

# Chesapeake Utilities Corporation



**2012 Annual Meeting of Stockholders**

**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

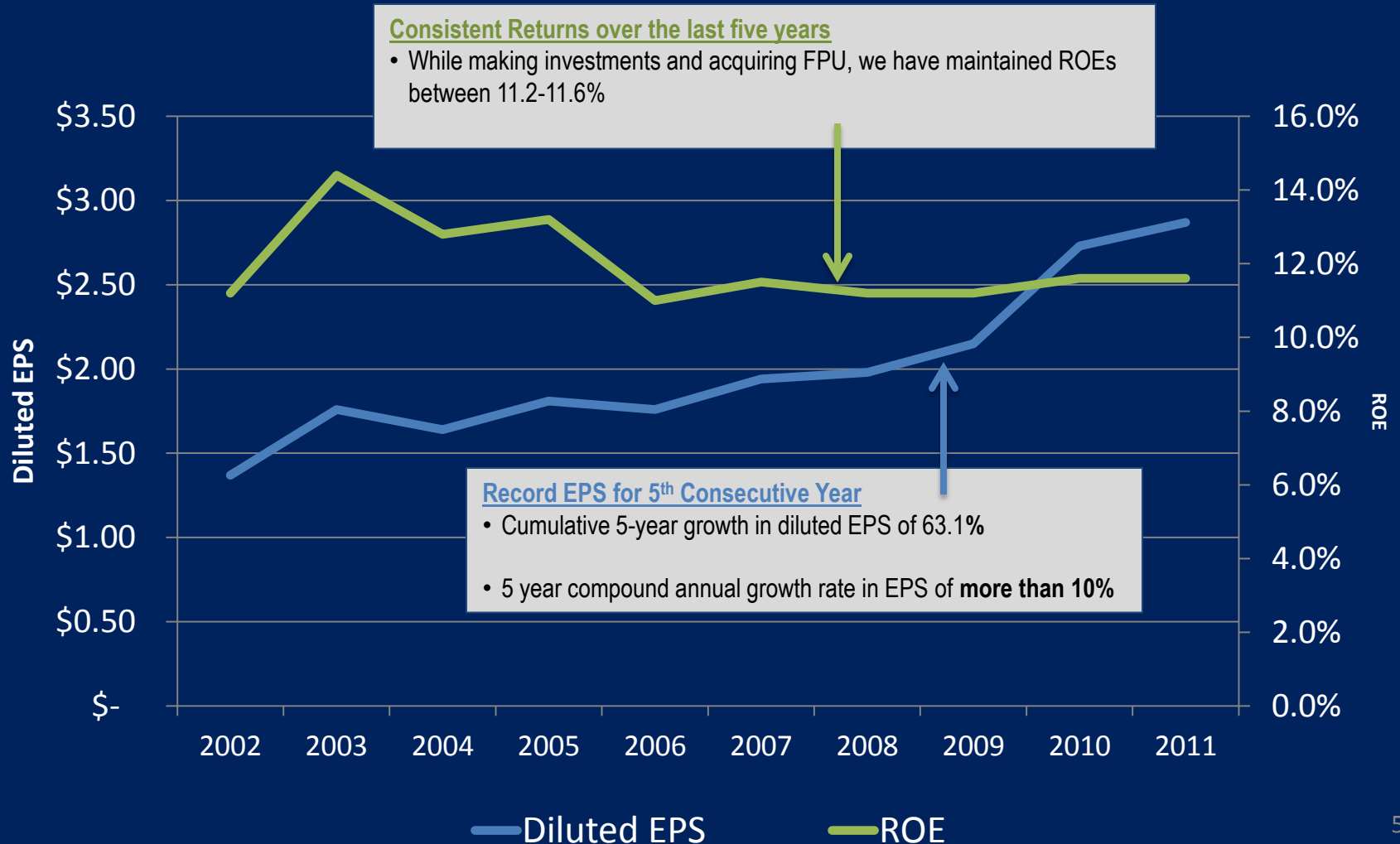
For the twelve months ended December 31,

