

CHESAPEAKE UTILITIES CORP  
Form DEF 14A  
April 01, 2019

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under §240.14a-12

CHESAPEAKE UTILITIES CORPORATION  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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No fee required.

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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Notice of 2019 Annual Meeting of Stockholders

Wednesday, May 8, 2019 9:00 a.m. Eastern Time

The du Barry Room of the HOTEL DU PONT, 42 West 11th Street, Wilmington, DE 19801

April 1, 2019

Dear Stockholder,

On May 8, 2019, Chesapeake Utilities Corporation (the "Company") will be holding its 2019 Annual Meeting of Stockholders (the "Meeting"). Stockholders of record at the close of business on March 11, 2019 will be asked to vote on the following matters:

Proposal	Description of Proposal	Board Recommendation
Proposal 1	Election of three Class II directors named in the attached Proxy Statement	FOR each nominee
Proposal 2	Non-binding advisory vote to approve the compensation of the Company's Named Executive Officers	FOR
Proposal 3	Non-binding advisory vote to ratify the appointment of the Company's independent registered public accounting firm	FOR

Stockholders will also transact any other business that is properly brought before the Meeting and at any adjournment or postponement of the Meeting. For any other business that is properly brought before the Meeting, the appointed proxies are authorized to vote pursuant to their discretion.

Your vote is important and we encourage you to vote as soon as possible even if you plan to attend the Meeting.

Please read the attached Proxy Statement for additional information on the matters we are asking you to vote on.

**Internet** Type [www.investorvote.com/cpk](http://www.investorvote.com/cpk) in your internet browser and enter the control number on your proxy card.

**Mobile Device** Scan the QR code on your proxy card with your mobile device and enter the control number on your proxy card.

**Telephone** Dial toll free (800) 652-8683 to reach our agent, Computershare, and follow the telephone prompts.

**Mail** Cast your ballot, sign and date your proxy card, and mail it in the enclosed envelope.

If you own shares through your bank, broker or other institution or in an account established under the Company's Retirement Savings Plan, Deferred Compensation Plan, or other plan, you will receive separate instructions on how you can vote the shares you own in those accounts.

Thank you for your investment in Chesapeake Utilities Corporation.

Sincerely,

James F. Moriarty

Executive Vice President, General Counsel, Corporate Secretary and Chief Policy & Risk Officer

Important Notice Regarding the Availability of Proxy Materials. This Notice for the Annual Meeting of Stockholders to be held on May 8, 2019, the attached Proxy Statement, our 2018 Annual Report on Form 10-K, and directions to the Annual Meeting are available at [www.chpk.com/proxymaterials](http://www.chpk.com/proxymaterials).

909 Silver Lake Boulevard, Dover, DE 19904 [www.chpk.com](http://www.chpk.com) (888) 742-5275



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## GLOSSARY OF TERMS

Terms, abbreviations and acronyms, as used in this Proxy Statement.

