

A STRONG

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foundation

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FOR GROWTH

Philadelphia Securities Association

June 5, 2019

# 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 2018 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.

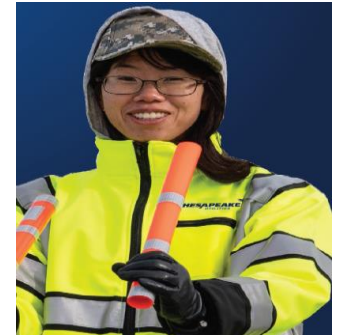
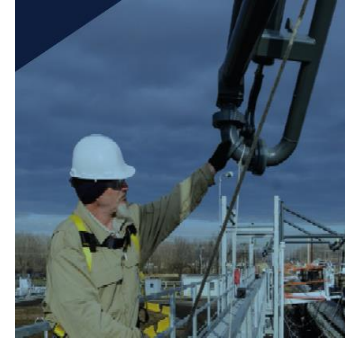
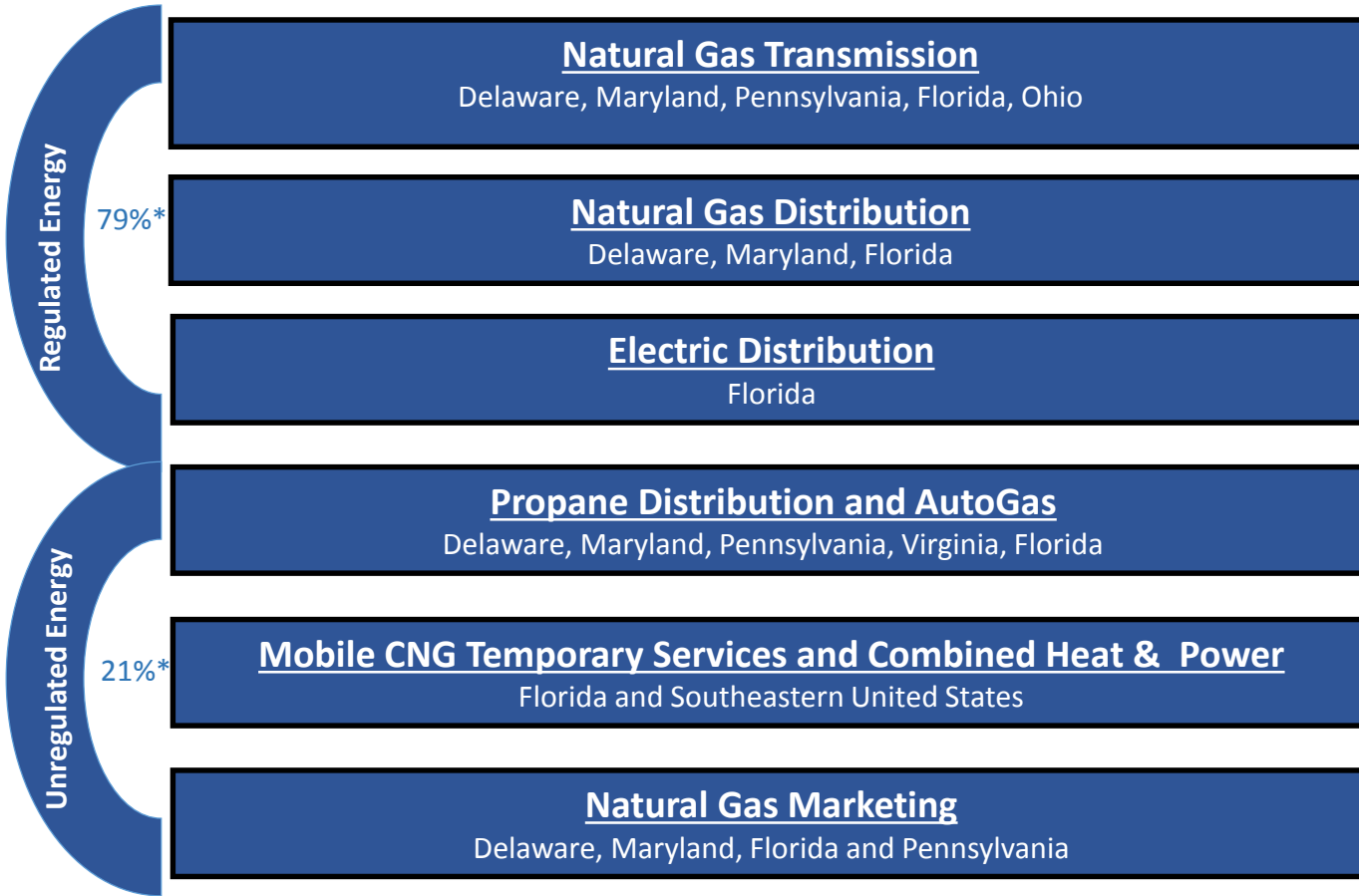
**Gross Margin (non-GAAP measure):** Gross Margin is determined by deducting the cost of sales from operating revenue. Cost of sales includes the purchased fuel cost for natural gas, electric and propane distribution operations and the cost of labor spent on different revenue-producing activities and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

**Adjusted EPS (non-GAAP measure):** Diluted Earnings per share excluding the impact of certain significant new non-cash items, including, but not limited to, the following: the impact of unrealized mark-to-market changes and one-time charges, such as severance charges. The Company calculates "adjusted earnings" by adjusting reported (GAAP) earnings to exclude the impact of certain significant non-cash items, including the impact of unrealized MTM gains (losses), one-time charges such as severance charges, and any prior year tax savings retained by our regulated businesses as a result of current year regulatory authorizations.

## Business Overview

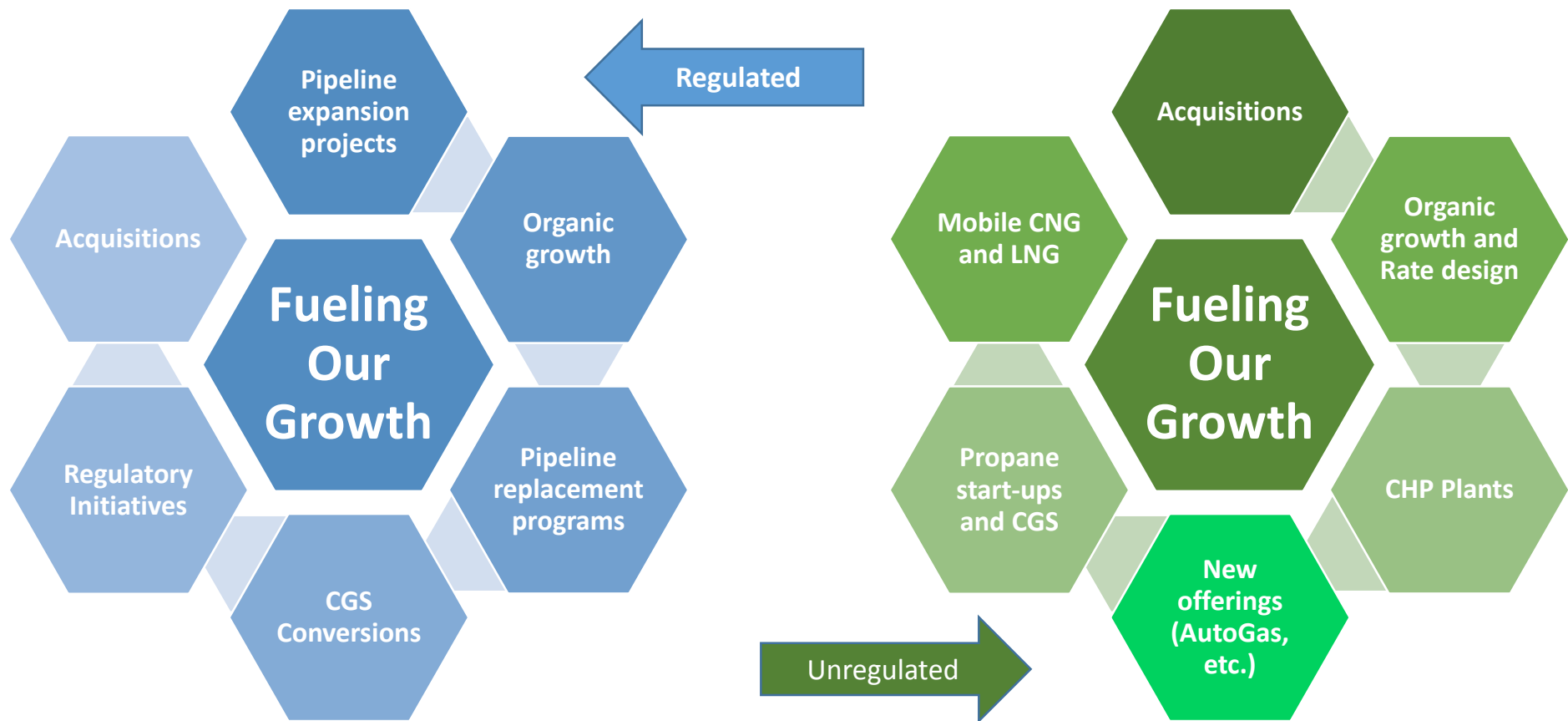
# Current and Future Growth Opportunities

