CHESAPEAKE UTILITIES CORPORATION

# 2012 AGA Financial Forum

EVERYONE MATTERS, EVERY DAY.

# 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 2011 Annual Report on Form 10-K, as amended, 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.

# EVERYONE MATTERS, EVERY DAY.

CHESAPEAKE IS INSPIRING.

CHESAPEAKE IS HONEST.

CHESAPEAKE IS RESULTS-ORIENTED.

CHESAPEAKE FINDS CREATIVE SOLUTIONS.

CHESAPEAKE DOES THE RIGHT THING.

CHESAPEAKE IS UNITED.

# 2011 Financial Results

For the twelve months ended December 31,

(in thousands except per share amounts)

| | 2011 | 2010 | Change |
|---|---|---|---|
| Operating Income | | | |
| Regulated Energy | $ 44,204 | $ 43,509 | $ 695 |
| Unregulated Energy | 9,326 | 7,908 | 1,418 |
| Other | 175 | 513 | (338) |
| Total Operating Income | 53,705 | 51,930 | 1,775 |
| Other Income | 906 | 195 | 711 |
| Interest Charges | 9,000 | 9,146 | (146) |
| Income Before Taxes | 45,611 | 42,979 | 2,632 |
| Income Taxes | 17,989 | 16,923 | 1,066 |
| Net Income | $ 27,622 | $ 26,056 | $ 1,566 |
| Diluted Earnings Per Share | $ 2.87 | $ 2.73 | $ 0.14 |

- Net Income of $27.6 million compared to $26.1 million
- Earnings Per Share of $2.87 compared to $2.73
- Growth in the energy businesses overcame lower energy consumption, as a result of warmer temperatures:
  - Continued growth and expansion of the natural gas distribution systems
  - Natural gas transmission margin growth from a new mainline extension to interconnect with TETLP, system expansion projects, and new services to an existing customer facility
  - Higher retail margins per gallon from the propane distribution operations

# Reconciliation of 12/31/2011 Performance

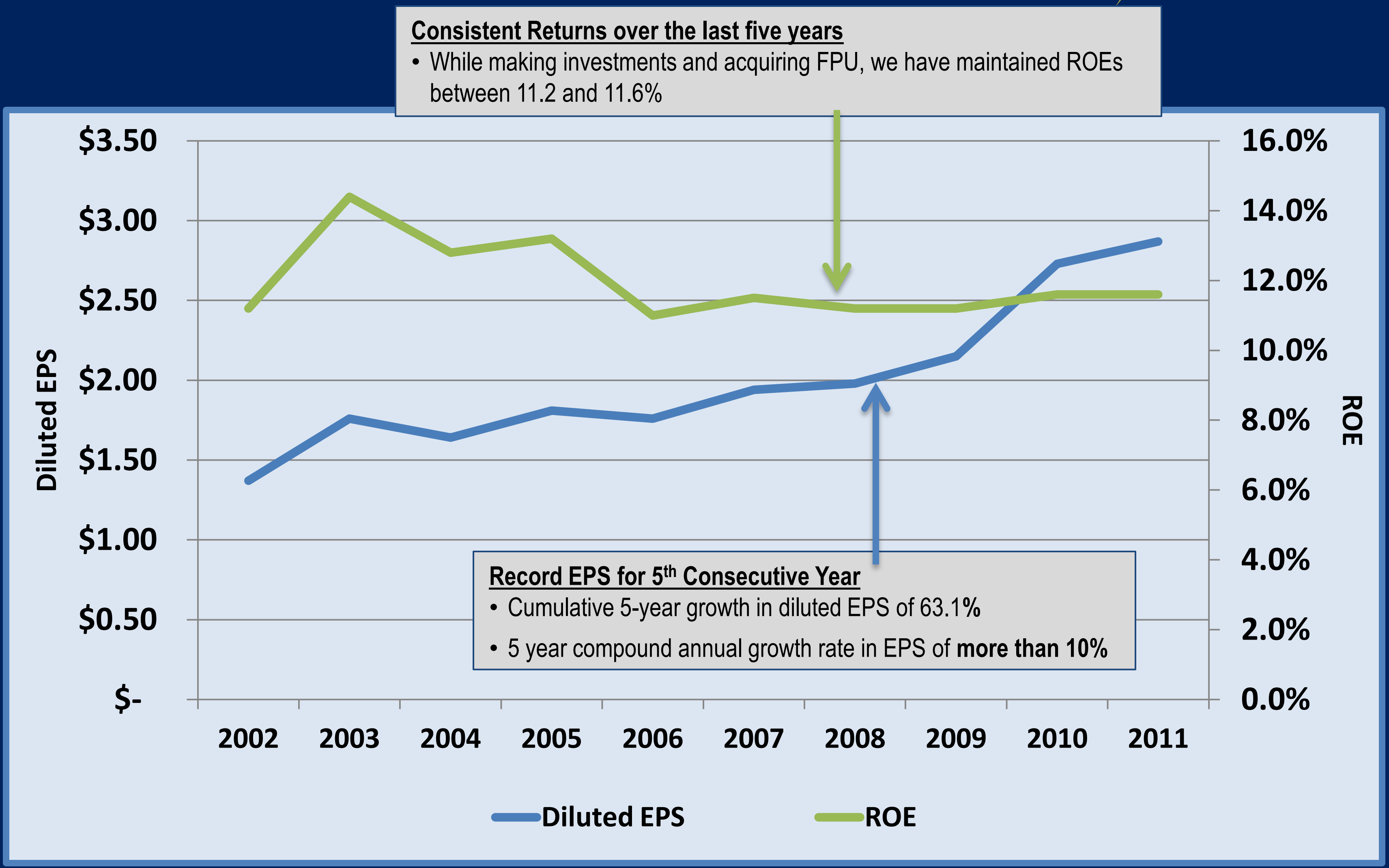
*(in thousands, except share and per share amounts)*

| | Pre-tax Income | Net Income | Weighted Shares O/S | Diluted EPS |
|---|---|---|---|---|
| **2010 Reported Results** | $ 42,979 | $ 26,056 | 9,582,374 | $ 2.73 |
| ***Increased Margins:*** | | | | |
| Eastern Shore TETCO expansion | 2,028 | 1,184 | 9,582,374 | 0.12 |
| Eastern Shore other new transportation services, net of decontracting | 886 | 518 | 9,582,374 | 0.05 |
| Eastern Shore increase in rates | 409 | 239 | 9,582,374 | 0.02 |
| Delmarva NG large commercial/industrial growth | 1,162 | 690 | 9,582,374 | 0.07 |
| Delmarva NG residential growth | 429 | 255 | 9,582,374 | 0.03 |
| Florida NG growth, including Indiantown acquisition in August 2010 | 771 | 474 | 9,582,374 | 0.05 |
| Propane distribution margin per gallon increase | 2,248 | 1,381 | 9,582,374 | 0.14 |
| Lower energy consumption, due primarily to warmer temperatures | (5,233) | (3,168) | 9,582,374 | (0.33) |
| | 2,700 | 1,573 | 9,582,374 | 0.15 |
| ***Increased Other Expenses:*** | | | | |
| Increased depreciation/asset removal costs from regulated assets | (1,232) | (732) | 9,582,374 | (0.08) |
| Eastern Shore pipeline integrity costs | (403) | (239) | 9,582,374 | (0.02) |
| Increased vehicle fuel costs | (621) | (376) | 9,582,374 | (0.04) |
| Additional legal costs as a result of an electric franchise dispute | (537) | (330) | 9,582,374 | (0.03) |
| | (2,793) | (1,677) | 9,582,374 | (0.17) |
| ***Unusual Items:*** | | | | |
| Florida regulatory reserve | 1,500 | 921 | 9,582,374 | 0.10 |
| Sales and gross receipts taxes | 959 | 589 | 9,582,374 | 0.06 |
| Absence of merger-related costs in 2011 | 660 | 395 | 9,582,374 | 0.04 |
| Proceeds from litigation settlement with a major propane supplier | 575 | 342 | 9,582,374 | 0.04 |
| Gain from the sale of Internet Protocol address asset | 553 | 331 | 9,582,374 | 0.03 |
| Severance and pension settlement charges | (1,284) | (777) | 9,582,374 | (0.08) |
| BravePoint's decline in operating income due to a new product launch | (858) | (527) | 9,582,374 | (0.05) |
| Absence of reserve for propane litigation settlement | 460 | 283 | 9,582,374 | 0.03 |
| | 2,565 | 1,557 | 9,582,374 | 0.17 |
| ***Net other changes:*** | 160 | 98 | 9,582,374 | 0.01 |
| Subtotal | 45,611 | 27,607 | 9,582,374 | 2.89 |
| Tax rate adjustment | | 15 | 9,582,374 | 0.00 |
| Weighted average share adjustment | | | 9,651,058 | (0.02) |
| **2011 Reported Results** | **$ 45,611** | **$ 27,622** | **9,651,058** | **$ 2.87** |

*Based upon adjusted EPS, year-to-date earnings growth is 5.4%.*

| | 2011 | 2010 |
|---|---|---|
| Diluted EPS | $ 2.87 | $ 2.73 |
| Less: Amortization of Premium and Transition/Transaction Costs | (0.15) | (0.15) |
| Adjusted EPS after Amortization | $ 2.72 | $ 2.58 |

