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Third Quarter 2018 Earnings Conference Call

Monday November 12, 2018

Dover, DE

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 2017 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 realized mark-to-market gains (losses) and one-time charges, such as severance charges.

Year-to-Date 2018 Highlights

Earnings for the First Nine Months of 2018 up 21% over 2017

Key Drivers of Growth Year-to-Date:

- **Regulated Energy Net Income Up $7.5MM, or approximately 29% year-to-date**
  - Eastern Shore Rate Case and 2017 System Expansion Project
  - Northwest Pipeline Project and other Peninsula Pipeline Expansion Projects
  - Return to More "Normal" Weather
  - Natural Gas Distribution Growth
  - Florida GRIP and Electric Reliability Program

	$ Change	% Change
Operating Income	$ 3,926	7.41%
Net Income	$ 7,539	28.97%

- **Unregulated Energy Net Income Up approximately $496,000, or 8.7% year-to-date**
  - Propane Customer Growth, AutoGas and Increased Service Revenues and Wholesale Margins
  - Return to More "Normal" Weather
  - Aspire Energy Growth

	$ Change	% Change
Operating Income	$ (385)	-3.63%
Net Income	$ 496	8.69%

Other Key Takeaways:

- Third quarter results in line with our internal forecast and previous communications regarding 2018 expected performance

Affirm previous guidance for forecasted 2018 earnings per share growth of 17% plus based upon 2017 Adjusted EPS of $2.89 (including the potential impact from Hurricane Michael).

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TOP WORK PLACES

Consolidated Financial Results

Third Quarter Performance

For the periods ended September 30, (in thousands except per share amounts)	Third Quarter 2018	Third Quarter 2017
Operating Income (Loss)		
Regulated Energy segment	$ 15,915	$ 15,523
Unregulated Energy segment	(3,933)	(951)
Other businesses and eliminations	54	60
Total Operating Income	12,036	14,632
Other Expense, net	(11)	(154)
Interest Charges	4,430	3,321
Income Before Taxes	7,595	11,157
Income Taxes	2,057	4,324
Net Income	**$ 5,538**	**$ 6,833**
Diluted Earnings Per Share	**$0.34**	**$0.42**

Quarterly Highlights

- **The third quarter results were in line with our internal forecast for the quarter**
- **Net Income of $5.5MM or $0.34 per share**
- **Regulated energy segment operating income grew by $392,000 for the quarter or $2.4MM (excluding the impact of TCJA)**
- **Continued profitable growth in the natural gas and electric distribution as well as the natural gas transmission businesses**
- **Eastern Shore and Peninsula Pipeline expansions contributed $3.6 MM in incremental margin during the third quarter of 2018**
- **As the unregulated energy businesses continue to grow, seasonality in the third quarter will further impact the quarter's results**

Consolidated Financial Results

YTD Performance

For the periods ended September 30, (in thousands except per share amounts)	Year-to-Date 2018	Year-to-Date 2017
Operating Income (Loss)		
Regulated Energy segment	$ 56,930	$ 53,004
Unregulated Energy segment	10,241	10,626
Other businesses and eliminations	(1,481)	162
Total Operating Income	65,690	63,792
Other Expense, net	(204)	(1,855)
Interest Charges	11,976	9,133
Income Before Taxes	53,510	52,804
Income Taxes	14,731	20,781
Net Income	**$ 38,779**	**$ 32,023**
Diluted Earnings Per Share	**$2.36**	**$1.96**

YTD Highlights

- Year-to-date net income rose by $6.8MM to $38.8MM or $2.36 per share
- Continued profitable growth in:
  - Natural gas sales, distribution, and transmission
  - Electric distribution
  - Propane distribution
- Eastern Shore Natural Gas Company's ("Eastern Shore" or "ESNG") $117MM pipeline expansion project and associated earnings remains on track
- Lower federal income tax rates (27.5%) increased net income – partially offset by refunds/estimated reserves for refund to regulated customers
- Operating income growth for Regulated Energy:
  - $3.9 MM – Including TCJA impact
  - $$11.4MM - Excluding TCJA impact

Reconciliation of Third Quarter Results

Key variances for the three months ended September 30, 2018 vs. 2017 included:

(in thousands except per share data)	Pre-Tax Income	Net Income (1)	Earnings Per Share (1)
Third Quarter of 2017 Reported Results	**$ 11,157**	**$ 6,833**	**$ 0.42**
Increased (Decreased) Gross Margin:			
Regulated Distribution and Transmission	5,511	4,018	0.24
Customer refunds as a result of the TCJA	(1,993)	(1,454)	(0.09)
Florida electric reliability program and GRIP	793	579	0.03
PESCO results	(629)	(459)	(0.03)
Retail Propane Gallons	(469)	(342)	(0.02)
Unregulated Energy customer consumption decrease	(374)	(273)	(0.02)
	2,839	2,069	0.11
Increased Other Operating Expenses	(5,366)	(3,914)	(0.23)
Income taxes - including TCJA impact - decreased effective tax rate for Regulated energy	-	1,454	0.09
Income taxes - including TCJA impact - decreased effective tax rate for Unregulated energy and other operations	-	(151)	(0.01)
Interest charges and other net changes	(1,035)	(753)	(0.04)
Third Quarter of 2018 Reported Results	**$ 7,595**	**$ 5,538**	**$ 0.34**

(1) With the exception of the income tax lines, all net income and per share amounts have been calculated based on the 2017 blended income tax rate.

