Third Quarter 2016 Earnings Conference Call

Delaware State University
Dover, DE

November 4, 2016

TOGETHER WE ASPIRE, TOGETHER WE GROW.

CHESAPEAKE UTILITIES CORPORATION

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 2015 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.

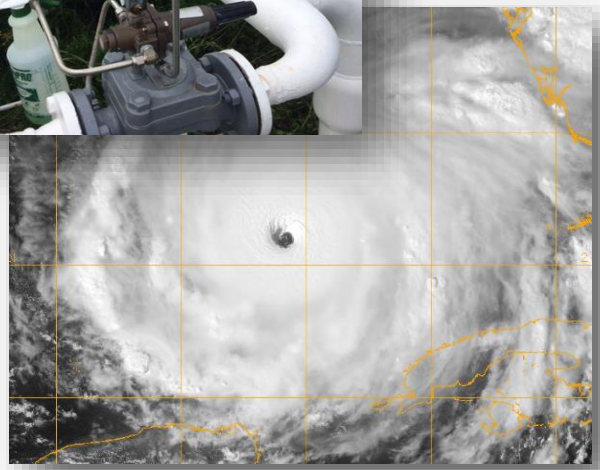
Gross Margin: Gross Margin is determined by deducting the cost of sales from operating revenue. Cost of sales includes the purchased fuel cost for natural gas, electric and propane distribution operations and the cost of labor spent on different revenue-producing activities. Other companies may calculate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

Hurricane Matthew

Florida Operations Impact

Hurricane Matthew Impact and Restoration

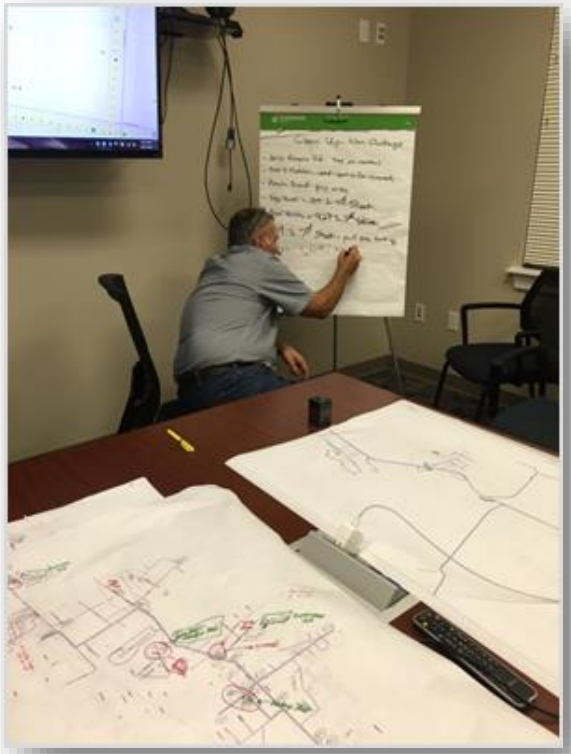
- Mandatory evacuation – Amelia Island, 6:00 am on Thursday.
- Eight Flags combined heat and power plant shut-down.
- Hurricane impacts island from Thursday, October 6th to Saturday, October 8th.
- On Saturday, October 8th at 8:30 am FPU electric, natural gas and propane crews assembled waiting for the Florida Department of Transportation to clear the bridge so that restoration can begin.



Multiple Service Areas Under a Cat 4 Warning

Restoration: FPU Storm Impact Assessment

- 90+% (14,000) of FPU electric customers without power on Amelia Island.
- Minimal damage to natural gas and propane systems.
- No damage to storm hardened transmission poles.
- No damage to FPU operations center on Amelia Island.
- No damage to the Eight Flags CHP.
  - Elevated platform on pilings,
  - Designed for Hurricane Category 4