# Chesapeake Utilities' Energy Delivery Systems



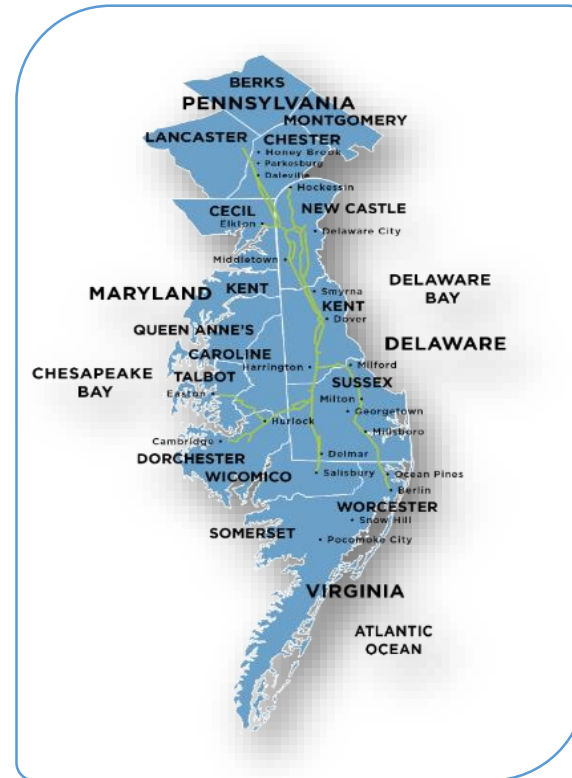
*\* Percentages of Identifiable Assets as of 12/31/18*

# Energy Delivery Growth Drivers



# Eastern Shore Natural Gas Transmission Pipeline Infrastructure

KEY FACTS	
Miles of Pipeline	457
Delivery Points	96 Delivery Points within 16 Delivery Point Areas
Compression	17,745 hp at 3 sites
Daleville, PA	4 units, totaling 6,880 hp
Delaware City, DE	6 units totaling 7,890 hp
Bridgeville, DE	3 units totaling 2,975 hp
Interconnects	4 Interconnects with 3 Upstream Pipelines
Honey Brook, PA	Texas Eastern Transmission
Parkessburg, PA & Hockessin, DE	Transcontinental Gas Pipeline Co.
Daleville, PA	Columbia Gas Transmission, LLC



Total FT System Capacity Currently : 300,000 dts/day

***Eastern Shore 2017 System Expansion project substantially completed in 2018***

- Investment Amount \$117 million
- Annual Margin \$16.2 million in 2019 (\$15.8 million each year thereafter)

# Del-Mar Energy Pathway Project Under Development

## Strategic Growth Initiative

### Maximize Organic Growth in Existing Geographic Footprint

- The proposed facilities associated with the Project will provide the transportation capacity needed to serve DE Division, MD Division and Sandpiper Energy's projected organic customer growth

### Expand into New Geographic Areas

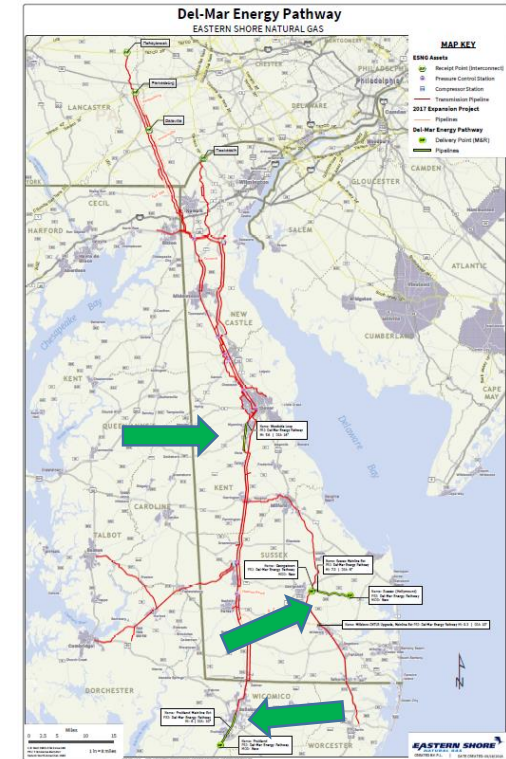
- East Sussex County – projected to be DNG's highest growth territory over the next few years
- Somerset County – piped natural gas available to the county for the first time in history

### Develop Additional Growth Across Business Units

- Chesapeake's distribution divisions are participating in the Project; with piped natural gas available in Somerset County for the first time; Chesapeake has the opportunity to capture growth in that area and obtain franchise agreements

### Public Perception

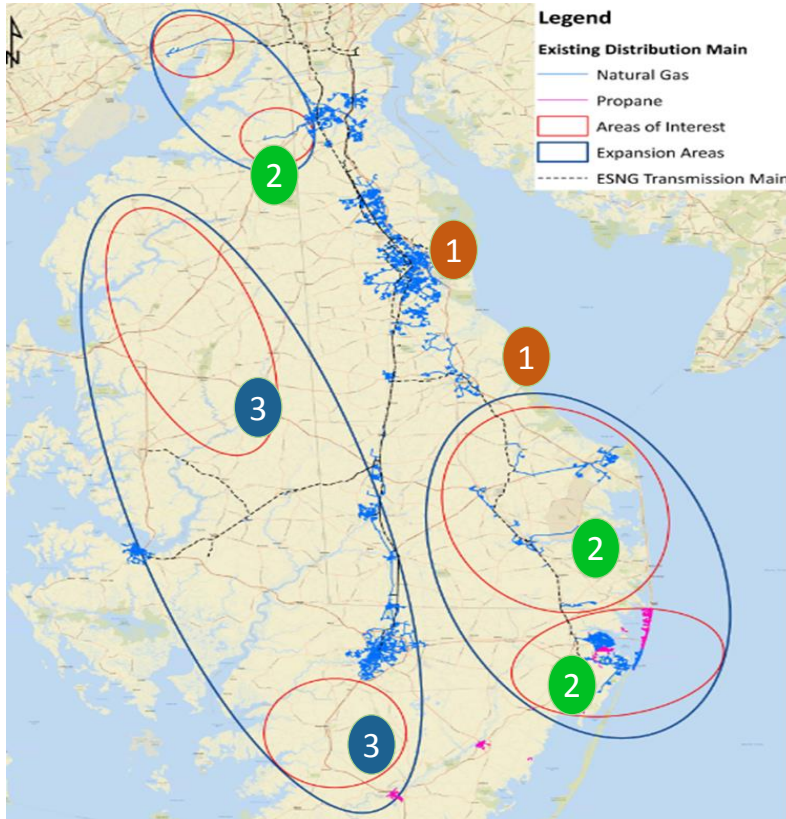
- ESNG and Chesapeake have been discussing natural gas availability with Somerset County for a few years - with the pipeline extension into Somerset County, this is now a real and executable project.





# Delmarva Natural Gas Distribution

## Organic Growth and Expansion



### Legacy

- Organic growth focused on Kent/New Castle Counties, DE

### Present

- Growth into eastern Sussex County, DE and Cecil County, MD
- Conversion of existing propane customers in Worcester County, MD

### Future

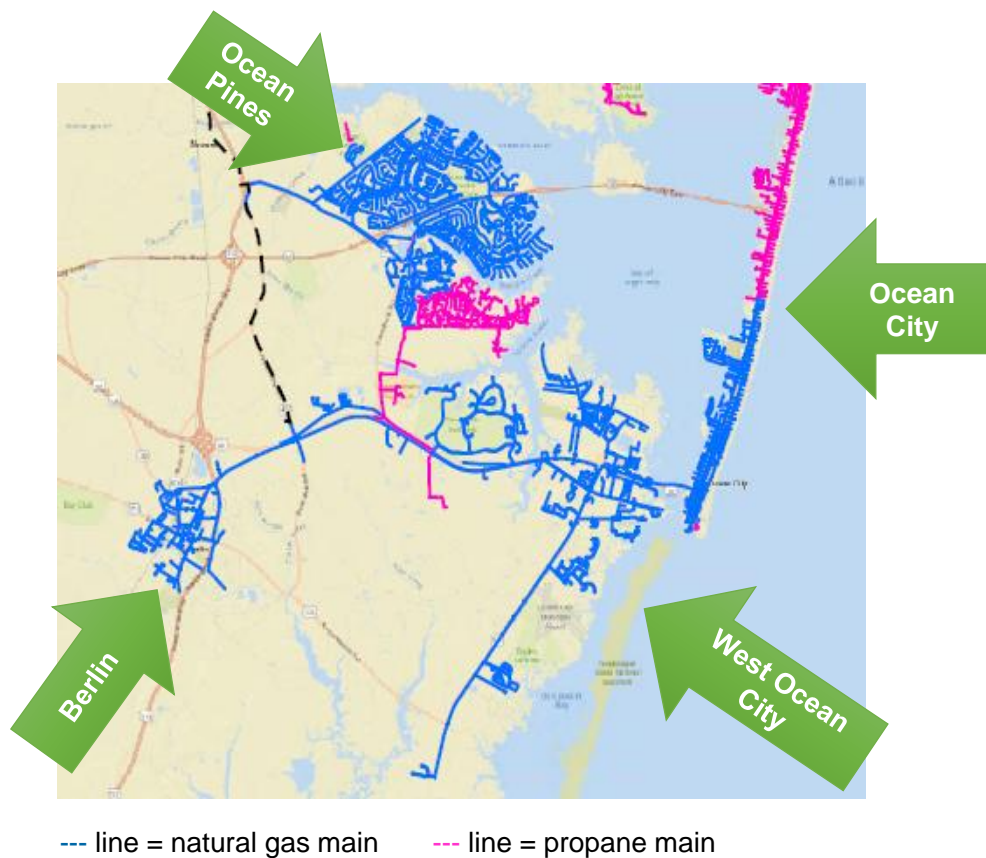
- Continued expansion in growth areas of our service territory
- Looking for expansion opportunities in other areas of the Peninsula