Key Regulated Energy Segment Margin Variances:
- Eastern Shore and Peninsula Pipeline expansion:
  - $3.6MM
- Eastern Shore settled rates
  - $1.2MM
- Gas and Electric reliability programs
  - $793K
- Natural gas growth and expansion
  - $734K
- Margin reduction from pass through of TCJA offset by lower income taxes

Key Unregulated Energy Segment Margin Variances:
- Timing and true-up of imbalance positions for PESCO, lower retail propane margins per gallon, and lower consumption (propane and Aspire) during the summer quarter

Other Factors:
- Higher operating expenses and interest charges related to growth - $6.7MM
  - More pronounced given seasonality associated with the third quarter
- TCJA Impact:
  - decreased effective tax rate:
  - 27.1% Q32018 vs. 38.8% Q32017
  - $1.3MM or $0.08 per share

Hurricane Michael

Florida Electric Distribution Operations - Impact and Restoration

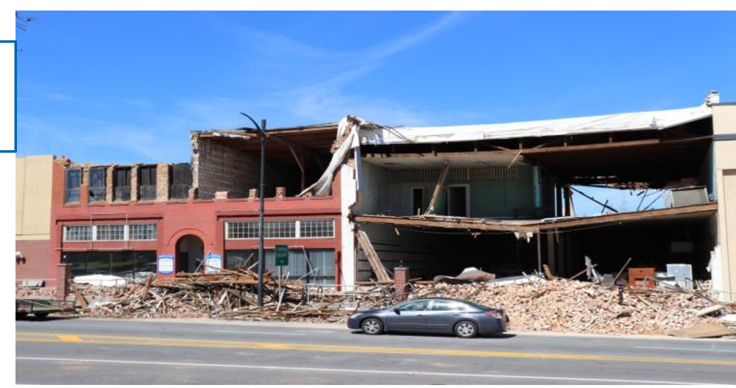
New Altha Substation

For more information, copy the below hyperlink into your web browser for the FPU video update on Hurricane Michael
www.chpk.com/news/HurricaneMichaelVideo

Hwy 71 Pole Double Duty

Marianna Smashed Poles and Transformer

Downtown Marianna



Marianna Homes Destroyed

Hurricane Michael Update

Florida Public Utilities Impact and Restoration

- Hurricane Michael inflicted heavy damage throughout northwest Florida and adversely impacted our electric distribution system and knocked out power to 13,000 customers.
- More than 1,200 employees, contractors and volunteers worked to rebuild several miles of power lines and replace over 2,000 electric poles and hundreds of transformers to restore service to customers.
- We have restored power to all customers who can accept power, and are working with customers who are repairing or rebuilding their residences to restore service once they complete their repairs.
- Our current estimate is that repair and service restoration costs will exceed $50 million.
- Costs for repairs and restoration have historically been recovered through rates.
- We reserve approximately $122,000 every year in Florida for potential storm damage.
- Potential impact to the fourth quarter of $0.01 - $0.03 per share.

Natural Gas Distribution Margin Growth
For the Periods Ended September 30th

Continued Strong Organic Margin Growth

(in thousands)	Three Months Ended 30-Sep-18	Nine Months Ended 30-Sep-18
Customer growth:		
Residential growth on Delmarva and in Florida	$ 309	$ 1,171
Commercial and industrial growth on Delmarva and in Florida (excluding new service in Northwest Florida)	283	927
New service in Northwest Florida	305	652
Total customer growth	897	2,750
Volume growth:		
Residential growth on Delmarva and in Florida	(239)	613
Commercial and industrial growth on Delmarva and in Florida	57	1,030
Other - including unbilled revenue	19	(295)
Total volume growth	(163)	1,348
Total natural gas distribution growth	$ 734	$ 4,098

- **Natural gas distribution operations generated $734,000 and $4.1MM of additional margin QTD and YTD, respectively**
- **Customer growth generated $897,000 QTD and $2.8 MM YTD in additional margin**
- **Additional margin from growth in all customer classes on Delmarva and in Florida**
- **3.8 percent residential customer growth on the Delmarva Peninsula**
- **New Northwest Florida project generated $305,000 incremental margin QTD and $652,000 YTD to new customers**
- **$1.3 MM incremental margin YTD from higher consumption (primarily from colder weather)**

Status of Tax Rate Reserves for Refunds to Rate payers

	YTD Refunds and Reserves	Status
FERC (ESNG)	$2.5 MM	Refunded $902K YTD
Delaware (DE - DNG)	$723K	Filed PSC Reviewing Rates
Maryland (DNG- Sandpiper)	$1.3MM	$783K Refunded in July 2018
Florida (FPU)	$3.1MM	Natural Gas has filed; <u>Electric reached agreement with PSC</u>