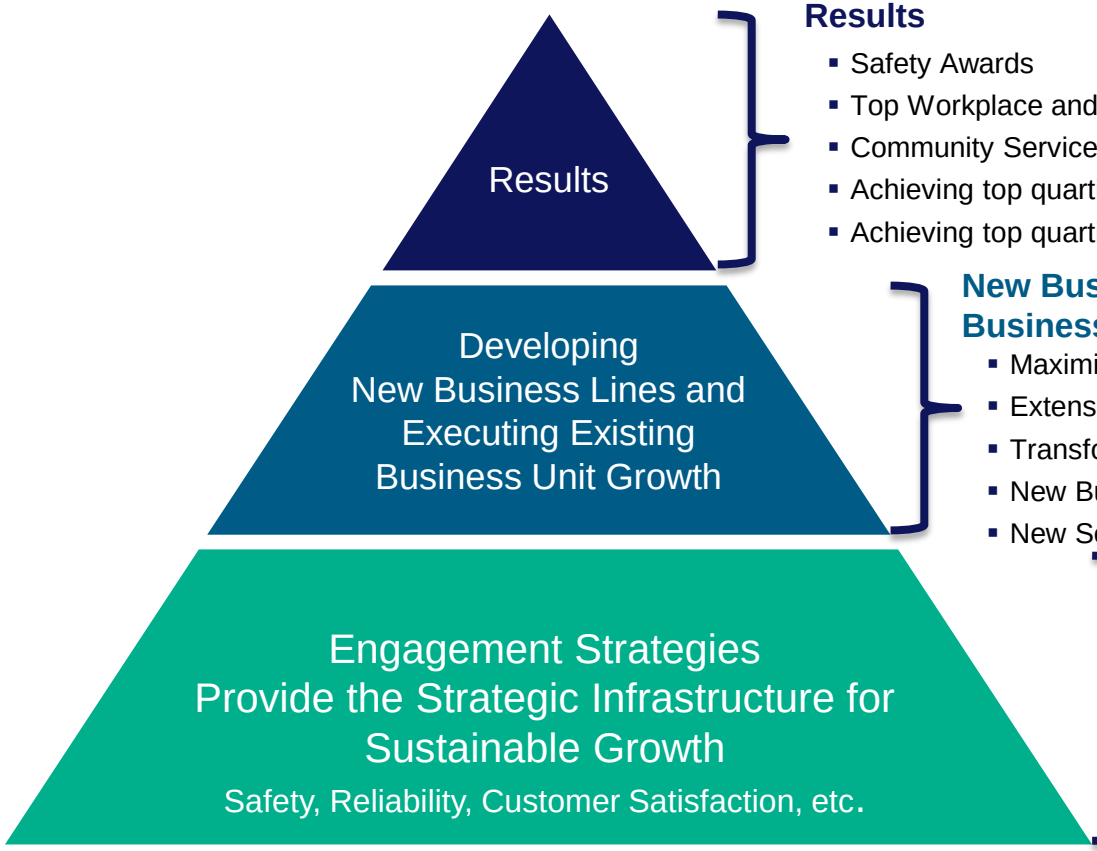
Successful Restoration

- Once back on the island Eight Flags CHP was restarted within 3 hours.
- 12,000 of 14,000 electric outages were restored by the end of first day – fewer than 2,000 outages remained
- At 9:00 pm Sunday (October 9th) we restored service to 1,800 more customers (leaving less than 200 residential accounts without service.
- Completed restoration Monday afternoon (October 10th) at 3:00 pm.
- Estimated restoration cost approximately $1 million +/-; storm reserve previously in place.
- No accidents or injuries.

Earnings Update

Company Performance & Direction

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

TOP WORK PLACES 2016

Five years in a row!

New Business Lines and Existing Business Unit Growth

- Maximizing Organic Growth
- Extensions into New Territories
- Transforming Opportunities into Growth
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Engagement Strategies

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

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Third Quarter 2016

Results and Key Initiatives

- **Third quarter and year-to-date results exceeded our expectations**
- **Growth from service expansions as well as customer growth continues to be a key driver of higher margin and operating income for the regulated energy segment**
- **Eight Flags Energy generated margin and operating income growth in the unregulated energy segment during the quarter**
- **On Wednesday, November 2nd, we announced that Eastern Shore Natural Gas finalized precedent agreements for its 2017 natural gas expansion project**
- **Florida operations were minimally impacted by Hurricane Matthew and our team had customer services fully operational within 36 hours**
- **The Company netted $57.3 million from the sale of common equity in September 2016**

Consolidated Financial Results

Third Quarter 2016 Performance Summary

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

	3Q16	3Q15	Change
Business Segment:			
Regulated Energy segment	$ 13,115	$ 11,828	$ 1,287
Unregulated Energy segment	(3,080)	(1,022)	(2,058)
Other businesses and eliminations	121	103	18
Total Operating Income	10,156	10,909	(753)
Other Income / (expense)	(28)	36	(64)
Interest Charges	2,722	2,492	230
Income Before Taxes	7,406	8,453	(1,047)
Income Taxes	2,990	3,334	(344)
Net Income	$ 4,416	$ 5,119	(703)
Diluted Earnings Per Share	$ 0.29	$ 0.33	$ (0.04)

Results

- Third quarter net income was $4.4 million or $0.29 per share
- Operating income declined slightly ($753,000) for the quarter compared to third quarter 2015
- There were multiple growth factors in both the regulated and unregulated energy segments that positively impacted the quarter and helped offset several non-recurring items and lower gross margin in several businesses

Regulated Energy Segment Results

Third Quarter 2016 Performance Summary

(in thousands)

For the periods ended September 30,	3Q16	3Q15	Change
Revenue	$ 70,019	$ 63,796	$ 6,223
Cost of Sales	24,644	23,161	1,483
Gross Margin	45,375	40,635	4,740
Operations & Maintenance	22,912	19,882	3,030
Depreciation & Amortization	6,346	6,129	217
Other Taxes	3,002	2,796	206
Other Operating Expenses	32,260	28,807	3,453
Operating Income	$ 13,115	$ 11,828	$ 1,287

Results

- **Operating income increased by $1.3 million, or approximately 11%**
- **Gross Margin increased by $4.7 million primarily due to:**
  - **$1.6 million from natural gas transmission expansions and interim services**
  - **$943,000 from other natural gas distribution and transmission customer growth**
  - **$920,000 generated by additional Florida GRIP investments**
  - **$469,000 from interim rates for the Delaware division**
  - **$464,000 from new natural gas services provided to the Eight Flags CHP**

Unregulated Energy Segment Results

Third Quarter 2016 Performance Summary

(in thousands)

For the periods ended September 30,	3Q16	3Q15	Change
Revenue	$ 42,042	$ 29,609	$ 12,433
Cost of Sales	31,840	19,402	12,438
Gross Margin	10,202	10,207	(5)
Operations & Maintenance	10,975	9,305	1,670
Depreciation & Amortization	1,840	1,483	357
Other Taxes	467	441	26
Other Operating Expenses	13,282	11,229	2,053
Operating Income/(Loss)	$ (3,080)	$ (1,022)	$ (2,058)

Results

- **Operating income decreased by $2.1 million**
- **Eight Flags generated $1.6 million of additional gross margin, which largely offset declines in the other unregulated energy businesses driven by:**
  - **Retail margins per gallon returning to more levels (Delmarva Propane distribution) - $414,000**
  - **The timing of fixed pipeline and storage costs relative to the timing of deliveries (PESCO) - $613,000**
  - **Lower margins on trades (Xeron) - $413,000**
  - **2015 non-recurring deliveries and imbalance positions (Aspire Energy) - $407,000**

Consolidated Financial Results

For the Nine Months Ended September 30, 2016 compared to 2015

(in thousands except per share amounts)

