including natural gas supply and related management services to commercial industrial and wholesale customers

- PESCO Energy's strategic growth plan is driven by three key initiatives:

Demand Origination	Supply Aggregation	Optimization
• Expanding our downstream business on LDC's served by core pipelines on which we have deep experience	• Purchasing physical production in upstream geographies that enable wholesale liquidity and competitive supplies	• Utilizing storage, firm transportation and other assets to capture the margin generated by our Demand Origination and Supply Aggregation efforts

Market Area

Serving three geographic regions: Southeast, Mid-Atlantic and Mid-West



Peninsula Energy Service Company, Inc.

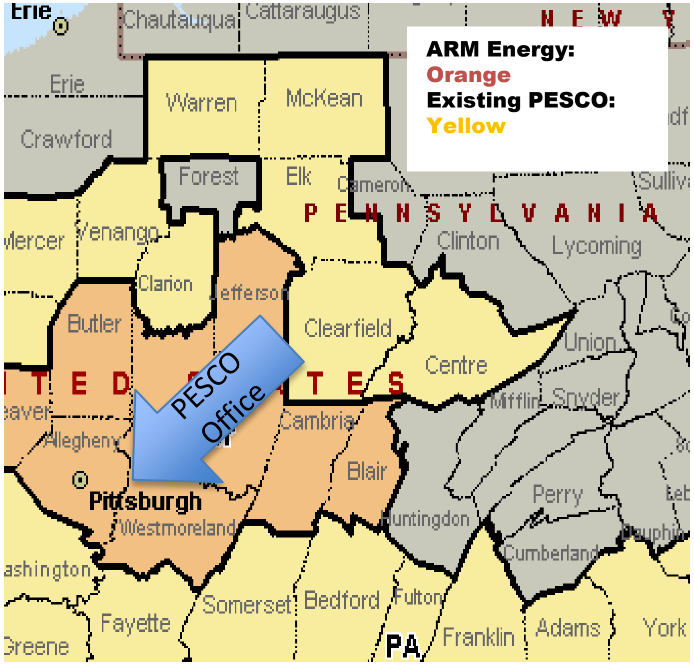
Acquisition of ARM Energy Management

Peninsula Energy Services Company (PESCO)