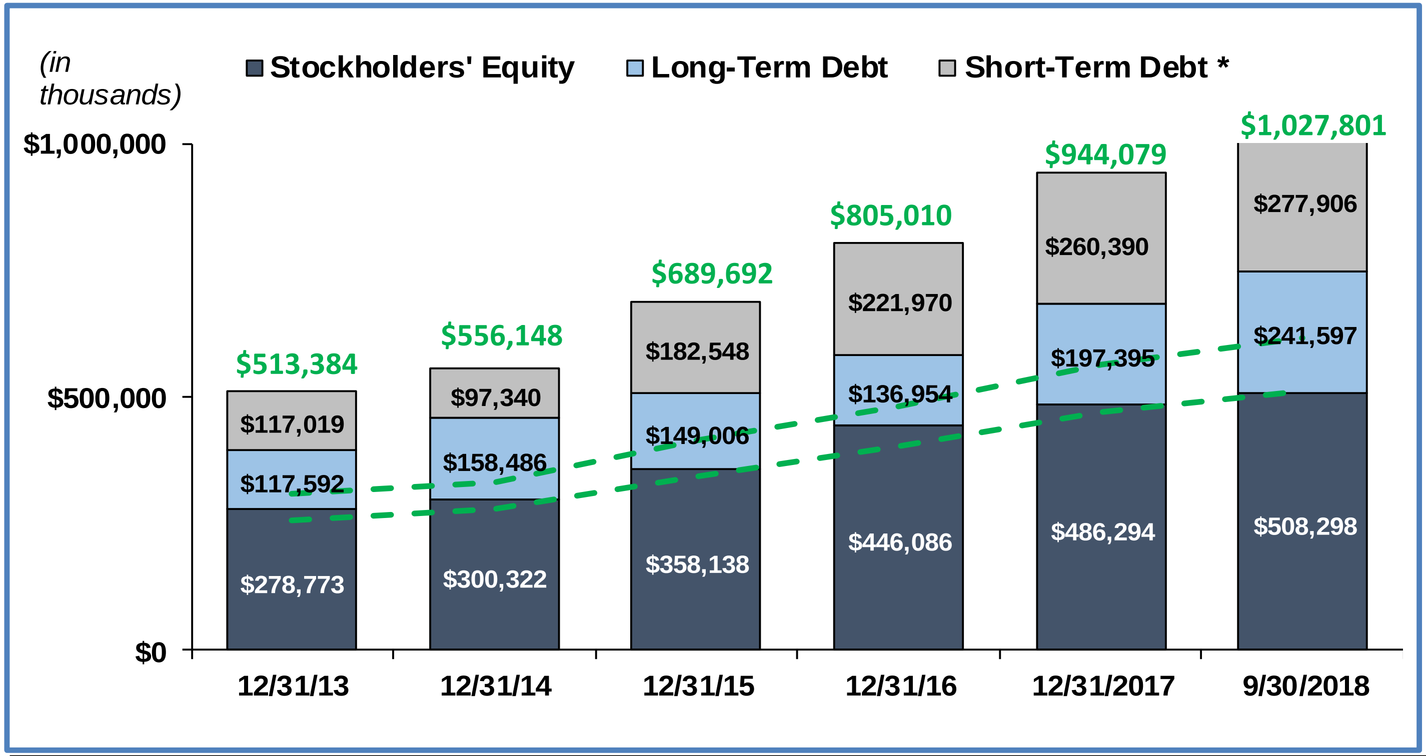
<u>YTD TCJA Impact</u>

(in thousands except per share data)

TCJA Impact	Nine Months Ended September 30, 2018 Pre-tax Income	Net Income	Earnings per Share
Income taxes - decreased effective tax rate	$ -	$ 6,544	$ 0.40
Refunds and reserves for future refunds to customers	(7,530)	(5,457)	$ (0.33)
Net TCJA Impact	$ (7,530)	$ 1,087	$ 0.07

Strong Balance Sheet to Support Future Growth

Total Capitalization has Nearly Doubled in Five Years



Equity/Permanent Capitalization	70.3%	65.5%	70.6%	76.5%	71.1%	67.8%
Equity/Total Capitalization	54.3%	54.0%	51.9%	55.4%	51.5%	49.5%

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

<u>November 2018</u>
$50 MM LTD
Private Placement
3.58% - 20 Years

<u>August 2019</u>
$100 MM LTD
Private Placement
3.98% - 20 Years

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

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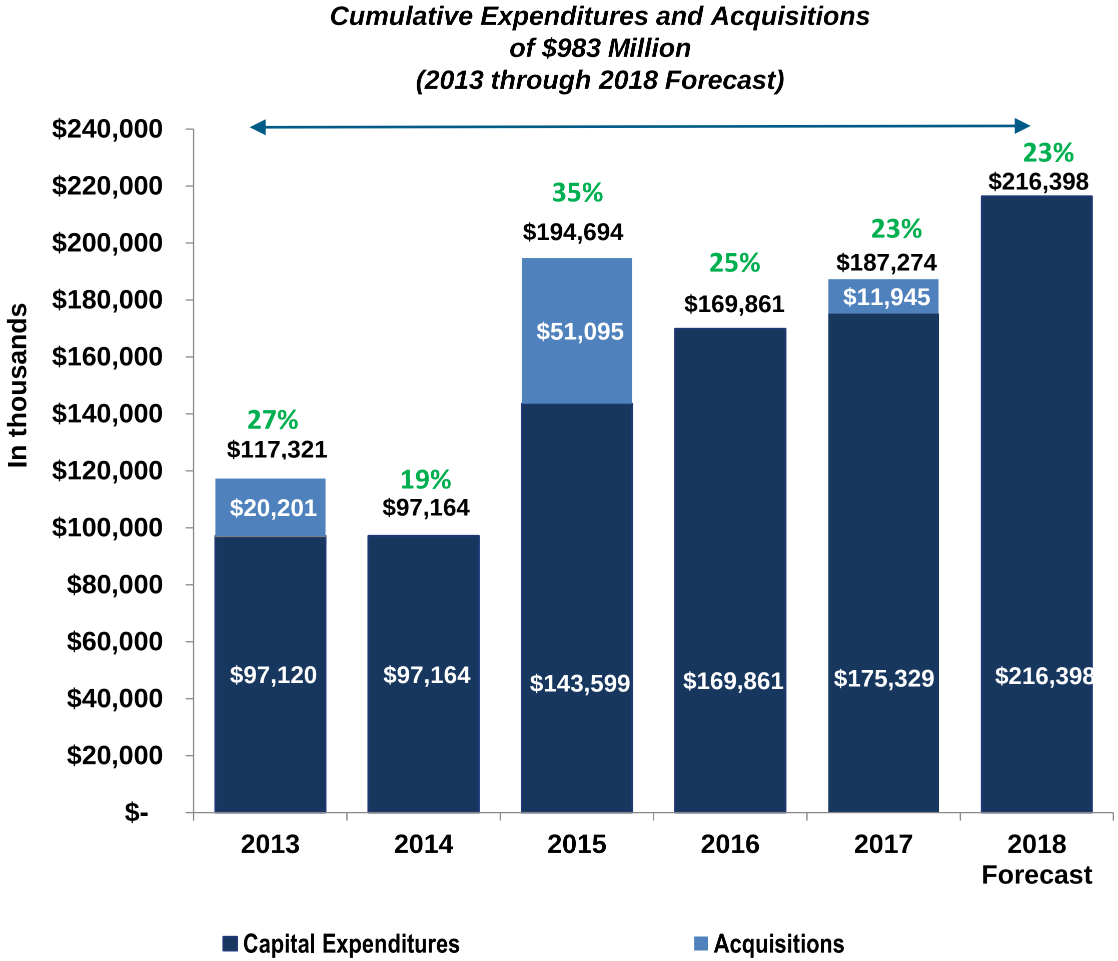
TOP WORK PLACES

Continuing to Build for the Future

Capital Expenditures

Percentages Shown - CapEx/Capitalization



Capital Expenditures have averaged 25% of Total Capitalization over six years. The investments we have made more than doubled our Total Capitalization over this period.