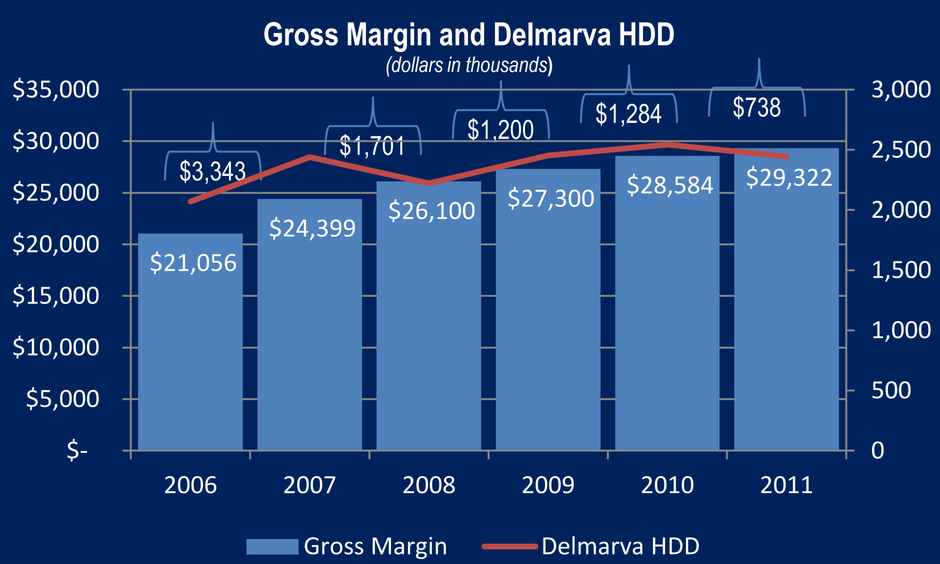
# Long-term Sustained Performance



# Delmarva Natural Gas Distribution - *Track Record of Success*

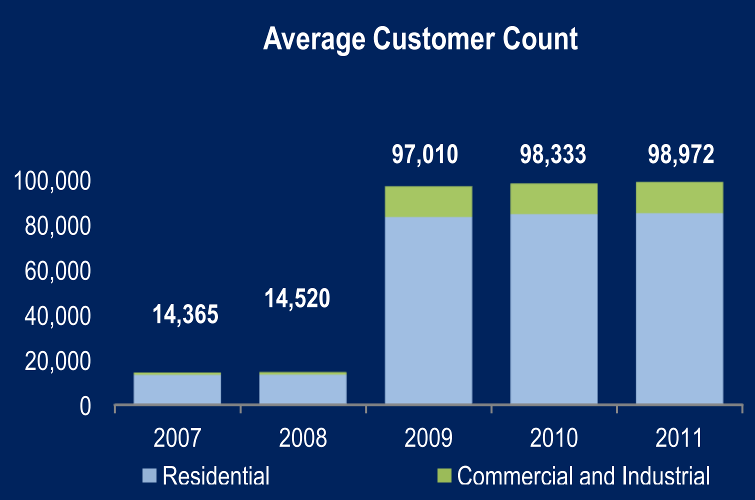
- **Growth fueled by commercial and industrial customer conversions and supplemented by residential customer growth**
- **Added 20 large commercial and industrial customers since July 2010 with estimated annual gross margin of $2.1 million**
  - Annualized margin from large commercial and industrial customers added in 2011 alone equates to 3,700 residential customers

- **Average annual Equivalent Residential Customer growth is approximately 9.9% in 2011**
- **Delmarva Natural Gas Distribution has generated an average annual customer growth rate of 3.5% or about 1,700 customers per years since 2006**
- **Residential customer growth for 2011 was 2%**



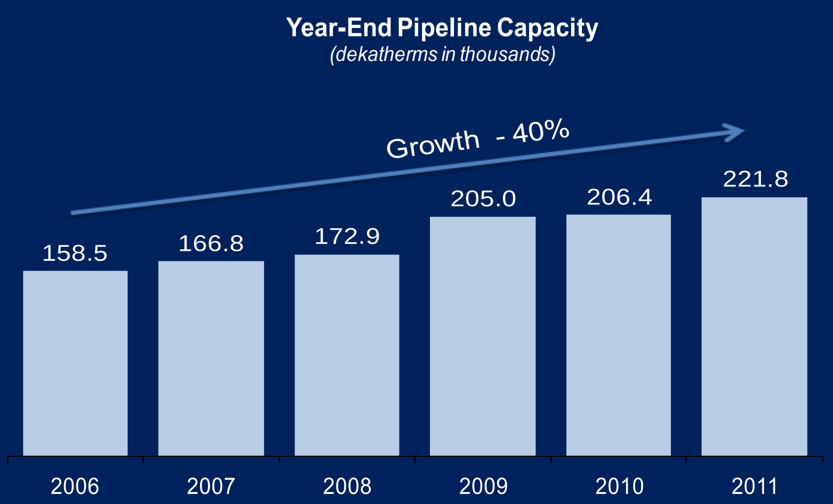

# Florida Regulated Energy Distribution - *Track Record of Success*

- Increased presence in Florida as a result of Chesapeake's Florida division, acquisition of Florida Public Utilities in 2009, and acquisition of Indiantown in 2010
  - Operating income increased more than 300% from 2009 to 2010
- Margin growth is being driven by commercial and industrial growth
  - $771,000 in additional gross margin as a result of 2% growth in commercial and industrial customers
    - $377,000 additional gross margin from Indiantown acquisition




# Natural Gas Transmission - *Track Record of Success*

- New expansion projects and transportation services generated $3.0 million in additional gross margin in 2011
    - Significant accomplishment – Eastern Shore Natural Gas commenced new transportation service to provide access to new supply with TETLP for a 3-year phase in of 20,000 to 40,000 dekatherms of capacity – generating annualized margin of approximately $2.1 million
        - Rate case settlement, providing for a pre-tax return of 13.9 percent




# Unregulated Energy - *Track Record of Success*

## Organic Growth

- Expanding our footprint
- Successful propane start-ups in Maryland and Pennsylvania
- Growth in our CGS systems
- New wholesale terminal in Florida
- Record results for the wholesale division
- Successful marketing programs

## Acquisitions

- Purchased operating assets of Crescent Propane in December 2011 – included approximately 800 customers in north central Florida
- Purchased operating assets of Barefoot Bay in January 2012 – included 380 customers in the Vero Beach, Florida area

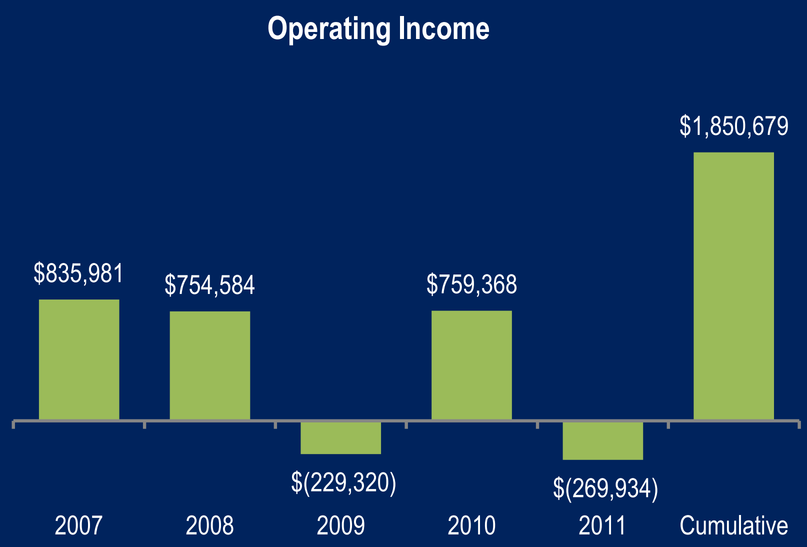
## Efficiencies and Performance Improvements

- New propane manager hired in Florida
- Migrating to one billing system for all propane operations
- Routing efficiencies

# Advanced Information Services – Our *Track Record*

- BravePoint offers a full suite of products and services
  - Managed services continues to grow
    - BI Practice continues to grow
      - Completion of *profitzoom*™ development and then roll-out; four *profitzoom*™ implementations completed
        - Application Evolution™, a component of *profitzoom*™, is also being marketed separately
          - Many new opportunities for Application Evolution™

Application Evolution ™ is a software development platform and methodology for companies who want to modernize their Progress applications using browser-based technology.



