



# Creative Energy. Powerful Growth.

2016 ANNUAL REPORT TO SHAREHOLDERS

Engaging  
Our Team

Investing in  
Growth

Transforming  
Opportunities

Reaching  
New Heights



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Throughout our history, the energy that has powered our growth has always emanated from our people.

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## **LEADERSHIP & BOARD**

Executive, Corporate and Business Unit Officers and the Board of Directors.

*The graph on the cover represents our earnings per share growth. Left to right: Employees attend a Company groundbreaking event in Dover, DE; Eastern Shore Natural Gas Company constructs a major pipeline expansion; Eight Flags Energy CHP Plant named "Best CHP Project of the Year" by Power Engineering; and Chesapeake Utilities Corporation reaches new heights at the New York Stock Exchange.*





## Chesapeake Utilities

Corporation is a diversified energy company that provides superior service to its customers and communities.

For more than 150 years the Company has successfully delivered safe, secure, reliable and efficient solutions that are environmentally and economically smart. Chesapeake positions itself for long-term growth that creates superior value.



*Pictured, is Preya John,  
Manager, Propane Operations.*

# Our Company

## Aspire Energy

Natural gas infrastructure company with over 2,600 miles of pipeline systems in 40 counties throughout Ohio. Aspire Energy provides natural gas supplies to two local distribution companies. Aspire Energy primarily sources gas from 300 conventional producers and provides gathering and processing services necessary to maintain quality and reliability to wholesale markets.

## Chesapeake Utilities

Serves approximately 73,000 customers and owns approximately 1,629 miles of gas distribution mains. Chesapeake Utilities distributes natural gas through its Delaware and Maryland divisions to approximately 62,000 residential, commercial and industrial customers in Delaware and portions of Maryland. Additionally, Sandpiper Energy, Inc. distributes propane and natural gas to approximately 11,000 residential, commercial and industrial customers in Worcester County, MD.

## Eastern Shore Natural Gas Company (ESNG)

Owns and operates a 448-mile interstate pipeline that transports natural gas from various points in Pennsylvania to customers in Delaware, Maryland and Pennsylvania.

## Florida Public Utilities Company (FPU)

Owns approximately 2,841 miles of natural gas distribution mains across 21 counties in Florida and distributes natural gas to approximately 76,000 customers; electricity to 32,000 customers; and propane to 16,000 customers throughout Florida.

## Peninsula Energy Services Company, Inc. (PESCO)

Provides natural gas supply and asset management, retail and wholesale supply and risk management services to customers in the Mid-Atlantic, Southeast and Midwest.

## Peninsula Pipeline Company, Inc.

Provides natural gas transmission services in Florida.

## Sharp Energy

Distributes propane to 39,000 customers in Delaware, the Eastern Shore of Maryland and Virginia and southeastern Pennsylvania. Sharp AutoGas fuels over 600 vehicles and is available at 31 propane fueling stations in Delaware, Maryland and Pennsylvania.



# 2016 FINANCIAL HIGHLIGHTS

(in thousands, except shares and per share data)

	2016	2015	2016/2015 % CHANGE	2014 <sup>(1)</sup>	2015/2014 % CHANGE
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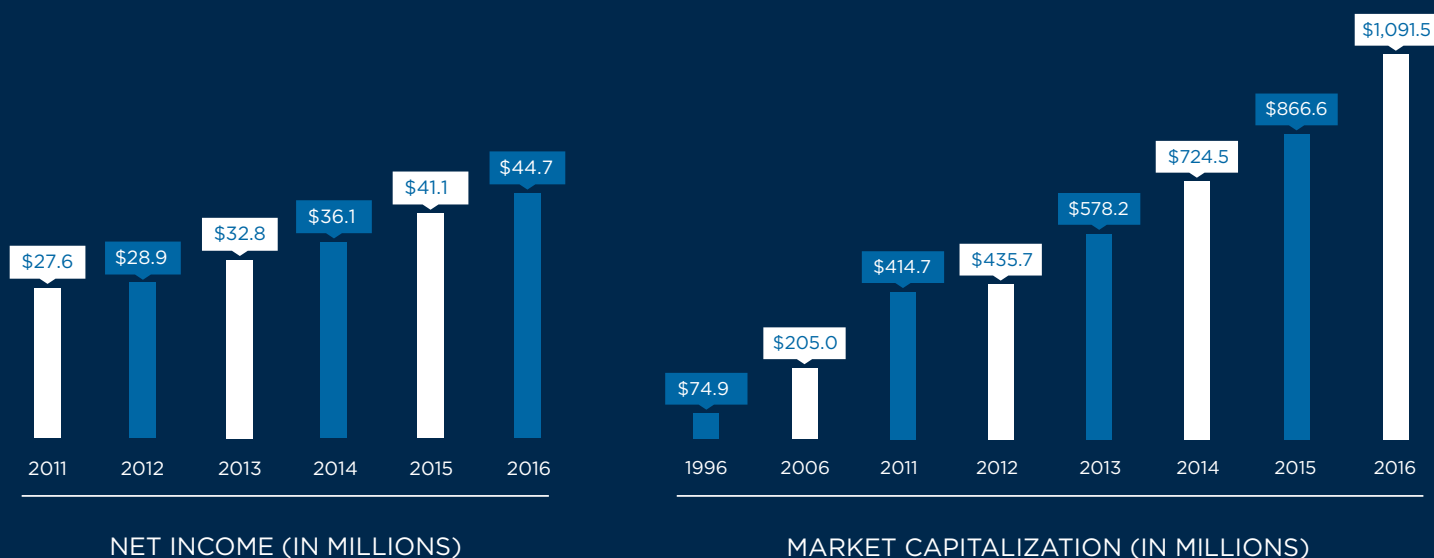
## FINANCIAL

OPERATING REVENUES	\$498,860	\$459,244	9%	\$498,834	-8%
OPERATING INCOME	\$84,096	\$77,758	8%	\$62,279	25%
NET INCOME	\$44,675	\$41,140	9%	\$36,092	14%
<b>EARNINGS PER SHARE</b>					
BASIC	\$2.87	\$2.73	5%	\$2.48	10%
DILUTED	\$2.86	\$2.72	5%	\$2.47	10%
ANNUALIZED DIVIDENDS PER SHARE	\$1.22	\$1.15	6%	\$1.08	6%
TOTAL ASSETS	\$1,229,219	\$1,067,421	15%	\$904,469	18%
STOCKHOLDERS' EQUITY	\$446,086	\$358,138	25%	\$300,322	19%
LONG-TERM DEBT, NET OF CURRENT MATURITIES	\$136,954	\$149,006	-8%	158,486	-6%
RETURN ON AVERAGE EQUITY	11.3%	12.1%	-7%	12.2%	N/M

## OTHER

SHARES OUTSTANDING AT YEAR END	16,303,499	15,270,659	7%	14,588,711	5%
REGISTERED STOCKHOLDERS	2,373	2,396	-1%	2,329	3%
AVERAGE TOTAL NATURAL GAS DISTRIBUTION CUSTOMERS	149,179	144,872	3%	141,227	3%
AVERAGE TOTAL ELECTRIC DISTRIBUTION CUSTOMERS	31,695	31,430	1%	31,272	1%
AVERAGE TOTAL PROPANE DISTRIBUTION CUSTOMERS	54,947	53,682	2%	53,272	1%

(1) Shares and per share amounts for all periods presented reflect the three-for-two stock split declared on July 2, 2014, effected in the form of a stock dividend, and distributed on September 8, 2014.



# Service Territories

## Chesapeake Utilities & Sandpiper Energy

■ ENERGY SERVICE TERRITORY

🛢️ NATURAL GAS FUELING STATION

Chesapeake Utilities' Delmarva natural gas distribution operations grew its customer base by over three percent in 2016 while more than doubling the number of customers served over the last 15 years. The Delaware and Maryland divisions provide natural gas to approximately 62,000 residential, commercial and industrial customers and Sandpiper Energy, Inc. provides propane and natural gas through underground distribution mains to approximately 11,000 residential, commercial and industrial customers in Worcester County, MD, bringing the total served to approximately 73,000 customers. The Delaware division continues to extend its distribution system throughout Delaware including the eastern portion of Sussex County, and the Maryland division is continuing its expansion into Cecil County in northeastern Maryland. Sandpiper Energy continues to extend its distribution mains, recently introducing natural gas into the Town of Ocean City, MD. Chesapeake Utilities also owns and operates the only public natural gas fueling station on the Delmarva Peninsula.