$ thousands	2018 Forecasted Capital Expenditures
$110,813	Natural Gas Transmission
74,524	Natural Gas and Electric Distribution
20,772	Unregulated Energy
10,289	Corporate / Other
$216,398	Total Forecasted Capital Expenditures

Capital expenditures for the nine months ended September 30, 2018 were $176.1 million.

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TOP WORK PLACES

Major Projects and Initiatives

Expected to Produce $33.5 Million in Incremental Margin (2017 vs. 2019)

(in thousands)	Gross Margin for the Period						
	Quarter Ended September 30, 2018	Quarter Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017	Fiscal 2017	Fiscal 2018 Estimate	Fiscal 2019 Estimate
Florida GRIP	$ 3,722	$ 3,393	$ 10,933	$ 10,002	$ 13,454	$ 14,287	$ 14,370
Eastern Shore Rate Case (1)	2,181	1,020	7,276	1,020	3,693	9,800	9,800
Florida Electric Reliability/Modernization Program (1)	464	-	1,231	-	94	1,558	1,558
New Smyrna Beach, Florida Project (1)	352	-	1,056	-	235	1,409	1,409
2017 Eastern Shore System Expansion Project (1)	2,409	-	4,439	-	433	8,009	15,773
Northwest Florida Expansion Project (1)	1,307	-	2,177	-	-	3,484	6,500
(Palm Beach County) Belvedere, Florida Project (1)	-	-	-	-	-	-	2,023
Total	$ 10,435	$ 4,413	$ 27,112	$ 11,022	$ 17,909	$ 38,547	$ 51,433

$6,022 $16,090 $20,638 $12,886

(1) Gross margin amounts included in this table have been adjusted to exclude the impact of TCJA.
The refunds and rate reductions implemented were or will be offset by lower Federal income taxes due to the TCJA.

Executing ESNG Strategic Initiatives

2017 Expansion Project – Overview

Project Summary

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 3,750 hp new compression-Daleville Compressor Station Two new pressure control stations
Total Capacity Increase (dt/d)	Total of 61,162 dt/d of additional firm natural gas transportation service with additional 52,500 dt/d of firm transportation service at certain ESNG receipt facilities

Est. Capital Investment	$117MM ($103MM to Date)
Est. Capital Spend Years	2017-2019
Annual Margin	$15.8MM (1-5) & $13.2MM (6-20)

What's Different

- To date, the Project is the largest pipeline expansion project in ESNG's history and will result in an additional 40 miles of pipeline
- Introduction of 24" diameter pipeline in ESNG's pipeline system infrastructure

Next Steps

- Complete construction on remaining loops and place all segments into service by the first quarter 2019

Executing ESNG Strategic Initiatives

Del-Mar Energy Pathway Project – Overview

NEW PROJECT

Project Summary

Miles of Pipeline/Compression	~6 miles of pipeline looping in Delaware ~13 miles of new mainline extension in Sussex County, DE and Somerset County, MD
Other Facilities	New pressure control station and new delivery stations in Sussex County, Delaware and in Somerset County, MD
Total Capacity Increase (dts/d)	Up to an aggregate of 14,300 dts/d

Est. Capital Investment	$37.1MM
Est. Capital Spend Years	2018-2021
Annual Margin - Sussex, DE Annual Margin - Somerset, MD Total Annual Margin	$2.8 MM $2.3 MM $5.1 MM

