



Third Quarter Earnings Conference Call

Friday, November 10, 2017

Salisbury University, Salisbury, MD

Reaching
New Heights

Transforming
Opportunities

Investing in
Growth

Engaging
Our Team



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 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.

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.

Third Quarter 2017 Highlights

- EPS of \$0.42 for third quarter 2018 compared to \$0.29 for third quarter 2017
- 45 percent growth in 3rd Quarter EPS – highest 3rd quarter EPS in Chesapeake's history
- Continued growth across business units led by Propane, ESNG, Natural Gas Distribution and Aspire Energy
- Lower O&M expense reduced expenses by \$1.9M for the quarter

Key drivers of the \$0.13 per share increase included:

- Lower O&M expenses + \$0.07/share
- Higher retail and wholesale propane volumes and improved margins + \$0.06/share
- Natural Gas Transmission & Distribution growth and GRIP + \$0.04/share
- Implementation of interim new rates for Eastern Shore Natural Gas + \$0.04/share
- Higher Aspire Energy margins and volumes + \$0.02/share
- Higher depreciation and taxes resulting from capital investments for growth +(\$0.07)/share
- Higher payroll and benefit costs +(\$0.03)/share

Key Third Quarter Accomplishments:

- Interim rates effective August 1st for Eastern Shore rate case; settlement discussions continuing
- FERC approved the 2017 Eastern Shore Natural Gas Expansion; limited construction underway
- Northwest Florida Pipeline expansion construction underway
- NEW PROJECT - 14 mile pipeline project to serve FPU customers in New Smyrna, FL; construction underway
- Minimized impact of Hurricane Irma on Florida operations due to successful preparation, execution and timely restoration of services

Eastern Shore Natural Gas

Capital Investments and 2017 Rate Case

2016 System Reliability Project Description:

- 10.1 miles of pipeline in New Castle and Kent Counties in Delaware
- New compressor station at existing Bridgeville, compressor station in Sussex County, Delaware
- 2.5 mile looping segment completed in December 2016
- Remainder of project completed in 2nd Quarter of 2017
- Approximate \$38.0M investment



Drivers for Rate Case:

- Required come back filing
- Inclusion of System Reliability Investment and investments since previous rate case in 2012
- Overall increased cost of service



2017 ESNG Rate Case:

- Filing made with FERC in January 2017
- Requested return on the 2016 System Reliability Project, other capital improvements and increased operating expenses/cost of service
- Interim rates, subject to refund, effective in August 2017
- Recorded \$1M in margin in 3rd Quarter
- Settlement discussions ongoing

Eastern Shore Natural Gas

2017 System Expansion Project Details

Capital Investment:

- Updated estimate of \$115M

Annual Estimated Margin:

- \$15.8M in the first full year of operation

Construction Period:

- FERC approval on 10/4/2017
- TETCO interconnect construction underway
- Remaining construction to begin before the end of the fourth quarter
- In service second quarter 2018

Project Description:

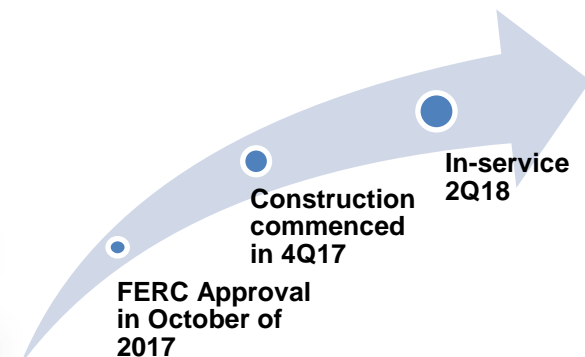
- 23 miles of pipeline looping in PA, DE, & MD
- 17 miles of new mainline extension
- Upgrades to the TETCO interconnect
- 3,750 hp new compression-Daleville Compressor Station
- Two (2) new pressure control stations

Total Capacity Increase:

- 61,162 dts/d on Eastern Shore's pipeline system



Construction Period



Florida Natural Gas Projects

Northwest Florida Expansion and New Smyrna Expansion

Capital Investment:

- \$35.9M Northwest Expansion
- \$9.1M New Smyrna Expansion

Annual Estimated Margin:

- \$6.5M combined in the first full year of operations

Construction Period:

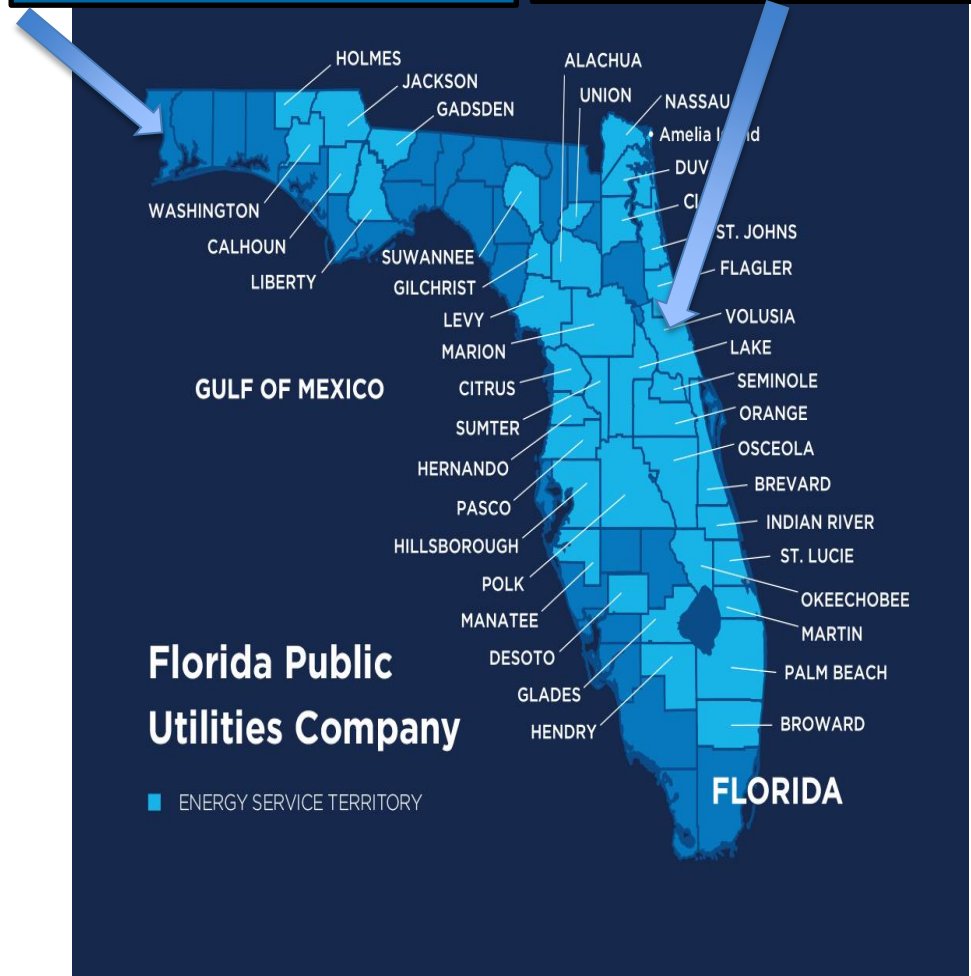
- Projects moving forward as scheduled
- New Smyrna - in service 1Q2018
- Northwest Pipeline – in service 2Q2018

Project Descriptions:

- Transmission (33 miles) and distribution (8 miles) of pipeline for Northwest Florida
 - Customer Commitments of 68,500 dts/d, with total capacity of 80,000 dts/d
- Transmission (14 miles) of pipeline for New Smyrna expansion to serve LDC customers

Northwest Pipeline Expansion Pensacola Region

New Smyrna Expansion (Volusia County)



Gross Margin Highlights

Major Projects and Initiatives Summary

Gross Margin for the Period

<i>Dollars in thousands</i>	Actual 2016	Estimate for		
		2017	2018	2019
Major Projects and Initiatives Completed				
Natural Gas Transmission Services	\$ 13,269	\$ 13,253	\$ 8,701	\$ 8,679
Florida GRIP	11,552	13,727	14,407	15,085
Eight Flags CHP	4,998	8,366	8,706	8,960
Settled Delaware Division Rate Case	1,487	2,250	2,250	2,250
Total Existing Major Projects and Initiatives Completed	\$ 31,306	\$ 37,596	\$ 34,064	\$ 34,974
Future Major Projects and Initiatives				
2017 ESNG System Expansion	-	126	9,313	15,799
Northwest Florida Expansion	-	-	3,484	5,127
Othr Florida Pipeline Expansions	-	-	2,044	2,542
Total Future Major Projects and Initiatives	\$ -	\$ 126	\$ 14,841	\$ 23,468
Total Completed and Future Projects and Initiatives	\$ 31,306	\$ 37,722	\$ 48,905	\$ 58,442