## Eastern Shore Natural Gas Company

— NATURAL GAS TRANSMISSION PIPELINE

The Company's natural gas interstate transmission subsidiary, Eastern Shore Natural Gas Company (ESNG), receives natural gas from three upstream interstate pipeline systems and transports it to local distribution companies, electric power generators and industrial customers in southern Pennsylvania, Delaware and on the Eastern Shore of Maryland. Since the pipeline became Open Access in 1997, ESNG has quadrupled pipeline capacity and now extends service toward Lewes, DE, west to Cecil County, MD and south across the state of Delaware. In addition, ESNG has developed new services to meet the growing needs of our customers. Our service territory extends as far as the Eastern Shore towns of Cambridge, Easton, Salisbury and Berlin, MD.

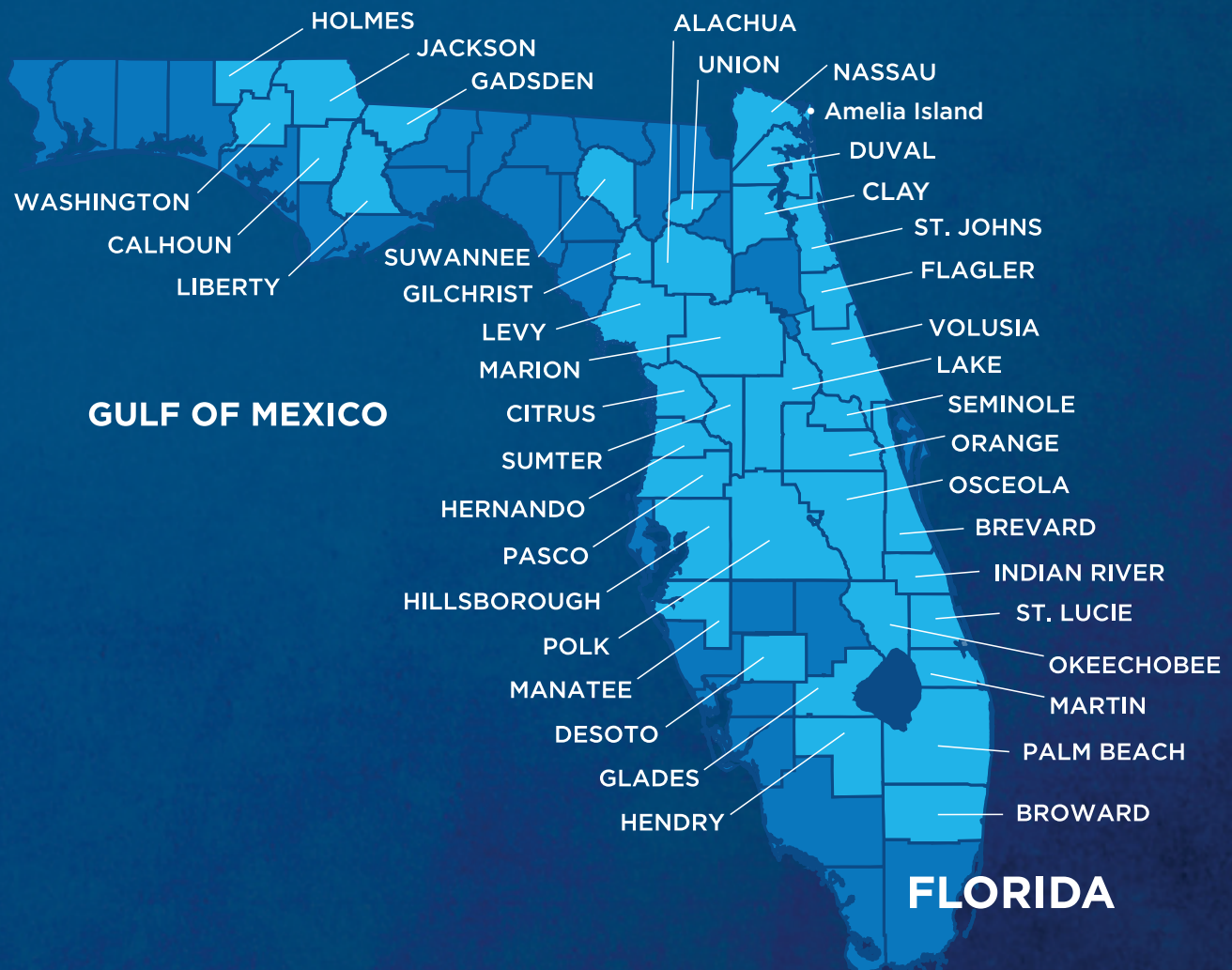




# Florida Public Utilities Company

## ENERGY SERVICE TERRITORY

Our Florida natural gas distribution operations, which serve approximately 76,000 customers, include Chesapeake's Florida division and the natural gas distribution operation of Florida Public Utilities Company (FPU), which was acquired in October 2009. FPU distributes electricity to approximately 32,000 customers in four counties throughout northeast and northwest Florida. Our Florida propane distribution subsidiary, Flo-Gas, Inc., provides propane distribution service to approximately 16,000 customers in various areas of Florida. Peninsula Pipeline Company, Inc., Chesapeake's intrastate pipeline subsidiary, provides natural gas transportation services to customers in Florida. Our Florida energy presence has grown over the past 15 years from three counties in central Florida to 39 counties throughout the state.