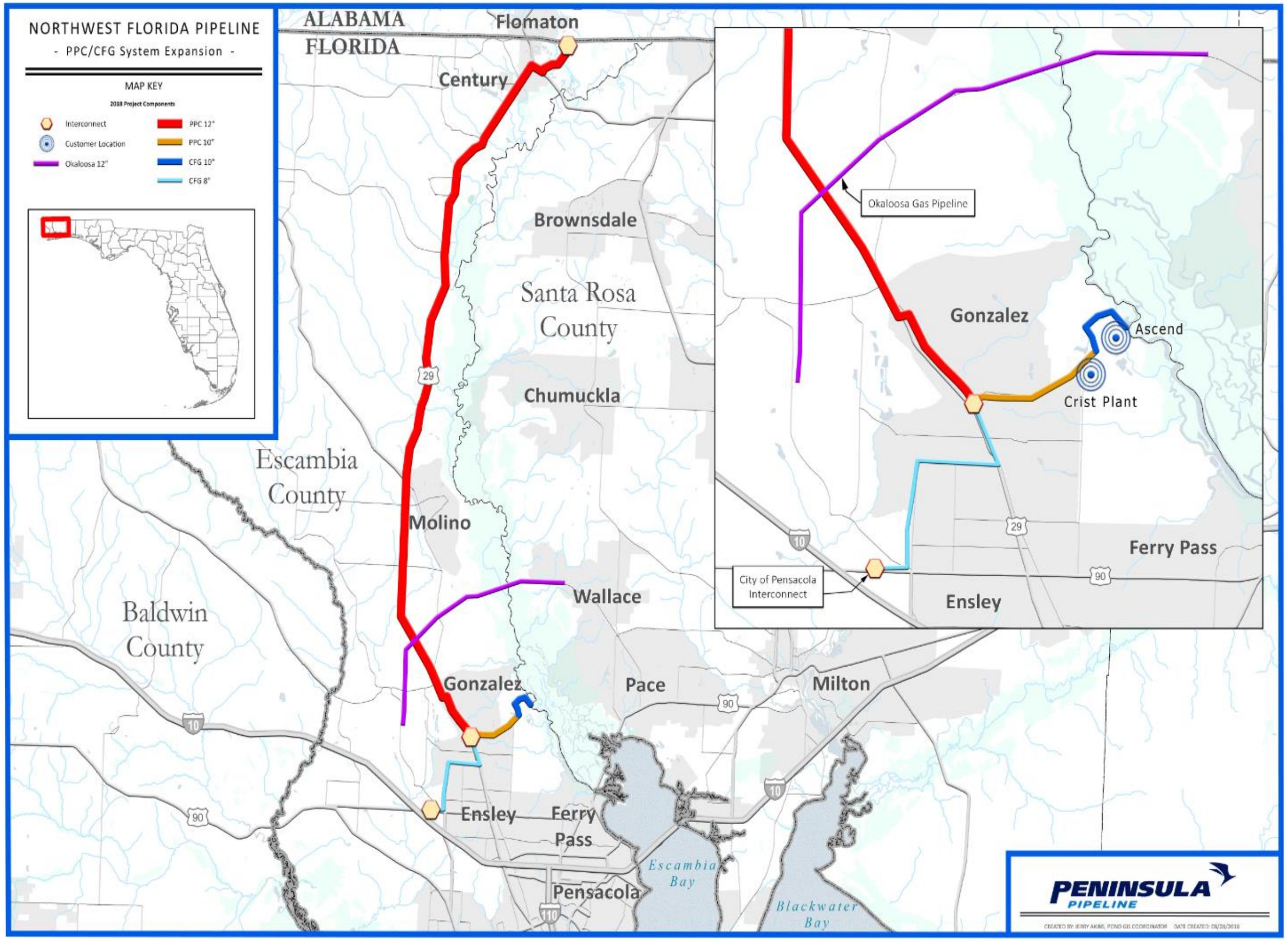
What's Different

- Furthering natural gas transmission pipeline infrastructure in eastern Sussex County, DE
- First extension of ESNG pipeline system into Somerset County. Piped natural gas would be available in Somerset County for the first time in history

Next Steps

- Certificate Application submitted to FERC on September 14, 2018
- Continue development of the project's facilities and successfully obtain all required permitting
- FERC regulatory process and approval
- Participating in Maryland bidding process for Somerset County expansion; $2.3 annual million margin amount dependent upon State of Maryland awarding the contract

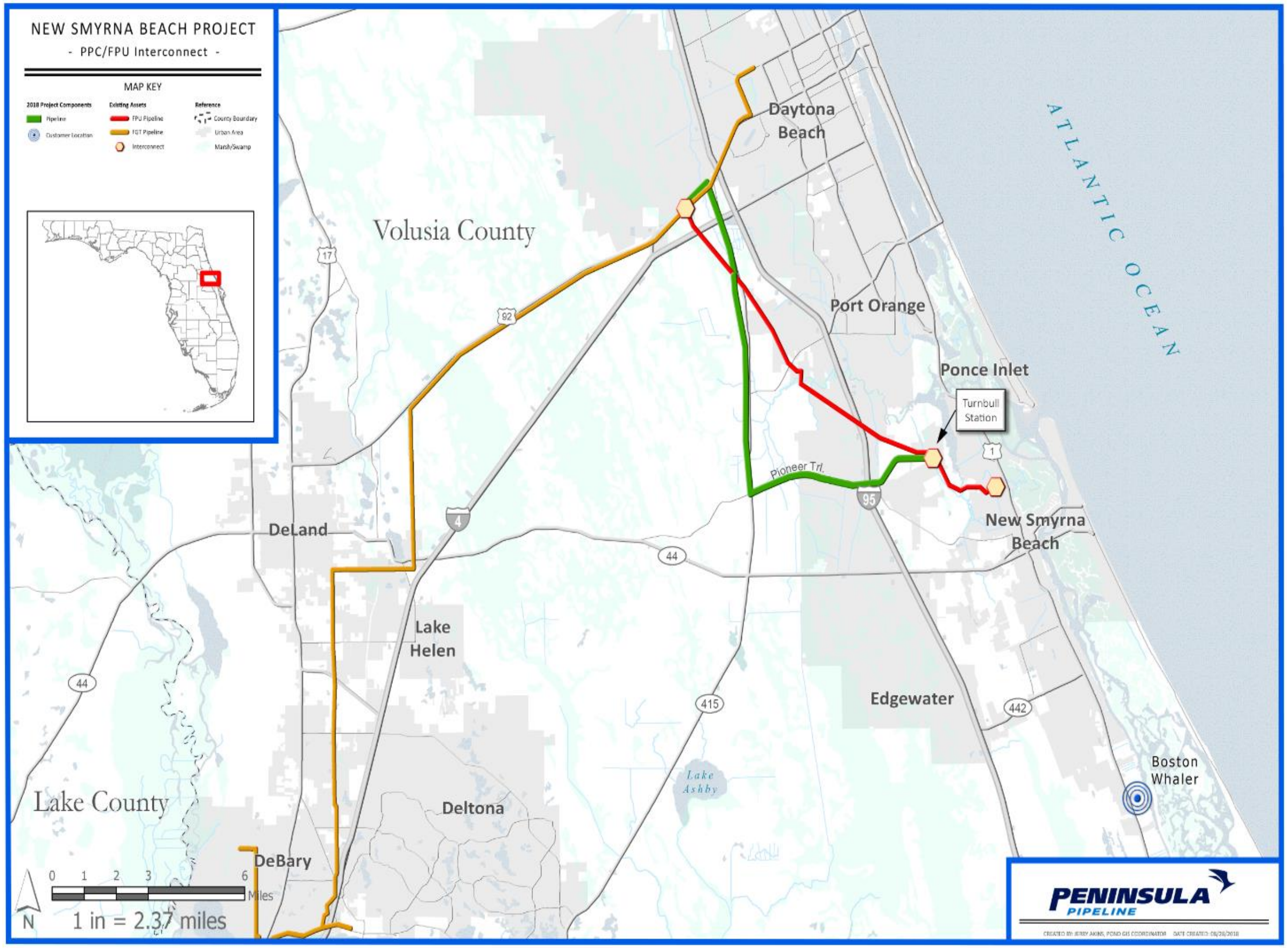
PPC and CFG Northwest Expansion



- **$6.5MM annual margin**
- $44.3MM total capital invested
- In-service: May 2018

- PPC - 12” transmission pipeline to expand distribution service to Escambia County, Florida
- Anchor loads:
  - City of Pensacola
  - Ascend Performance Materials
- Capacity-115,500 dts/day
- Contracted-105,500 dts/day
- Opportunity to add additional customers

PPC New Smyrna Beach Pipeline



- **$1.4MM annual margin**
- $9 MM total capital invested
- Partially in service; fully in-service during the 4th quarter of 2018

- PPC 14-mile transmission pipeline project serves FPU.
- Increased pressure and volume for FPU growing distribution system.
- Resolves a pipeline capacity constraint.