2015 Cash Plan:	The Company's Cash Bonus Incentive Plan as approved by our stockholders in May 2015
2016 Equity Incentive Award:	An equity incentive award granted by the Compensation Committee pursuant to the SICP for the 2016-2018 performance period
2017 Equity Incentive Award:	An equity incentive award granted by the Compensation Committee pursuant to the SICP for the 2017-2019 performance period
2018 Equity Incentive Award:	An equity incentive award granted by the Compensation Committee pursuant to the SICP for the 2018-2020 performance period
Aspire Energy:	Aspire Energy of Ohio, LLC, a wholly-owned subsidiary of Chesapeake Utilities
Baker Tilly:	Baker Tilly Virchow Krause, LLP, the Company's independent registered public accounting firm, or our external audit firm
Bylaws:	The Company's Amended and Restated Bylaws, as amended through November 2, 2016
Board:	The Company's Board of Directors
Cash Incentive Award:	A cash incentive award granted by the Compensation Committee pursuant to the 2015 Cash Plan for the 2018 performance period
Chesapeake Utilities or Company:	Chesapeake Utilities Corporation, its divisions and subsidiaries, as appropriate in the context of the disclosure
FW Cook:	Frederic W. Cook & Co., Inc., the Compensation Committee's independent compensation consultant
Deferred Compensation Plan:	A non-qualified, deferred compensation plan under which compensation may be deferred by eligible participants
Delmarva Peninsula:	A peninsula on the east coast of the U.S. occupied by Delaware and portions of Maryland and Virginia
Dodd-Frank Act:	The Dodd-Frank Wall Street Reform and Consumer Protection Act
EPS:	Earnings per share
ESNG:	Eastern Shore Natural Gas Company, a wholly-owned subsidiary of Chesapeake Utilities
Exchange Act:	The Securities Exchange Act of 1934, as amended
FASB:	Financial Accounting Standards Board
FPU:	Florida Public Utilities Company, a wholly-owned subsidiary of Chesapeake Utilities
IRS:	Internal Revenue Service
Named Executive Officer, NEO, or Executive NEO:	Individuals as defined in Item 402(a)(3) of Regulation S-K are collectively referred to as "Named Executive Officers" or "NEOs." Four NEOs that currently serve as Executive Officers of the Company are collectively referred to as "Executive NEOs."
NYSE:	New York Stock Exchange
PCAOB:	Public Company Accounting Oversight Board
Pension Plan:	A defined benefit pension plan sponsored by the Company
Pension SERP:	An unfunded supplemental executive retirement pension plan sponsored by the Company
Retirement Savings Plan:	The Company's qualified 401(k) retirement savings plan
ROE:	Return on equity
Sandpiper:	Sandpiper Energy, Inc., a wholly-owned subsidiary of Chesapeake Utilities
SEC:	Securities and Exchange Commission
SICP:	The Company's 2013 Stock and Incentive Compensation Plan as approved by our stockholders in May 2013 and amended by the Compensation Committee of the Board in January 2017
TSR:	Total shareholder return





## 1 - PROXY STATEMENT

Chesapeake Utilities Corporation's 2019 Annual Meeting of Stockholders (the "Meeting") will be held on May 8, 2019 at 9:00 a.m. Eastern Time. We will gather in the du Barry Room of the HOTEL DU PONT, located at 42 West 11th Street, Wilmington, DE 19801. Whether or not you plan to attend the Meeting, we encourage you to submit your vote on the proposals described below prior to the Meeting using any one of the convenient methods provided in the Voting Information section of this Proxy Statement.

Enclosed are the proxy materials that describe each matter to be voted on by the stockholders, and information on the Company and its practices. The Notice of Annual Meeting of Stockholders, this Proxy Statement, and the enclosed Proxy Card are being furnished to our stockholders on or about April 1, 2019. We ask that you review each matter to be voted on at the Meeting and vote your shares using the methods described in this Proxy Statement. We thank you for your investment in the Company as we continue to generate increased stockholder value.

#### Summary of Proposals and Board Recommendations

This summary is an overview of information that you will find elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting. With regard to Proposal 1, if elected, directors are subject to the Company's Bylaws, including the current age eligibility requirement.

Proposal Number	Description	Board of Directors' Vote Recommendation
1	Election of three Class II directors for a three-year term ending in 2022 and until their successors are elected and qualified	FOR each nominee
2	Non-binding advisory vote to approve the compensation of the Company's Named Executive Officers	FOR
3	Non-binding advisory vote to ratify the appointment of the Company's independent registered public accounting firm	FOR