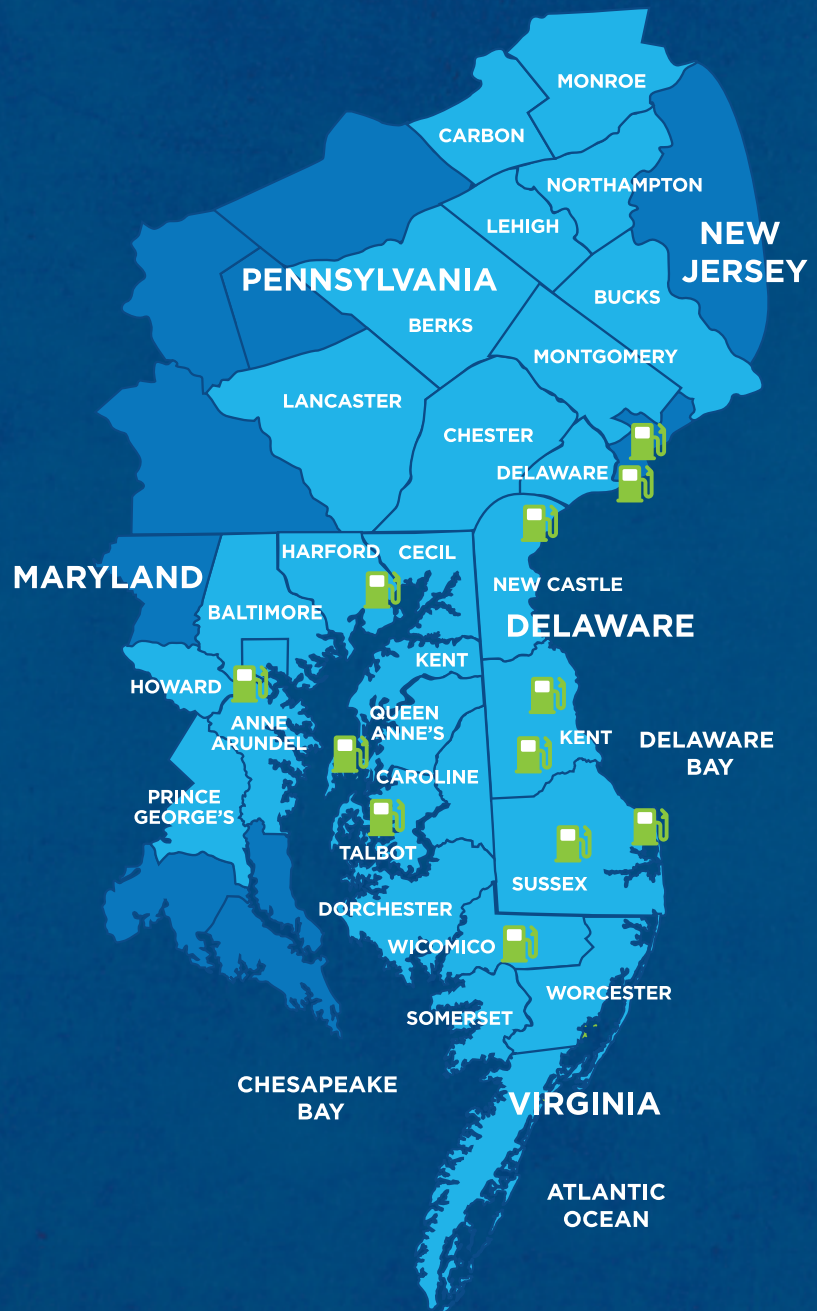


# Service Territories

## Sharp Energy & Sharp AutoGas

- ENERGY SERVICE TERRITORY
- 🛢️ PUBLIC PROPANE FUELING STATIONS

Through our subsidiary, Sharp Energy, Chesapeake provides propane distribution service to approximately 39,000 customers throughout Delaware, Maryland, Virginia and southeastern Pennsylvania. Within our propane distribution operations, we market Community Gas Systems™ (CGS), propane distribution systems that serve a subdivision from a central fuel storage facility through looped gas mains, which deliver gasified propane to residential and commercial users. Our propane operations have grown organically through our CGS strategy. In addition to our ongoing start-ups in Cecil County, MD and the Poconos region of Pennsylvania, Sharp Energy recently continued our strategy of geographic expansion by beginning a start-up on the Maryland Western Shore. Sharp Energy is also focusing on propane AutoGas, a viable alternative fuel for automobiles. With reduced emissions and lower costs, Sharp Energy's AutoGas currently fuels over 600 vehicles with 12 public and 19 private fueling stations, displacing approximately one million gallons of gasoline and diesel fuels.



# Aspire Energy

## PIPELINE INFRASTRUCTURE

Aspire Energy of Ohio (Aspire Energy) is an unregulated natural gas infrastructure company with over 2,600 miles of pipeline systems in 40 counties throughout Ohio. Aspire Energy provides natural gas supplies to various local gas cooperatives and local distribution systems, including Consumers Gas Cooperative and local distribution company, Columbia Gas of Ohio. In aggregate, we supply gas serving more than 20,000 end-use customers. Aspire Energy primarily sources gas from 300 conventional producers and provides gathering and processing services necessary to maintain quality and reliability to our wholesale markets.



**As we expand our geographic footprint and enter into new markets, we remain grounded, following a disciplined business approach.**

We are a responsible Company that cares about our stakeholders and continues to operate in a cost effective, safe and environmentally friendly manner, going above and beyond to further invest in our people and businesses.







# A Letter from Our President



## My Fellow Shareholders:

I am very pleased to report that 2016 was the 10th consecutive year of record earnings for Chesapeake Utilities Corporation. Earnings per share reached \$2.86 (diluted), surpassing 2015 earnings by 5.1 percent. Total 2016 shareholder return, including stock price appreciation and dividends, was 20 percent over the past three years, bringing our compound annual shareholder return to 16 percent over the past 10 years.

## Our 10-Year Growth Record: Creative Energy. Powerful Growth.

Our record earnings in 2016 are the latest chapter in our broader growth record over the past 10 years. Throughout that period, our team has worked extremely hard to provide high-quality, safe, reliable service while continuing to identify and develop new opportunities to grow our Company. Their creative energy has generated powerful growth.

For example, over the past 10 years:

- Our net income has more than quadrupled, from \$10.7 million in 2006 to \$44.7 million in 2016.
- Our earnings per share have increased at a 9.3 percent annual compound rate.
- Our annual cash dividend is now approximately 1.6 times what it was in 2006.
- We have invested almost \$1 billion in our Company, nearly quadrupling our asset base from \$326 million to \$1.2 billion.
- Our annual investment has averaged \$182 million over the past two years and we have budgeted capital expenditures of \$260 million in 2017, approximately five times the level of our capital expenditures in 2006.
- \$100 invested in our Company at the beginning of 2007 is now worth \$447, assuming reinvestment of dividends, or more than four times the original investment.
- We have also dramatically expanded the scope, scale and geographic reach of the services that we provide, more than doubling the number of customers we serve. We have more than doubled the number of our employees who directly provide or support our services.
- In 2016, our employees volunteered more than 1,000 hours in Company activities that serve the communities in which they live and work.

## Looking Forward

Market conditions continue to provide opportunities to grow our businesses. Relatively low natural gas and propane wholesale prices enable us to further expand our service offerings and our footprint. The combination of low prices and the environmental benefits of natural gas increases our opportunities to grow. Low interest rates, while expected to increase gradually over the next few years, remain very low compared to historical norms, lowering the costs of our pipeline and distribution expansions. The electric generation industry continues to view natural gas as the preferred fuel for new power plants. The increased adoption of combined heat and power (CHP) plants provides additional opportunities for growth.

We are energized by these opportunities. Our process to identify and develop investment opportunities is essential to our success. Our business units and our strategic development team diligently search for and evaluate potential opportunities for growth. With guidance from our Growth Council, they further develop those opportunities that are congruent with our strategy and our risk tolerance and are expected to generate returns on capital that will increase the value of our shareholders' investment in us. Only after we have completed this process do we invest our shareholders' capital.

Just a few examples of the creative growth opportunities that we have identified and developed over the past few years include: our expansion into Ohio through our acquisition of Gatherco, Inc., which was merged into our subsidiary, Aspire Energy of Ohio; Eight Flags Energy's award-winning CHP plant on Amelia Island, FL; ESN's new, economic, year-round service options for electric generation customers; and Sharp Energy's AutoGas propane fuel service for vehicles.

Going forward, we will continue to:

- Promote the growth and development of our teams, including the strategic thinking and creative energy that are vital to identify and develop future growth opportunities;
- Expand our energy delivery services, both organically and into new geographic markets;
- Expand our footprint into new growth markets through strategic acquisitions; and
- Develop new, unregulated energy services and products that complement our existing businesses and growth strategy.

In all past and future initiatives, as in all else we do, our employees are at the heart of our success. Their care for our customers, our communities and each other strengthens all of our relationships. This shows in our five consecutive years of Top Workplace awards. Many hearts, hands and minds working together have produced the record earnings described in this letter and throughout this year's annual report. Our team's creative energy has indeed produced powerful growth.

## Our Continuing Commitments and Thanks

We remain focused and determined to grow our Company, but growth for growth's sake is not our strategy. Rather, our responsibility as we grow is to stay true to our shared values of Aspiring and Caring, and to our unwavering commitments to service, safety, the environment and the disciplined execution of our growth strategies. We owe that to our customers, our communities, our employees and to you.

I want to say, on behalf of our senior management team and our Board of Directors, thank you to our employees, customers, communities and to you, our shareholders, for bringing us to this milestone, our 70th anniversary of incorporation. You have made Chesapeake Utilities Corporation successful by every measure.