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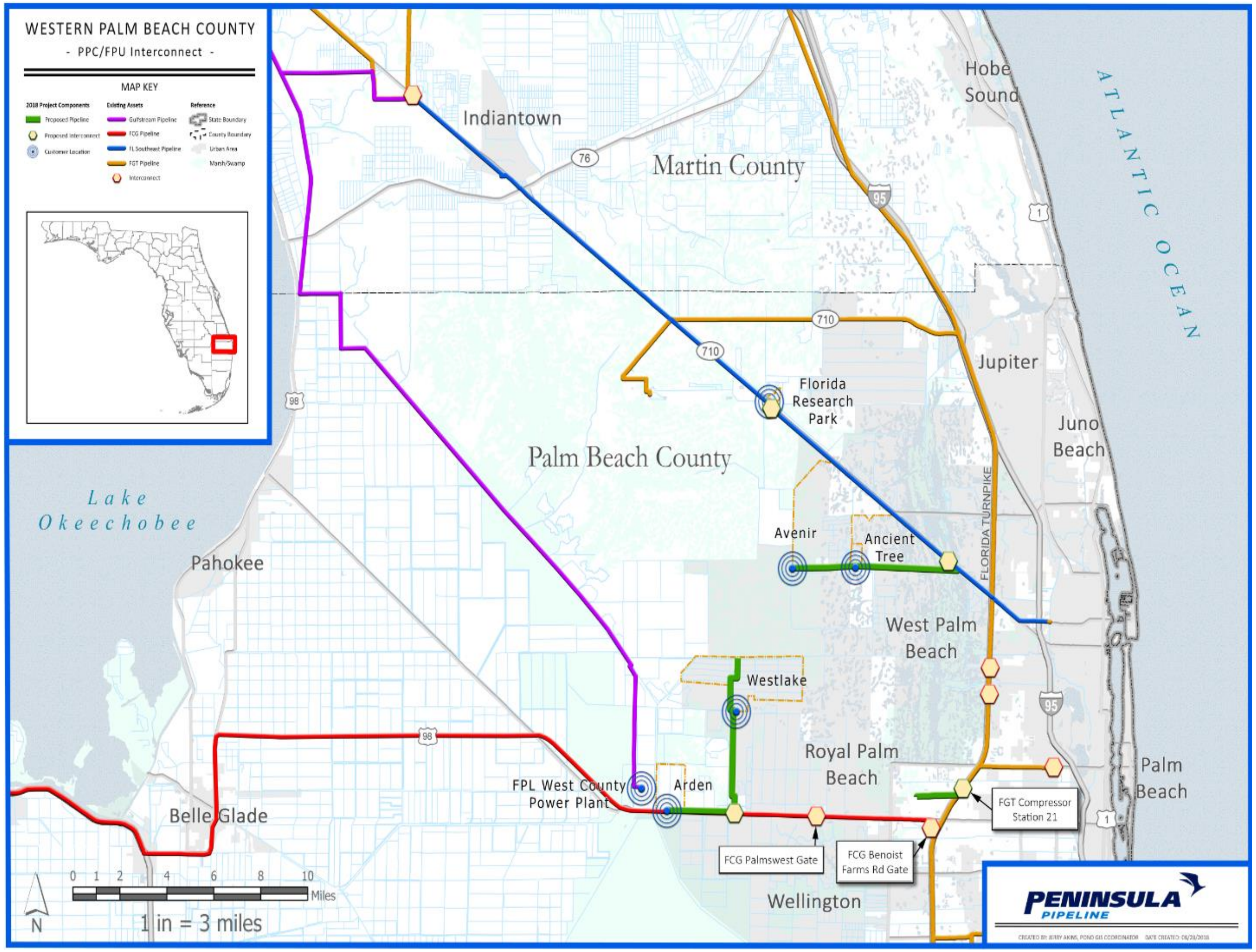
TOP WORK PLACES

PPC Western Palm Beach County Expansion



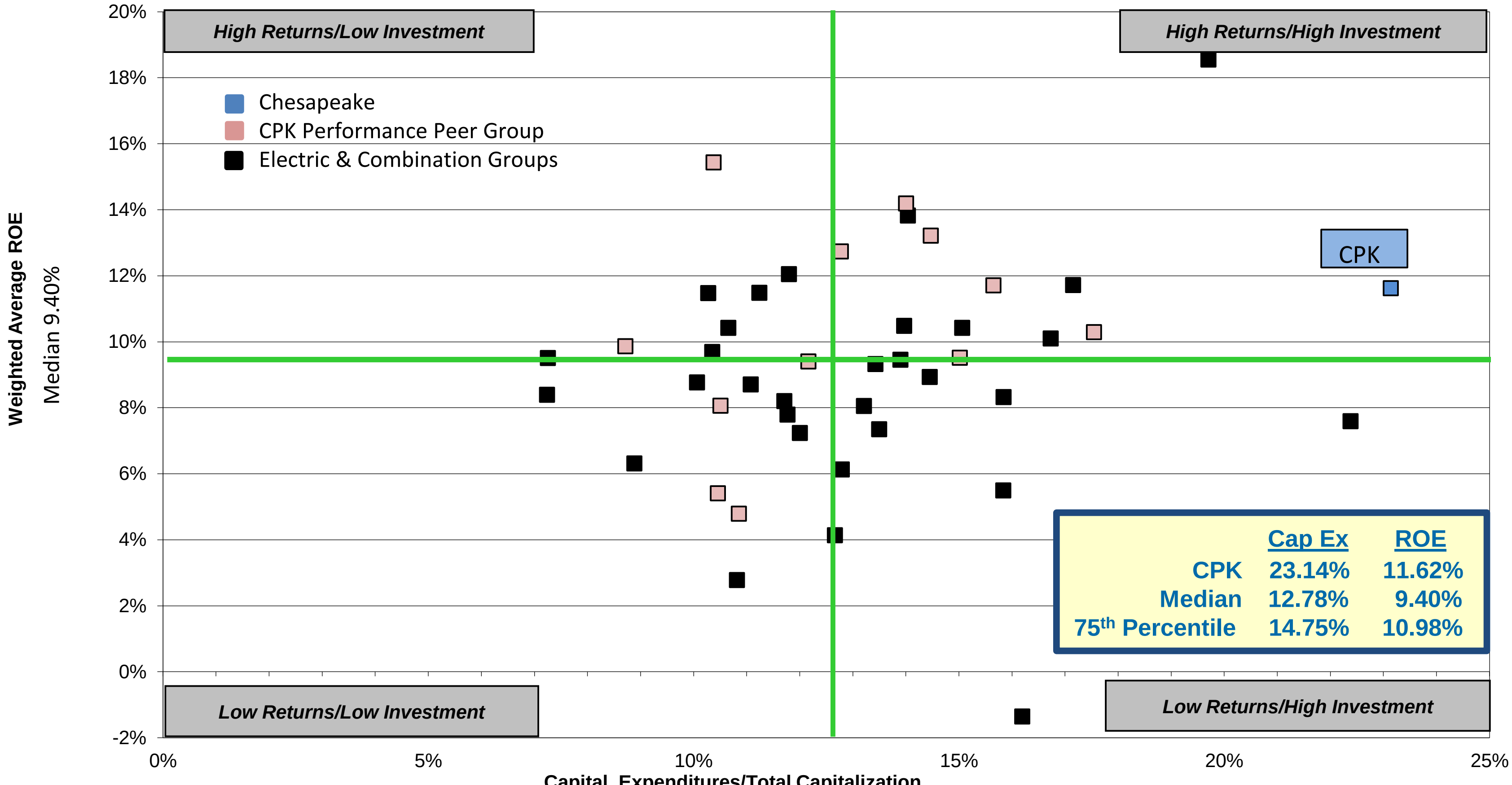
- **$3.4MM annual margin; $2.0MM in 2019**
- $20MM total capital invested
- Mid-2019 in service.