Acquisition of Assets

ARM Energy Management

Effective August 1, 2017

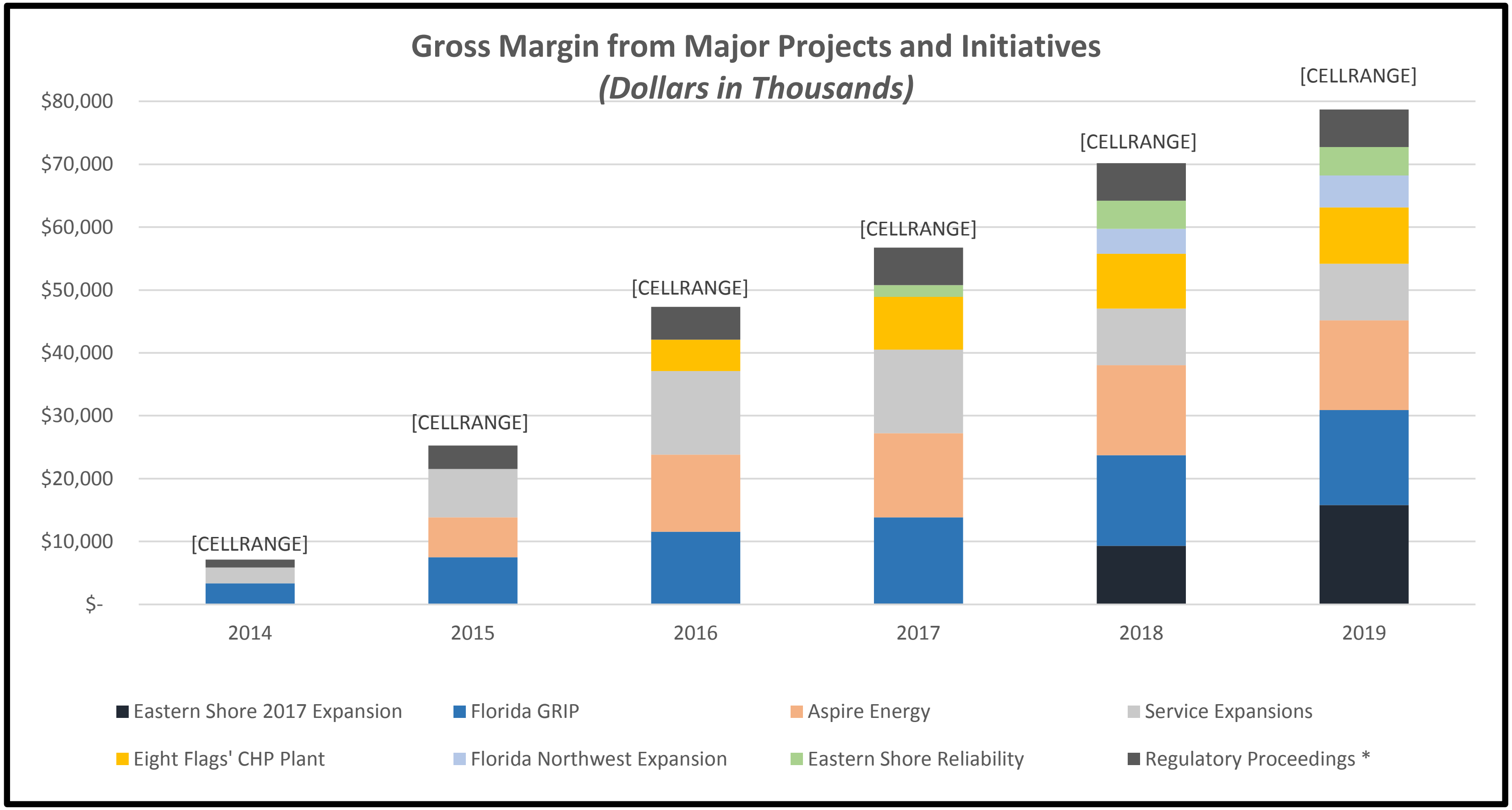


Strategic Opportunity

- PESCO acquired the assets of ARM Energy Management (ARM), a natural gas marketing company servicing commercial and industrial customers in Western Pennsylvania
- Excellent strategic fit for PESCO and Chesapeake Utilities:
  - Extends our regional footprint and deepens our commercial relationships with natural gas producers and end-users while continuing to provide growth opportunities and value to our customers
  - Complements PESCO's current portfolio and will expand the Company's retail demand in a market where it has existing pipeline capacity and wholesale liquidity
  - Provides PESCO opportunities to aggregate supply and provide associated services, similar to the strategy that has been executed with producers served by its Aspire Energy subsidiary throughout the Appalachian region of the United States