**PROPOSAL 1:** On December 18, 2018, the Board increased the size of the Board from ten to eleven directors and appointed Jeffrey M. Householder to fill the resulting vacancy, effective January 1, 2019. Pursuant to the Company's Amended and Restated Bylaws a director chosen to fill a vacancy holds office until the next annual meeting of stockholders, at which such director will be nominated for election. On February 26, 2019, in accordance with our Bylaws, the Board fixed the number of directors that will constitute the entire Board at ten with the election of directors at the Meeting and, upon recommendation of the Corporate Governance Committee, nominated the following three incumbent directors - Eugene H. Bayard, Jeffrey M. Householder and Paul L. Maddock, Jr. to serve as Class II directors until the 2022 Annual Meeting of Stockholders and until their successors are elected and qualified. If elected, directors are subject to the Company's Bylaws, including the current age eligibility requirement. The Board recommends that stockholders vote FOR each nominee. As summarized below, these directors, along with the entire Board, have a diverse combination of leadership, professional skills and experience that support our business and long-term strategic focus.

Name	Age	Director Since	Principal Occupation	Independent	Committee Memberships	Experience and Skills
Eugene H. Bayard	72	2006	Of Counsel Morris James LLP	Yes	Corporate Governance Committee	Extensive expertise in the Delaware legal community Established relationship with colleagues and members of the community throughout the Delmarva Peninsula

Jeffry M. Householder	61 2019	President & CEO Chesapeake Utilities Corporation	No	Investment Committee Chair	<p>In-depth knowledge of legal, regulatory, and corporate governance practices</p> <p>Extensive natural gas industry and regulatory experience</p> <p>Extensive leadership and strategic foresight</p> <p>Knowledge of the business and economic climate in our service territories, including Florida</p> <p>Extensive public company and utility experience</p> <p>Expertise in a broad range of real estate matters</p> <p>In-depth knowledge of the Florida economy</p>
Paul L. Maddock, Jr.	69 2009	Chief Executive Officer & Manager Palamad, LLC	Yes	Corporate Governance Committee	

PROPOSAL 2: With respect to Proposal 2, the Board recommends that stockholders vote, on an advisory basis, FOR the approval of the compensation of the Company's NEOs.

Executive Compensation. In 2018, approximately 97% of the votes cast by stockholders "approved" the compensation of the NEOs as disclosed in the Company's 2018 Proxy Statement. The Compensation Committee considered stockholders' widespread support for the Compensation Committee's executive compensation decisions, program and policies, and took into account several other factors in evaluating our executive compensation program as discussed in the Compensation Discussion and Analysis section of this Proxy Statement. The Compensation Committee also reviewed and evaluated information provided by FW Cook, as well as peer group data.

The Compensation Committee focuses on aligning total compensation of our executive officers with our business objectives, thereby increasing stockholder value. Total compensation is comprised of: (i) base salary, which is a fixed element of compensation and is set at levels to attract and retain executive officers with skills and qualities that align with our culture and strategic goals, and (ii) short-term cash and long-term equity incentive compensation, which are two at-risk elements of compensation that incentivize executive officers based upon the achievement of pre-established financial and non-financial performance metrics over an annual period (in the case of the short-term cash incentive awards), and pre-established financial metrics over a three-year performance period (in the case of the long-term equity incentive awards).

Our compensation practices include the following:

• The Compensation Committee is comprised of independent directors who retain discretion over the administration of our executive compensation program and discretion in determining the achievement of performance

• The Compensation Committee retains an independent compensation consultant who advises on our executive compensation program and other matters

• The Compensation Committee annually reviews the executive compensation program to ensure alignment with the Company's objectives

The executive compensation program uses multiple performance measures that focus on both short-term performance, as well as long-term execution of our strategic plan, and features a cap on the maximum amount that can be earned for any performance period

• The Compensation Committee considers peer group and benchmarking data in its review of the executive compensation program

• Executive compensation is tied to performance, thereby aligning a significant portion of compensation with the interests of stockholders

• Executive officers are evaluated using a variety of quantitative metrics, including TSR relative to a peer group under the long-term incentive plan

• Executive officers are subject to a compensation recovery policy

Executive officers participate in the same benefits that are available to other employees, have a cap on their life insurance benefit, and receive no perquisites other than a Company vehicle that is available for personal use, but which is treated as compensation