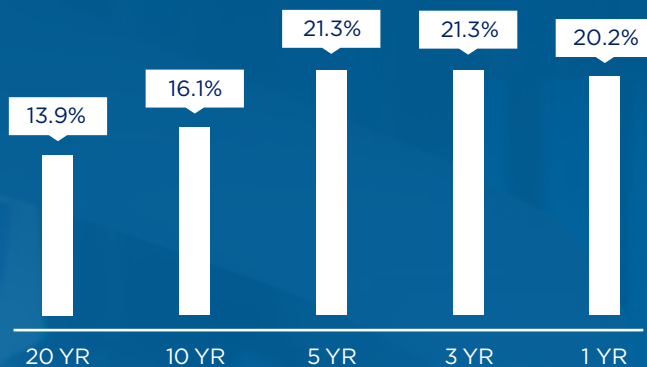
Sincerely,



Michael P. McMasters  
President and Chief Executive Officer

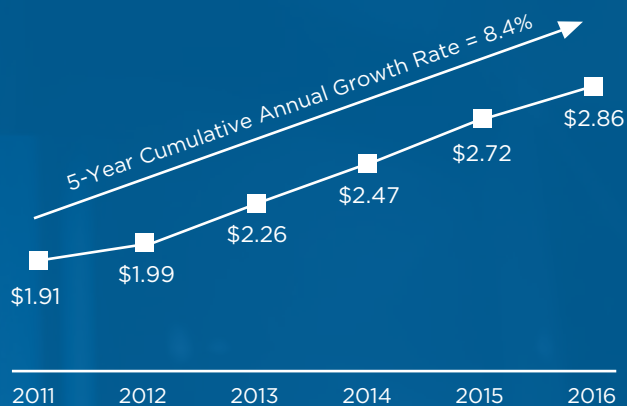
## COMPOUND ANNUAL SHAREHOLDER RETURN

Total Shareholder Return for 2016 was 20.2 percent. In addition, our shareholders have earned 16.1 percent returns for stock held for 10 years.



## DILUTED EARNINGS PER SHARE

We achieved a five-year 8.4 percent compound annual growth rate. 2016 was our 10th consecutive year of record earnings.



*In 2016, we had the honor of ringing The Closing Bell® at the New York Stock Exchange (NYSE). Pictured below, is Michael P. McMasters, President and CEO, being interviewed by TheStreet.com on the NYSE trading floor.*









# Creative Energy. Powerful Team.



Our annual report for 2016 celebrates this year's achievements, including our 10th consecutive year of record earnings. We also look forward to celebrating in 2017 the 70th anniversary of Chesapeake's incorporation in Delaware in 1947. The past 70 years is a story of creative energy producing powerful growth. Creative energy flows among our employees to our customers, communities, shareholders and business partners. We are energized by the reciprocal energy that flows from them to us.

Our business for more than 70 years has been energy; our goal, powerful service and growth with lasting value. Identifying creative solutions to meet customers' energy needs, we produce long-term growth. Bringing our hearts and hands to serve our communities' needs, we grow personally and forge lasting bonds with our fellow employees, our customers and our communities. The creative, powerful work that we do together for everyone we serve flows from our shared values of Aspiring and Caring.

Chesapeake is a growing company with ambitious aspirations to surpass our past success. Our employees are the creative and powerful heart of our Company. Everyone counts in helping us reach

our growth and service goals. We encourage our employees to grow professionally and personally and to engage in community service.

For the fifth consecutive year in 2016, Chesapeake was recognized as a Top Workplace. Our employees' responses to a third-party survey have bestowed this honor on our Company over the past five years. Employees point to the Company's strong values and ethics, its genuine appreciation of employees, and their confidence in the direction of the Company as reasons why they believe Chesapeake is a Top Workplace.

Our employees' creative energy also makes Chesapeake a Top Workplace. That energy is expressed through several ongoing programs that benefit our employees, their families, our customers and the communities where we live and serve.

For example, our monthly Chesapeake Cares events celebrate employee milestones, Company accomplishments and growth plans. Through our recognition program, employees honor fellow team members who have exemplified our shared values in their interactions with one another and customers. A team of more than 40 Brand Champions organizes Chesapeake Cares events for their colleagues at every Company location.

**“The Delaware Chapter of The Nature Conservancy staff continues to be impressed by the positive, can-do attitude of everyone they meet from our Company.”**

Steve Thompson, Senior Vice President  
and a board member of the Delaware Chapter of The Nature Conservancy

*We partner with the Delaware Chapter of The Nature Conservancy in support of annual environmental initiatives.  
Pictured left, is Greg Ballheim, Director of Strategic Projects.*

Through our Chesapeake Aspiring Scholars program, the Company annually supports the educational aspirations of employees' children. In 2016, we awarded students of employees across our Company with scholarship grants to support their college education endeavors.

We also provide opportunities to support our employees' health and wellness efforts. Our Chesapeake Wellness Program promotes health awareness and supports our employees' efforts for a healthier lifestyle. Throughout our Wellness Program, we sponsor community runs and walks, and encourage employee participation with company sponsored registration for these events. We also host health fairs at Company locations for employees and family members, offering biometric screenings and other resources to support wellness.

Safety is a high priority in everything that we do. We encourage a culture dedicated to promoting safer environments in our workplaces and in communities we serve. Our Chesapeake Aspiring & Caring Employee Awards Program honors those who go the extra mile to excel in safety. We recognize employees for their exceptional efforts to protect the safety of their colleagues, our customers and communities which we serve.

In 2016, ESNG and FPU were both awarded Safety Achievement Awards by the American Gas Association (AGA). We also hosted an AGA Peer Review at which our employees and other AGA member companies shared their best safety practices.

Our customers and the communities where we live and work are extensions of our Chesapeake family. We strive to create meaningful connections with our customers and provide safe and reliable energy resources. We take that responsibility seriously.

In 2016, Nassau County, Florida honored FPU for going above and beyond to assist customers following Hurricane Matthew. On Amelia Island in Nassau County, approximately 90 percent of electric customers on the Island were without service after the storm, and our Eight Flags Energy CHP Plant was intentionally removed from service prior to the storm. FPU was the first group of responders on Amelia Island when law enforcement opened the roadways. Within three hours, our Eight Flags Energy CHP Plant was operating. By the end of the day, power was restored to approximately 80 percent of our customers affected by the storm. Full service to all of our customers was restored within 55 hours.



*Through our Cares With a Cause program, our employees select a charitable cause to support through donations or volunteer time. Prior to the winter months, our employees collected coats for Code Purple and other local organizations assisting those in need.*





## Recognized for Safety

In 2016, ESNG and FPU were both awarded Safety Achievement Awards by the American Gas Association (AGA). Chesapeake also hosted an AGA Peer Review to cultivate best safety practices.

*ESNG monitors the operating conditions on our pipeline using a SCADA communications system. Pictured left to right, are Marianne Coker, Gas Control Manager; and Laura Fevrin, Pipeline Transportation Services Manager.*





## Our Company's success is a direct result of our strong culture.

“We strive to create an environment where employees are excited to come to work every day and know that they are cared for and feel empowered to achieve their goals. Creating a team that works together helps the Company to reach new heights and provide excellence to our customers and communities.”

- Elaine B. Bittner  
Senior Vice President of  
Strategic Development



*On March 8, we honored our female employees in recognition of International Women's Day and Women's History Month. Our team is comprised of talented and dedicated women who keep us moving forward. As part of this recognition, on our website ([www.chpk.com](http://www.chpk.com)) we featured Women in Energy - Putting New Energy in the Workforce - and highlighted stories of women who help to make the Company a success.*





# Top Workplace Five Years in a Row

In 2016, Chesapeake was honored to be named a top place to work five years in a row.

*We celebrated our Top Workplace recognition companywide. This honor recognizes and reinforces our character and how we treat our customers and each other, our dedication to our work, and our commitment to our communities. Pictured below, are our employees at our corporate office in Dover, DE.*







Employees from Delaware, Florida, Maryland and Ohio donated \$30,000 and packaged more than 1,400 holiday meals for local food banks and other charitable organizations.

*Pictured left to right, are Deanna Beadle, Operations Administrator; and Trinity Boothe, Administrative Assistant.*



Beyond the energy services we provide, we take pride in being a true partner in our communities. Chesapeake employees served as volunteers on boards and committees and provided direct services to those in need. In 2016, we contributed more than \$217,000 to approximately 100 organizations nominated by employees throughout the Company.

Chesapeake partnered with the American Heart Association as a Legacy Sponsor for the Go Red for Women® campaign. Elaine B. Bittner, Senior Vice President of Strategic Development, was the Event Chair for the third consecutive year and led a team of employee volunteers from our Delaware, Florida, Maryland and Ohio locations. In celebration of the “Power of a Woman’s Heart,” this team channeled their creative energy and assisted the Delaware American Heart Association with another record-breaking event, raising more than \$220,000 in 2017 and approximately \$470,000 over the past three years.