Major Projects and Initiatives

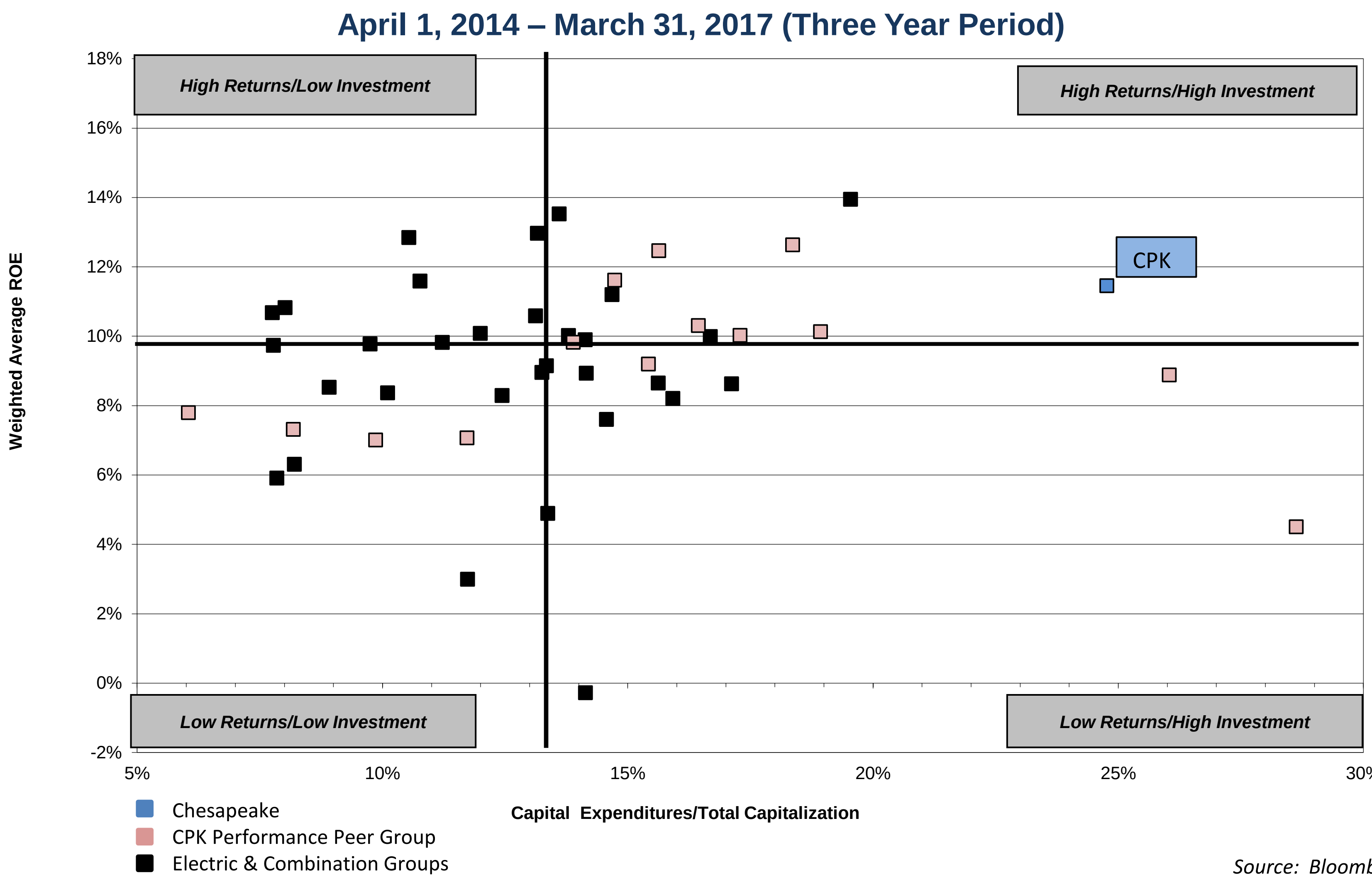
Completed and Underway 2014 through 2019



* ***Regulatory proceedings includes continued impact of 2014 Florida electric rate case and 2016 Delaware natural gas division rate case***