# First Quarter 2012 Results

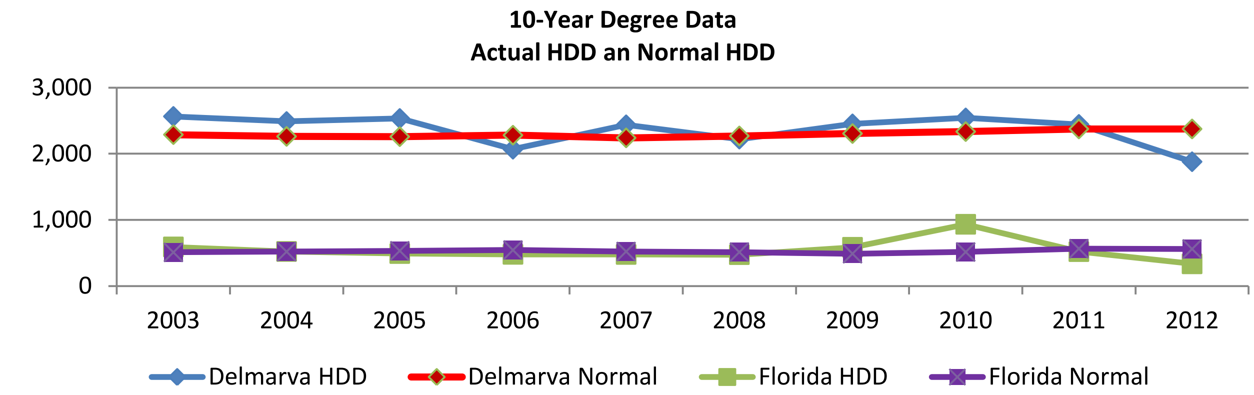
For the three months ended March 31,

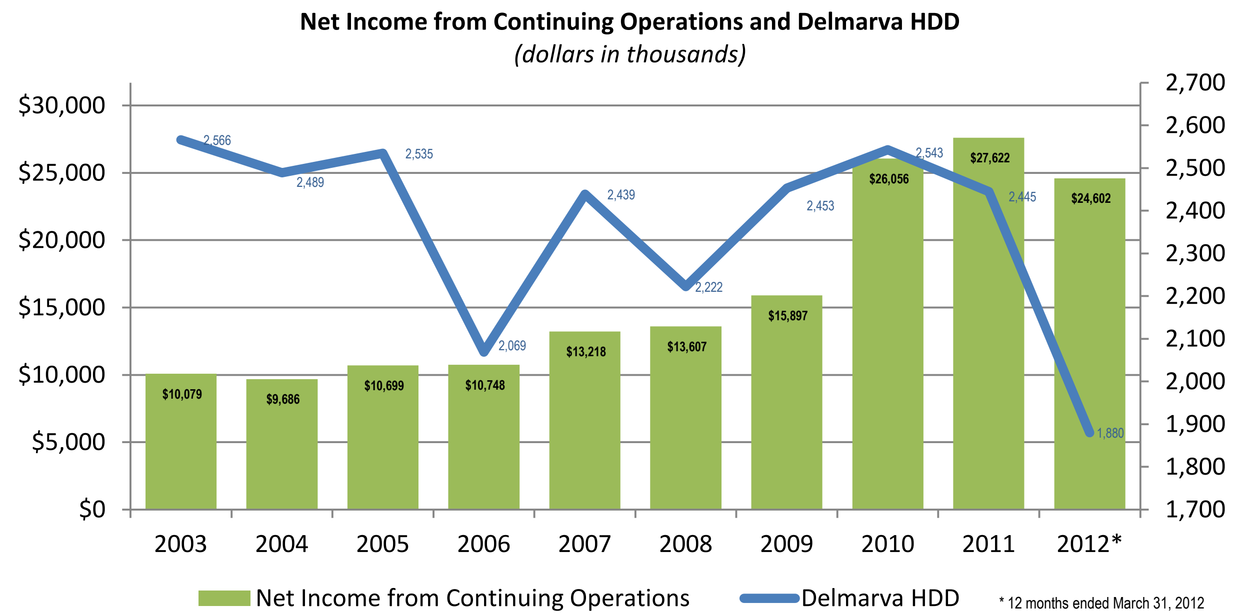
(in thousands except per share amounts)

| | 2012 | 2011 | Change |
|---|---|---|---|
| Operating Income | | | |
| Regulated Energy | $ 14,798 | $ 16,233 | $ (1,435) |
| Unregulated Energy | 5,154 | 8,591 | (3,437) |
| Other | 121 | 15 | 106 |
| Total Operating Income | 20,073 | 24,839 | (4,766) |
| Other Income | 196 | 22 | 174 |
| Interest Charges | 2,291 | 2,150 | 141 |
| Income Before Taxes | 17,978 | 22,711 | (4,733) |
| Income Taxes | 7,251 | 8,964 | (1,713) |
| Net Income | $ 10,727 | $ 13,747 | $ (3,020) |
| Diluted Earnings Per Share | $ 1.11 | $ 1.43 | $ (0.32) |

- Warmer weather on the Delmarva Peninsula and in Florida reduced margin by $4.0 million
- A decline in other volumes for propane distribution further lowered margin by $587,000
- Eastern Shore’s expansion projects and new services generated additional margin of $553,000
- Customer growth by the natural gas distribution operations generated additional margin of $562,000
- Amortization associated with the recovery of acquisition adjustment and merger-related costs increased expenses by $588,000

# Magnitude of Warmer Weather




## Delmarva

- Warmest first quarter in last 10 years
- 2nd warmest first quarter in last 40 years

## Florida

- Warmest first quarter in last 20 years
- 3rd warmest first quarter in last 40 years

# Reconciliation of 3/31/12 Earnings Per Share

| | | |
|---|---|---|
| 2011 Reported Diluted EPS | $ | 1.43 |
| Add: Growth in natural gas | $ | 0.07 |
| Less: Warmer temperatures in 2012 | $ | (0.25) |
| Less: Propane Other Volume Decline | $ | (0.04) |
| Less: Amortization of Acquisition Costs | $ | (0.04) |
| Less: Electric Franchise Dispute | $ | (0.02) |
| Less: Non-recurring items in 1Q2011 | $ | (0.02) |
| Less: Other | $ | (0.02) |
| 2012 Reported Diluted EPS | $ | 1.11 |

- Growth in our businesses continues to be strong
- 7% growth was not sufficient to overcome 25% warmer temperatures

# Reconciliation of 3/31/2012 Performance

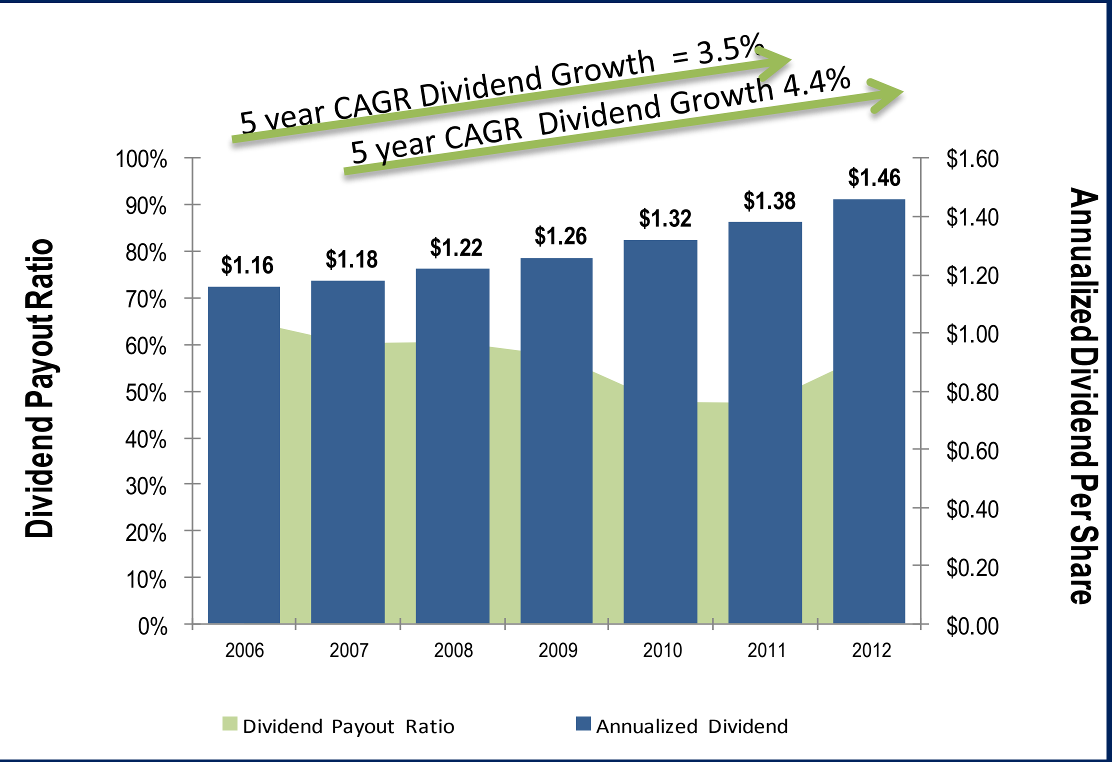
*(in thousands, except share and per share amounts)*

| | Pre-tax Income | Net Income | Weighted Shares O/S | Diluted EPS |
|---|---|---|---|---|
| **Q1 2011 Reported Results** | **$ 22,711** | **$ 13,747** | **9,633,796** | **$ 1.43** |
| **Normalizing Items:** | | | | |
| Weather | (3,982) | (2,410) | 9,633,796 | (0.25) |
| Amortization of acquisition premium and costs | (588) | (356) | 9,633,796 | (0.04) |
| Non-recurring items in Q1 2011 | | | | |
| Proceeds from litigation settlement with a major propane supplier | (575) | (348) | 9,633,796 | (0.04) |
| Severance and pension settlement charges | 295 | 179 | 9,633,796 | 0.02 |
| | (4,850) | (2,935) | 9,633,796 | (0.31) |
| ***Increased Margins:*** | | | | |
| Delmarva NG customer growth | 446 | 270 | 9,633,796 | 0.03 |
| Florida NG customer growth | 116 | 70 | 9,633,796 | 0.01 |
| Eastern Shore expansions and new services, net | 553 | 335 | 9,633,796 | 0.03 |
| Propane distribution other volume decline | (587) | (355) | 9,633,796 | (0.04) |
| Propane distribution margins per gallon increase | 628 | 380 | 9,633,796 | 0.04 |
| Propane wholesale marketing decline | (536) | (324) | 9,633,796 | (0.03) |
| BravePoint margin increase | 437 | 265 | 9,633,796 | 0.03 |
| | 1,057 | 641 | 9,633,796 | 0.07 |
| ***Increased Other Expenses:*** | | | | |
| Increased depreciation/asset removal costs from regulated assets | (137) | (83) | 9,633,796 | (0.01) |
| Increased legal costs associated with a franchise dispute | (243) | (147) | 9,633,796 | (0.02) |
| Lower payroll costs in unregulated energy, net | 471 | 285 | 9,633,796 | 0.03 |
| BravePoint operating expense increase | (334) | (202) | 9,633,796 | (0.02) |
| Corporate overhead | (520) | (315) | 9,633,796 | (0.03) |
| | (763) | (462) | 9,633,796 | (0.05) |
| ***Net other changes:*** | (177) | (108) | 9,633,796 | (0.01) |
| Subtotal | 17,978 | 10,883 | 9,633,796 | 1.13 |
| Tax rate adjustment | | (156) | 9,633,796 | (0.02) |
| Weighted average share adjustment | | | 9,666,885 | 0.00 |
| **Q1 2012 Reported Results** | **$ 17,978** | **$ 10,727** | **9,666,885** | **$ 1.11** |