(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

# Long-term Sustained Performance



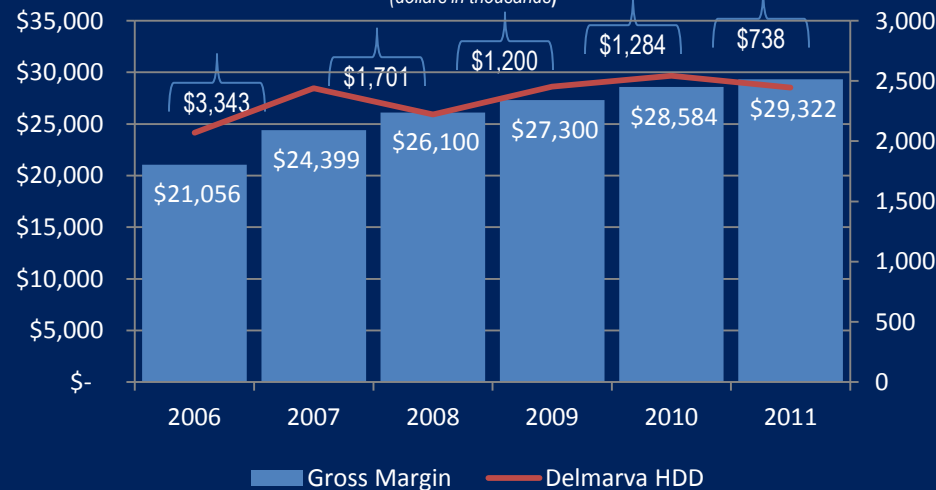
# Delmarva Natural Gas Distribution - *Track Record of Success*

- 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%

**Gross Margin and Delmarva HDD**

(dollars in thousands)



**Operating Income**

(in thousands)

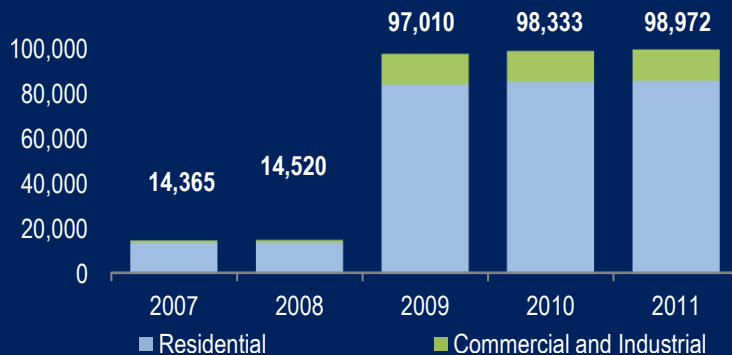


# Florida Regulated Energy Distribution - *Track Record of Success*

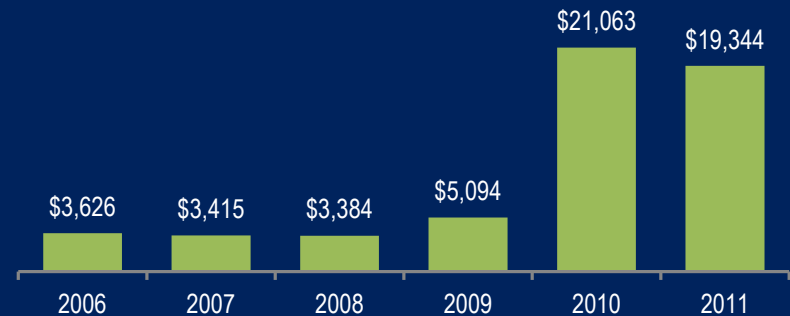
- Increased presence in Florida as a result of Chesapeake's Florida division, acquisition of Florida Public Utilities in 2009, and acquisition of Indiantown in 2010
  - Operating income increased more than 300% from 2009 to 2010
- Margin growth is being driven by commercial and industrial growth
- \$771,000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