Performance Quadrant

Average ROE vs. Capital Expenditures/Total Capitalization

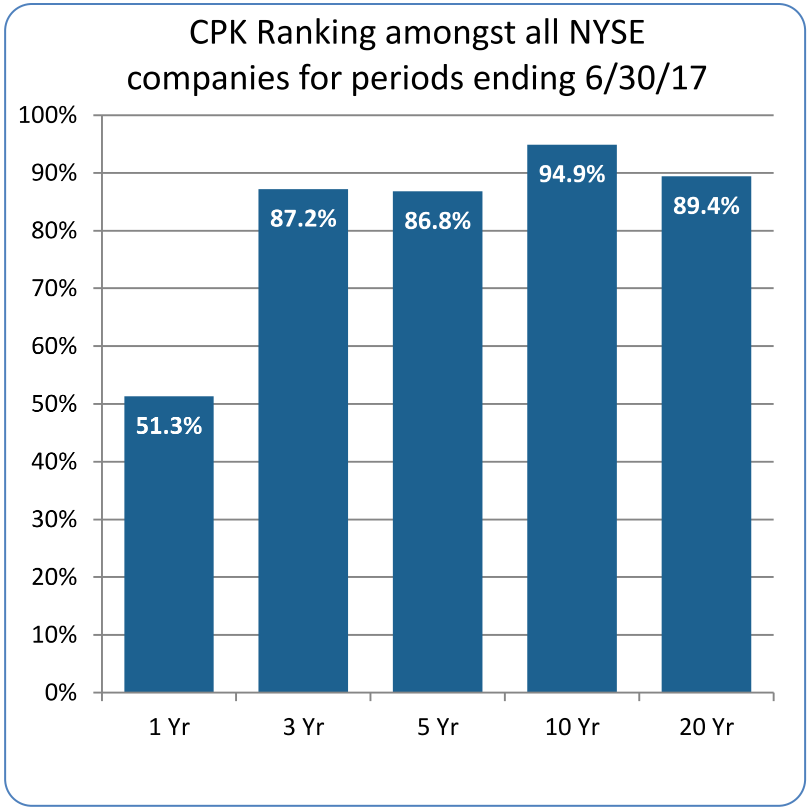


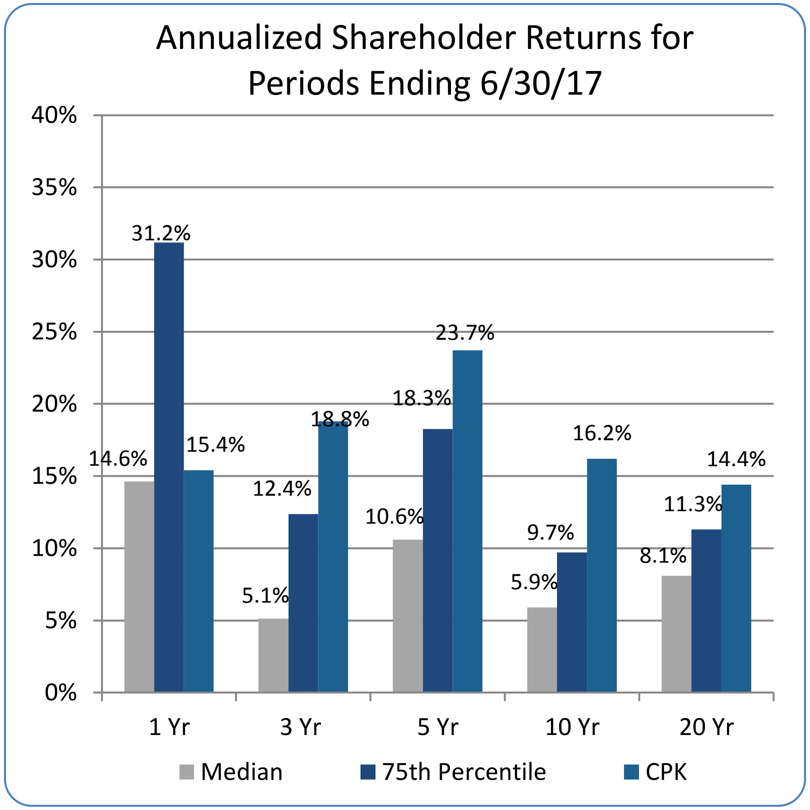
Source: Bloomberg

Shareholder Return

Comparison to Broader Market – NYSE Companies

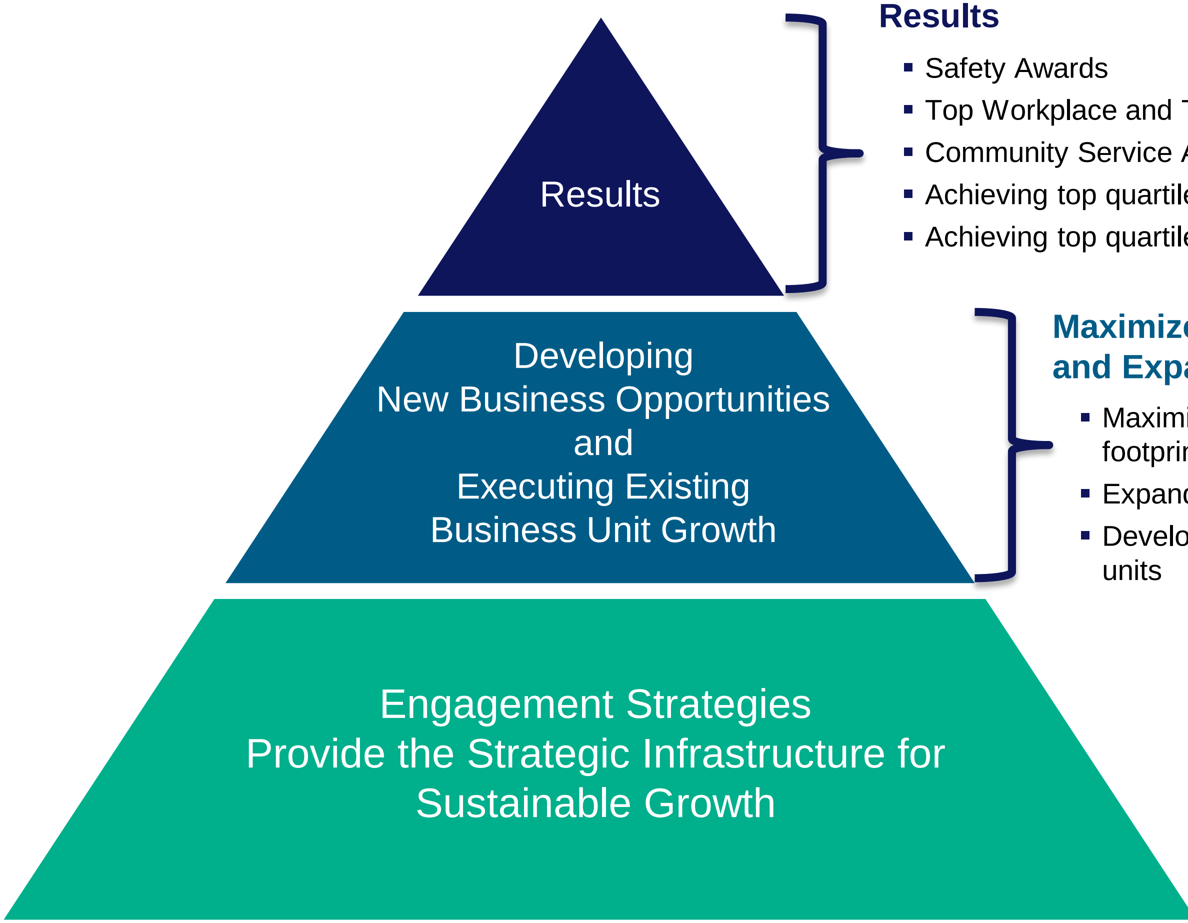
- Chesapeake's compound annual return has exceeded 14% for the past 1, 3, 5, 10 and 20 years.
- Total return relative to the broad market has been in the top 13% of all NYSE companies for the 3, 5, 10 and 20 years ended June 30, 2017.





Our Disciplined Approach to Reaching New Heights

Strategic Platform for Sustainable Growth



Results

- Safety Awards
- Top Workplace and Top Leadership Awards
- Community Service Awards
- Achieving top quartile growth in earnings
- Achieving top quartile Total Shareholder Return

Maximize Growth in Existing Footprint and Expand Into New Territories

- Maximize organic growth in existing geographic footprint
- Expand into new geographic areas
- Develop additional growth across business units

Engagement Strategies

- Engaged Employees
- Unified Brand Strategy
- Engaging Customers
- Engaging with Communities
- Strategic Thinking

Continuing to Build for Future

Disciplined Focus on Investments

Strategic Growth		Business Opportunities
Expand existing pipelines to provide customers lowest cost supplies	→	Provide customers access to lowest cost supplies and ensure system reliability
Leverage pipeline expertise and be preferred owner and operator of pipeline systems to serve high growth and new markets	→	Develop new pipeline projects that link supply to increasing demand centers
Expand market share in our three targeted growth markets through profitable organic growth	→	Increase natural gas and community gas footprint through economic LDC and retail propane acquisitions that have a strategic fit with existing businesses
Differentiate CPK as a full-service energy supplier / partner / provider through a customer-centric model	→	Expand CPK footprint in potential growth markets by differentiating CPK as service provider of natural gas and energy services

Thank You

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