Three Year Total ▲ \$27,136

\$6,416

\$11,183

\$9,537

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

Consolidated Financial Results

For the periods ended September 30th

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

	Third Quarter		Year-to-Date	
	2017	2016	2017	2016
Operating Income				
Regulated Energy segment	\$ 15,168	\$ 13,115	\$ 51,915	\$ 52,660
Unregulated Energy segment	(989)	(3,080)	10,504	9,267
Other businesses and eliminations	60	121	161	350
Total Operating Income	14,239	10,156	62,580	62,277
Other Income (Expenses)	239	(28)	(643)	(68)
Interest Charges	3,321	2,722	9,133	7,996
Income Before Taxes	11,157	7,406	52,804	54,213
Income Taxes	4,324	2,990	20,781	21,401
Net Income	\$ 6,833	\$ 4,416	\$ 32,023	\$ 32,812
Diluted Earnings Per Share	\$0.42	\$0.29	\$1.96	\$2.14

Third Quarter 2017 Highlights

Regulated Energy operating income
growth of \$2.1M, or 16%

Key Drivers:

Increased gross margin of \$1.5M and a decrease in other operating expenses of \$0.5M

- Margin
 - \$1.0M associated with new rates for ESNG
 - \$1.0M from natural gas distribution and transmission growth (including GRIP in Florida)
- Expenses
 - \$2.0M in lower benefits and outside services, facilities and maintenance costs
 - Offset by: \$1.4M higher depreciation and asset costs associated with recent capital investments

Unregulated Energy operating income
growth of \$2.1M, or 68%

Key Drivers:

Increased margin of \$3.1M, offset by a \$1.0M increase in other operating expenses

- Margin
 - \$0.9M in additional margin from increased propane volumes
 - \$0.9M in higher propane margins due to successful supply management, growth in wholesale propane margins and propane service revenues
 - \$0.6M due to customer growth and higher margins for Aspire Energy
 - \$0.3M of additional gross margin from Eight Flags operations
 - \$0.2 in higher margin due to the absence of a loss from Xeron's operations
- Expenses
 - \$1.0M in higher operating expenses related to personnel costs, depreciation and amortization

Reconciliation of Third Quarter Results

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

<i>(in thousands except per share data)</i>	<u>Pre-Tax Income</u>	<u>Net Income</u>	<u>Diluted Earnings Per Share</u>
Third Quarter 2016 Reported Results	\$ 7,406	\$ 4,416	\$ 0.29
Adjusting for Unusual Items:			
Weather Impact	(333)	(204)	\$ (0.01)
Absence of Xeron's third quarter 2016 loss	545	334	\$ 0.02
	<u>212</u>	<u>130</u>	<u>\$ 0.01</u>
Other Increased Gross Margins:			
Regulated Energy Segment	1,816	1,113	\$ 0.07
Unregulated Energy Segment	2,429	1,487	\$ 0.10
	<u>4,245</u>	<u>2,600</u>	<u>\$ 0.17</u>
Decreased Other Operating Expenses	768	470	\$ 0.03
Increased Depreciation, Asset Removal and Property Taxes	(1,710)	(1,047)	\$ (0.07)
Increased shares outstanding	-	-	\$ (0.02)
Net other changes and expenses	<u>236</u>	<u>264</u>	<u>\$ 0.01</u>
Third Quarter 2017 Reported Results	<u>\$ 11,157</u>	<u>\$ 6,833</u>	<u>\$ 0.42</u>

Unregulated Energy Operations

Strong Performance in 3rd Qtr. 2017

Propane Prices and Supply Management Strategies:

- Propane margin increased by \$1.8M during the 3rd Quarter of 2017:
 - Increased volume + \$0.9M
 - Improved margin + \$0.7M
 - Service revenue + \$0.2M
- Retail and wholesale propane margins improved due to effective supply management strategies
- Retail volumes increased due to growth in customers served and the timing of deliveries in advance Florida because of Hurricane Irma
- Higher service revenue and wholesale volumes reflect successful marketing efforts by Sharp and FPU
- Propane margin increased by \$1.1M during the first nine months of 2017:
 - Increased volume + \$0.1M
 - Improved margin + \$0.8M
 - Service revenue + \$0.2XM

Improved YTD Margin from Natural Gas Supply Opportunities:

- PESCO contributed a gross margin increase of \$1.8 million
 - Increase in the number of contracts and customers served
 - Additional revenue associated with serving as asset manager/supplier of several LDCs
- Aspire Energy contributed a gross margin increase of \$1.1 million
 - Customer growth of \$0.4M
 - Increased margins of \$1.1 M
 - Offset by warmer weather of \$0.4M

.02

Total Capitalization

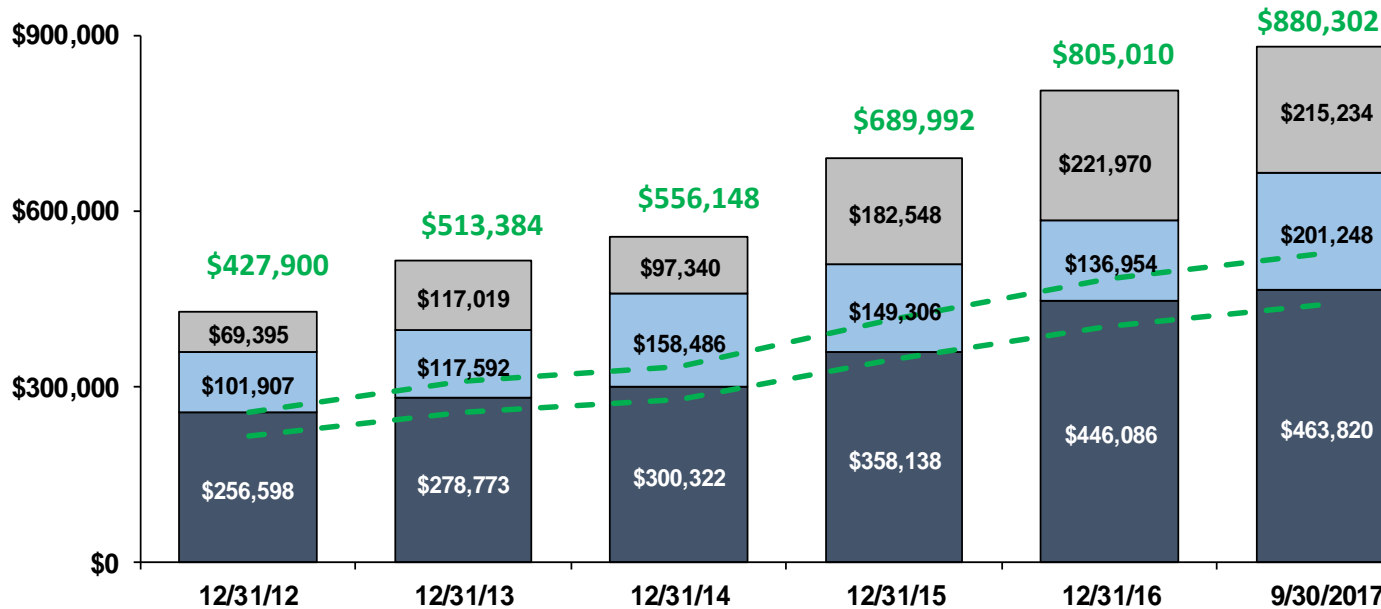
Strong Balance Sheet to Support Growth

(in thousands)