# Sandpiper Energy

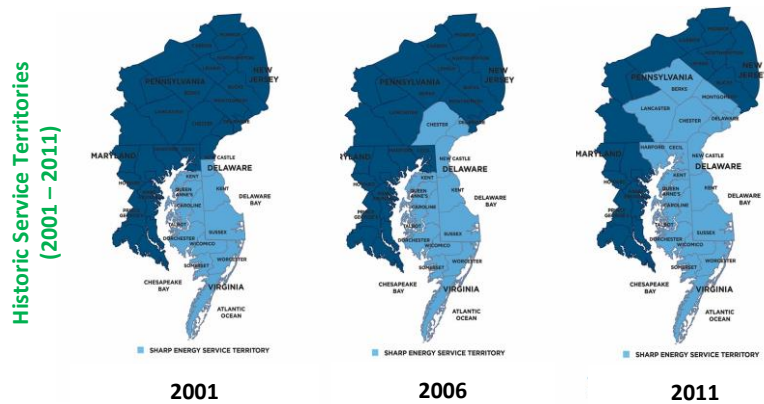
## Customer Conversions from Propane to Natural Gas

- Approximately 8,500 customers have been converted (Berlin, West Ocean City, Ocean Pines, and Ocean City).
- A bay crossing from West Ocean City to Ocean City completed in 2017
- Conversions in Ocean City continue during the months of September - May
- Conversions in Ocean Pines happen year round

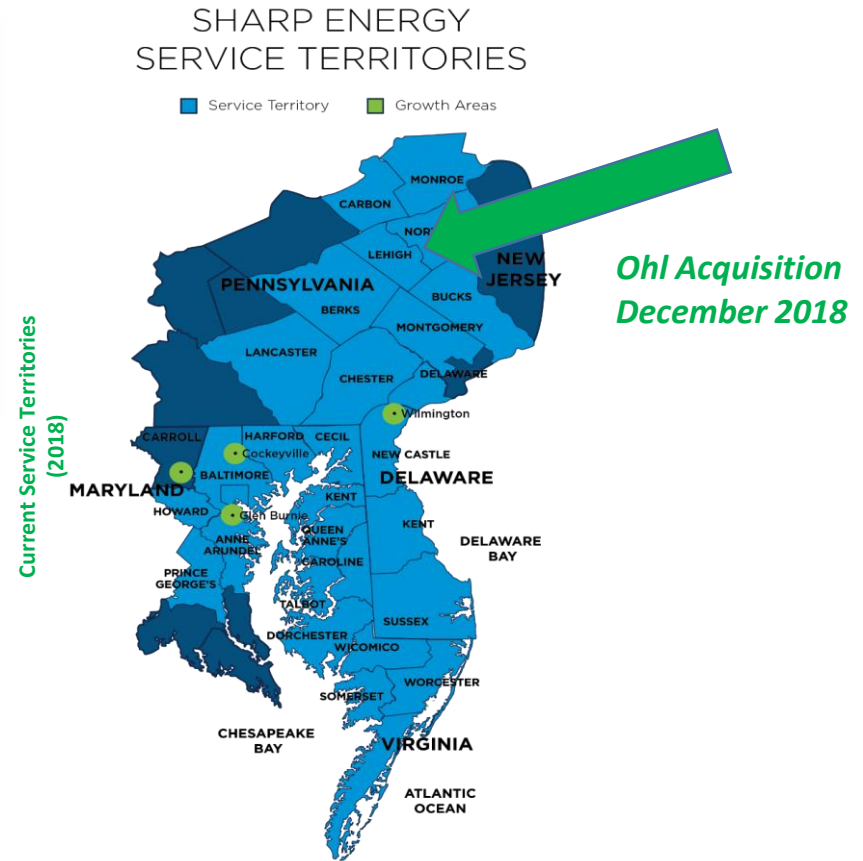


# Sharp Energy

## Growth Story and Geographic Focus



- Sharp continues to grow organically within existing territories as well as expand geographically, with a focus on markets on the western shore of MD (Anne Arundel County and Baltimore County) and Wilmington, DE (AutoGas and commercial focus)
- Expanding into Carroll County to support AutoGas and new home builder opportunities in the surrounding counties
- Added significantly to our customer base in PA with the Ohl acquisition



# Florida Business Unit Profile



Natural Gas, Propane & Electric

Electric/Propane

Natural Gas & Propane

Natural Gas

Propane

Office Locations

Eight Flags CHP Facility

Northwest Florida  
In-Service Q2 - 2018

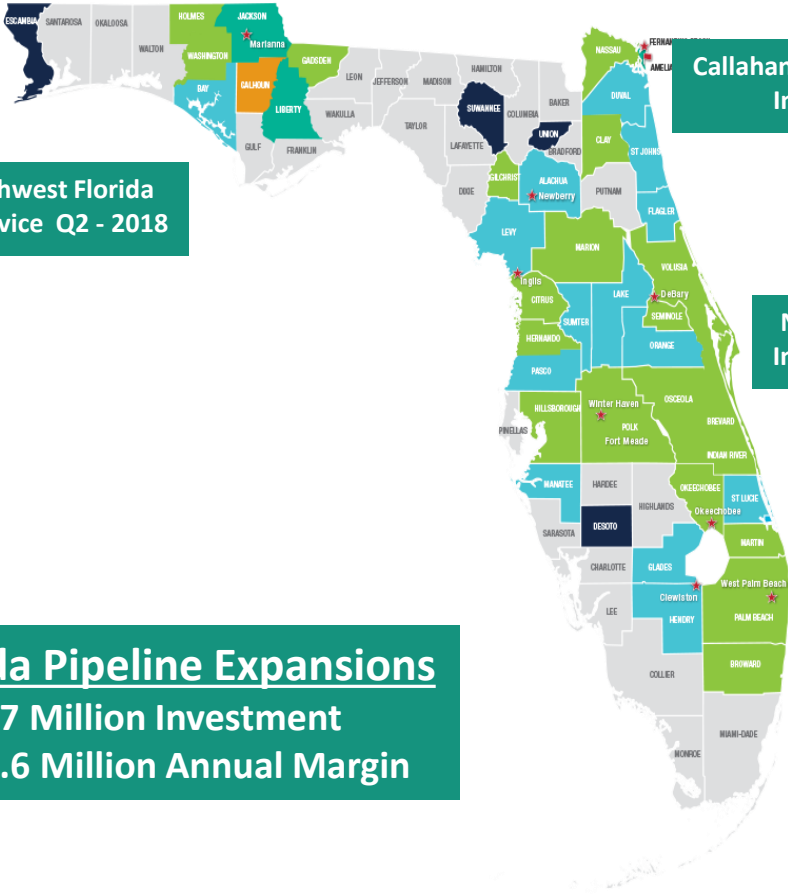
Callahan Pipeline – Nassau County  
In-Service Q3 - 2020

New Smyrna Beach  
In-Service Q2 - 2018

Western Palm Peach County  
In-Service  
Q4 – 2018 to Q1 - 2020

**Florida Pipeline Expansions**

- \$117 Million Investment
- \$18.6 Million Annual Margin



# Marlin Gas Services

## Significant Growth Potential



### Mobile Compressed Natural Gas Delivery Solutions.

- Emergency response for pipeline and gas distribution systems
- Temporary service for planned maintenance or system upgrade outages
- Virtual pipeline delivery
- Transport of RNG from landfills or biogas producers to pipelines, vehicle fueling stations, end-users
- Deliveries for gas quality requirements and peaking services



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# Marlin Gas Services

## Q1 Results and 2019 Forecast

### 1<sup>st</sup> Quarter Results

- Growth is above proforma target
- 2019 forecast margin (\$5.1M) exceeds budget
- Obtained additional trucks, trailers, and off load regulators to meet expected demand



### Growth Forecast

- 2020 Margins expected to be >\$6.0M
- Additional trailers and compressors on order
- Offload regulators are being constructed
- Further territorial expansion into the Southeast, Mid-Atlantic, and Gulf Coast regions
- Negotiating utilization of CNG station in Delmarva
- Two additional CNG stations planned
- Probable expansion into LNG transportation