# Continuous Dividend Growth

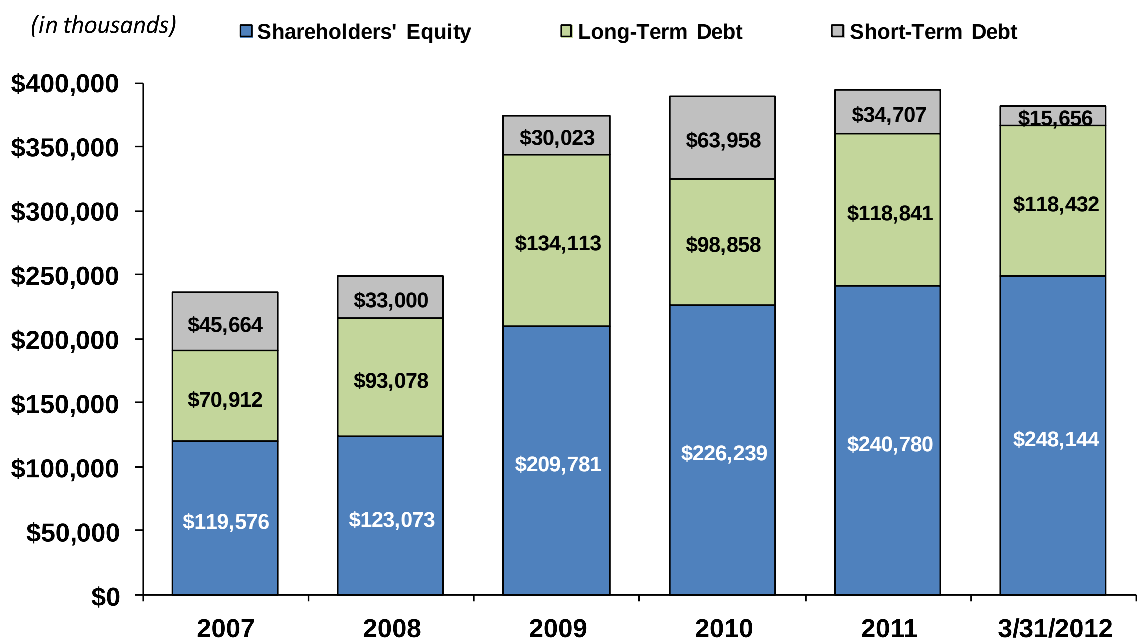
- Chesapeake has paid a dividend for 51 consecutive years
- Over the last five years, our annual earnings growth of 9.6% has exceeded our compound average annual dividend growth of 3.5%
- 2011 dividend payout ratio was approximately 47.4%
- The Board recently increased the dividend by $0.08 per share or 5.8%

## We are committed to dividend growth that is supported by earnings growth.



# Total Capitalization

We are strongly capitalized, enabling us to make the capital investments to continue to capture new growth.




| | | | | | | |
|---|---|---|---|---|---|---|
| Equity/Permanent Capitalization | 62.8% | 56.9% | 61.0% | 69.6% | 67.0% | 67.7% |
| Equity/Total Capitalization | 50.6% | 49.4% | 56.1% | 58.2% | 61.1% | 64.9% |

**$29.1 million of FPU's long-term debt was redeemed and was temporarily financed with short-term debt. This short-term debt was refinanced with CPK unsecured senior debt in 2011*

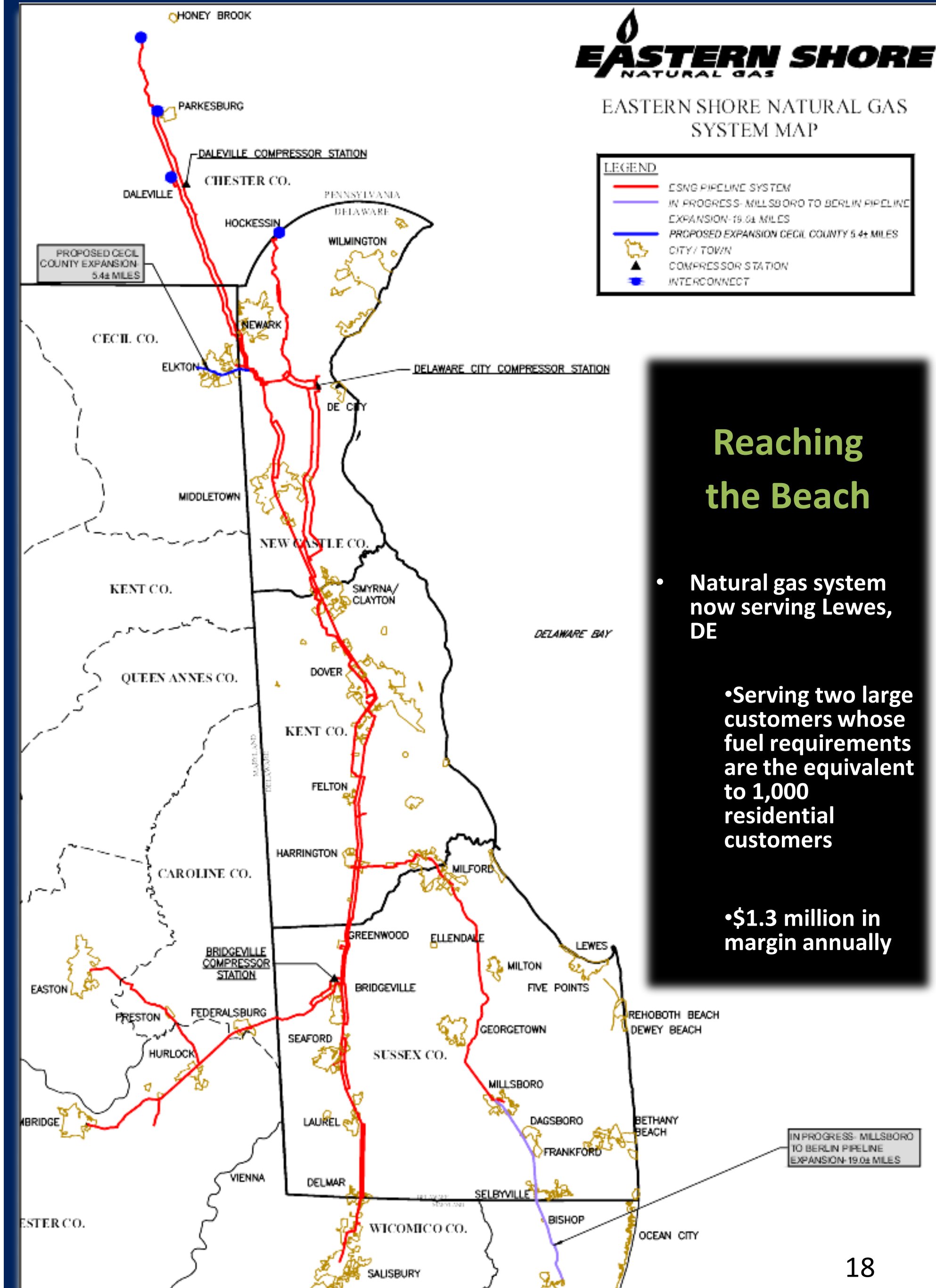
# Delmarva Regulated Energy Opportunities

## New Service to Southern Delaware and Maryland

- System expansions to serve two new facilities in Eastern Sussex County (1Q2012 & 2Q2012)
  - Annual gross margin equals 415 residential customers, or $156k annually
- System expansions to serve Cecil County, MD (3Q2012)
  - Annual transportation margin – $882k
- Natural gas distribution service to Worcester County, MD (1Q2012 - 3Q2012)
  - Annual transportation margin - $837k
- Firm natural gas transportation service to NRG Energy Center Dover, LLC (2013)
  - Annual transportation margin - $2.4 - $2.8 million

## Regulatory Matters

- Alternative rate design application filing with the Delaware Public Service Commission (2Q2012)