■ Stockholders' Equity

■ Long-Term Debt

■ Short-Term Debt *



As of 9/30/17
ST Debt Cost
 2.15%
LT Debt Cost
 4.42%

2018 Budget
\$100 million LTD
Private Placement

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

Equity/Permanent
Capitalization

71.6% 70.3% 65.5% 70.6% 76.5% 69.7%

Equity/Total
Capitalization

60.0% 54.3% 54.0% 51.9% 55.4% 52.7%

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

Continuing to Build for the Future

2017 Forecasted Capital Expenditures of \$215 million

<i>\$ thousands</i>	2017 Forecasted Capital Expenditures
\$93,737	Natural Gas Transmission
87,539	Natural Gas and Electric Distribution
26,875	Unregulated Energy
<u>6,507</u>	Corporate / Other
<u>\$214,658</u>	Total Forecasted Capital Spending

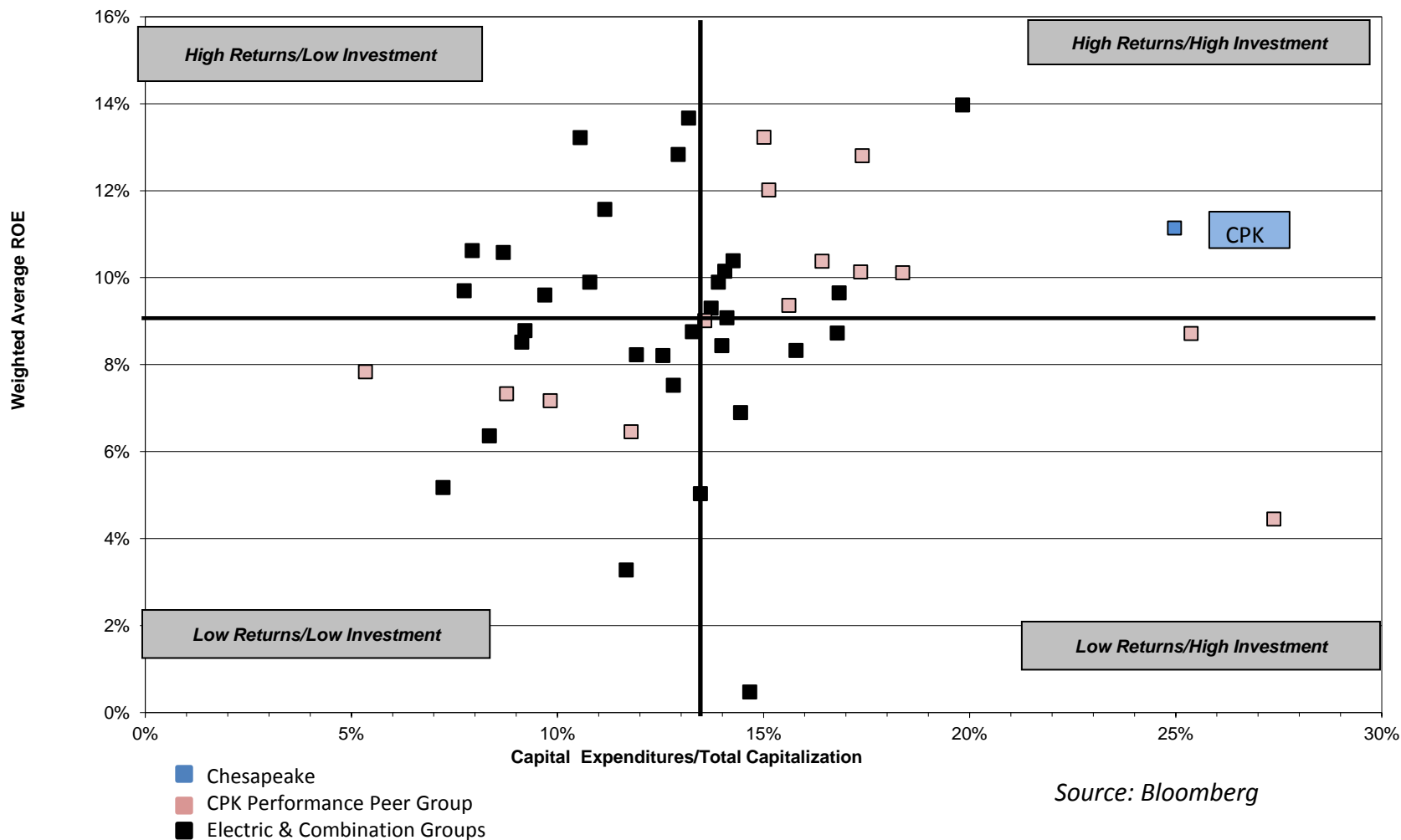
Year-to-date investing activities totaled \$141.5 million