# Major Projects and Initiatives

## Increasing Shareholder Value by Continuously Seeking and Developing Projects and Initiatives

Project/Initiative	Gross Margin for the Period				
	Three Months		Year Ended	Estimated for	
	Ended			Fiscal	
	March 31,		December 31,	2019	2020
<i>in thousands</i>	2019	2018	2018	2019	2020
Florida GRIP	\$ 3,565	\$ 3,342	\$ 13,323	\$ 14,204	\$ 15,565
2017 Eastern Shore System Expansion Project - including interim services	4,800	2,263	9,238	16,183	15,799
Tax benefit retained by certain Florida entities	2,115	-	-	3,199	1,879
Northwest Florida Expansion	1,307	-	3,485	6,500	6,500
Western Palm Beach Expansion	161	-	54	605	4,711
Marlin	2,329	-	110	5,100	6,000
Ohl propane acquisition (rolled into Sharp Energy)	476	-	-	1,200	1,236
Del-Mar Energy Pathway Project - including interim services	165	-	-	725	3,039
Callahan Pipeline - Nassau County, Florida`	-	-	-	-	2,250
<b>Total</b>	<b>\$ 14,918</b>	<b>\$ 5,605</b>	<b>\$ 26,210</b>	<b>\$ 47,716</b>	<b>\$ 56,979</b>
<b>Change</b>	<b>\$ 9,313</b>			<b>\$ 21,506</b>	<b>\$ 9,263</b>

## Financial Update

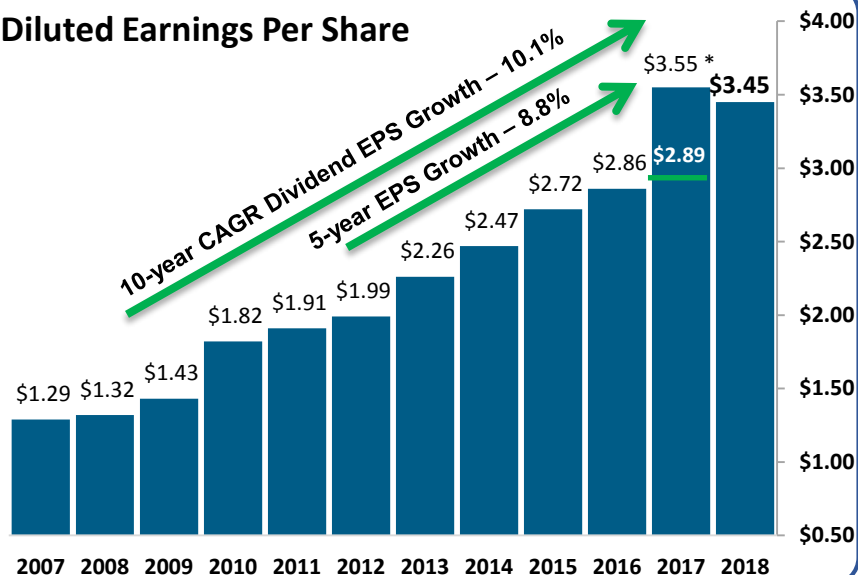
# Our Commitment to Financial Discipline and Shareholder Value



# Earnings and Dividends

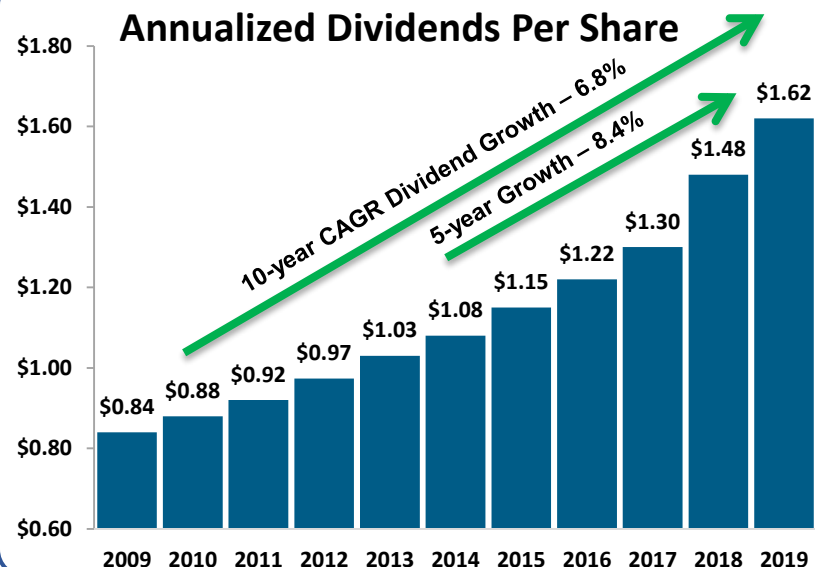
## Twelve Years of Superior Growth

**Diluted Earnings Per Share**



\*Adjusted Non-GAAP EPS of \$2.89 excludes TCJA Impact

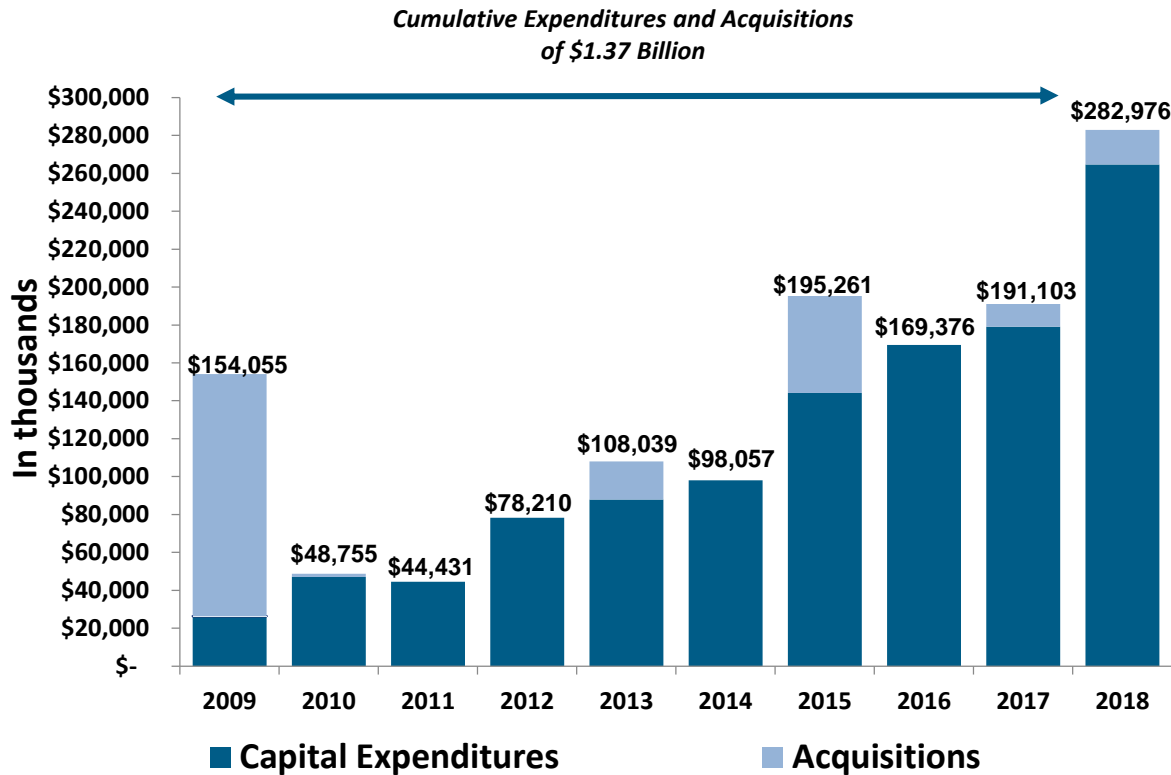
**Annualized Dividends Per Share**



*We have generated strong earnings growth, which has enabled us to grow our recent dividends faster than our peers.*