Annually, Chesapeake participates companywide in the United Way® campaign. In 2016, employees pledged more than \$66,000. For the third consecutive year, FPU contributed \$25,000 to Step Up for Students, Inc., which provides scholarships for underprivileged children to attend school through a tax credit program offered throughout the state of Florida.

For 13 years, our Company has been an active contributor to the Chesapeake Emergency Energy Recipient Program, also known as the SHARING Program, which not only assists natural gas and propane customers in Delaware and Maryland with paying their heating bills, but also provides grants used for appliance purchases and repairs. In 2016, we awarded 92 grants and since the beginning of the program, we have awarded grants totaling more than \$544,000.

Our Holiday Cares Volunteer Event, “Thanksgiving For All,” draws many enthusiastic participants. This program enables our employees throughout our business areas to give back to our communities within our service territories. Employees from Delaware, Florida, Maryland and Ohio donated approximately \$30,000 and packaged more than 1,400 holiday meals

for local food banks and other charitable organizations.

“The Thanksgiving for All program started five years ago in Delaware, and the passion and drive of our employees has resulted in a companywide effort to help families in need to enjoy a healthy and warm Thanksgiving dinner,” said Elaine B. Bittner, Senior Vice President of Strategic Development.

This summer, we expanded our Summer Cares program across our businesses with volunteer and charitable events taking place in Delaware, Florida, Maryland and Ohio. Volunteers from our business offices sorted more than 21,500 pounds of donated canned goods, fresh produce and other food items, and prepared approximately 4,800 summer meal packages for children in the community.

Through our companywide Cares With a Cause program we harness the power of our collective efforts to create a larger impact. Each quarter, we select a charitable cause to support through volunteering time or contributing goods. In 2016, our employees collectively partnered with local charities to donate books and school supplies at the start of the school year, promote breast cancer awareness, distribute employee donations of toys and gifts for Toys for Tots or local shelters and collect winter coats for Code Purple and local organizations assisting those in need.

Our Chesapeake Cares Mentor Program supports students in our communities. We partner with Connecting Generations and Junior Achievement to enable our employees companywide to become mentors in our local schools. The program focuses on in-school mentoring at all grade levels and an investment of our employees’ time provides encouragement and guidance for these students.

Through volunteer efforts and sponsorships, Chesapeake has partnered with the Delaware Chapter of The Nature Conservancy in support of conservation and protection of natural resources in Delaware. In 2016, employees from our Delaware, Maryland and Florida locations volunteered for local events. Through sponsorships Chesapeake has donated \$55,000 to the Delaware Chapter.

“The Delaware Chapter of The Nature Conservancy staff continues to be impressed by the positive, can-do attitude of everyone they meet from our Company,” said Steve Thompson, Senior Vice President and a board member of the Delaware Chapter of The Nature Conservancy.

In 2016, Chesapeake was honored with the “Outstanding Service by a Major Company” award by the Jefferson Awards Foundation at the fourth annual “Salute to Service” in Delaware.

“It is an honor to be ranked with other companies who have spearheaded many initiatives to benefit

Delaware communities. Our employees, through our companywide community programs and their individual charitable initiatives, exemplify Chesapeake’s caring and aspiring culture,” said Michael P. McMasters, President and CEO.

As one Company, we work together to develop meaningful connections with our customers, business partners, community organizations and local governments. Our employees’ creative energy strengthens these partnerships that powerfully benefit all.

**“Being honored by the Jefferson Awards Foundation is recognition of the incredible energy and enthusiasm that our team brings to every activity and community event that we support. Every day, I grow prouder of our employees’ accomplishments as they continuously embody our values in connecting with our communities.”**

Michael P. McMasters, President and CEO



*Michael P. McMasters, President and CEO, is presented with the Jefferson Award for “Outstanding Service by a Major Company” by Matt Parks, Director at Discover Financial Services, right; and congratulated by former Governor and U.S. Representative Mike Castle, center.*





## Making a Difference

Our Chesapeake Cares Mentor Program enables employees to connect with our communities and make a positive impact on the lives of local students.

*In its fifth year, our Chesapeake Cares Mentor Program provides our employees with the opportunity to mentor students during the school year. Pictured, is mentor Danielle Roach, Insurance Administrator, with her mentee.*







NYSE

BARCLAYS

ORCL	30.45	PBR	5.15	PFE	29.83	PfG	
CE	10.84	CE	10.84	CE	10.84	CE	10.84
CE	10.84	CE	10.84	CE	10.84	CE	10.84
CE	10.84	CE	10.84	CE	10.84	CE	10.84
CE	10.84	CE	10.84	CE	10.84	CE	10.84
CE	10.84	CE	10.84	CE	10.84	CE	10.84
CE	10.84	CE	10.84	CE	10.84	CE	10.84
CE	10.84	CE	10.84	CE	10.84	CE	10.84
CE	10.84	CE	10.84	CE	10.84	CE	10.84
CE	10.84	CE	10.84	CE	10.84	CE	10.84

NYSE

CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28

Chesapeake Utilities	March 9, 2016		
CPK	161.2000	61.20	61.28
CPK	127.415		
CPK	0.00		
CPK	61.50		
CPK	62.04		
CPK	61.63		
CPK			
CPK			
CPK			
CPK			

CHESAPEAKE UTILITIES CORPORATION

CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28
CPK	61.20	61.28



# Powerful Growth in 2016



2016 was another year of strong growth for our energy businesses. Our employees' commitment to our shared mission, vision and brand is the creative engine that powered this growth.

ESNG, our interstate natural gas pipeline subsidiary, generated new margin growth in 2016 from services established to meet customers' growing energy needs pending completion of expansion projects.

In July 2016, ESNG began constructing two new projects, the White Oak Mainline Expansion to increase service to a power generation customer, and a System Reliability Project to reinforce critical points on ESNG's system.

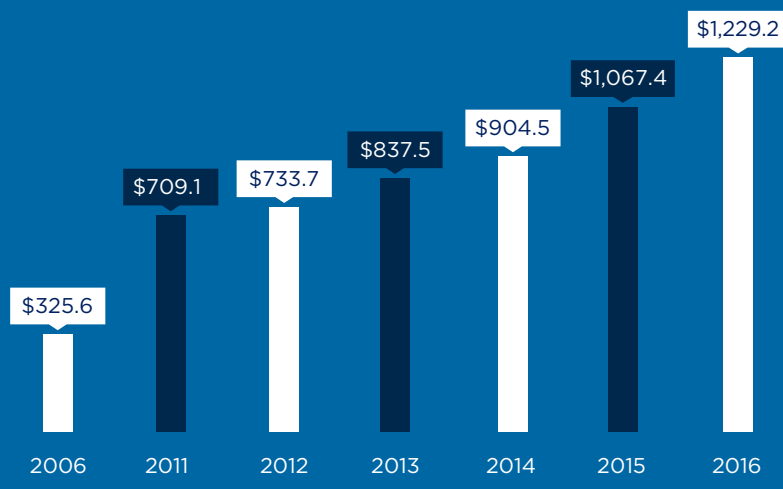
In 2016, ESNG also filed a request for regulatory approval to construct its 2017 Expansion Project, the largest single pipeline expansion in ESNG's

history, that will increase its firm transportation deliverability by 25 percent. This project will provide more than 60,000 dekatherms per day of additional firm natural gas service to meet ESNG customers' growing energy needs.

Customer growth in our natural gas distribution and transmission services, over and above the growth attributable to recent service expansions, further boosted gross margin in 2016. This included new margin growth from transmission and distribution services to the CHP Plant built and operated by the Company's affiliate, Eight Flags Energy, on Amelia Island, in Nassau County, FL.