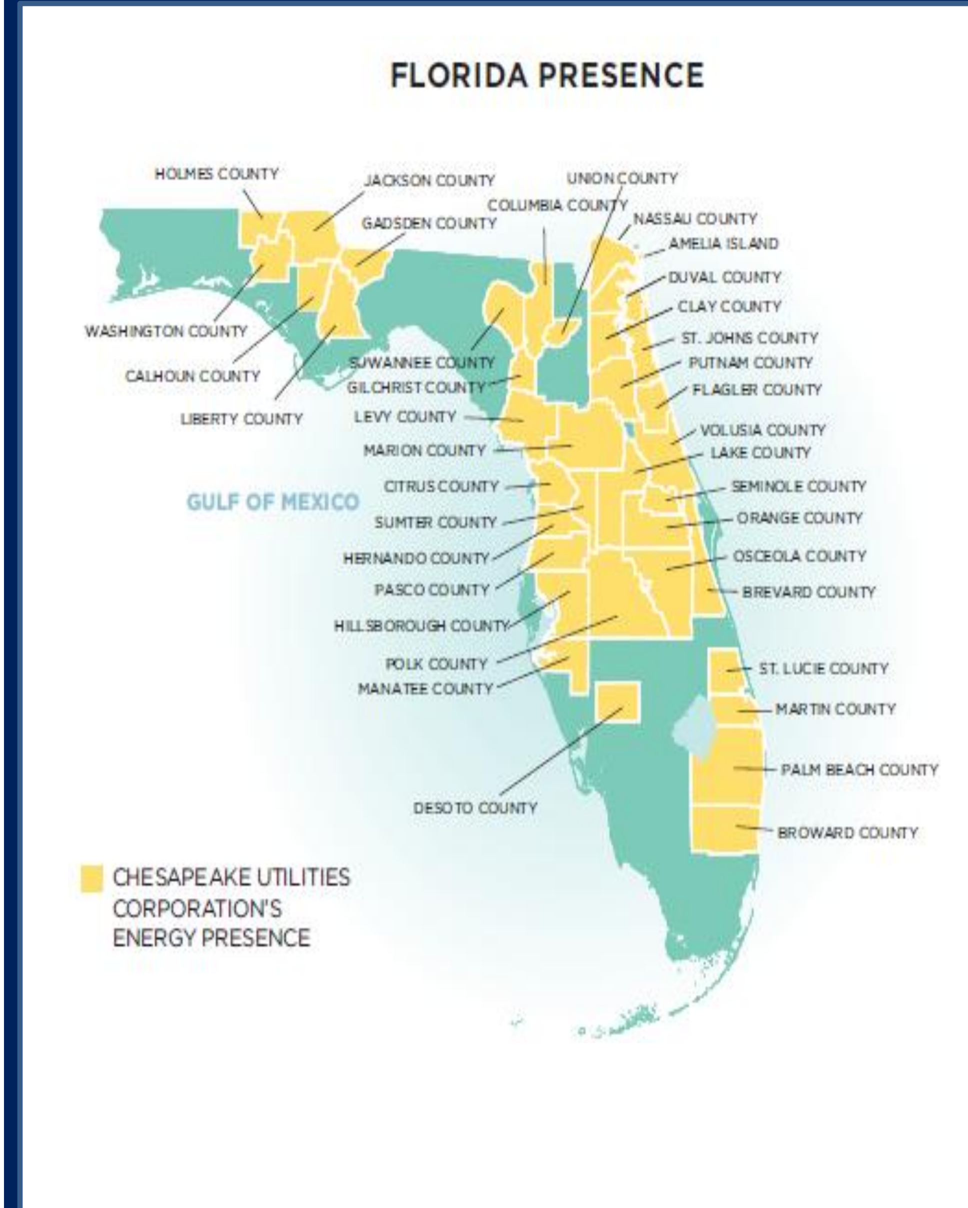



## Reaching the Beach

- Natural gas system now serving Lewes, DE
  - •Serving two large customers whose fuel requirements are the equivalent to 1,000 residential customers
  - •$1.3 million in margin annually

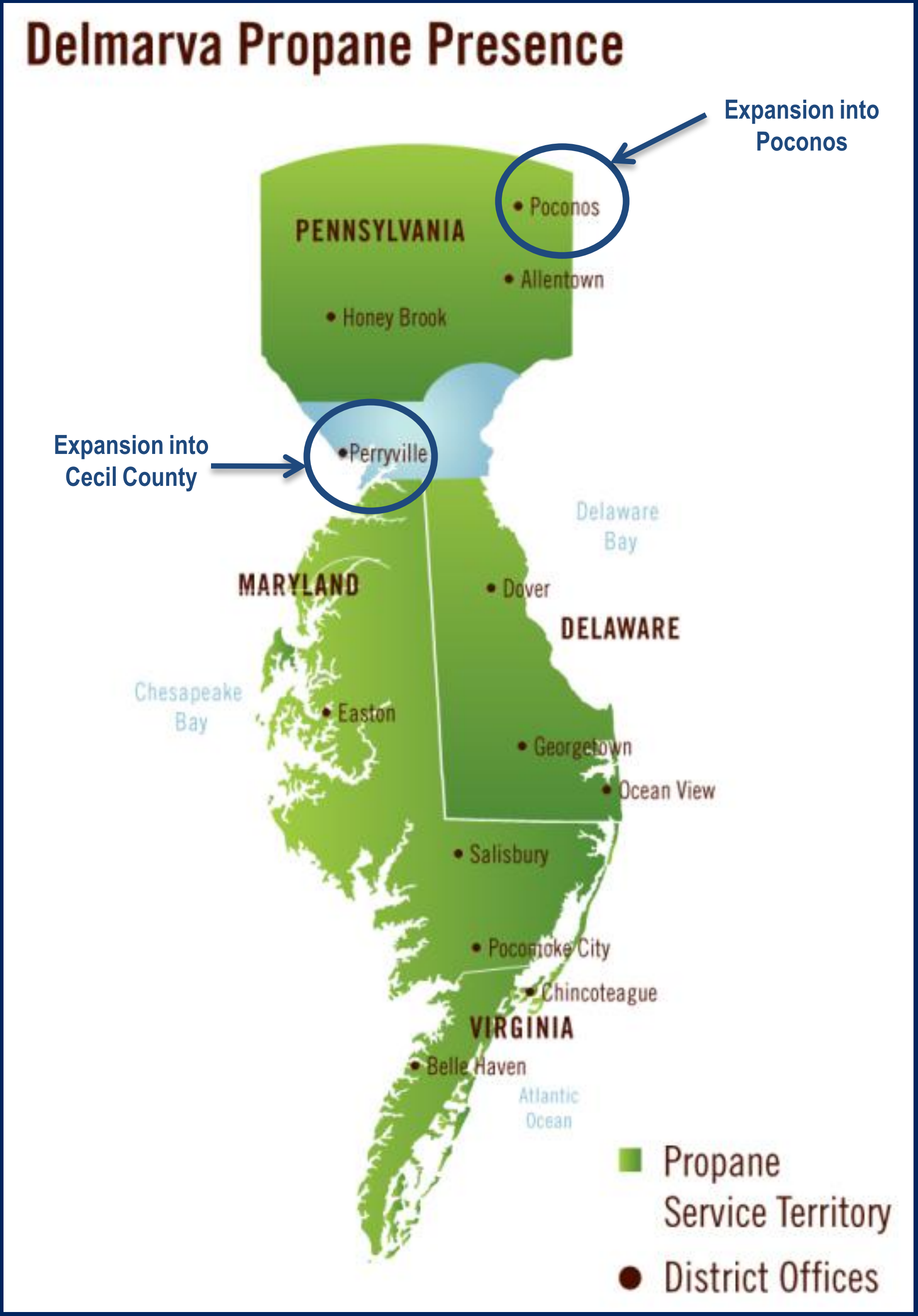
# Florida Regulated Energy Opportunities

- New commercial and industrial customers
- Natural gas expansion to new areas of the state
- Nassau County represents one such opportunity
    - Annual transportation margin of $2.1 million
    - Additional margin from new natural gas distribution customers
- Small industrial based electric generation opportunities
- Proposed bare steel pipeline replacement program – including return on investment



# Unregulated Energy Opportunities

- Continued growth via start-ups and expansion into new areas
- Growth in propane distribution wholesale division
- Expansion of CGS into other markets
- Continuing to design a variety of programs based on our customers' needs and preferences
- Potential CNG and LNG projects, including NGVs



# Advanced Information Services Opportunities

Our information services company continued to develop new products for use by customers in various industries.  We continue to look to our information services company for information technology and integration support service to our business, growth in the unregulated sector of our business and development of synergies with the energy markets.