# Continuing to Build for the Future

## Capital Expenditures

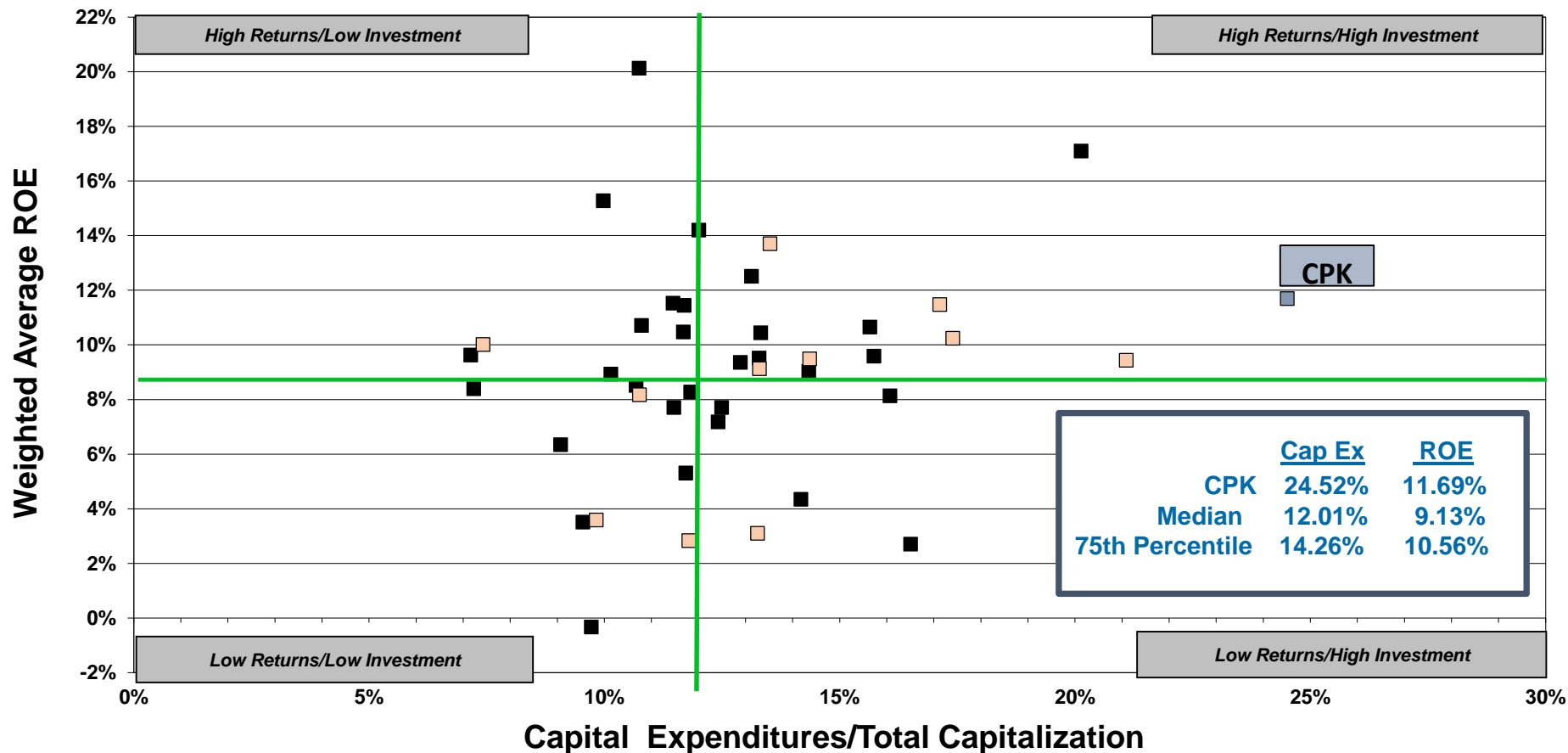


*We have invested \$1.37 billion in capital expenditures from 2009 to 2018 (ten year period) which has propelled our growth.*

\$ in thousands	2019 Forecasted Capital Expenditures
\$66,787	Natural Gas Transmission
70,092	Natural Gas and Electric Distribution
21,631	Unregulated Energy
9,705	Corporate / Other
<u>\$168,215</u>	Total Forecasted Capital Expenditures

# Capital Projects – High Return / High Investment

Peer ROE vs. Capital Expenditures (January 2016 – December 2018)




# Looking Forward

# Chesapeake Utilities Commitment

## Sustainability and ESG

### CNG Vehicle Fuel



Why CNG-Powered Vehicles vs. Vehicles Using Gasoline or Diesel?

85%	30%
lower NOx emissions	reduced Greenhouse Gas Emissions

30%-40%  
lower CO2 emissions

**CHESAPEAKE UTILITIES**

FUELED BY CLEAN, SAFE, DOMESTIC NATURAL GAS



Marlin Gas Services



Eight Flags Combined Heat and Power Plant



UP TO
25%
reduced Greenhouse Gas Emissions

20%
reduced NOx
60%
reduced CO2

3M+
gallons of gasoline and diesel displaced in 2018

Sharp AutoGas

Eric Mays, Director, Marketing, explains the benefits of AutoGas and a propane vehicle conversion system at our Investor Days event.



2018 Air Quality Awareness Champion

Green Globes Certificate Energy Lane Facility

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## Corporate Culture

*Combination of  
Strategic Focus, Engaged Employees and Innovation*

### Corporate Governance

- 2018 Best North American Utility for Corporate Governance



### Employee-Centric

- Seven years in row being recognized as a Top Workplace



### Connecting with our Customers and Communities

- Chesapeake Utilities recognizes that customers expect safe, efficient and reliable service , as well as enhanced business connection options, more convenience and modern solutions.
- In 2018 Chesapeake employees volunteered over 3,900 hours making personal connections and having a significant impact where we live, work and serve.

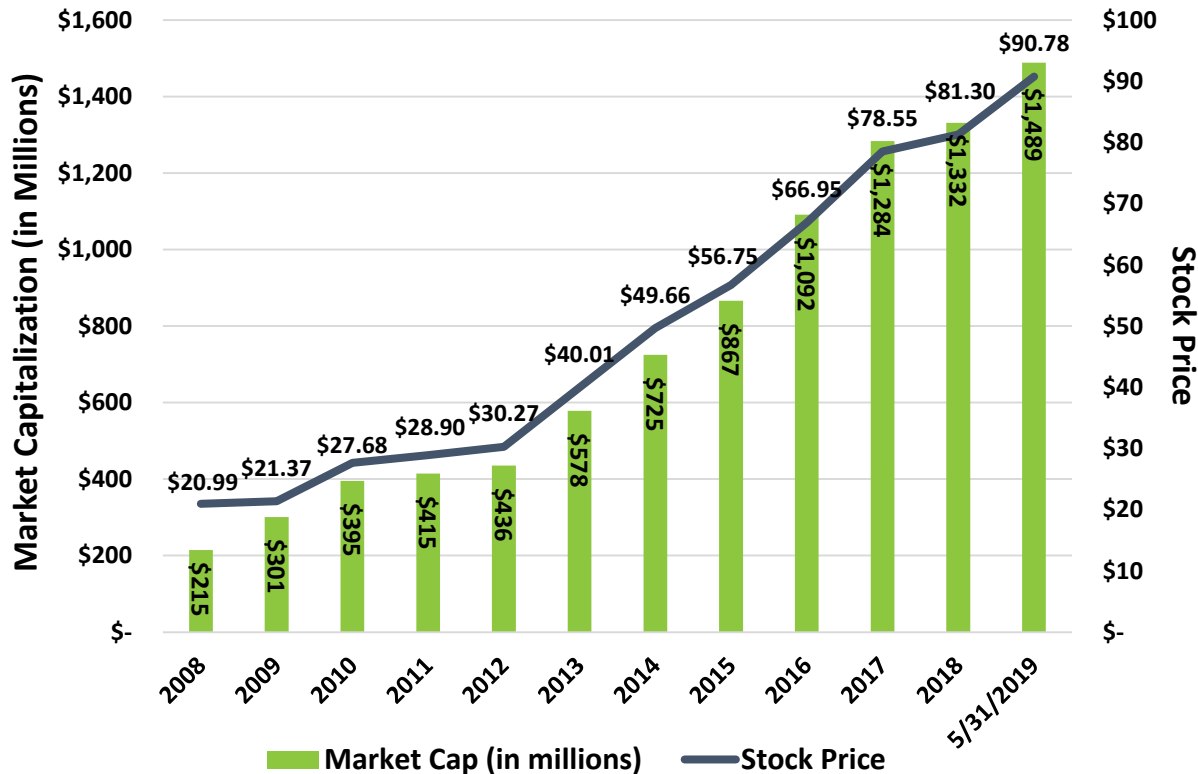


# Market Capitalization

Increased Performance is Driving Increased Value

**19% Annual Growth In Market Capitalization**

**Market Capitalization has doubled in less than five years**



**Current Market Capitalization of \$1.489 billion**

**CPK Stock Price of \$90.78 per share as of May 31, 2019**

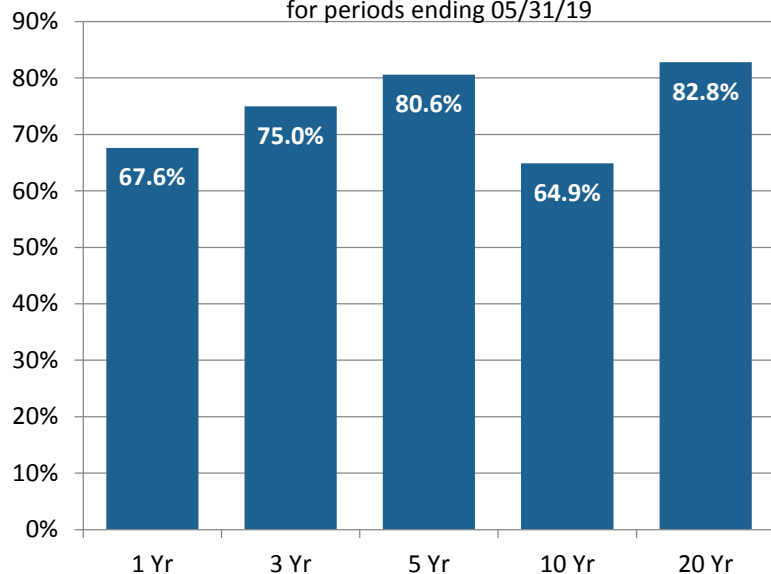
**\$10,000 invested in CPK as of January 1, 2014 would have a value of \$25,184 with dividends reinvested through May 31, 2019**