Average Customer Count



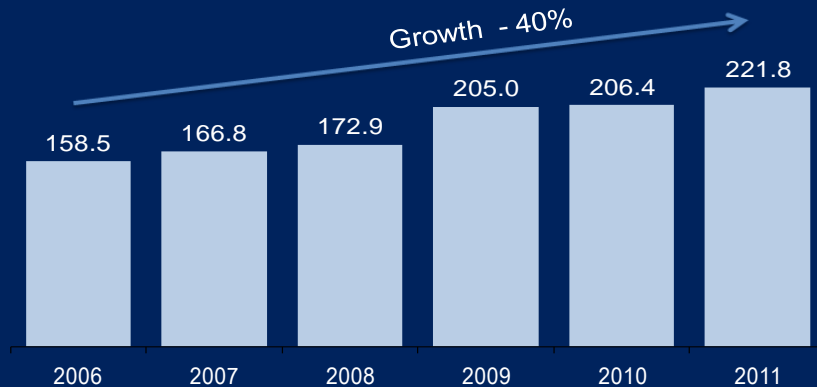
Operating Income  
(in thousands)



# 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

**Year-End Pipeline Capacity**  
(dekatherms in thousands)



**Operating Income**  
(in thousands)





# 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

## Operating Income

(in thousands)

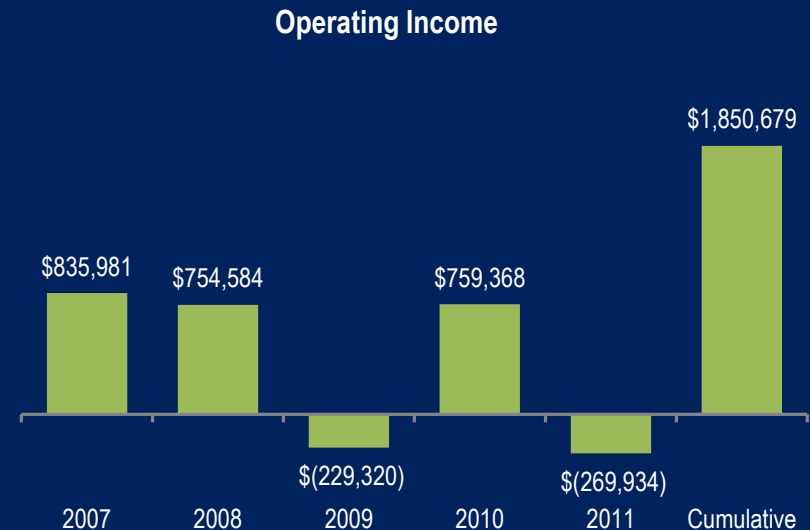


# Advanced Information Services – Our *Track Record*

- 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,

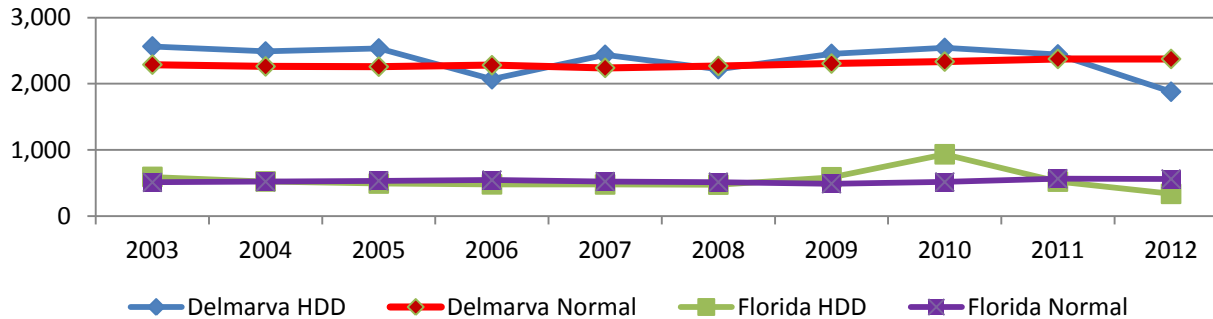
(in thousands except per share amounts)