## *Our Objectives*

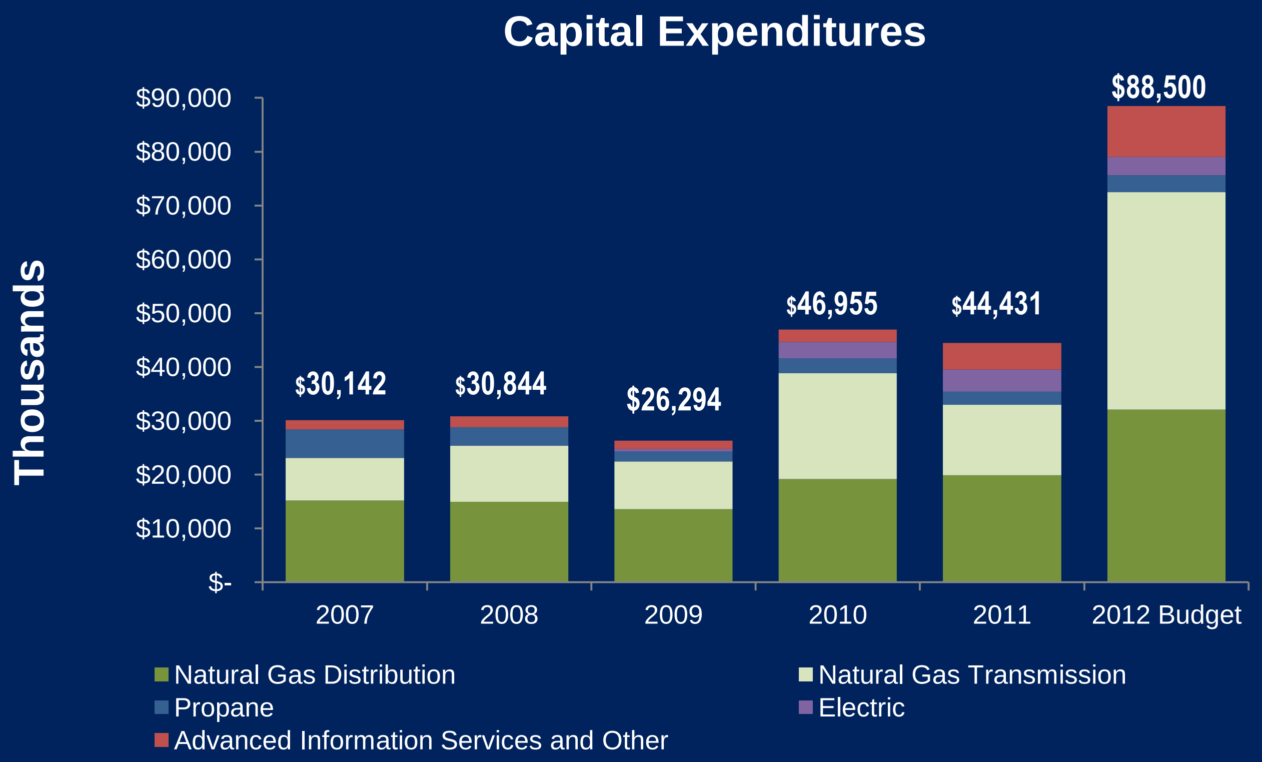
- Provide growth to the unregulated sector of business
- Transition from a volatile services-for-hire model to a more stable recurring revenues model
- Provide IT and integration support to the Company
- Develop more synergies with an energy focus and aligned with the Company’s foundation

# Capital Expenditures

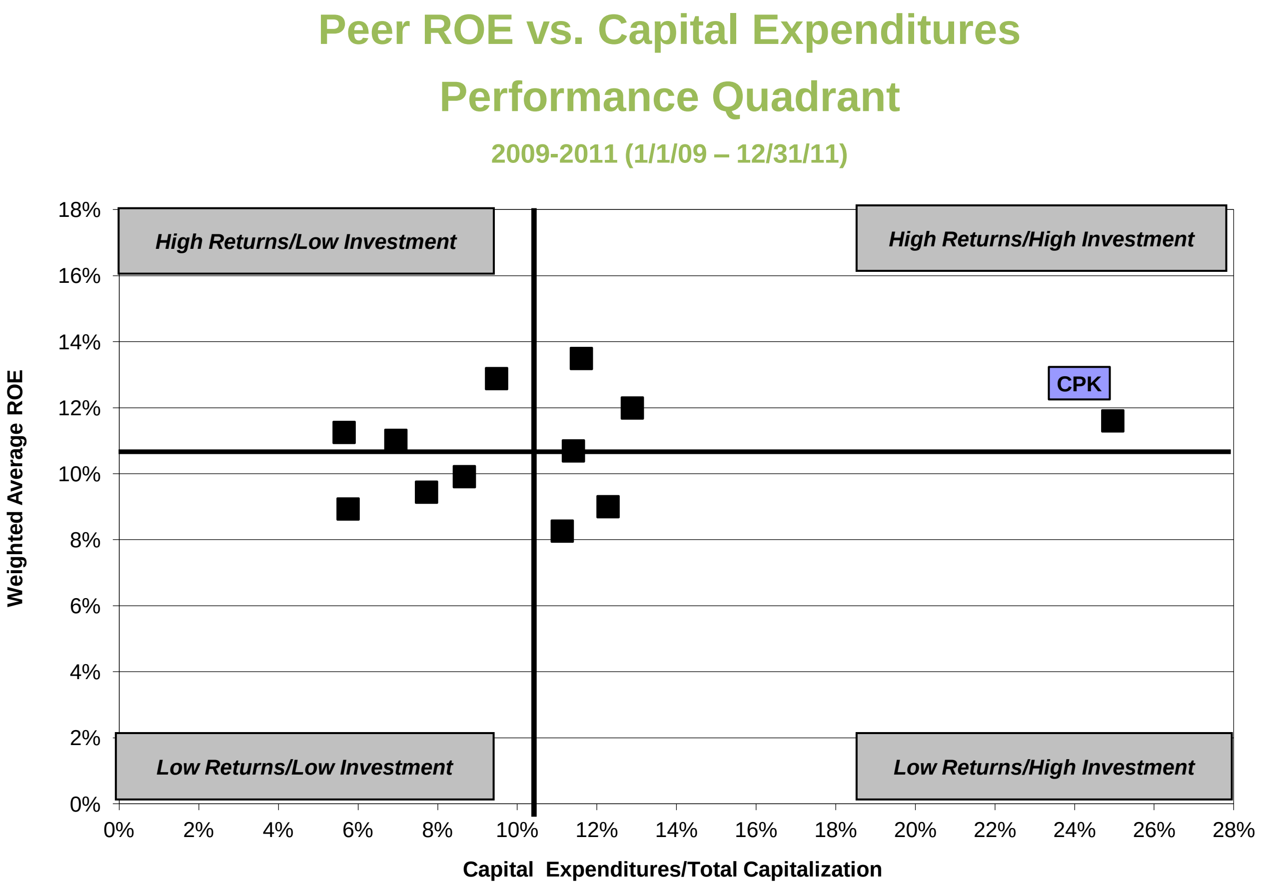
- We have invested approximately $179 million over the last 5 years
- We are budged to invest $88.5 million in capital expenditures in 2012



## We make investments that are projected to achieve their return on capital.



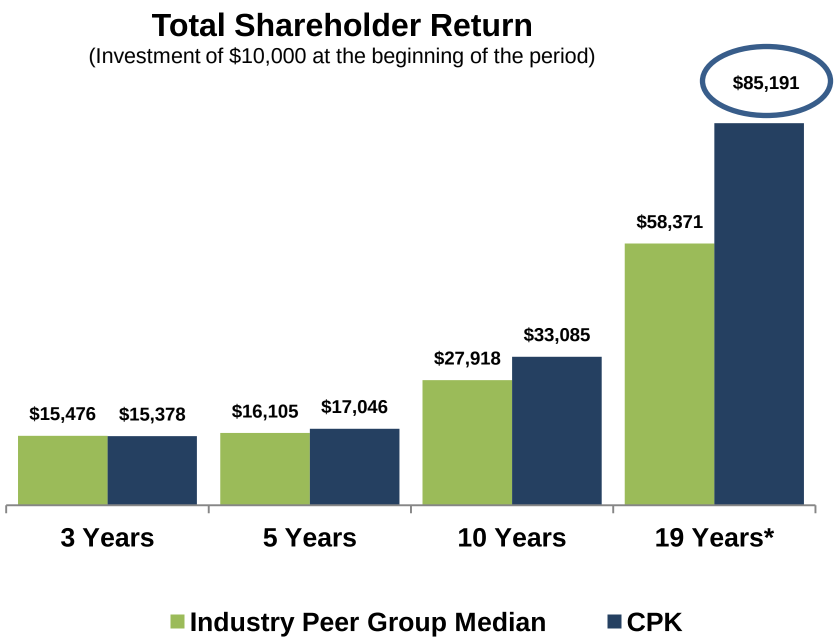
# Performance Relative to Our Peers

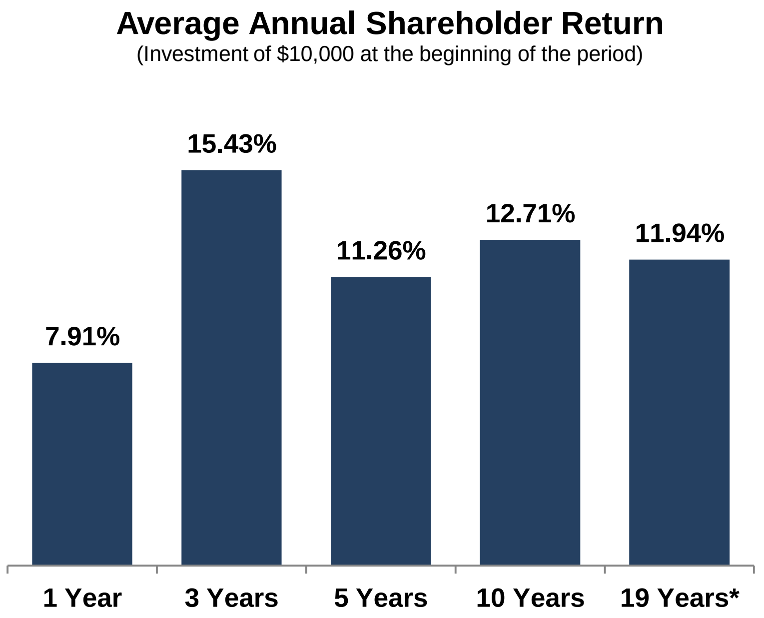



## Our Disciplined Approach, Every Day.

- From 2008-2011, we invested more than $118 million to grow our businesses
- The returns earned in our unregulated businesses coupled with our returns achieved in our regulated businesses has enabled us to achieve consolidated returns greater than regulatory commissions allow
- We will continue to focus on maximizing returns in our existing businesses while investing capital in new opportunities
- Expansion projects are driving the increase in 2012 capital expenditures in excess of 2011's level

# Delivered Results to Chesapeake's Shareholders




***If an investor made an initial investment of $10,000 in 1992, that investment would represent a value of over $85,000 today.***

***Over the long-term, our shareholders have earned over 11% annually on their Chesapeake investment.***

# Continuing to Drive Shareholder Value

## Engagement

We personally and genuinely care about our customers and the communities we serve, our responsibility to our investors and to each other. We are aspiring and caring.