	YTD16	YTD15	Change
Operating Income			
Regulated Energy segment	$ 52,660	$ 47,616	$ 5,044
Unregulated Energy segment	9,267	13,666	(4,399)
Other businesses and eliminations	350	305	45
Total Operating Income	62,277	61,587	690
Other Income / (expense)	(68)	(3)	(65)
Interest Charges	7,996	7,425	571
Income Before Taxes	54,213	54,159	54
Income Taxes	21,401	21,638	(237)
Net Income	$ 32,812	$ 32,521	291
Diluted Earnings Per Share	$ 2.14	$ 2.16	$ (0.02)

Results

- Net income was $32.8 million – an increase of $291,000 compared to the first nine months of 2015
- Growth in many of the Company's businesses overcame approximately $10 million of lower gross margin from warmer weather ($7.5 million) and retail margins returning to more normal levels ($2.2 million)
- Positive gross margin drivers:

Regulated Energy

- $5.5 million from natural gas transmission expansion projects
- $3.1 million from GRIP
- $2.6 million from other customer growth unrelated to expansions
- $2.0 million generated combined from Delaware interim rates and Sandpiper SIR
- $0.9 from natural gas services provided to Eight Flags CHP

Unregulated Energy

- $4.5 million from Aspire Energy
- $1.7 million from Eight Flags CHP
- $1.1 million from PESCO due to customer growth and favorable supply management

Reconciliation of 2016 Results Year-to-Date

Key variances for the nine months ended September 30, 2016 vs. 2015 included:

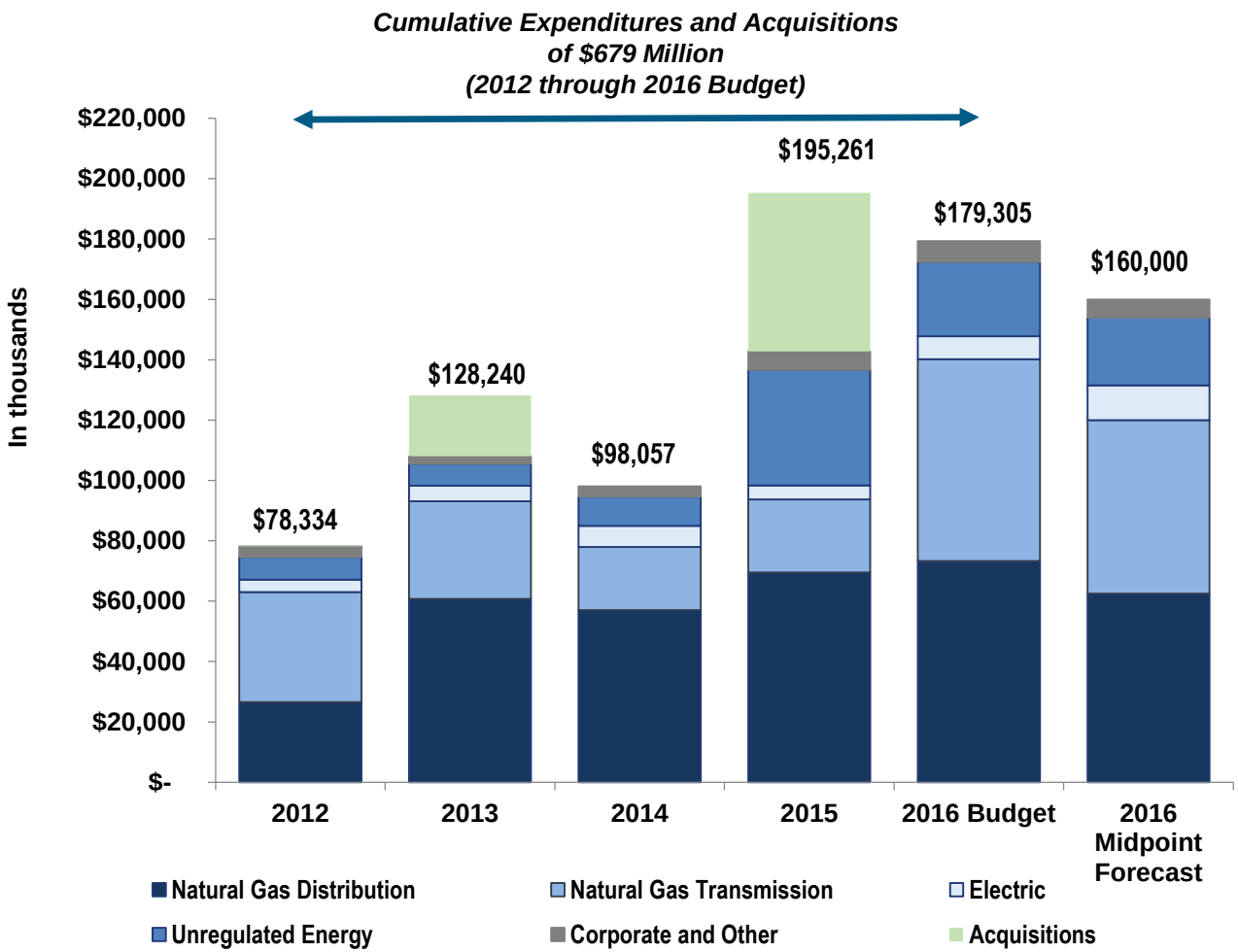
(in thousands except per share data)	Pre-Tax Income	Net Income	Earnings Per Share
Third Quarter YTD 2015 Reported Results	$ 54,159	$ 32,521	$ 2.16
Adjusting for Unusual Items:			
Weather impact primarily in the first quarter	(7,548)	(4,533)	$ (0.31)
Non-recurring gain from 2015 settlement agreement	(1,367)	(821)	$ (0.06)
Higher Delmarva retail margins per gallon in 2015	(2,204)	(1,324)	$ (0.09)
	(11,119)	(6,678)	$ (0.46)
Increased Gross Margins:			
Regulated Energy Segment	14,075	8,452	$ 0.56
Unregulated Energy Segment	2,751	1,652	$ 0.11
	16,826	10,104	$ 0.67
Increased Other Operating Expenses	(6,445)	(3,871)	$ (0.26)
Net contribution from Aspire Energy (acquisition)	2,069	1,274	$ 0.08
Interest Charges and Net Other Charges	(1,277)	(538)	$ (0.05)
Third Quarter YTD 2016 Reported Results	$ 54,213	$ 32,812	$ 2.14