	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)

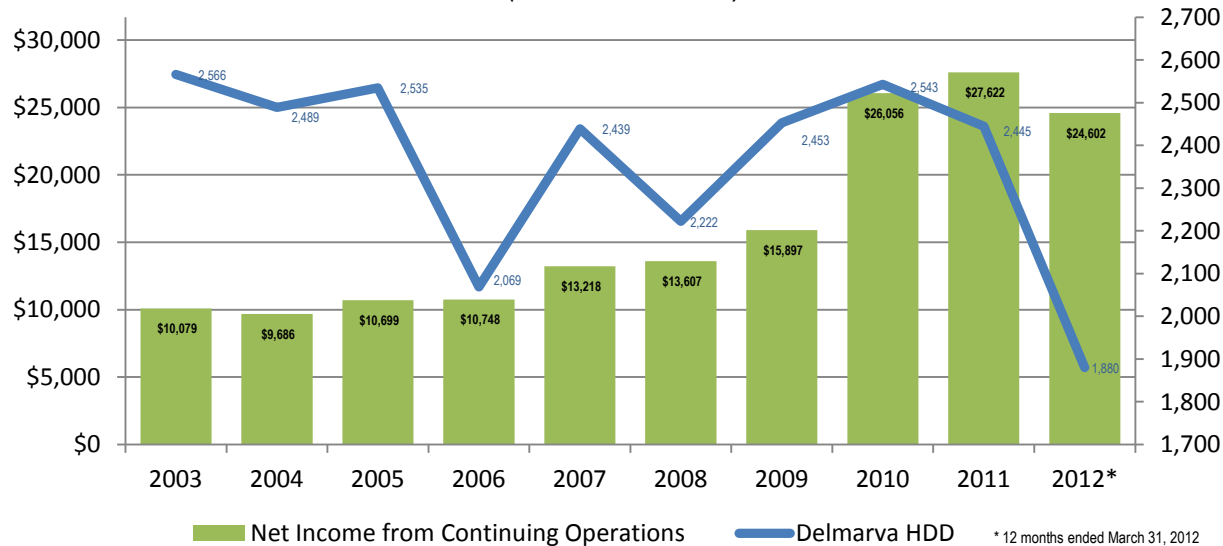
- Warmer weather on the Delmarva Peninsula and in Florida reduced margin by \$4.0 million
- A decline in other volumes for propane distribution further lowered margin by \$587,000
- Eastern Shore's expansion projects and new services generated additional margin of \$553,000
- Customer growth by the natural 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

10-Year Degree Data  
Actual HDD an Normal HDD



Net Income from Continuing Operations and Delmarva HDD  
(dollars in thousands)



## Delmarva

- Warmest first quarter in last 10 years
- 2<sup>nd</sup> warmest first quarter in last 40 years

## Florida

- Warmest first quarter in last 20 years
- 3<sup>rd</sup> warmest first quarter in last 40 years

## Reconciliation of 1Q2012 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

## Continuous Dividend Growth

- Chesapeake has paid a dividend for 51 consecutive years
- We have increased our dividend over 4.5% (on an annualized basis) in each of the last two 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%