Performance Quadrant

Peer ROE vs. Capital Expenditures

7/1/2014 – 6/30/2017

	<u>Cap Ex</u>	<u>ROE</u>
CPK	24.97%	11.14%
Median	13.47%	9.07%
75 th Percentile	15.49%	10.38%

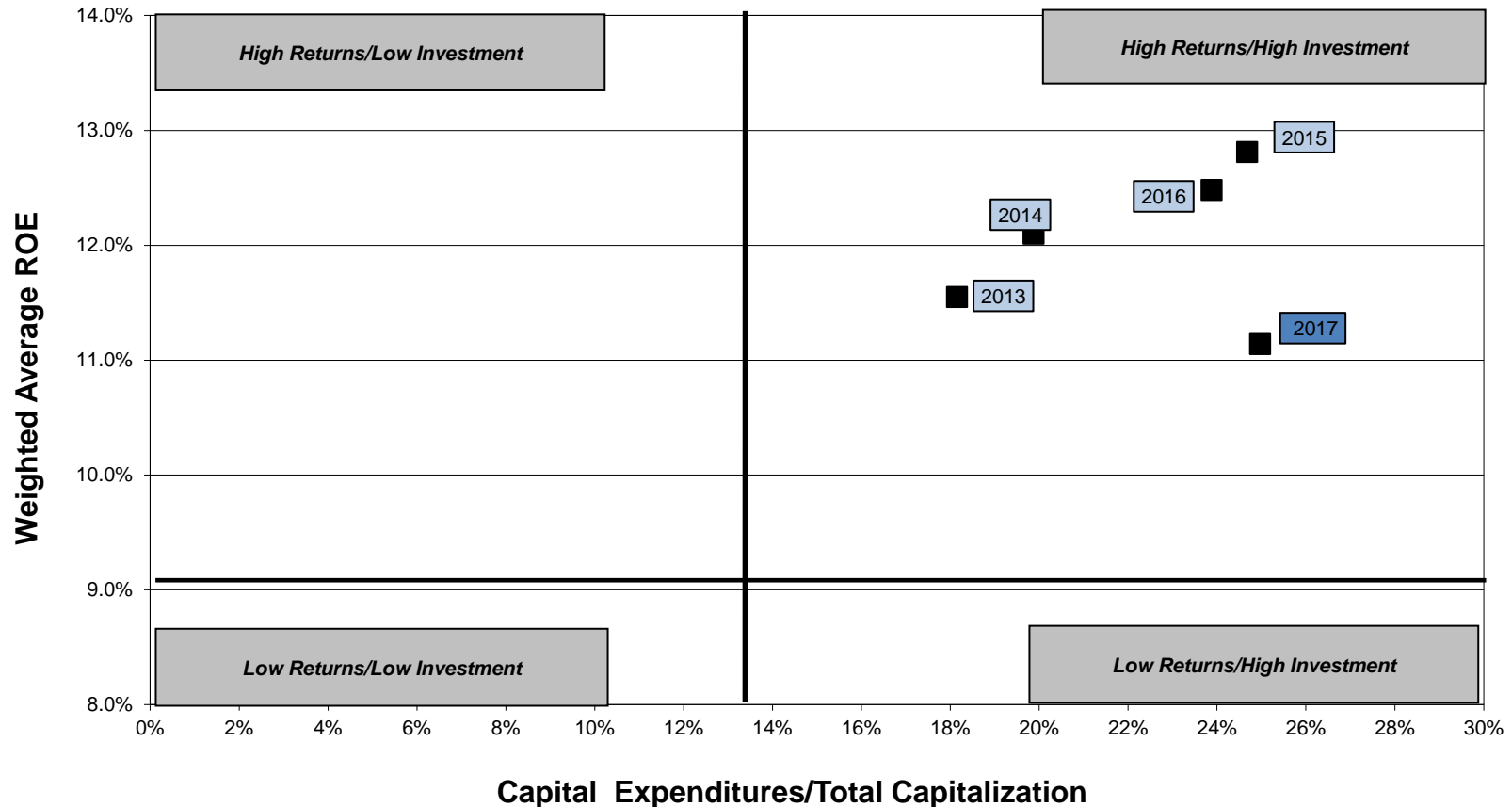


Performance Quadrant

ROE vs. Capital Expenditure/Total Capitalization
For Three Year Periods Ended June 30th