Results

- Year-to-date earnings per share were $2.14, despite significantly warmer winter weather in the first quarter of 2016
- The difference in year-over-year temperatures reduced earnings per share by $0.31/share
- Increased gross margin of $0.67 per share for the reasons previously mentioned offset the weather impact
- Aspire Energy generated $0.08 of incremental EPS for the Company on a year-to-date basis

Continuing to Build for the Future

Capital Expenditures



Major Projects Completed:

- Eight Flags CHP plant

Major Projects Underway:

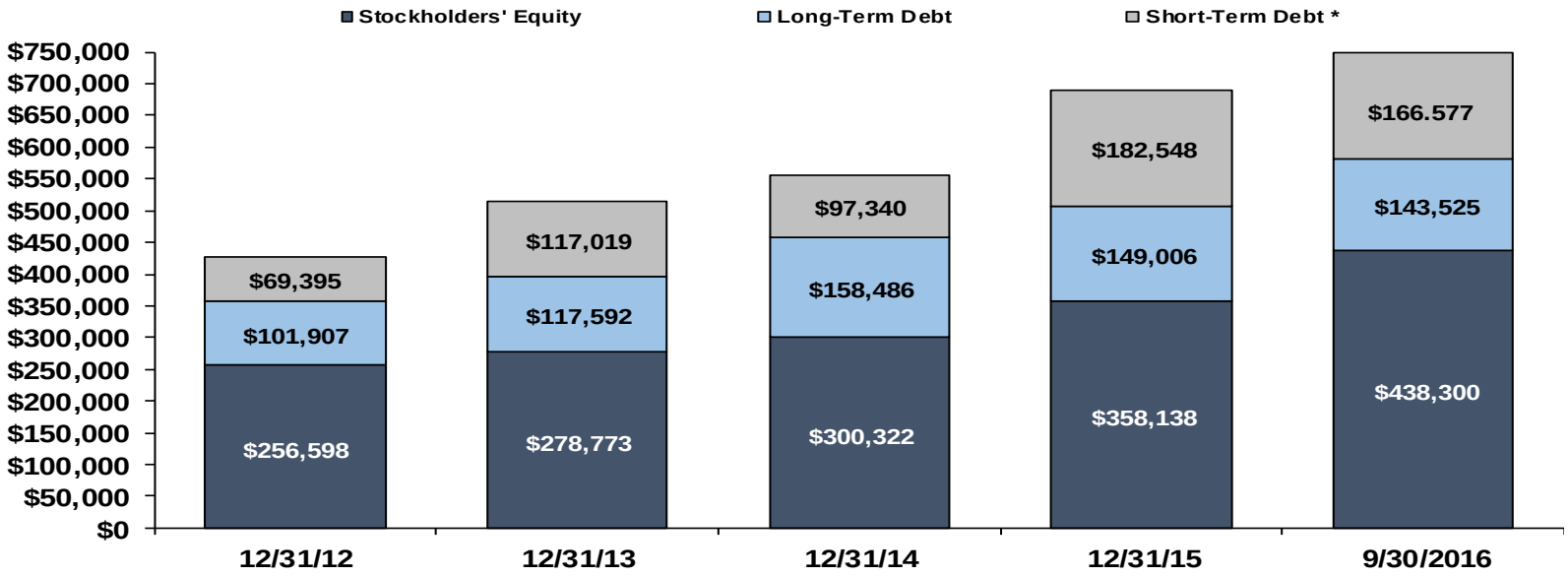
- Expansion of facilities to serve Calpine power plant
- Eastern Shore Natural Gas system reliability project
- Florida GRIP investments

- 2016 year-to-date capital expenditures totaled $106 million
- We project aggregate capital expenditures between $150 and $170 million compared to our initial budget of $179 million for 2016

Total Capitalization

Strong Balance Sheet to Support Growth

(in thousands)



Equity/Permanent Capitalization	71.6%	70.3%	65.5%	70.6%	75.3%
Equity/Total Capitalization	60.0%	54.3%	54.0%	51.9%	58.6%

Short-term debt includes current portion of long-term debt and designated revolving credit.

- **Target Capital Structure:**
  50% to 60% Equity to Total Capitalization
- **Equity Issuance of $57.6 million in September 2016**