The Eight Flags Energy CHP Plant, the first of its kind for our Company, is another example of our employees' creative solutions to customers'

*Since we began trading on the New York Stock Exchange in 1993, our employees' continuous creative energy has produced a compound annual shareholder return of 13.8 percent.*



## TOTAL ASSETS (IN MILLIONS)

Our total assets exceeded \$1.2 billion, almost quadrupling over the last 10 years.

needs. The plant, which commenced operations in June 2016, is powered by natural gas provided by FPU and Peninsula Pipeline Company and produces three energy outputs: electricity, steam and heated water. Approximately 20 megawatts of power generated by the plant produces enough electricity to meet 50 percent of the Island's demand at a projected savings of approximately \$28 million over 20 years for FPU's electric distribution customers. An unaffiliated customer located on the same site purchases the steam and heated water for use in its cellulose specialties production facility.

*Power Engineering* magazine named the Eight Flags Energy CHP Plant the "Best CHP Project of the Year." "This award recognizes innovative and creative power projects that play a unique role in meeting local and regional demand for power," said *Power Engineering* editor-in-chief Russell Ray. "The Eight Flags Energy CHP Plant goes above and beyond in meeting these standards."

In 2013, Sandpiper Energy was formed and began conversions of customers from propane to natural gas to provide the preferred energy source to the region while reducing rates and introducing new service offerings. As of 2016, Sandpiper Energy converted

more than 3,700 customers, bringing safe, clean and affordable natural gas to families and businesses in Worcester County, MD. Sandpiper Energy also began its efforts to bring natural gas to Ocean City, MD.

Aspire Energy continued its integration into the Chesapeake family in 2016, completing its first full year of operations as a Chesapeake company. Aspire Energy operates approximately 2,600 miles of pipeline systems in 40 of 88 counties in Ohio and supplies natural gas to two local distribution companies, which together serve more than 20,000 end-use customers. In 2016, Aspire Energy added new growth margin by successfully negotiating pricing amendments to long-term gas sales agreements, additional management fees and higher deliveries to its wholesale customers.

Our natural gas subsidiary, Peninsula Energy Services Company (PESCO), provides natural gas asset management, production services, retail and wholesale supply and risk management services. PESCO also experienced growth in 2016, adding energy expertise to our team, new customers, volumes of gas under contract and new marketing territories by expanding into the Mid-Atlantic, Southeast and Midwest.



*Outside of the Eight Flags Energy CHP Plant, Warren DiNapoli, Manager of Electric Operations, provides a plant tour as part of Chesapeake's first Investor Day.*





*Power Engineering* magazine named our  
Eight Flags Energy CHP Plant

## “Best CHP Project of the Year.”

This award recognizes innovative and creative power projects that meet local and regional demands for power.

*Outside of the Eight Flags Energy CHP Plant, are left to right, Vikrant Gadgil, Vice President and Chief Information Officer; Jim Moriarty, Senior Vice President and General Counsel; Beth Cooper, Senior Vice President and CFO; Jeff Householder, President of FPU; Michael P. McMasters, President and CEO; Elaine B. Bittner, Senior Vice President of Strategic Development; and Steve Thompson, Senior Vice President.*





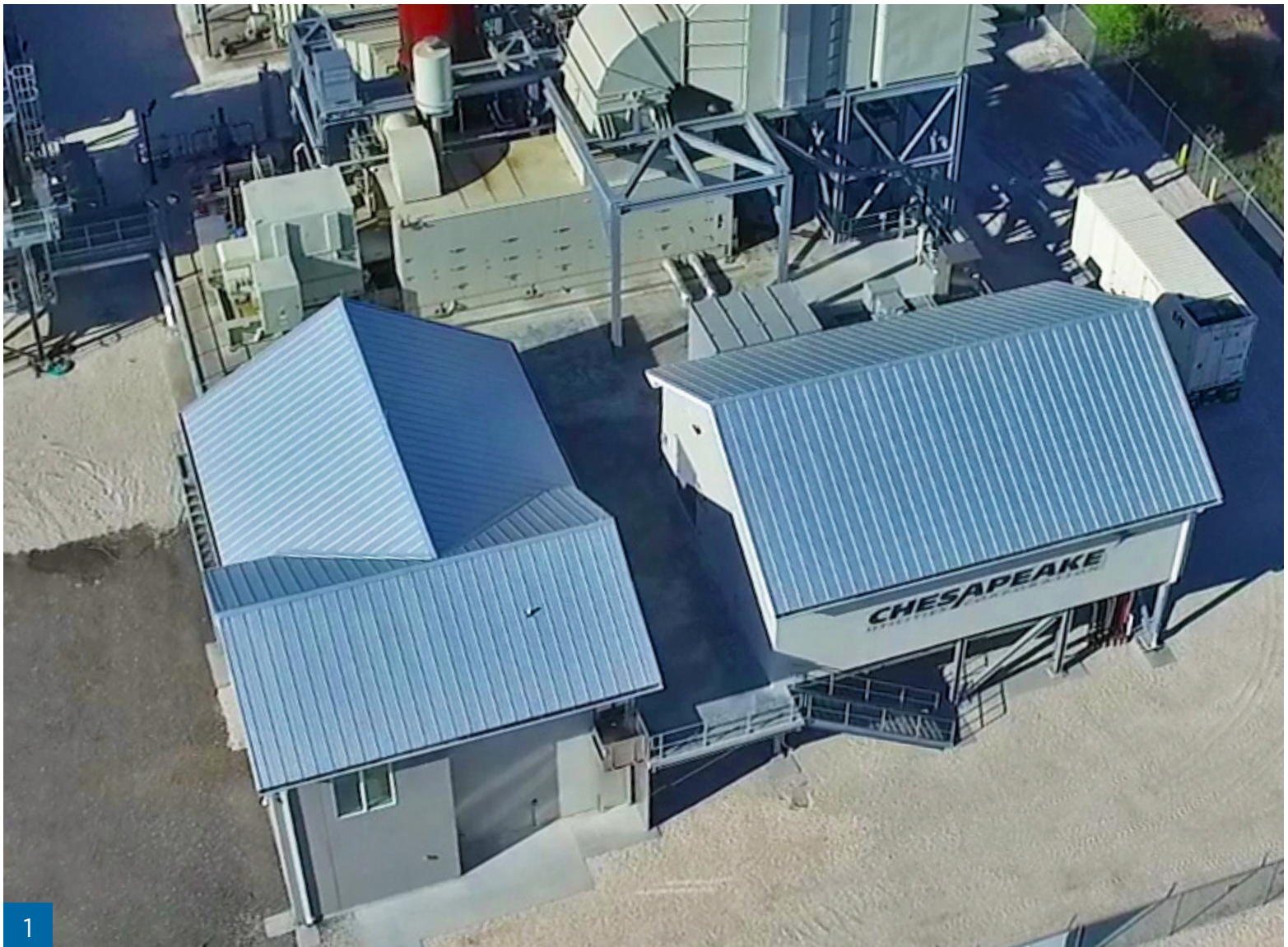


# Powerful Growth

We are proud to have seen a number of growth projects launched in 2016.

1. Eight Flags Energy CHP Plant on Amelia Island, FL in Nassau County
2. ESNG new expansion compressor station units in Delaware City, DE
3. Sandpiper Energy brings natural gas to Ocean City, MD
4. Chesapeake Utilities Corporation site for new business campus for Chesapeake Utilities, ESNG, Customer Care and Business and Information Services

*3. Kevin Shockley, Meter Technician III. 4. Sean Goodrick, Principal, Tevebaugh Associates; Mark Parker, Engineering Manager; Garth Jones, Engineering Manager; Chris Redd, Director of Gas Operations & Engineering; and Dan Mellon, Architectural Designer, Tevebaugh Associates.*







2



3



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7





## Powerful Growth

Our employees' commitment to our shared mission, vision and brand is the creative engine that powered our growth.