## Strategic Planning

Our strategic planning process is a thorough and disciplined process that provides us a keen sense of where we have been and where we need to go from here. We aspire to grow at rates 5 to 10 times the industry average.

## Financial Discipline

At Chesapeake, we know that financial discipline is the key to good growth that generates lasting value. We are continuing to be financially disciplined.

**Everyone matters, every day. We deliver results every day.**

## Opportunities for Growth

We create a pipeline of opportunities that may take several years to mature and develop, and we continue to cultivate these opportunities each year, while constantly adding new opportunities to the pipeline.

## Solutions

For more than 100 years we have delivered safe, secure, reliable and efficient solutions that are environmentally and economically smart.

## Track Record

We strive each day to do our best for each other, our customers, our communities, our business partners, and our shareholders, pushing ourselves every day to do our job better and transform our aspirations into reality.

# Thank you.

# Questions?


CHESAPEAKE UTILITIES CORPORATION

# Appendices

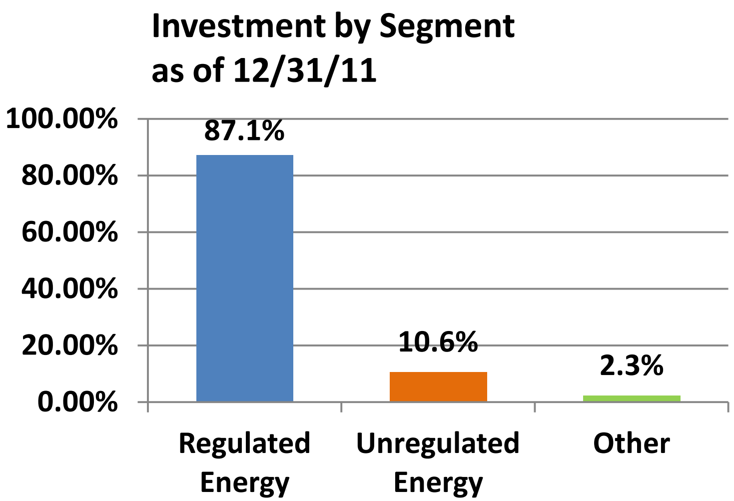
# Business Overview

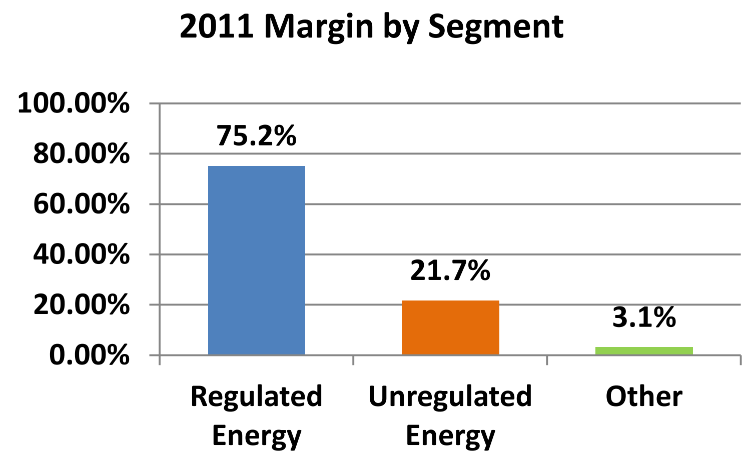
# Business Structure

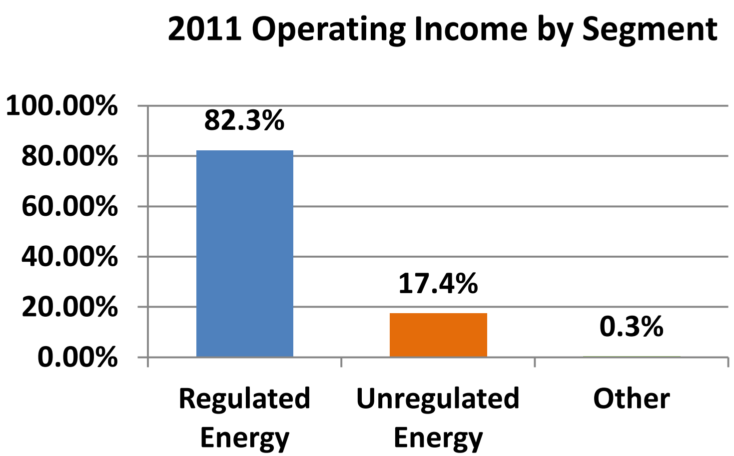
## Chesapeake Utilities Corporation

- **Regulated Energy**
  - **Natural Gas Distribution**
    - Chesapeake Utilities
    - Central Florida Gas
    - Florida Public Utilities Company
  - **Natural Gas Transmission**
    - Eastern Shore Natural Gas Company
    - Peninsula Pipeline Company, Inc.
  - **Electric Distribution**
    - Florida Public Utilities Company
- **Unregulated Energy**
  - **Propane Distribution**
    - Sharp Energy, Inc.
    - Sharpgas, Inc.
    - Florida Public Utilities Company
    - Flo-Gas Corporation
  - **Propane Wholesale Marketing**
    - Xeron, Inc.
  - **Natural Gas Marketing**
    - Peninsula Energy Services Company, Inc.
- **Other**
  - **Advanced Information Services**
    - BravePoint, Inc.
  - **Intercompany Real Estate and Other**
    - Skipjack, Inc.
    - Eastern Shore Real Estate, Inc.
    - Chesapeake Investment Company

# Business Diversity

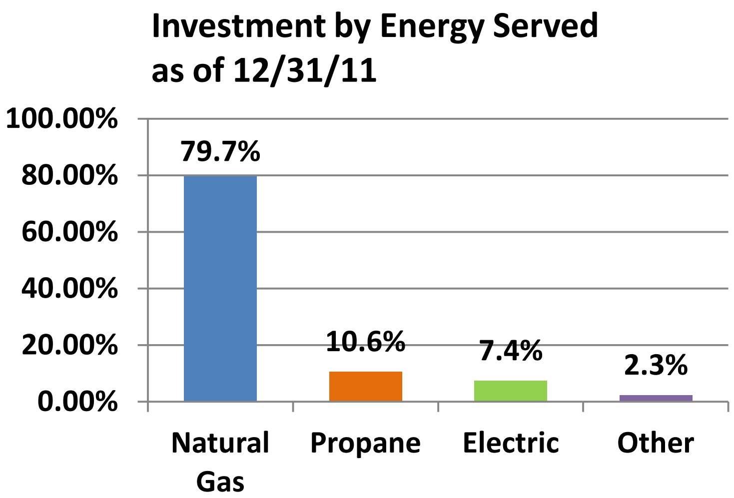


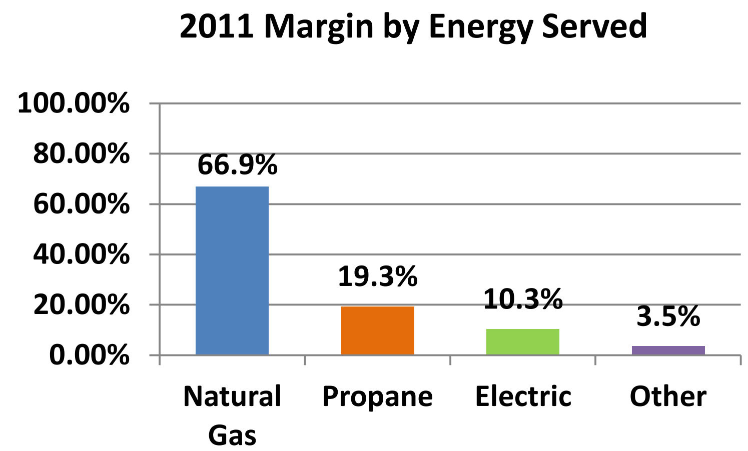



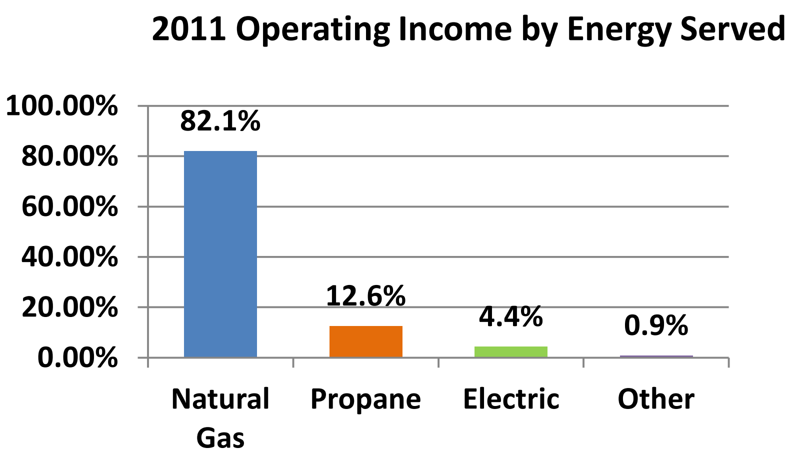




The core of our business is regulated energy. In addition to growth in this area, we also continue to explore ways to increase our earnings through unregulated energy and other areas – the areas that provide opportunities to achieve returns greater than those of a traditional utility.