Three Years Ended 6/30/17		
	Cap Ex	ROE
CPK	24.97%	11.14%
Median	13.47%	9.07%
75 th Percentile	15.49%	10.38%

Chesapeake achieved High Returns/High Investment for each period



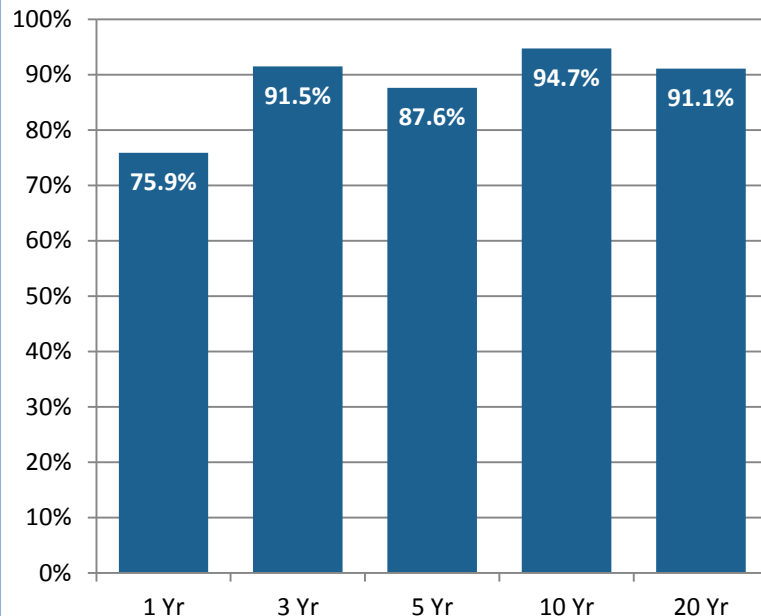
Note: Cross hairs are Peer Medians for 3 year period ending June 30, 2017

Shareholder Return

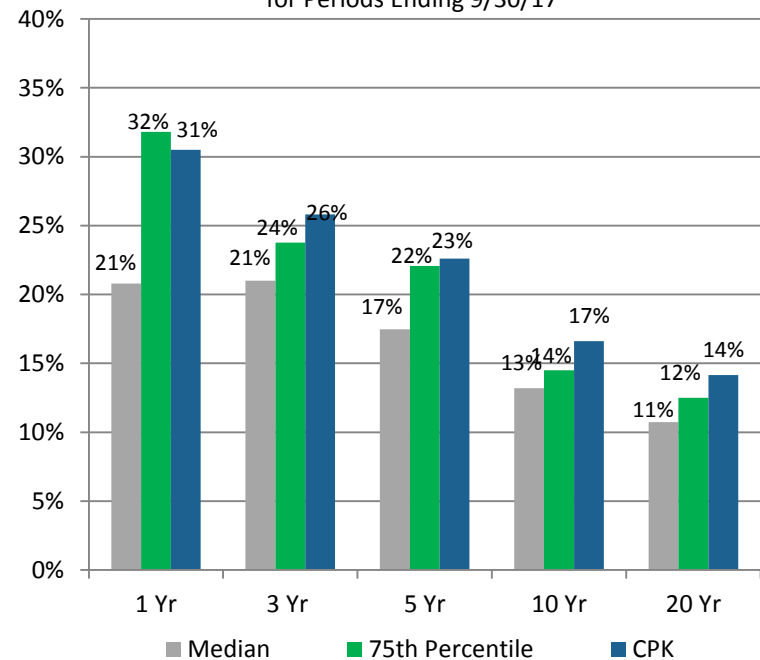
Comparison to Broader Market – NYSE Companies

- Chesapeake's compound annual return has exceeded 14% for all periods shown.
- Total return relative to the broad market has been in the top quartile of all NYSE companies also for all periods shown.