• Executive officers do not receive excise tax gross-up protections

• Executive officers receive dividends on equity incentive awards only to the extent the awards are earned and in proportion to the shares actually earned

• Executive officers may not engage in hedging transactions and may not pledge any Company stock

• Executive officers are subject to a double-trigger change-in-control vesting provision under the SICP

PROPOSAL 3: With respect to Proposal 3, the Board recommends a vote FOR the ratification of the appointment of Baker Tilly Virchow Krause, LLP as the Company's independent registered public accounting firm for 2019. On February 25, 2019, the Audit Committee approved the reappointment of Baker Tilly to serve as our external audit firm for 2019. Baker Tilly (independently or through a legacy firm) has served as the Company's external audit firm since 2007. In determining whether to reappoint Baker Tilly as our external audit firm, the Audit Committee took into consideration several factors, including an assessment of the professional qualifications and past performance of the Lead Audit Partner and the audit team, the quality and level of transparency of the Audit Committee's relationship and communications with Baker Tilly, and the length of time the firm has been engaged. The Audit Committee

considered, among other things, Baker Tilly's expanding utility practice and the knowledge and skills of Baker Tilly's auditing experts that would be providing services to the Company. In 2018, each member of the Audit Committee, as well as members of management and Internal Audit completed an evaluation of the quality of the audit services rendered in 2017. The Audit Committee analyzed the results of the assessment, which provided the Audit Committee with additional insight into the effectiveness and objectivity of the external audit firm. The Chair of the Audit Committee and the Chief Financial Officer communicated the results of the evaluation process to Baker Tilly's Lead Audit Partner. We will be undertaking the same process in 2019 for 2018's annual audit.

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## Voting Information

## Meeting Time, Date and Location

The Meeting will be held at 9:00 a.m. Eastern Time on Wednesday, May 8, 2019 in the du Barry Room of the HOTEL DU PONT, 42 West 11th Street, Wilmington, Delaware 19801.

## Who May Vote

Holders of the Company's common stock at the close of business on March 11, 2019, the record date established by the Board, are entitled to vote at the Meeting. As of the record date, there were 16,397,017 shares of our common stock outstanding. These shares of common stock are our only outstanding class of voting equity securities. Each share of common stock is entitled to one vote on each matter submitted to the stockholders for a vote. The Company's Executive NEOs and independent directors, collectively, have the power to vote 3.10% of these shares.

## Proposals Requiring Your Vote

The proposals to be voted on at the Meeting are provided below, along with the required vote for each proposal to be adopted, and the effect of abstentions and broker non-votes on the proposal. The Executive NEOs and independent directors intend to vote their shares of common stock FOR each nominee in Proposal 1 and FOR each of Proposals 2 and 3. With regard to Proposal 1, if elected, directors are subject to the Company's Bylaws, including the current age eligibility requirement.

Proposal	Description of Proposal	Board Recommendation	Vote Required for the Proposal to be Adopted	Effect of Abstentions	Effect of Broker Non-Votes
Proposal 1	Election of three Class II directors to serve three-year terms ending in 2022 and until their successors are elected and qualified	FOR each nominee	Plurality of the votes cast by the holders of shares present in person or represented by proxy and entitled to vote at the meeting	No effect	No effect
Proposal 2	Non-binding advisory vote to approve the compensation of the Company's Named Executive Officers	FOR	Approved, on a non-binding advisory basis, if a majority of the shares present in person or represented by proxy and entitled to vote support the proposal	Treated as votes against proposal	No effect
Proposal 3	Non-binding advisory vote to ratify the appointment of the Company's independent registered public accounting firm	FOR	Approved, on a non-binding advisory basis, if a majority of the shares present in person or represented by proxy and entitled to vote support the proposal	Treated as votes against proposal	Brokers have discretion to vote

The appointed proxies will vote pursuant to their discretion on any other matter that is properly brought before the Meeting and at any adjournment or postponement of the Meeting in accordance with our Bylaws. The Company is not aware of any other matter to be presented at the Meeting.