Follow-On Equity Offering Recap

First equity offering in nearly 10 years

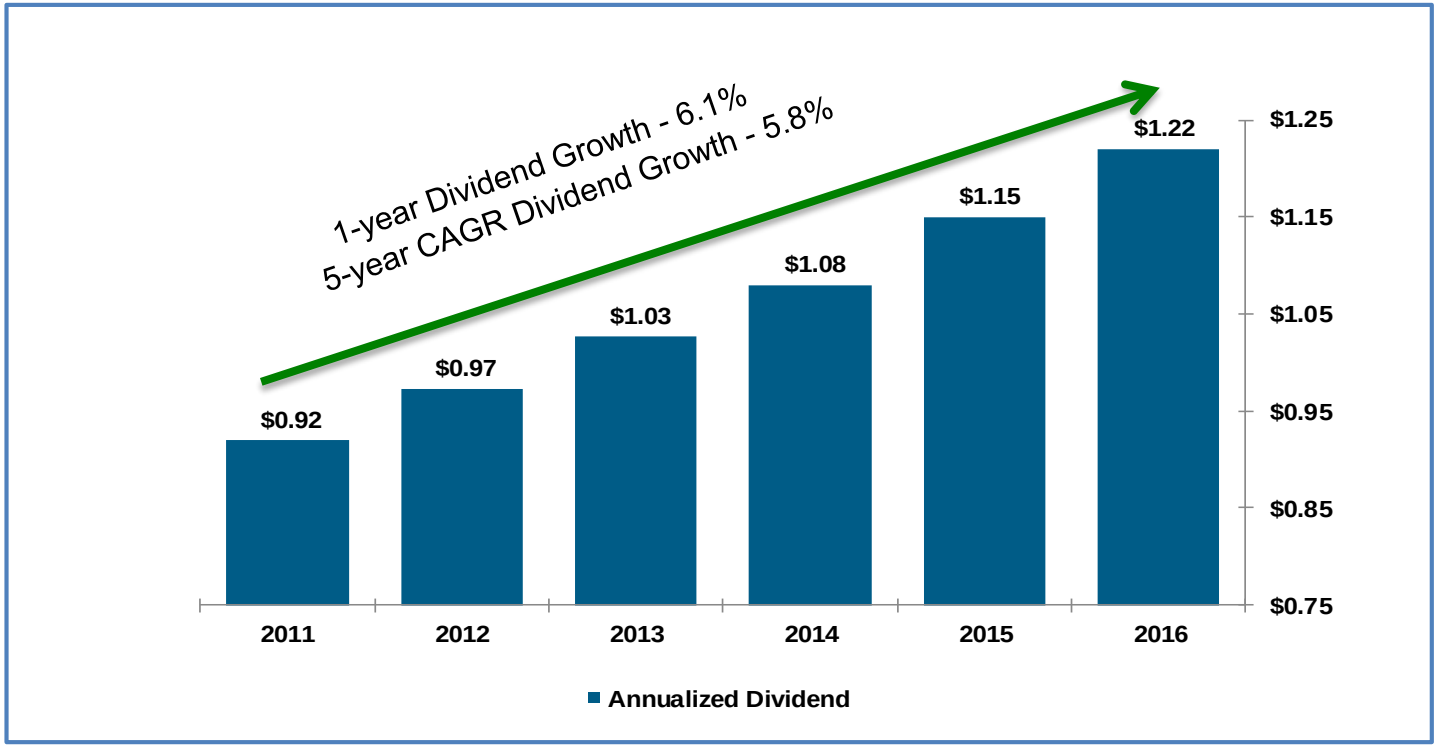
- **Book Runners - Wells Fargo and RBC**
- **Managers - Janney Montgomery, Baird, Hilliard Lyons, Ladenburg Thalmann, U.S. Capital and BB&T**
- **Investor indicative demand exceeded offering by 300%**
- **Retail (69%) and Institutional (31%) Placements**

Transaction Overview

- **Pricing Date:** September 22, 2016 (Overnight Execution)
- **Total Proceeds:** $57,562,046 from 960,488 shares issued
- **Offer Price:** $62.26
- **Purpose:** To pay down short-term debt incurred to fund capital expenditures
- **Meaningfully oversubscribed by both institutions and retail investors**
- **Positive aftermarket trading and a full greenshoe (15% over allotment) exercised on offering date, September 22, 2016**

Continuous Dividend Growth

We are committed to providing dividend growth that is supported by sustainable earnings growth



- Chesapeake's Board of Directors declared a quarterly cash dividend of $0.305 per share on November 2, 2016.
- The $0.305 per share dividend will be paid on January 5, 2017 to all shareholders of record as of December 15, 2016.
- Chesapeake has paid dividends to its shareholders without interruption for 56 years.
- During those 56 years, Chesapeake has either maintained or increased its dividend.

Gross Margin Highlights

Major Projects and Initiatives Summary

Gross Margin for the Period

Dollars in thousands	Actual 2015	YTD 2016	Estimate 2016	Estimate 2017	Estimate 2018
Completed Projects since 2014					
Aspire Energy	$ 6,324	$ 8,203	$ 12,674	$ 13,376	$ 14,302
Natural Gas Transmission Expansions & Contracts	7,704	10,858	14,334	12,908	9,946
Florida GRIP	7,508	8,383	11,405	13,756	15,960
Florida Electric Rate Case	3,734	2,714	3,562	3,562	3,562
Delaware Division Interim Rates	-	1,347	2,164	2,500	2,500
Eight Flags CHP	-	2,581	3,464	8,156	8,457
Total Completed Projects since 2014	**$ 25,270**	**$ 34,086**	**$ 47,603**	**$ 54,258**	**$ 54,727**
Projects and Initiatives underway					
ESNG System Reliability and 2017 Expansion Projects	-	-	-	3,194	20,238
Total Projects and Initiatives Underway	**$ -**	**$ -**	**$ -**	**$ 3,194**	**$ 20,238**
Major Projects and Initiatives Total	**$ 25,270**	**$ 34,086**	**$ 47,603**	**$ 57,452**	**$ 74,965**

$22,333 **$9,849** **$17,513**

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

Recent and Upcoming Rate Cases

Maryland (Sandpiper), Delaware (Delaware Division) and FERC (ESNG)

Recent

Sandpiper Energy (Filing: 2015)

- Rate case filed with the MD PSC on December 1, 2015, as required with the PSC approval of the 2013 acquisition
- Settlement reached with PSC on August 10, 2016 and approved on October 29, 2016
- New rates go in effect on December 1, 2016

Delaware Division (Filing: 2015)

- Rate case filed on Dec. 21, 2015 for a $4.7 million rate increase
- Interim rate increase of $2.5 million, subject to refund, implemented on February 19, 2016
  - Year to date (9/30/2016) we have recorded $1.35 million of gross margin associated with these interim rates
- Currently in settlement discussions
- Although second phase of interim rates were approved (up to $4.7 million), we have fully reserved the increase over the $2.5 million initial interim rates