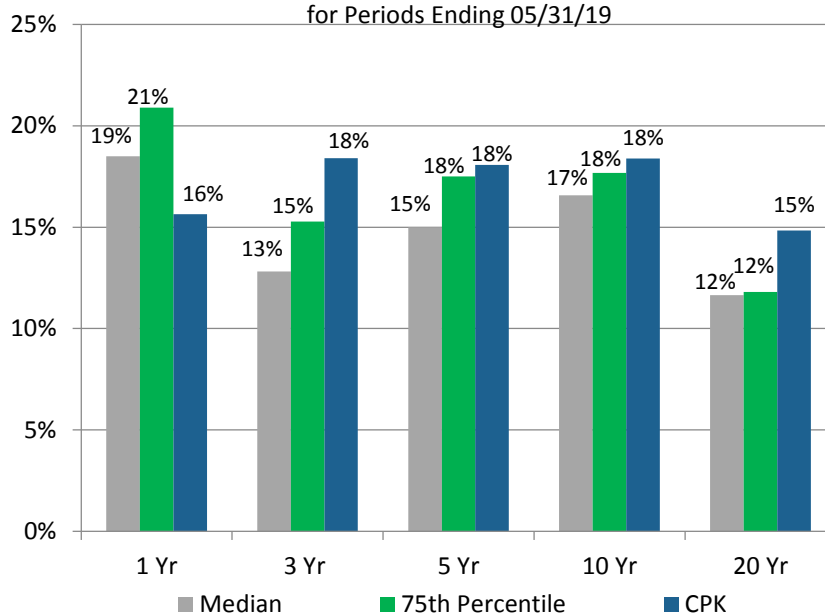
# Total Shareholder Return (TSR)

## Comparison to Broader Market – S&P 500 Companies and Peer Group Comparison

TSR - CPK Percentiles Amongst All S&P 500 companies  
for periods ending 05/31/19



TSR - Annualized CPK Shareholder Returns  
Against Performance Peer Group  
for Periods Ending 05/31/19



***Chesapeake is driven to increase shareholder value....***

***Our compound annual return has exceeded 15% for all periods shown through May 31, 2019.***

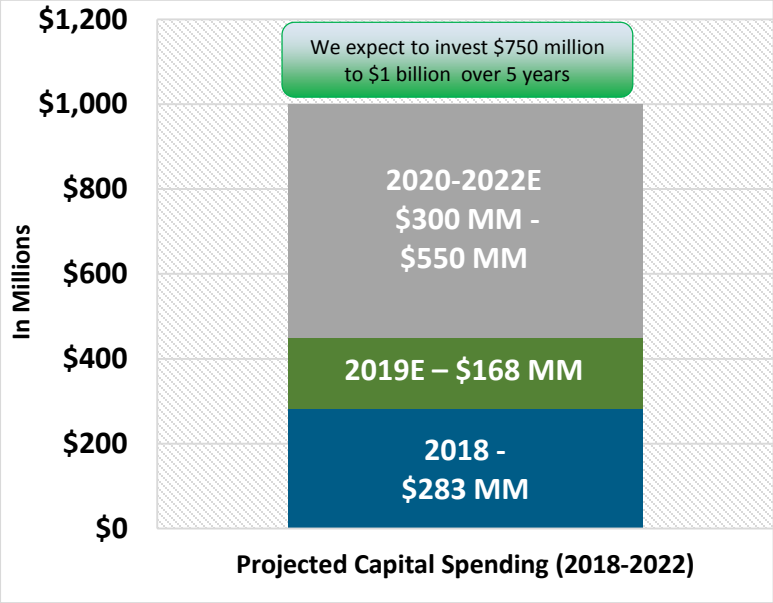
***Chesapeake exceeded the peer group 75<sup>th</sup> percentile over the long term.***

Source: Bloomberg

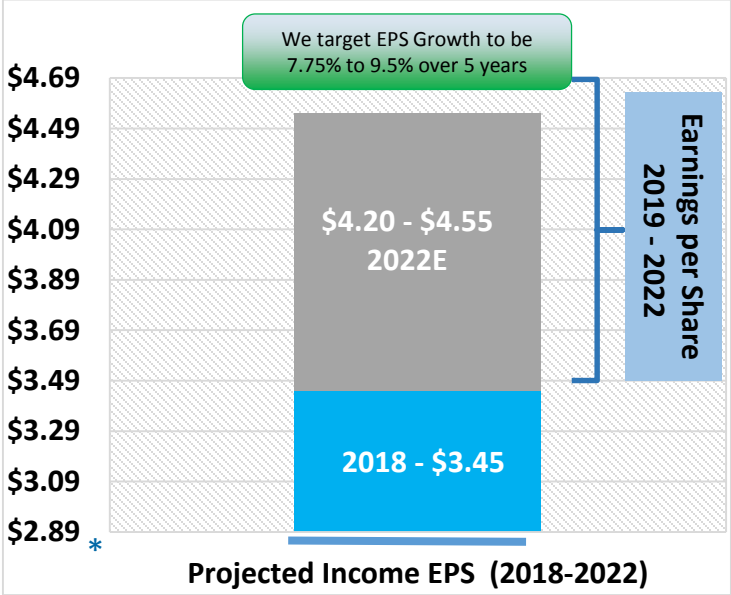
# Chesapeake Utilities Corporation

## Expect Growth Well Above Industry Average

### Capital Expenditures



### Earnings per Share



\* 2017 Adjusted Non-GAAP EPS of \$2.89 (Excludes TCJA)

# Investment Performance

**Strong  
Foundation**

**Superior  
Performance**

**Energized  
Engaged  
Employees**

**Positioned  
for  
Continued  
Growth**

- \$1.7 billion in assets - 79% regulated and 21% in unregulated complementary businesses
- Strong balance sheet and high retention rate for reinvestment
- \$1.5 billion market capitalization
- Focused on safety, reliability and customer service
- Commitment to Sustainability and ESG
- CAGR in EPS of 8.8% (5 years) and 10.1% (10 years)
- Total shareholder return of 15% or higher for all periods through 5/31/19
- 5 Year dividend growth of 8.4% (9.5% increase in 2019)
- Proven ability to identify profitable growth opportunities
- \$283 M in capital spending for 2018
- \$168M plus in capital spending budgeted for 2019
- \$750M to \$1 billion in targeted spending (2018-2022)
- 7.75% to 9.50% CAGR target for Earnings per Share (2018-2022)

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MAY 20, 2019

NEW YORK STOCK EXCHANGE

NYSE OPENING BELL®

CPK  
LISTED  
NYSE

**CHESAPEAKE**  
UTILITIES CORPORATION

CPK  
LISTED  
NYSE



NEW YORK STOCK EXCHANGE



Celebrating 25 Years on NYSE!

Market Capitalization Growth!  
\$45 million to \$1.5 billion  
33 X Market Capitalization Growth



# Appendix

# Reconciliation of GAAP to Adjusted Earnings

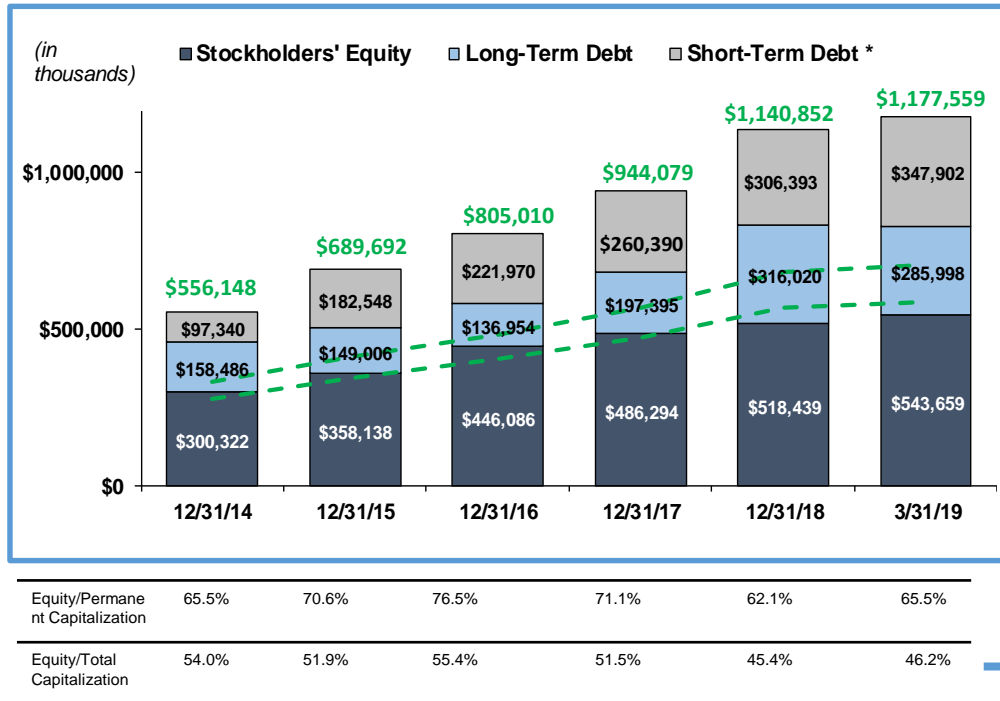
First Quarter 2019

For the Three Months Ended March 31,	2019		2018		Growth	
<i>(in thousands except per share data)</i>	Net Income	EPS	Net Income	EPS	Net Income	EPS
<b>Adjusted (Non-GAAP) Earnings</b>	\$ 27,754	\$ 1.68	\$ 22,847	\$ 1.40	21.5%	20.0%
Change in unrealized mark-to market ("MTM") activity	(80)	-	4,008	0.24		
2018 portion of the retained tax savings for certain Florida natural gas distribution operations associated with the TCJA income tax rate	990	0.06	-	-		
<b>Reported (GAAP) Earnings</b>	<u>\$ 28,664</u>	<u>\$ 1.74</u>	<u>\$ 26,855</u>	<u>\$ 1.64</u>	6.7%	6.1%

*2019 is off to a great start (whether measured from a GAAP or non-GAAP basis)*

# Capital Capacity Has Supported Our Growth

## Total Capitalization has More Than Doubled in Five Years



\* Short-term debt includes current portion of long-term debt

- During 2019, we will fund a committed \$100 million note due in 2039 at 3.98%.
- We expect to refinance with permanent capital the \$60 million intermediate term notes due in 2020 – which are currently included in current portion of long-term debt.
- We are reviewing our capital structure and financing plans for debt and equity in conjunction with the timing of our capital spending and in-service dates for growth projects.
- We expect to migrate back closer to our target structure as we move through the latter part of this year and into 2020.