5. Aspire Energy completed its first year of operations
6. PESCO's growth strategy generated revenue growth from \$56.2M in 2015 to \$95.4M in 2016
7. Aspire Energy operates approximately 2,600 miles of pipeline systems in 40 counties throughout Ohio and provides natural gas supplies to two local distribution companies
8. Sharp AutoGas fueling station at our new location in Georgetown, DE

*5. Dan Massengill, Manager, Financial Analysis and Services; John Cramer, Senior Engineer; Doug Ward, Vice President of Aspire Energy; and Elaine B. Bittner, Senior Vice President of Strategic Development and President of Aspire Energy.*

*6. Al Gallo, Managing Director of PESCO; Kyle Fetchko, Financial and Scheduling Analyst; Marissa Stipa, Director of Optimization; Amy Snyder, Manager of Origination; and Bill Hancock, Assistant Vice President of PESCO.*





# CHESAPEAKE

UTILITIES CORPORATION





# Seventy Years of Powerful Growth



Although 2016 was a year of strong growth and our 10th consecutive year of record earnings, in some ways it is just the most recent year in a much longer story. The cover of this year's annual report depicts our earnings per share growth and our strategy that has been producing that growth. The energy powering our growth starts with engaging our team.

## Focused Creative Energy Powers Our Growth

Over the past 70 years, we have learned that connecting energy supplies with energy needs often requires creative solutions to meet customers' needs. This is where our team is at its best, designing services and rates to make new services feasible and affordable. Our resourceful, creative energy has produced powerful growth.

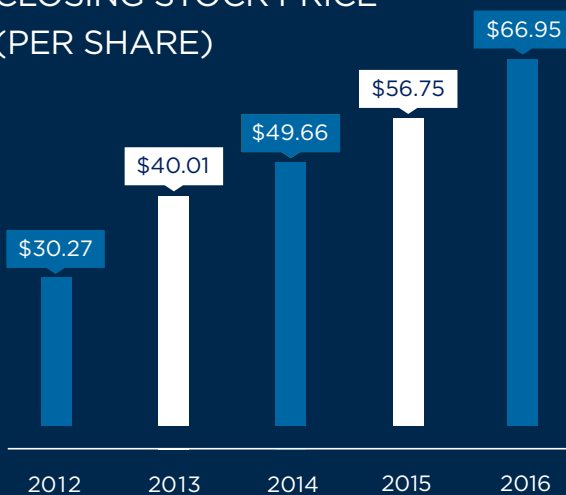
Our strategic planning process involves all of our business units, thinking and planning for

the next five years and updating the plan every year. We not only plan together; we execute our strategic plan with discipline. Our Growth Council evaluates new growth opportunities and monitors ongoing significant project developments from our existing businesses. With this process, we provide a disciplined capital investment process and identify and close any gaps in our financial, strategic and operational analysis of growth opportunities brought to the Council. Disciplined creative energy has produced powerful growth.

Nearly 60 years ago, we began to build ESNG's interstate pipeline system to supply natural gas to distribution companies and large industrial customers on the Delmarva Peninsula. Over the past 20 years, ESNG has quadrupled its firm peak day service capacity in response to its customers' growing energy needs.

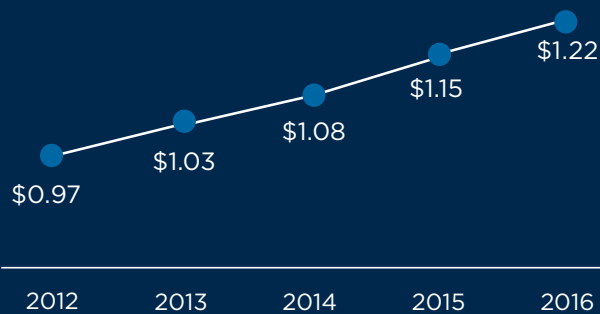
*At the ringing of The Closing Bell® at the NYSE, Chesapeake Utilities Corporation was recognized as a top performing stock in a top performing sector.*

## CLOSING STOCK PRICE (PER SHARE)



## ANNUALIZED DIVIDENDS PER SHARE

In 2016, we paid an annualized dividend of \$1.22, which is 6.1 percent higher than 2015. We have paid dividends without interruption for 56 years.



Approximately 40 years ago, we entered the propane business, and our propane wholesale and retail operations continue to grow. We are strengthening our storage and transportation assets to manage peak cold weather demands and support our competitive pricing structure based on local market conditions. We are growing organically in our traditional service areas and through acquisitions of other companies. We are converting large industrial customers from oil to propane, displacing millions of gallons of oil and thus reducing carbon emissions. We are building propane fueling stations to serve large fleets. In 2016, Sharp Energy delivered approximately one million gallons of propane transportation fuel, and supplies more than 600 vehicles with propane through 12 public and 19 private fueling stations in Delaware, Maryland and Pennsylvania, displacing approximately one million gallons of gasoline and diesel fuels.

For more than 35 years, Sharp Energy has had a strong presence on the Delmarva Peninsula. In 2016, Sharp Energy completed the construction of its new office location in Georgetown, DE and hosted

a ribbon cutting event. This location positions Sharp Energy for the growth occurring in the area.

Over 30 years ago, we began to build our presence in Florida with our acquisitions of gas distribution companies in Central Florida in the mid-1980s, followed by our acquisition of FPU in 2009. Throughout the past seven years, our Florida team has identified and developed opportunities to build and operate energy delivery systems that connect supply with demand and provide creative solutions for customer needs throughout Florida, including, most recently, the Eight Flags Energy CHP Plant.

During the past 10 years, our growth has accelerated. We hosted a groundbreaking event for our new building being constructed in Dover, DE. This new facility will be home to Chesapeake Utilities, ESNG, Business and Information Services and Customer Care. This exemplifies the growth that we have experienced. Our secret - our employees and their creative energy of Aspiring and Caring continuously generating our powerful growth. The best is yet to come!



*In 2016, Sharp Energy was honored as "The Best Gas Company - Overall" and "Best Southern Delaware Gas Company - Sussex County" in the 22nd Annual "Best Of" ballot for The Metropolitan Magazine in Salisbury, MD. Pictured, left to right, are Elaine B. Bittner, Senior Vice President of Strategic Development; Michael P. McMasters, President and CEO; Bob Zola, President of Sharp Energy; Andy Hesson, Director of Operations; Eric Mays, Director of Marketing; and Ron Patrick, Director of Facilities and Asset Management.*





**52 Million Gallons of Propane**  
in total were delivered in 2016 to our customers on the  
Delmarva Peninsula, in Florida and in Pennsylvania.

*Pictured, is Sharp Energy's propane bulk storage facility in Princess Anne, MD.*





# Timeline

## 1985

Central Florida Gas Company, Winter Haven, FL, a natural gas distribution company, was acquired. Chesapeake Utilities Corporation's common stock began trading on the NASDAQ National Market System.



## 1859

Dover Gas Light Company, a gas company located in Dover, DE, was started. Dover Gas Light would eventually become Chesapeake Utilities Corporation.



## 1955

Eastern Shore Natural Gas Company, (ESNG) was incorporated in Delaware. By 1966, ESNG extended a pipeline from Bridgeville, DE to Cambridge and Easton, MD.

## 1947



Chesapeake Utilities Corporation was incorporated in Delaware.

## 1959

ESNG extended a pipeline from Parkesburg, PA to Salisbury, MD and began delivering gas to its customers in the region. During this time, Chesapeake Utilities Corporation converted three operating facilities from propane to natural gas.

## 1981

Clarence E. Sharp Company, Georgetown, DE, a propane distribution company, was acquired. Sharpgas, Inc., dba Sharp Energy, was formed to consolidate Chesapeake operations.

## 1948

Two natural gas companies, Citizens Gas Company, Salisbury, MD and Sussex Gas Company, Seaford, DE, were acquired.



## 1980

Chesapeake Utilities Corporation acquired its first propane company, Mitchell's Gas Service, Laurel, DE.



# 2009

Completed the acquisition of Florida Public Utilities Company.



# 2017

Chesapeake Utilities Corporation celebrates its 70th anniversary of incorporation.



# 1988

Plant City Natural Gas Company, Plant City, FL, a natural gas distribution company, and Kellam Energy Inc., Belle Haven, VA, a propane and oil products distribution company, were both acquired.



# 2015

Completion of the merger of Gatherco, Inc. into Aspire Energy of Ohio, LLC, located in Orrville, OH, providing natural gas midstream services, processing and transportation services to over 300 producers, and wholesale natural gas supply to over 20,000 end users in Ohio.