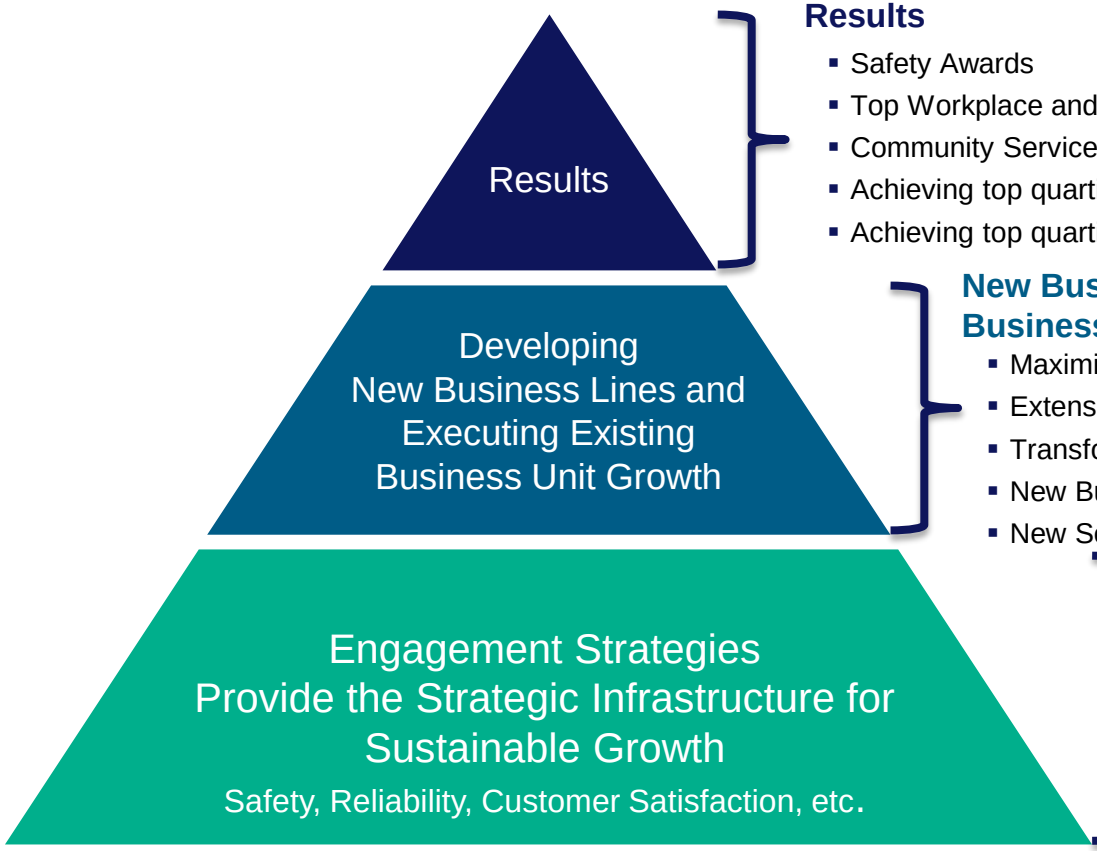
Upcoming

ESNG (Filing early 2017)

- Filing to be made by end of January, 2017 in accordance with last Settlement Agreement
- New rates will be proposed to be effective on March 1, 2017

Company Performance & Direction

Strategic Platform for Sustainable Growth



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Eight Flags Energy, LLC

Combined Heat and Power Plant

Project completed and fully operational in July 2016

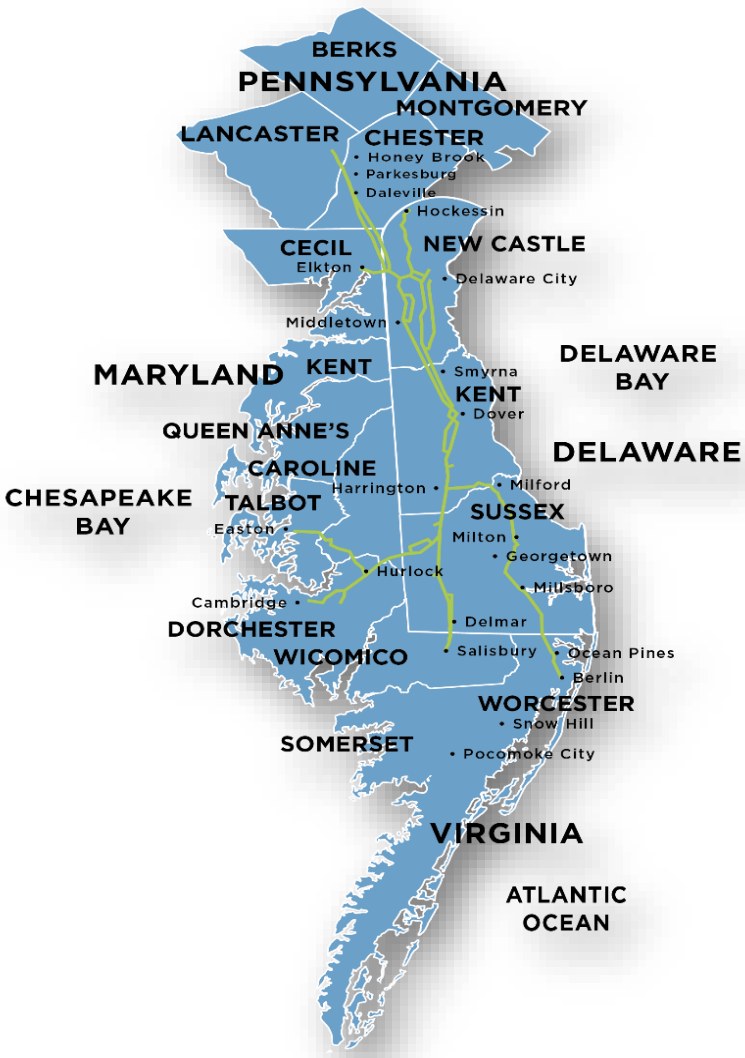
Project Specifics

- **Capital Investment:** **$40.0 Million**
- **Capacity:** **20 MW**
- **Annual Margin:** **$8.2 Million**
- **Est. electric purchase savings** **$3 to $4 Million per year depending on natural gas prices**