CPK Ranking amongst all NYSE companies for periods ending 9/30/17



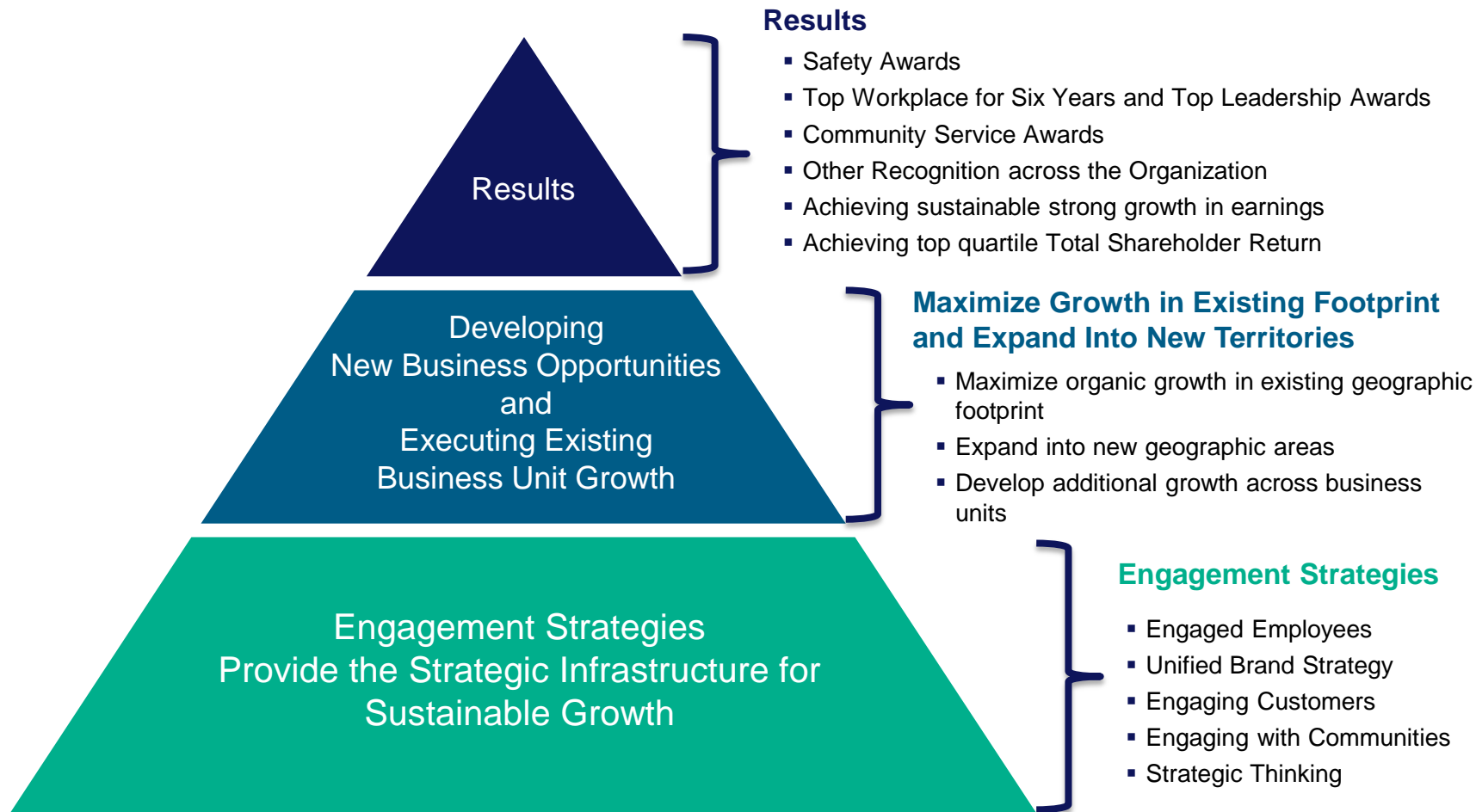
Annualized Shareholder Returns for Performance Peer Group for Periods Ending 9/30/17



Source: Bloomberg

Approach to Reaching New Heights

Strategic Platform for Sustainable Growth



Thank You



Michael P. McMasters, President & CEO
302.734.6799; mmcmasters@chpk.com



Beth W. Cooper, Senior Vice President & CFO
302.734.6022; bcooper@chpk.com