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



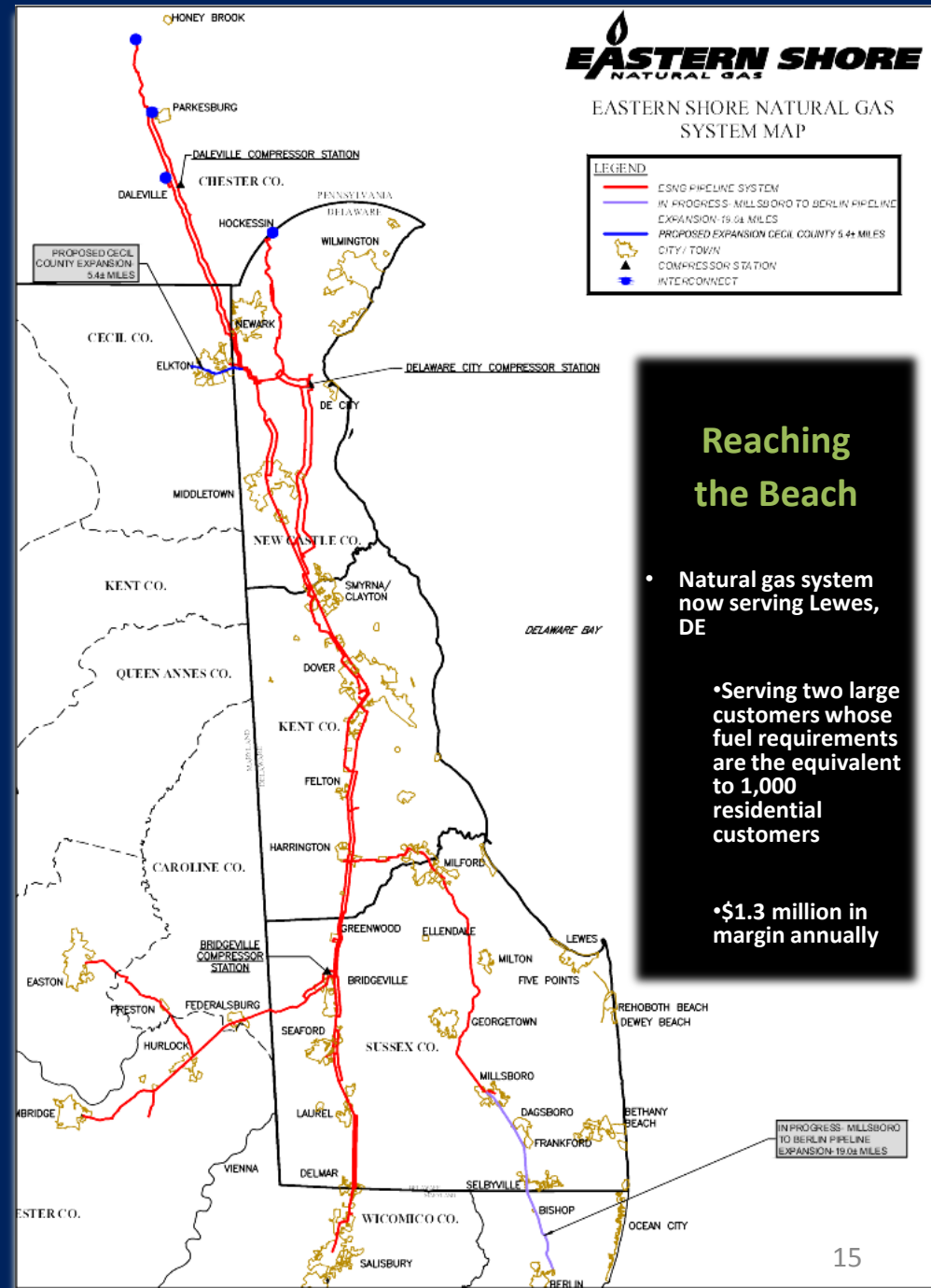
# Delmarva Regulated Energy Opportunities