- The Eight Flags Energy CHP Plant is fully commissioned and in service, providing opportunities across our business units to deliver more value to our customers and shareholders
- 2016 Year-to-date margin of $2.6 million and $3.5 million expected in 2016
- Eight Flags CHP not affected by Hurricane Matthew in terms of damage
- FPU customers will benefit from reliable, environmentally friendly electricity in their homes and businesses and cost savings in the coming years

Eastern Shore Natural Gas

2017 Expansion Project Overview



Purpose

- Enables Eastern Shore Natural Gas (ESNG) to meet growing demand for reliable, clean natural gas energy
- Increases firm transportation deliverability on our system by approximately 25 percent, supporting economic growth in the region
- Precedent agreements have been signed by five of ESNG's existing customers, who have requested new firm transportation services

FERC Considerations

- FERC approved ESNG's request to commence the pre-filing review process on May 17, 2016
- Certificate of Public Convenience filing anticipated to occur in the fourth quarter of 2016

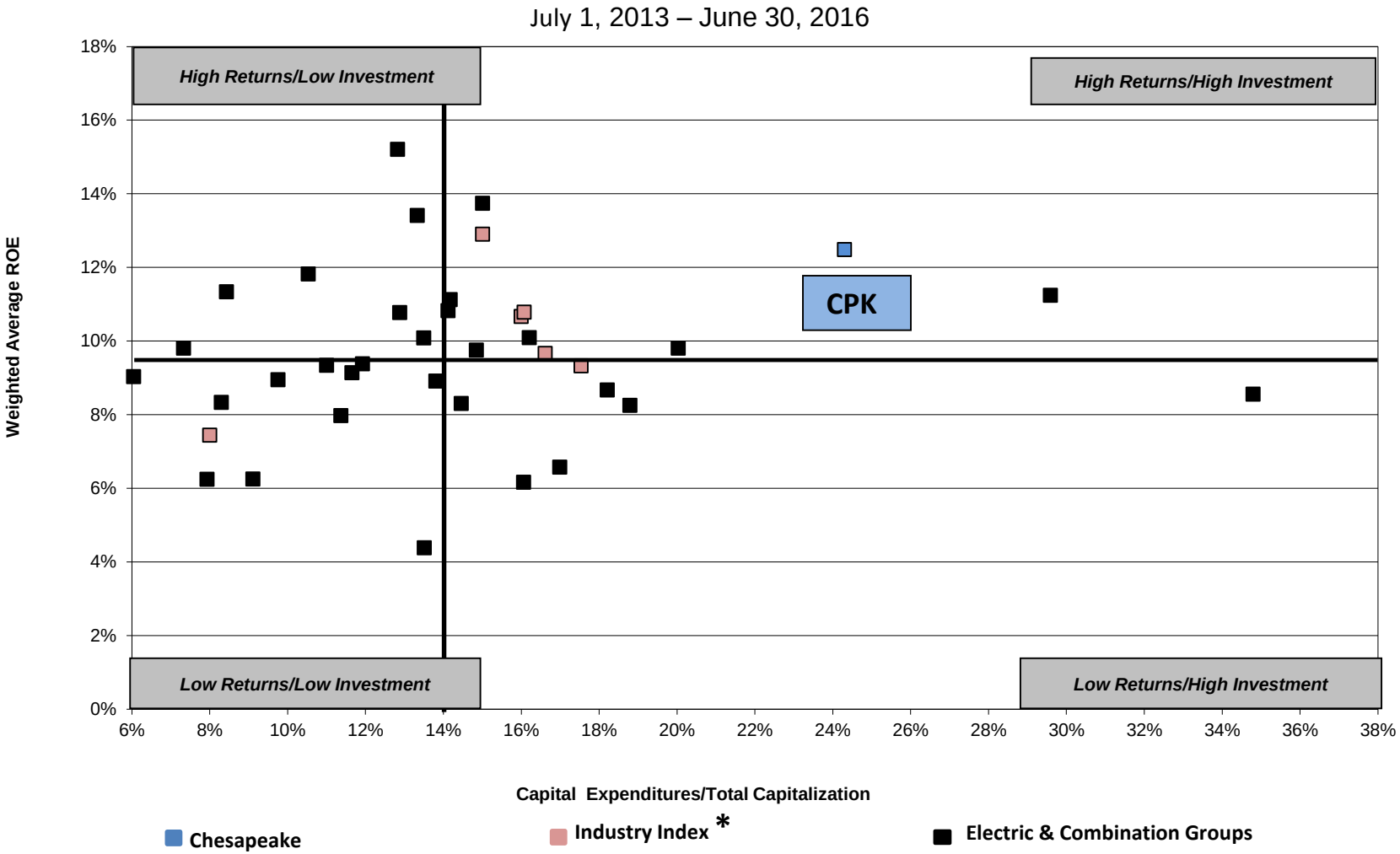
Eastern Shore Natural Gas

2017 Expansion Project Details

Miles of Pipeline/Compression:	~23 miles of pipeline looping in Pennsylvania, Maryland and Delaware ~17 miles of new mainline extension and two pressure control stations in Sussex County, Delaware
Other Facilities:	Upgrades to the TETCO interconnect 3,550 hp new compression-Daleville Compressor Station Two new pressure control stations
Total Capacity Increase (dt/d):	Up to an aggregate of 61,162 dekatherms
Capital Investment:	Approximately $99 Million
Annual Estimated Margin:	$15.7 million in the first full year of operation
Construction Commencement:	Second quarter of 2017 - subject to the timing of FERC approval
In Service:	Late in fourth quarter 2017