## Voting Instructions

**Stockholders of Record.** If you are a registered stockholder, your proxy card will be voted at the Meeting if it is properly submitted and not subsequently revoked. If your proxy card is incomplete or if you do not provide instructions with respect to any of the proposals, your proxy card will be voted in line with management's and the Board's recommendation for each Proposal and pursuant to the appointed proxy's discretion for any other business properly brought before the Meeting. If your proxy card is unclear as to how you intended to vote (e.g., multiple selections are made for one proposal), your proxy will be voted pursuant to the discretion of the appointed proxy.

**Beneficial Ownership.** If you held shares of our common stock through a bank, broker, trustee, nominee, or other institution (called "street name") on March 11, 2019, you are entitled to vote on the matters described in this Proxy Statement. You will receive this Proxy Statement, any other solicitation materials, and voting instructions through your bank, broker, trustee, nominee, or institution. If you do not provide voting instructions, your shares may constitute "broker non-votes" on certain proposals. Generally, broker non-votes occur on a non-routine proposal where a broker is not permitted to vote on that proposal without instructions from the beneficial owner. Broker non-votes are counted as present for purposes of determining whether there is a quorum, but are not counted for purposes of determining whether a matter has been approved. If you properly submit a proxy card, but do not provide voting instructions, your institution will not be permitted to vote your shares on Proposal 1 - election of directors and Proposal 2 - non-binding advisory vote to approve the compensation of the Company's Named Executive Officers. However, your institution will be able to vote your shares on Proposal 3 - non-binding advisory vote to ratify the appointment of our independent registered public accounting firm. As a result, if you do not provide voting instructions to your institution, your shares will have no effect on the outcome of Proposals 1 and 2. If you plan to attend the Meeting, you will need to bring a valid proxy from your institution if you intend to vote your shares at the Meeting.

### Methods Available for Voting

Your vote is important and we encourage you to vote as soon as possible, even if you plan to attend the Meeting. You may attend the Meeting and deliver your proxy card in person before voting is declared closed at the Meeting. You may vote at the Meeting even if you submitted your proxy using any of the methods below. Each of these voting methods are available 24/7 for your convenience. Please have your Proxy Card available when voting.

Internet	Type <a href="http://www.investorvote.com/cpk">www.investorvote.com/cpk</a> in your internet browser and enter the control number on your proxy card.
Mobile Device	Scan the QR code on your proxy card with your mobile device and enter the control number on your proxy card.
Telephone	Dial toll free (800) 652-8683 to reach our agent, Computershare, and follow the telephone prompts.
Mail	Cast your ballot, sign and date your proxy card, and mail it in the enclosed envelope.

If you own shares through your bank, broker or other institution or in an account established under the Company's Retirement Savings Plan, Deferred Compensation Plan, or other plan, you will receive this Proxy Statement, other solicitation materials, and voting instructions from your representative on how you can vote the shares you own in those accounts. We will reimburse the institutions for reasonable expenses incurred in connection with their solicitation.

### Signing the Proxy - Stockholder Representatives or Joint Stockholders

If you are an authorized officer, partner or other agent voting shares on behalf of a corporation, limited liability company, partnership or other legal entity, you should sign the accompanying proxy card in the entity name and indicate your name and title. If you are an agent, attorney, guardian or trustee submitting a proxy card on behalf of a registered stockholder, you should also indicate your title with your signature. If you own stock with multiple parties, each party should sign the proxy card. If stock is registered in the name of a decedent and you are an executor, or an administrator, of the decedent's estate, you should sign the accompanying proxy card, indicate your title following

your signature, and attach legal instruments showing your qualification and authority to act in this capacity.

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## 2 - PROPOSALS

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### Proposal ELECTION OF DIRECTORS

The Board recommends a vote FOR each of the director nominees.