Excluding \$60 MM  
2020 Term Notes

Equity to Total  
Capitalization  
equals 49%

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



# Significant Regulatory Initiatives

## Recent Developments and Currently Planned Filings

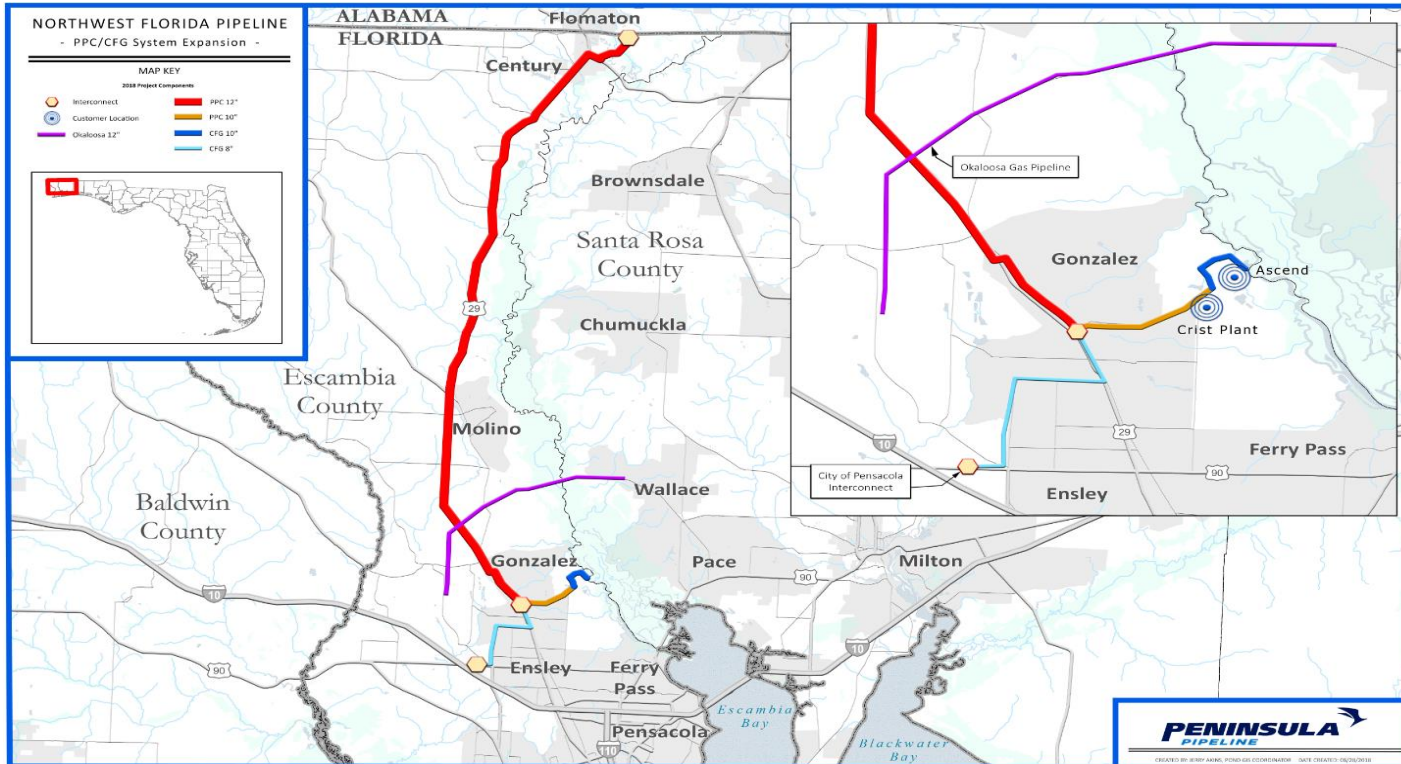
Florida - FPU	
TCJA – Natural Gas (non-GRIP) (CFG and FPU)	Company retains benefit: \$1.3MM reserve reversal in Q1; annual benefit = \$1.9MM
TCJA – Natural Gas (GRIP)	Customer rates were adjusted through annual rate mechanisms with the ADIT regulatory liability to also be an annual rate adjustment
TCJA – Electric	Return tax savings to customers through lower fuel costs and storm reserve recovery
Electric Storm Reserve	In March 2019 Florida PSC approved recovery of \$428,000 incurred costs and \$1.5MM for storm reserve replenishment to be collected in rates from April 2019 – March 2021
Hurricane Michael Response	We plan to file for cost recovery some time during the second/third quarter of 2019
Delaware- DNG	
TCJA	Customer rates adjusted March 2019; customer credits to be issued in 2 <sup>nd</sup> quarter 2019
Weather Normalization	Filed in January 2019; under review with a decision expected by December 2019
FERC - ESNG	
Del Mar Energy Pathway Project	Environmental assessment issued; final approval by FERC expected by the third quarter 2019

***Chesapeake's Business Units approach their Regulatory Proceedings with innovative solutions and initiatives.***

Note: Maryland PSC and FERC finalized TCJA treatment in 2018

# Peninsula Pipeline

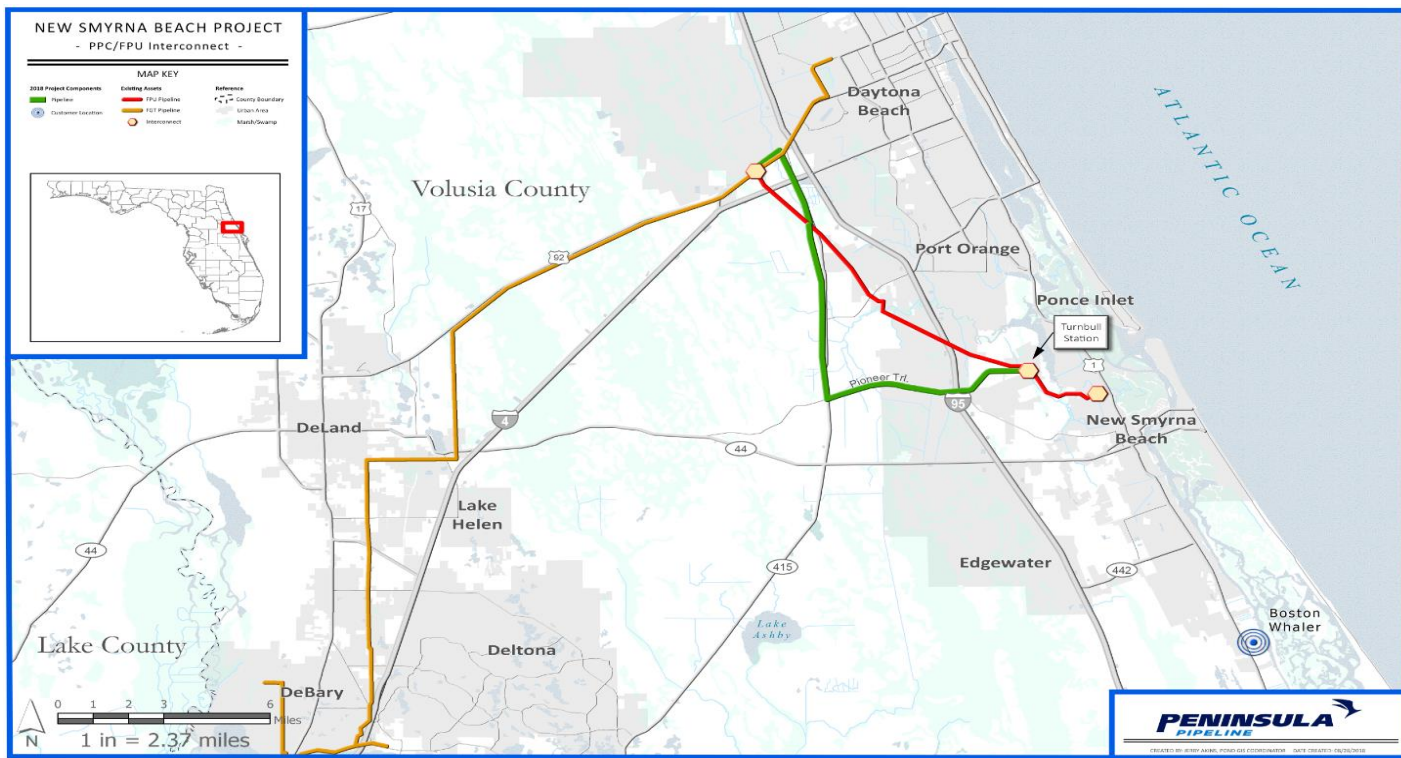
## Northwest Florida Expansion



- PPC 12" transmission project to serve CFG Escambia County, Florida expansion.
- Anchor loads: City of Pensacola and Ascend Performance Materials.
- 115,500 dt/day capacity.; 105,500 dt/day under contract.
- \$44.3M total capital.
- \$6.5M annual margin.
- 16% IRR.
- In-service Q2 -2018