# 1986

Cambridge Gas Company, Cambridge, MD, a natural gas distribution company, was acquired.



# 2016

10th year of record earnings. CPK rings The Closing Bell® at the NYSE.

# 1993

Chesapeake Utilities Corporation began trading on the NYSE as CPK.

# 2013

The Company purchased the operating assets of Eastern Shore Gas, now operating as Sandpiper Energy, Inc., to provide service to customers in Worcester County, MD on the Delmarva Peninsula.

# 1998

Central Florida Gas Company's service territory expanded to include Gadsden and Citrus Counties.

# Leadership

## EXECUTIVE OFFICERS



**Michael P. McMasters**  
*President & Chief Executive Officer*



**Elaine B. Bittner**  
*Senior Vice President of Strategic Development; President and Chief Operating Officer, Aspire Energy; and Chief Operating Officer, Sharp Energy, Inc.; Peninsula Energy Services Company; and Xeron, Inc.*



**Beth W. Cooper**  
*Senior Vice President, Chief Financial Officer & Assistant Secretary*



**Jeffrey M. Householder**  
*President, Florida Public Utilities Company; and Peninsula Pipeline Company, Inc.*



**James F. Moriarty**  
*Senior Vice President, General Counsel & Corporate Secretary*



**Stephen C. Thompson**  
*Senior Vice President; President and Chief Operating Officer, Eastern Shore Natural Gas Company; and Sandpiper Energy, Inc.*

## CORPORATE OFFICERS



**Nicole T. Carter**  
*Assistant Vice President of Customer Care*



**Mark L. Eisenhower**  
*Vice President of Strategic Planning & Business Development*



**Vikrant A. Gadgil**  
*Vice President and Chief Information Officer*



**Naimul Islam**  
*Vice President and Controller*



**John J. Lewnard**  
*Vice President of Business Development*



**Thomas E. Mahn**  
*Treasurer*





**Sheri D. Richard**  
*Vice President*  
*Rates and Regulatory*  
*Affairs*



**Devon S. Rudloff**  
*Assistant Vice*  
*President of Human*  
*Resources*



**Joseph D. Steinmetz**  
*Assistant Vice*  
*President of*  
*Internal Audit*

## BUSINESS UNIT OFFICERS



**Richard G. Garcia**  
*President,*  
*Xeron, Inc.*



**William D. Hancock**  
*Assistant Vice*  
*President, Peninsula*  
*Energy Services*  
*Company*



**C. Trey Judy**  
*Vice President,*  
*Xeron, Inc.*



**Cheryl M. Martin**  
*Assistant Vice*  
*President of*  
*Regulatory Affairs &*  
*Business Planning,*  
*Florida Public Utilities*  
*Company*



**C. James Moore**  
*Vice President,*  
*Chesapeake Utilities;*  
*and Sandpiper Energy,*  
*Inc.*



**Aleida F. Socarrás**  
*Assistant Vice*  
*President of Marketing*  
*& Energy Logistics,*  
*Florida Public Utilities*  
*Company*



**Jeffrey R. Tietbohl**  
*Vice President,*  
*Eastern Shore*  
*Natural Gas*  
*Company*



**Douglas M. Ward**  
*Vice President,*  
*Aspire Energy*



**Kevin J. Webber**  
*Vice President -*  
*Business Development*  
*& Gas Operations,*  
*Florida Public Utilities*  
*Company*



**S. Robert Zola**  
*President,*  
*Sharp Energy, Inc.*

# Board of Directors



**John R. Schimkaitis** ■

*Director Since 1996*

Chair of the Board  
*Retired President & Chief  
Executive Officer -  
Chesapeake Utilities  
Corporation*



**Eugene H. Bayard** ■

*Director Since 2006*

*Law Partner -  
Morris James Wilson  
Halbrook & Bayard,  
Georgetown, Delaware*



**Thomas J. Bresnan** ■ ■

*Director Since 2001*

*Owner & President -  
Accounting & Business  
School of the Rockies and  
Denver Accounting Services,  
Greenwood Village, Colorado*



**Ronald G. Forsythe, Jr., Ph.D.** ■

*Director Since 2014*

*President & Chief  
Executive Officer -  
Quality Health Strategies,  
Easton, Maryland*

## COMMITTEE KEY



Audit Committee



Compensation Committee



Corporate Governance Committee



Investment Committee

## AUDIT COMMITTEE

Thomas J. Bresnan - CHAIR

Ronald G. Forsythe, Jr., Ph.D.

Thomas P. Hill, Jr.

Dennis S. Hudson, III





**Thomas P. Hill, Jr.** ■ ■  
*Director Since 2006*

*Retired Vice President of Finance & Chief Financial Officer - Exelon Energy Delivery Company, Philadelphia, Pennsylvania*



**Dennis S. Hudson III** ■ ■ ■  
*Director Since 2009*

*Chair & Chief Executive Officer - Seacoast National Bank & Seacoast Banking Corporation of Florida, Stuart, Florida*



**Paul L. Maddock, Jr.** ■ ■  
*Director Since 2009*

*Trustee & President - The Maddock Companies, Palm Beach, Florida*



**Michael P. McMasters**  
*Director Since 2010*

*President & Chief Executive Officer - Chesapeake Utilities Corporation*



**Calvert A. Morgan, Jr.** ■ ■ ■ ■  
*Director Since 2000*

*Director and Former Special Advisor - WSFS Financial Corporation, Wilmington, Delaware; Director and Vice Chair - Wilmington Savings Fund Society (WSFS Bank), Wilmington, Delaware; Retired Chair, President & Chief Executive Officer - PNC Bank, Delaware, Wilmington, Delaware*



**Dianna F. Morgan** ■ ■  
*Director Since 2008*

*Former Senior Vice President - Walt Disney World Co., Orlando, Florida; Past Chair of the Board of Trustees - University of Florida, Gainesville, Florida*

## COMPENSATION COMMITTEE

- Dianna F. Morgan - CHAIR
- Dennis S. Hudson, III
- Calvert A. Morgan, Jr.

## CORPORATE GOVERNANCE COMMITTEE

- Calvert A. Morgan, Jr. - CHAIR
- Eugene H. Bayard
- Paul L. Maddock, Jr.

## INVESTMENT COMMITTEE

- John R. Schimkaitis - CHAIR
- Thomas J. Bresnan
- Thomas P. Hill, Jr.
- Calvert A. Morgan, Jr.

# By the Numbers



**10**

Consecutive years of record earnings

**5**

Consecutive years recognized as a  
Top Workplace company

**13.8%**

Annual shareholder return since listing on  
the NYSE in 1993

**448**

Miles of interstate natural gas pipeline

**2,600**

Miles of natural gas gathering pipelines

**4,300**

Miles of natural gas distribution mains

**52 M**

Gallons of propane distributed annually

**343**

Miles of underground propane distribution mains

**6.2 M**

Gallons of bulk propane storage capacity

**600**

Fleet vehicles supplied with propane through  
12 public and 19 private propane fueling stations in  
Delaware, Maryland and Pennsylvania

**1 M**

Gallons of propane transportation fuel  
delivered annually

**900+**

Employees spanning seven states

**236,000+**

Customers

**1859**

Chesapeake Utilities Corporation history began with  
providing street lighting in Dover, DE

**1947**

Year of incorporation in Delaware

**1985**

Chesapeake Utilities Corporation's common stock  
began trading on the NASDAQ National Market System

**1993**

Chesapeake Utilities Corporation's common stock began  
trading on the New York Stock Exchange as CPK





**CHESAPEAKE**  
UTILITIES CORPORATION



ASPIRE ENERGY

CHESAPEAKE UTILITIES

PENINSULA PIPELINE

PESCO ENERGY

EASTERN SHORE NATURAL GAS

SANDPIPER ENERGY

FLORIDA PUBLIC UTILITIES

SHARP ENERGY

CHESAPEAKE UTILITIES CORPORATION

LISTED NYSE







***Creative Energy. Powerful Growth.***

2016 ANNUAL REPORT TO SHAREHOLDERS