## 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

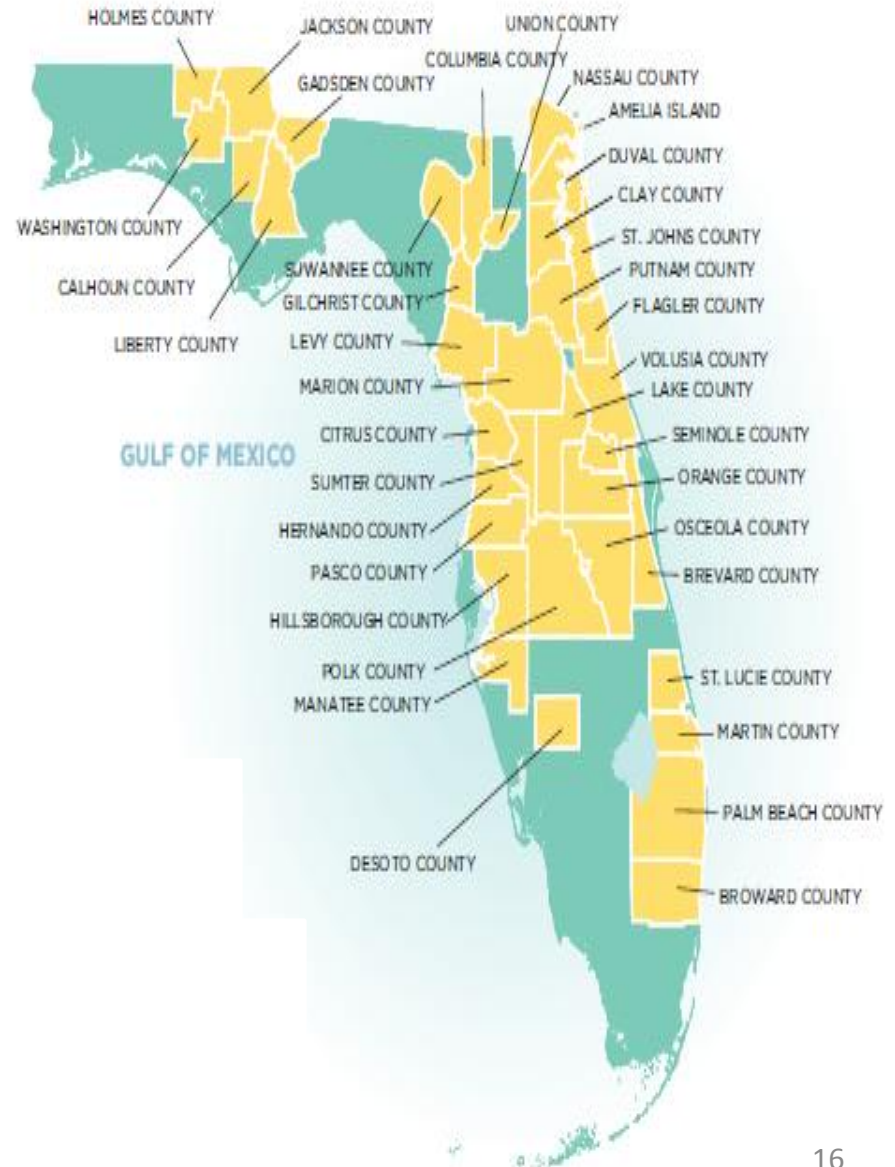
- Alternative rate design application filing with the Delaware Public Service Commission (2Q2012)