# Peninsula Pipeline

## New Smyrna Beach Pipeline

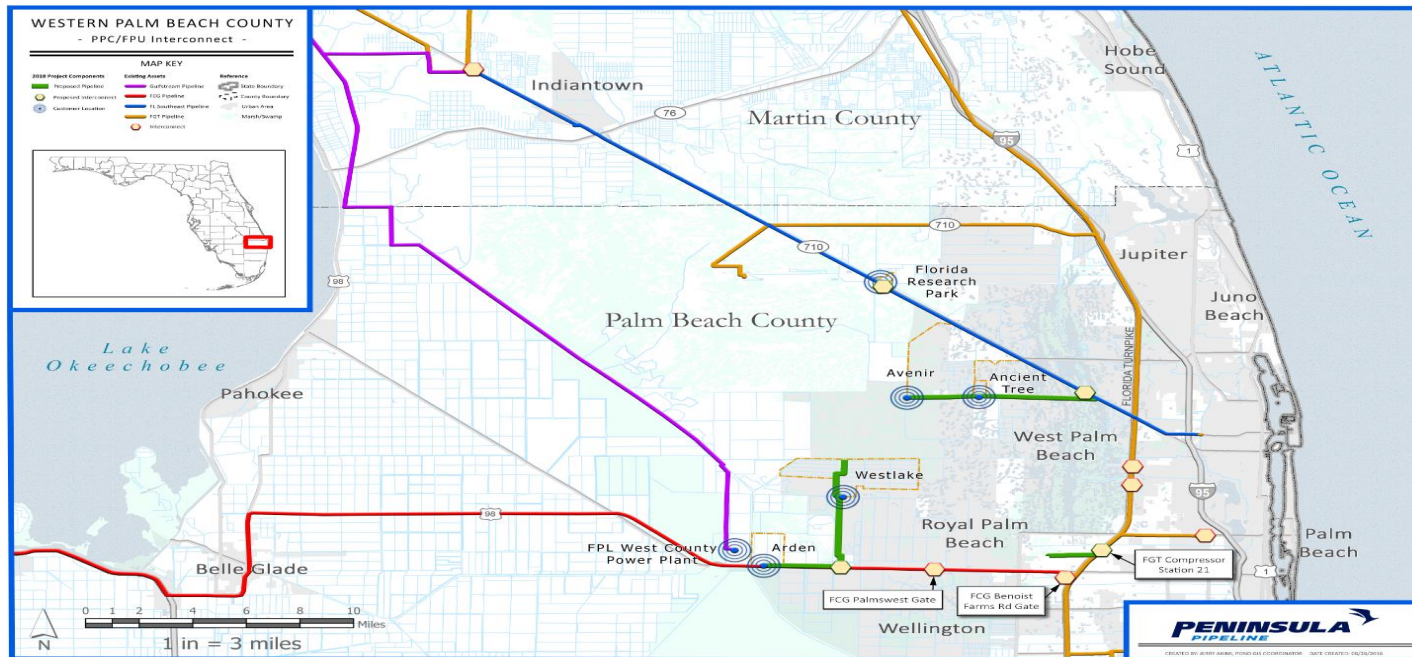


- PPC project to serve FPU.
- Increased pressure and volume for FPU growing distribution system.
- Resolved a pipeline integrity issue with former FGT lateral acquired by FPU in 2011.
- \$9M investment.
- \$1.4M annual margin.
- In-service Q4 - 2018



# Peninsula Pipeline

## Western Palm Beach County Expansion



- Four PPC projects to serve FPU distribution expansions in PBC.
- Resolves a pipeline integrity issue with former FGT lateral acquired by FPU in 2011.
- \$30M total investment.
- \$4.7M annual margin.
- Fully In-service – Q1 - 2020

**Western Palm Beach County expansion partially in-service in December 2018**

- Projects /Phases include Belvedere, Westlake/Arden, Avenir and Research Park
- Fully in-service 2020 with annual margin of \$4.7 million

# Callahan Pipeline – PPC Expansion Project

## Nassau County, Florida

### Project Overview

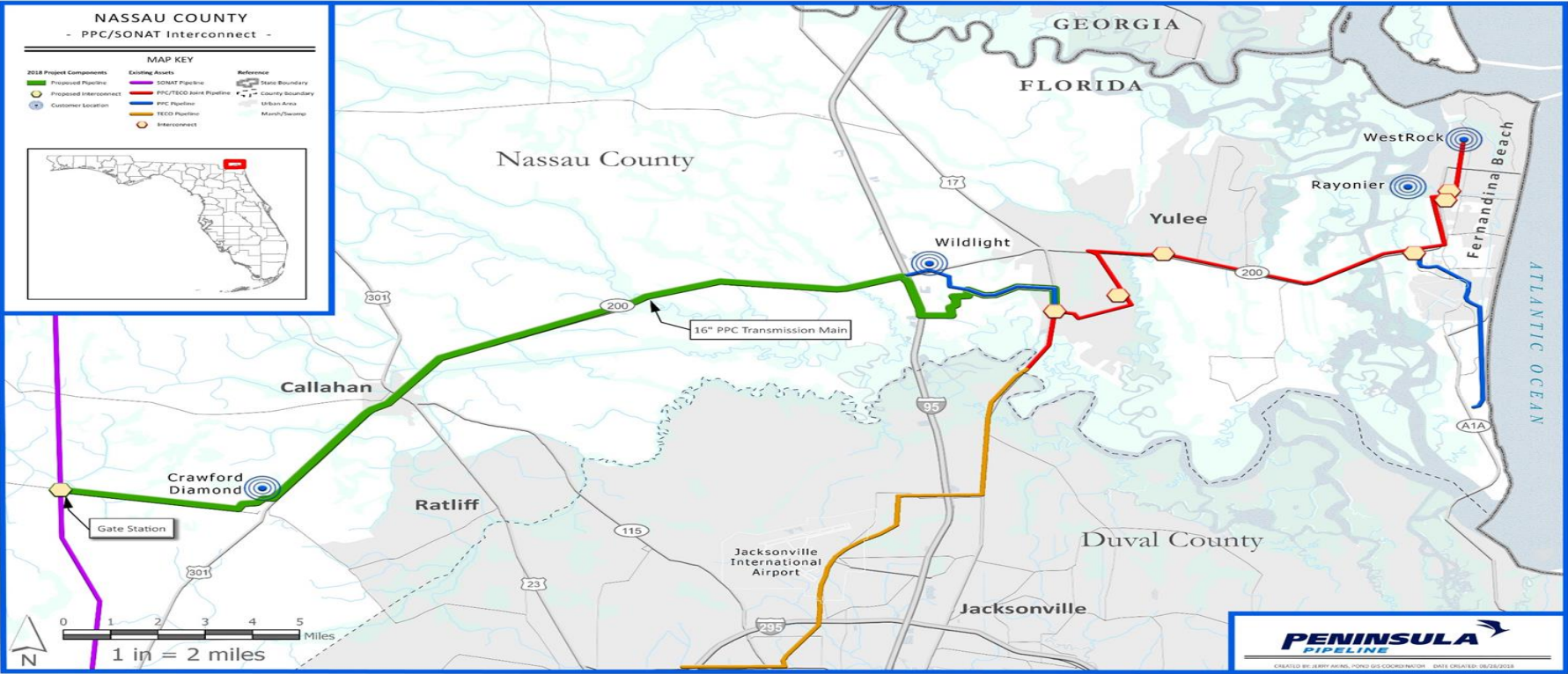
- Joint intrastate transmission project between Peninsula Pipeline Company and Seacoast Gas Transmission (an EMERA Affiliate) in Nassau County, Florida.
- Investment and ownership would be split 50/50.
- Peninsula Pipeline will operate the pipeline.
- Interconnects to the SONAT interstate system in western Nassau County and terminates into the existing Peninsula Pipeline – Peoples Gas jointly-owned pipeline.
- Current gas flow from Duval County north into Nassau County would be reversed.
- The new pipeline would serve growing demand in both Nassau and Duval counties.

### Project Description

- 26 mile, 16" pipeline
- Initial capacity: 148,248 dt/day
- SONAT pipeline operates up to 1,200 psig; potential opportunity for future pressure and capacity increase.
- Majority of the pipeline is in public right-of-way. Three sections require easements, across FPL, WestRock, and Rayonier property. The Rayonier easement avoids the existing roadway construction on SR 200.
- Peninsula Pipeline investment totals \$34M.
- Annual margin \$6.0M.
- In-service Q3 2020.

# Callahan Pipeline

## Nassau County, Florida





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