- Four PPC projects to serve FPU's natural gas distribution systems expansions in Palm Beach County.
- Resolves a pipeline capacity constraint.

Strategic Plan Execution

Capital Discipline and Efficiency

Peer ROE vs. Capital Expenditures (July 2015 – June 2018)



	Cap Ex	ROE
CPK	23.14%	11.62%
Median	12.78%	9.40%
75th Percentile	14.75%	10.98%

Engaged employees driving aggressive investments that are generating 80th percentile ROE and therefore, 84th percentile EPS growth over the three year period ended June 2018.

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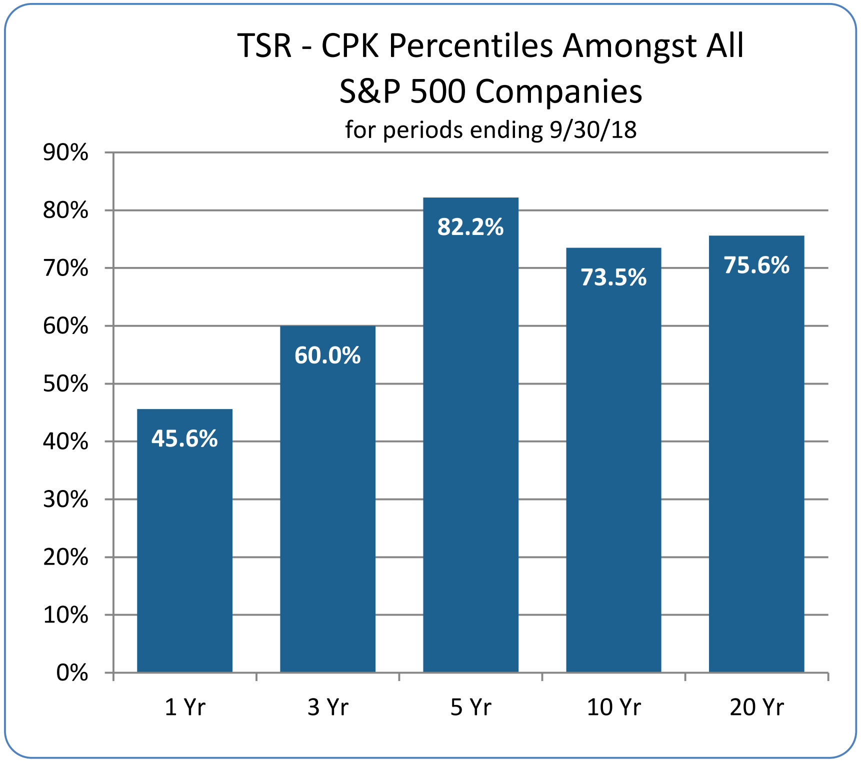
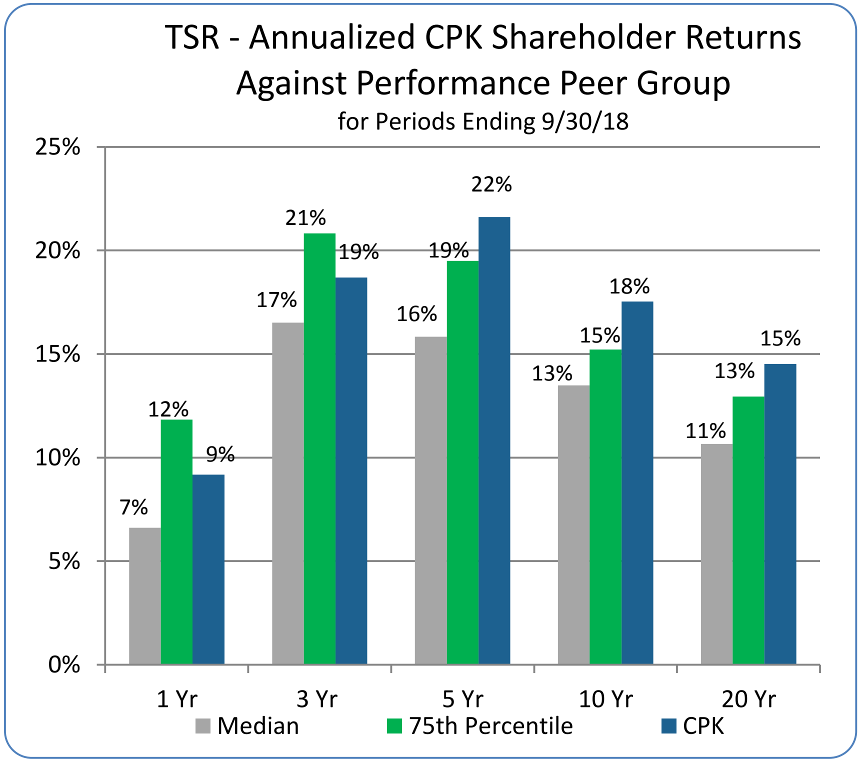
Total Shareholder Return (TSR)