# Energy Diversity

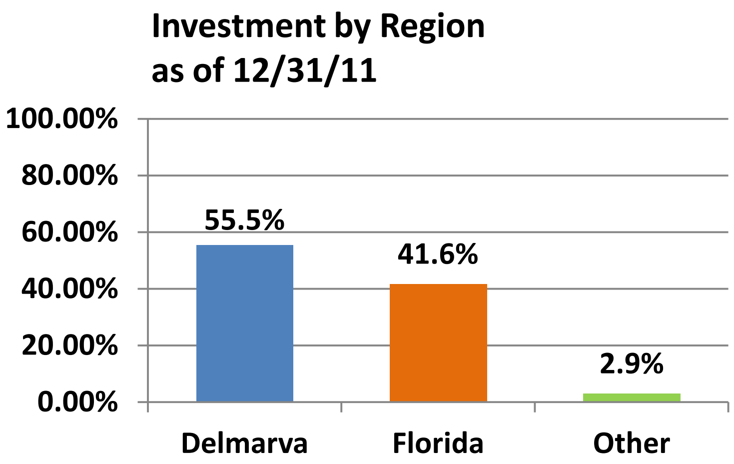


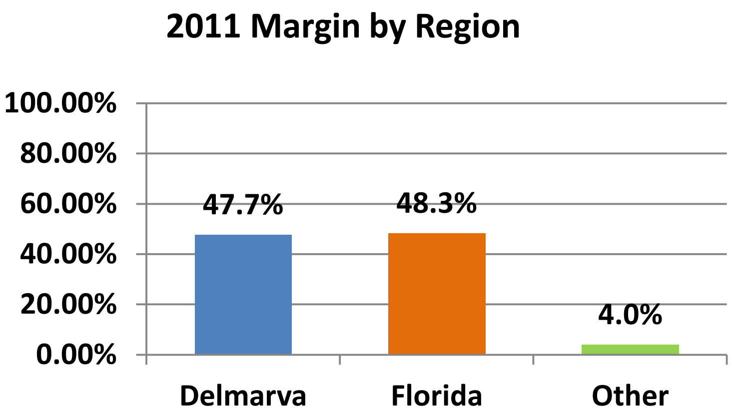



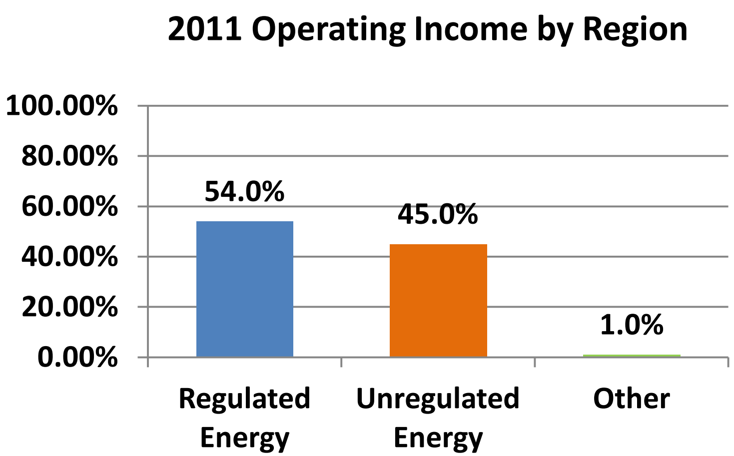




Our natural gas operations represent the largest portion of our business. Our propane and electric businesses expand our energy footprint and they provide the potential for growth for natural gas expansion and other areas in the future.

# Geographic Diversity




We have sizable operations in two different geographic areas – on the Delmarva Peninsula and in Florida. Having multiple geographic areas has benefited the Company through weather, customer, economic and regulatory diversification.

# Regulatory Information

# Regulatory Snapshot

| | Natural Gas Distribution Delaware | Natural Gas Distribution Central Florida Gas | Natural Gas Distribution FPU | Electric Distribution FPU | Natural Gas Distribution Maryland | Natural Gas Transmission FERC |
|---|---|---|---|---|---|---|
| **Commission Structure:** | **5 Commissioners**<br>Part-Time<br>Gubernatorial<br>Appointment | **5 Commissioners**<br>Full-Time<br>Gubernatorial<br>Appointment | **5 Commissioners**<br>Full-Time<br>Gubernatorial<br>Appointment | **5 Commissioners**<br>Full-Time<br>Gubernatorial<br>Appointment | **5 Commissioners**<br>Full-Time<br>Gubernatorial<br>Appointment | **5 Commissioners**<br>Full-Time<br>Presidential<br>Appointment |
| **Regulatory Jurisdiction:** | Delaware PSC | Florida PSC | Florida PSC | Florida PSC | Maryland PSC | FERC |
| **Base Rate Proceeding:** | | | | | | |
| Delay in collection of rates subsequent to filing of application | 60 days | 90 days | 90 days | 90 days | 180 days | Up to 180 days |
| Date of most recent application | 7/6/2007 | 7/14/2009 | 12/17/2008 | 5/31/2006 | 5/1/2006 | 12/30/2010 |
| Effective date of permanent rates | 9/30/2008 | 1/14/2010 | 1/14/2010 (1) | 5/22/2008 | 12/1/2007 | 7/29/2011 |
| Rate increase (decrease) approved | $325,000 | $2,536,300 | $7,969,000 | $3,856,900 | $648,000 | $805,000 |
| Rate of return approved | 10.25% (2) | 10.80% (2) | 10.85% (2) | 11.00% (2) | 10.75% (2) | 13.9% (3) |

*(1) Effective date of the Order approving settlement agreement, which adjusted rates originally approved on June 4, 2009.*
*(2) Allowed return on equity*
*(3) Allowed pre-tax, pre-interest rate of return*

# ESNG Rate Case Settlement

**Key Events**

- Eastern Shore filed a base rate case with the FERC on December 30, 2010
- The parties reached an agreement in principle related to the settlement of the rate case
- Eastern Shore filed the settlement agreement with the FERC on November 7, 2011
- FERC approved the rate case settlement on January 24, 2012

**Net Impact of the Settlement**

| | Annual Revenue Impact |
|---|---|
| July 2011 Rate Increase | $805,000 |
| 15,000 dts of Receipt Point Service increase on 11-01-2011 | $1,380,204[1] |
| Receipt Point Rate Reduction from $7.6678 to $4.3816 | ($1,380,204)[2] |
| 5,000 dts of Receipt Point Service increase on 11-01-2012 | $262,896 |

1. *Chesapeake previously disclosed that the phase-in of the TETCO capacity from 20,000 to 35,000 dts on November 1, 2011 would increase annual margin from $2.4 million to $3.9 million.*
2. *The proposed rate reduction offsets the gain (shown in (1)) that would have been experienced with the 15,000 dt increase in service.*

# Approval of Recovery of Acquisition Premium and Merger-Related Costs

- Chesapeake  requested the recovery of approximately $34.2 million in acquisition premium and $2.2 million in merger-related costs
- Chesapeake had to satisfy the PSC's five-factor test
- In January of 2012, the Public Service Commission approved recovery of the acquisition premium and merger-related costs.
- As a result of the approval:
  - We will be able to include the acquisition premium and merger-related costs in our cost and investment, when determining our rates for service
  - Amortization expense will be recorded and also included in the calculation of our rates
  - Acquisition premium amortized over 30 years
  - Merger-related costs amortized over 5 years
  - Amortization expense of :
    - $2.4 million annually ($1.4 million, net of tax in 2012 and 2013)
    - $2.3 million ($1.4 million, net of tax in 2014)
    - $1.8 million ($1.1 million, net of tax annually thereafter until 2039)

Longer-term, the inclusion of the acquisition premium in the Company's rate base and the recovery of the acquisition premium and merger-related costs through amortization expense, will increase the Company's earnings and cash flows above the levels that would have otherwise been achieved

No recovery would have meant lower earnings.

# 2011 Florida Merger Benefits

- Customer Experience initiative setting service quality standards: 70% reduction in pre-merger PSC complaints
- Customer satisfaction ratings are above industry norm and improving
- Process re-engineering is on-going
- Synergies to support the come-back filing were achieved; O&M costs per customer continue to trend down
- Aggressive sales and marketing efforts are capturing growth in commercial markets
- Chesapeake's strategic planning process is harvesting new growth opportunities, i.e., Nassau County
- Greater focus on propane operations and potential for expansion throughout the state
- Restructuring propane rates contributing to increased propane margins