# 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

## FLORIDA PRESENCE





# 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

## Delmarva Propane Presence



## 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

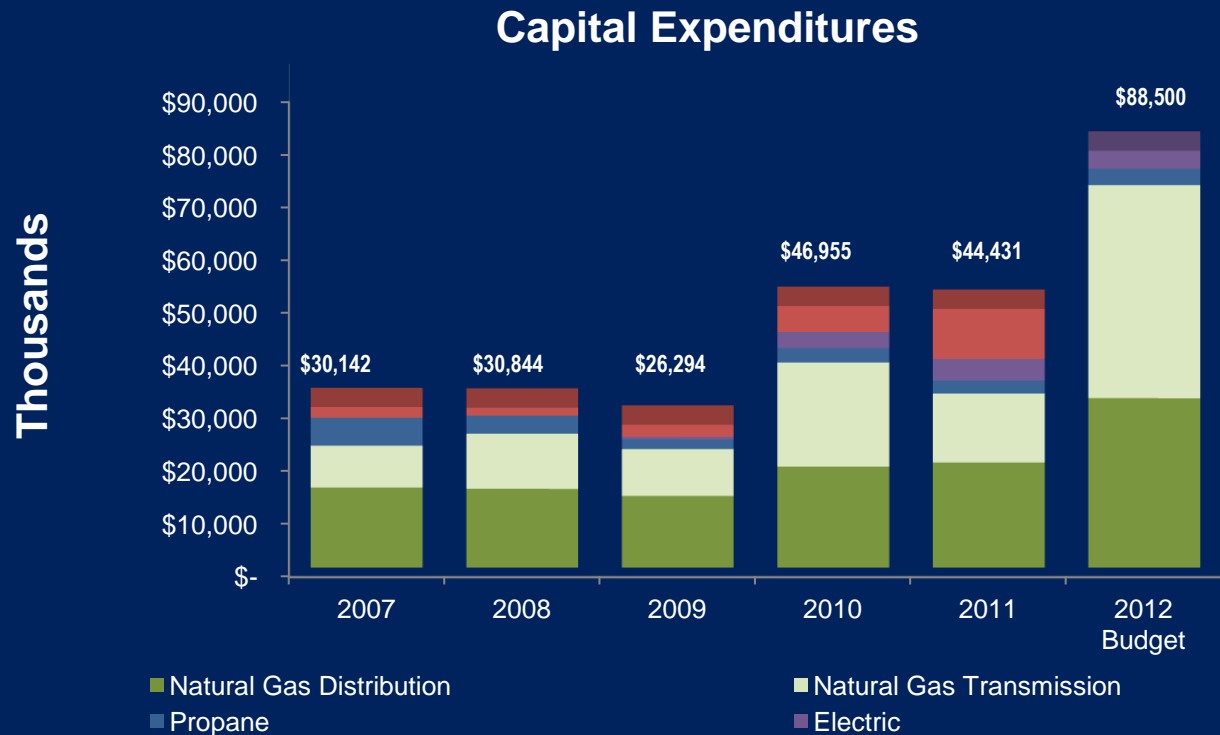


# Capital Expenditures

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

Everyone matters, every day. Aspiring to new opportunities every day.

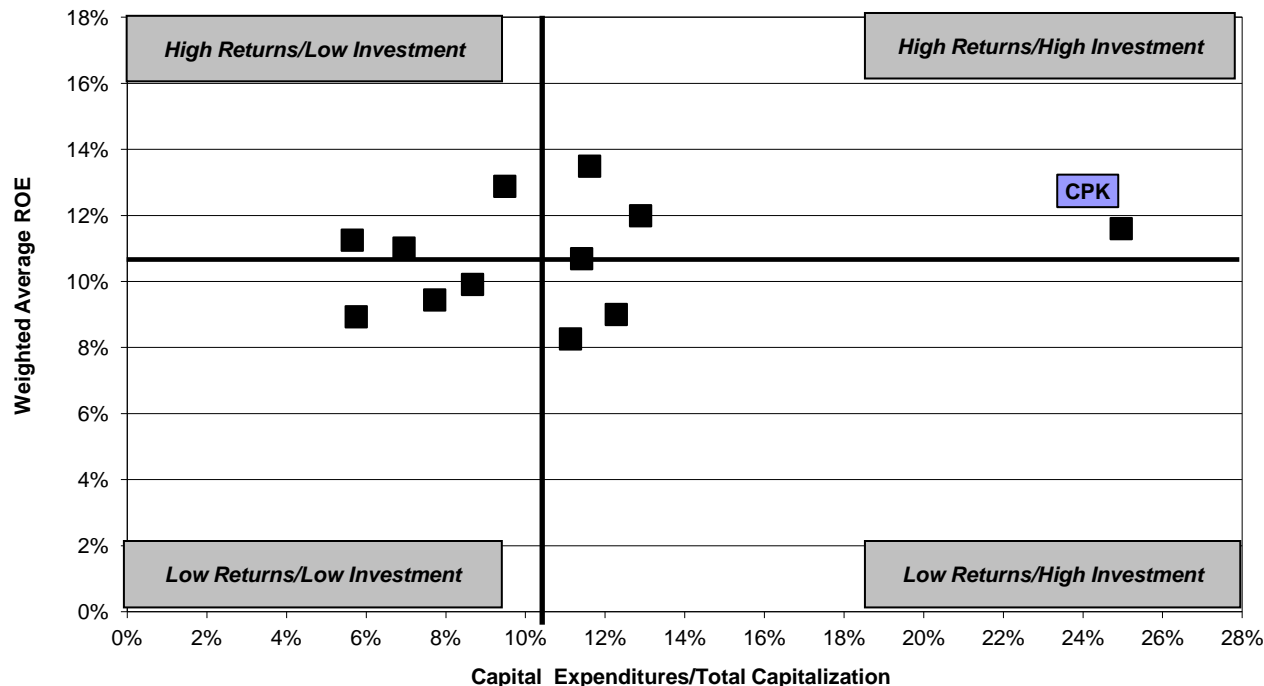
We make investments that are projected to achieve their return on capital.