Performance Quadrant

Peer ROE vs. Capital Expenditures



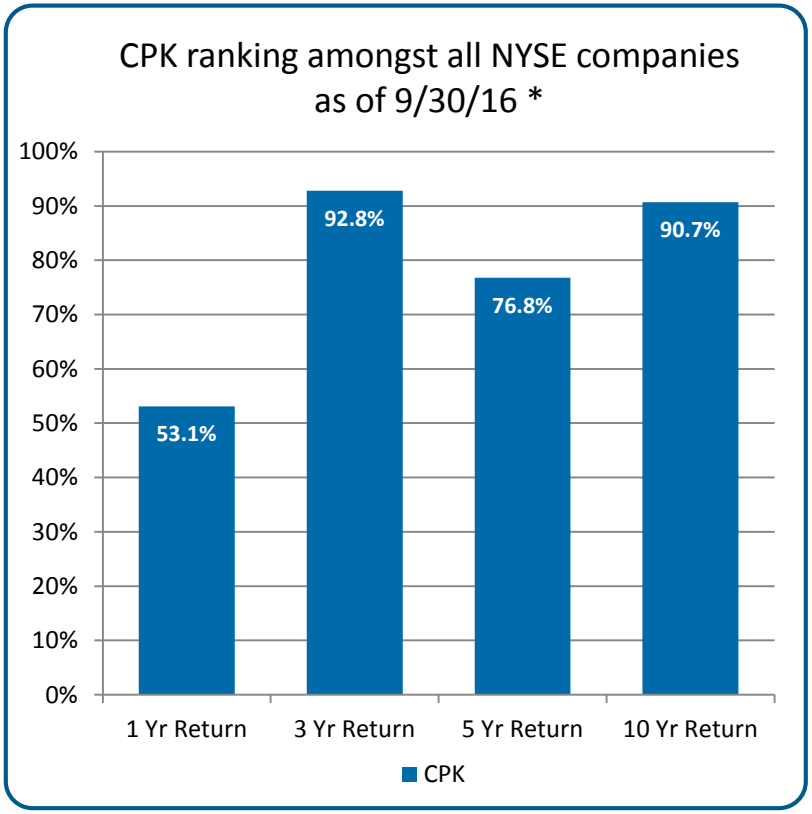
* *Includes companies previously a part of the Edward Jones Natural Gas Distribution peer group.*

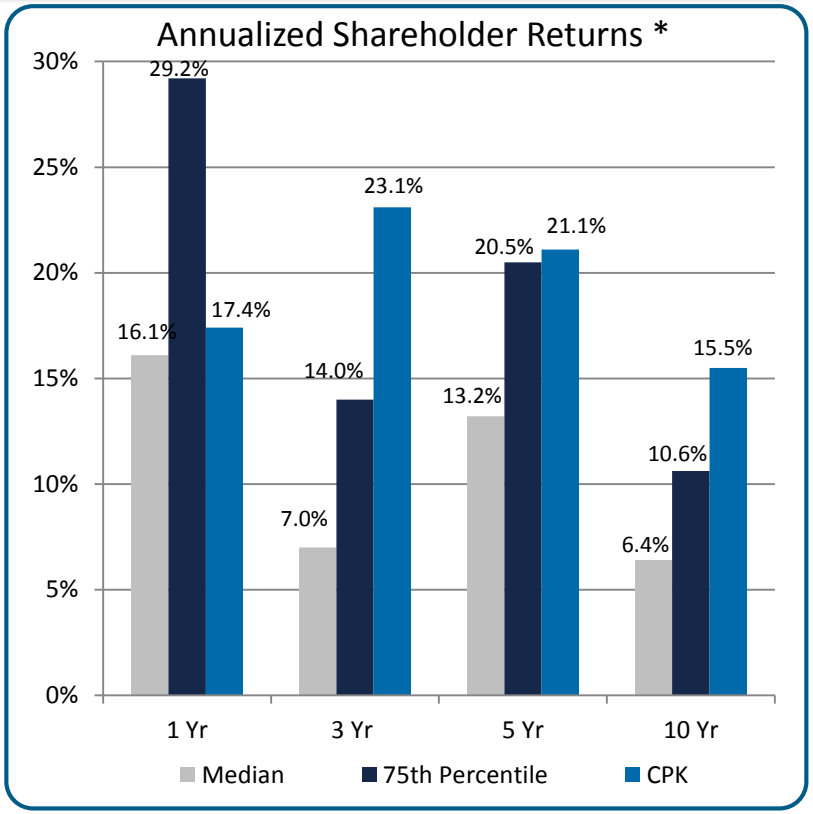
Source: Bloomberg

Shareholder Return

Comparison to Broader market – NYSE Companies

Chesapeake's Total Shareholder Return has been strong relative to the broad market, as compared to all companies listed on the New York Stock Exchange over the past ten years





Chesapeake represents one company out of 244 companies that is above median for all periods (11.5% of total)

** Source: BB&T Capital Markets*

Financial Metric Summary

- We achieved top quartile performance in 17 out of 20 categories.
- Chesapeake's Shareholder Return (CAGR) for 10 and 20 years was 15.4% and 13.2%, respectively; ranking as #1 for the 10 years and the 20 years in the peer group.

Performance Metrics	**Chesapeake Results**		
For periods ending 06/30/16 unless otherwise noted	1 Year	3 Year	5 Year
Capital Expenditures / Total Capitalization	22.3%	24.3%	22.9%
Earnings Per Share Growth (CAGR)	-0.7%	7.2%	8.7%
Return on Equity	11.6%	12.5%	12.2%
Dividends Per Share Growth (CAGR) *for periods ending 9/30/16*	6.1%	5.9%	5.8%
Earnings Retention Ratio	55.5%	56.9%	54.7%
Shareholder Return (CAGR) *for periods ending 9/30/16*	17.3%	23.0%	21.0%

□ ***denotes percentiles in top quartile performance for the corresponding metric***

Source: Bloomberg

Note: Certain peer group companies have only been included in the respective years in which they had a return (if a new company) and have been excluded if they had less than one year of returns after a spin-off.

Any Questions?

THANK YOU!

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TOP WORK PLACES

CHESAPEAKE UTILITIES CORPORATION