- 1 The Board, upon recommendation of the Corporate Governance Committee, nominated three incumbent directors - Eugene H. Bayard, Jeffry M. Householder and Paul L. Maddock, Jr. The Board has a diverse combination of leadership, professional skills, and experience that support our business and long-term strategic focus.

### Board Composition and Voting

General Information. As of the date of this Proxy Statement, the entire Board consists of eleven directors divided into three classes. Directors are elected to serve three-year terms by a plurality of the votes cast by the holders of the shares present in person or represented by proxy and entitled to vote at the Meeting. Our director resignation policy, which is set forth in our Corporate Governance Guidelines, applies when a director nominee receives more “withhold” votes than “for” votes in an uncontested director election at a stockholder meeting.

Voting for Director Nominees. Each share of our common stock is entitled to one vote. You may authorize a proxy to vote your shares on the election of directors. A proxy that withholds authority to vote for a particular nominee will count neither for nor against the nominee.

### Nominees for Election

Director Nomination Process. Prior to nominating directors, the Corporate Governance Committee considers each candidate selected and the criteria described under the Board of Directors section of this Proxy Statement. The Corporate Governance Committee considers each individual candidate in the context of the Board as a whole with the objective of nominating individuals who the Corporate Governance Committee believes will contribute to the Company’s success as a result of their education, job experience, industry knowledge, market knowledge and expertise. The Corporate Governance Committee seeks individuals who demonstrate integrity, judgment, leadership and decisiveness in their business dealings. The Corporate Governance Committee also seeks individuals who, with the other directors, will give the Board a diverse combination of leadership, professional skills, and experience that support our business and long-term strategic focus. Directors should be able to commit the requisite time for preparation and attendance at Board and Committee meetings, as well as be able to participate in other matters necessary to ensure good corporate governance. The Board reflects a broad range of leadership, professional skills and experience; corporate governance and board service experience; experience in the markets in which we conduct business; economic and financial expertise; industry experience; public affairs experience; academia experience; and entrepreneurship.

Director Nominations. On December 18, 2018, the Board increased the size of the Board from ten to eleven directors and appointed Jeffry M. Householder to fill the resulting vacancy, effective January 1, 2019. Pursuant to the Company’s Amended and Restated Bylaws, a director chosen to fill a vacancy holds office until the next annual meeting of stockholders, at which such director will be nominated for election. On February 26, 2019, in accordance with our Bylaws, the Board, upon recommendation from the Corporate Governance Committee, fixed the number of directors that will constitute the entire Board at ten with the election of directors at the Meeting and, nominated the following three incumbent directors - Eugene H. Bayard, Jeffry M. Householder and Paul L. Maddock, Jr. If elected, these directors will serve as Class II directors until the 2022 Annual Meeting of Stockholders and until their successors are elected and qualified. If elected, directors are subject to the Company’s Bylaws, including the current age eligibility requirement. Also, if prior to the election, any of the nominees become unable or unwilling to serve as a director of the Company, all proxies will be voted for any substitute nominee who may be designated by the Board based on the recommendation of the Corporate Governance Committee. The Company’s Bylaws provide the framework for director nominations and director eligibility for election or re-election as a director of the Company.

Director Family Relationships. There are no family relationships among any of our directors, nominees for directors, or executive officers.



Director Biographies, Key Attributes, Experience and Skills. Descriptions of the director nominees and continuing director's principal occupation and employment, principal business, affiliations, and other business experience during the past five years are provided beginning on the next page.

DIRECTOR NOMINEES - CLASS II - TERMS EXPIRE IN 2022

If elected, directors are subject to the Company's Bylaws, including the current age eligibility requirement.