# Performance Relative to Our Peers

## Peer ROE vs. Capital Expenditures Performance Quadrant

2009-2011 (1/1/09 – 12/31/11)



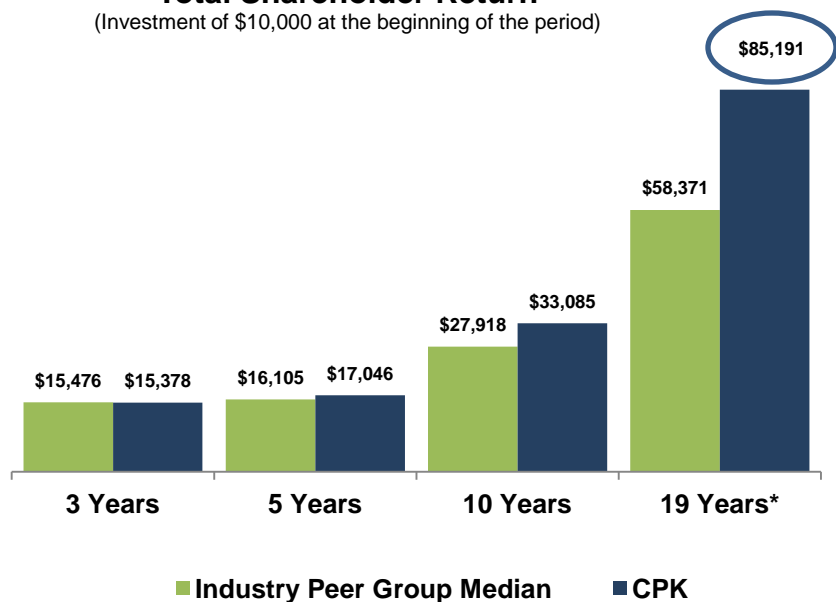
### Our Disciplined Approach, Every Day.

- 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

## Total Shareholder Return

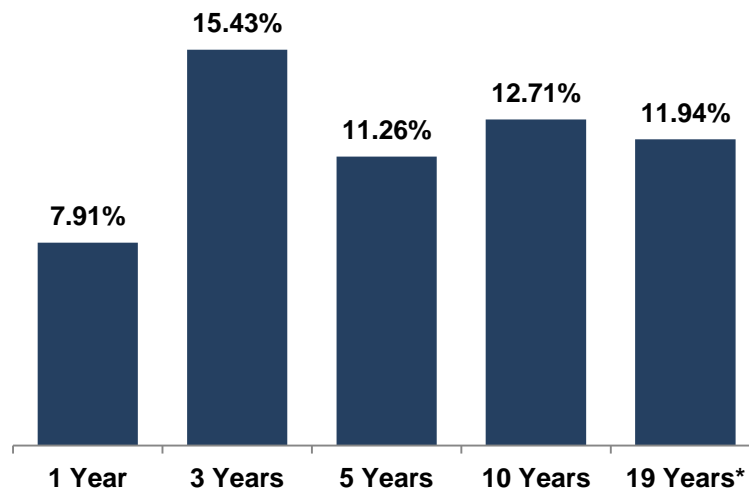
(Investment of \$10,000 at the beginning of the period)



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

## Average Annual Shareholder Return

(Investment of \$10,000 at the beginning of the period)



*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.

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## Questions?