Comparison to Broader Market – S&P 500 Companies

Chesapeake's compound annual return has exceeded 15% for the past 3, 5, 10 and 20 years (through September 30, 2018)





Source: Bloomberg

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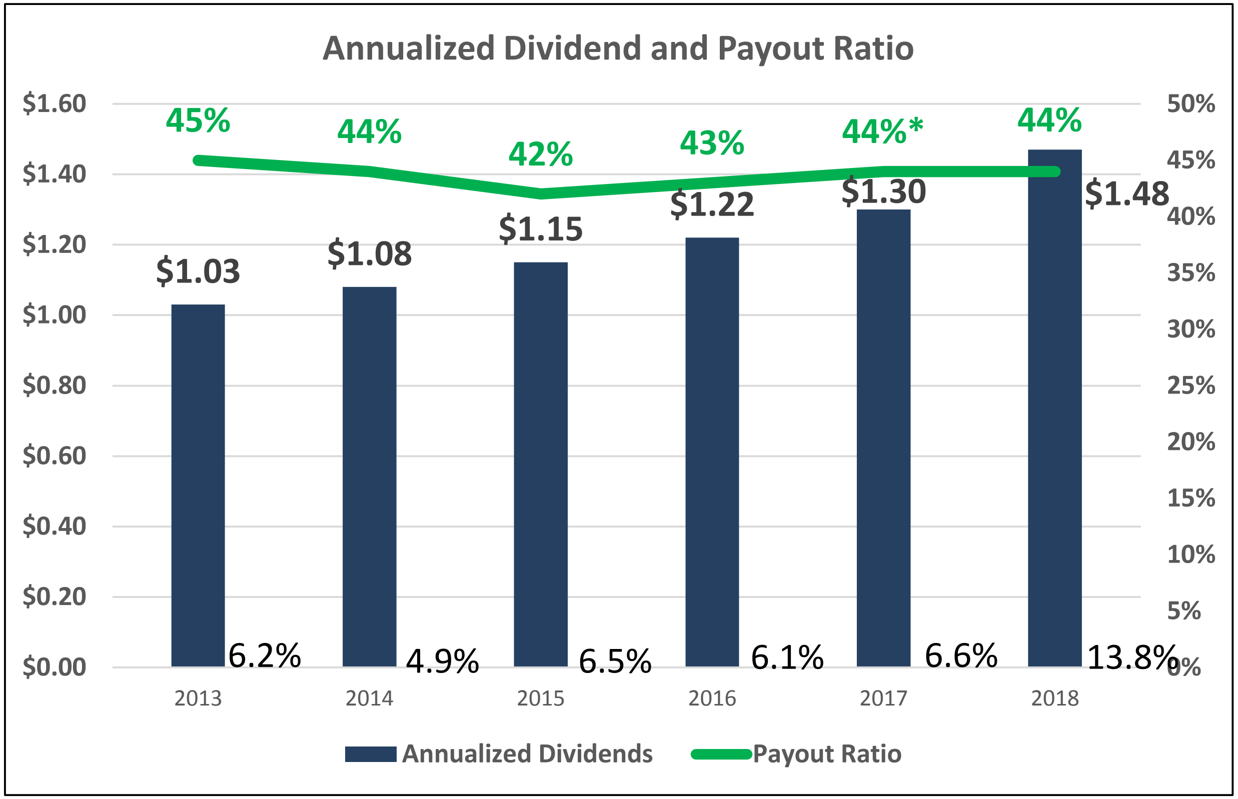
Dividend Growth Continues

Above Average Dividend Growth and Dividend Payout Ratio



- Chesapeake's five-year annualized dividend growth rate is 7.6 percent – in line with our five-year CAGR in earnings through 2017 of 7.7 percent.
- Our goal remains to provide above average growth in dividends, supported by growth in earnings per share.

Payout Ratios based on Annualized Dividends compared to Basic Earnings per Share
2018 Payout Ratio based on Annualized Dividend compared to Adjusted 2017 EPS with 17% Growth in 2018

(1) 2017 Payout Ratio based on GAAP EPS was 36%

We seek to identify and develop opportunities to drive our future earnings growth and increase shareholder value.

Executing on Our Strategy:

- **Seek new development projects to serve new customers, provide new services and expand into new service areas.**
- **Investing in pipeline systems that provide natural gas service to downstream customers such as LDCs, cooperatives, municipalities, industrial end-users and power plants.**
- **Pursue expansion projects that serve long-term commercial and industrial customers.**
- **Investing in propane opportunities to access new markets with significant growth potential.**
- **Engagement strategies with employees to continually build our strategic infrastructure for sustainable growth.**
  - **Investing in our talent with targeted development plans and training**
  - **Engaging with communities where we work and live**
  - **Pursue brand excellence through safety awards, top workplace and Chesapeake Cares events**

Our Creative Energy and Powerful Team

We are proud of our track record of identifying <u>strategic opportunities</u> and producing <u>superior total returns</u> driven by <u>earnings and dividend growth</u>.

We are <u>energized by our team</u>, our <u>corporate strategy</u> and execution, our financial and operating performance, and our future growth plans and objectives.

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This is a result of our <u>excellent team</u> and <u>culture</u> that values both <u>capital discipline</u> and <u>entrepreneurship</u>.

We are driven to find <u>innovative ways</u> to serve our customers, while honoring our obligation to operate in a <u>safe and environmentally responsible</u> manner, and to provide investors a <u>competitive return</u> on their investments with us.

Thank You

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