EUGENE H. BAYARD

Director since  
2006  
Independent  
Director  
Age 72  
Corporate  
Governance  
Committee  
Member

Mr. Bayard is Of Counsel with the law firm of Morris James LLP in Georgetown, Delaware. He was a partner with the predecessor law firm of Wilson Halbrook & Bayard where he has served clients since 1974. Mr. Bayard serves in numerous business and community board capacities including: Delaware State Fair, Inc.; Chair of Harrington Raceway & Casino; O.A. Newton & Son Company; J.G. Townsend Jr. and Company; Southern Delaware Advisory Board for WSFS Bank; President of Delaware Wild Lands, Inc.; Mid-Del Charitable Foundation; and Delaware Volunteer Firefighter's Association. Mr. Bayard previously served as a member of the Board of the Delaware Community Foundation.

Key Attributes and Skills:

Extensive expertise in the Delaware legal community, home of the nation's preeminent forum for Delaware corporations and other business entities

Established relationships with colleagues and members of the community throughout the Delmarva Peninsula

In-depth knowledge of legal, regulatory, and corporate governance practices

JEFFRY M. HOUSEHOLDER

Director since  
2019  
President and  
CEO,  
Chesapeake  
Utilities  
Corporation  
Age 61  
Investment  
Committee  
Chair

Mr. Householder was appointed as President and Chief Executive Officer of Chesapeake Utilities Corporation effective January 1, 2019. He has served as President of Florida Public Utilities Company since June 2010. Mr. Householder has more than 30 years of experience in the energy industry and has served in leadership positions with TECO Energy Peoples Gas, West Florida Gas Company, Florida City Gas, and Tallahassee Utilities. He serves on the Boards of the American Gas Association, the Edison Electric Institute, the Southern Gas Association, and the Florida Natural Gas Association (Immediate Past President). He is a member of the Delaware Business Roundtable, which focuses on the business and economic climate of Delaware.

Key Attributes and Skills:

Extensive natural gas industry and regulatory experience

Extensive leadership and strategic foresight

Knowledge of the business and economic climate in our service territories, including Florida

**PAUL L. MADDOCK, JR.**

Director since  
2009  
Independent  
Director  
Age 69  
Corporate  
Governance  
Committee  
Member

Mr. Maddock is the Chief Executive Officer and Manager of Palamad, LLC, a real estate holding company located in Palm Beach, Broward, and Dade counties. Mr. Maddock is a member of the Board, Corporate Governance, and Executive Committees of W.C. & A.N. Miller Company, a real estate company in Washington, D.C. He served as a Director and member of the Audit, Compensation and Executive Committees of FPU prior to its acquisition by Chesapeake Utilities. He previously served as Director, Audit Committee Chair, and Executive Committee member of Lydian Bank and Trust, as well as a member of the Boards of PRB Energy, Inc., Wachovia Bank of Florida, 1st United Bank and Trust, and Island National Bank and Trust. Mr. Maddock is also President of THRIFT, Inc., a Palm Beach charitable organization, and is a former Director of the Good Samaritan Hospital.

**Key Attributes and Skills:**

- Extensive public company and utility experience
- Expertise in a broad range of real estate matters
- In-depth knowledge of the Florida economy

**CONTINUING DIRECTORS - CLASS III - TERMS EXPIRE IN 2020**

**THOMAS J. BRESNAN**

Director since  
2001  
Independent  
Director  
Age 66  
Audit  
Committee  
Chair and  
Financial  
Expert  
Investment  
Committee  
Member  
CEO  
Succession  
Committee  
Member

Mr. Bresnan is President of Global LT, a language and cross-cultural training company and has served as a member of its Board since 2014. He is an entrepreneur who owns and has served as President of the Accounting & Business School of the Rockies, and of Denver Accounting Services since 2012 and 2014, respectively. From 2008-2012, Mr. Bresnan served as a majority stockholder, President and Chief Executive Officer of Schneider Sales Management, LLC. He previously served as a member of the Board, and President and Chief Executive Officer of New Horizons Worldwide, Inc., an information technology training company. He has also served as President of Capitol American Life Insurance, Chief Financial Officer at Capitol American Finance, and has held positions at Arthur Andersen & Co.

**Key Attributes and Skills:**

- Extensive leadership, technology, sales and marketing experience
- In-depth experience in acquisitions and the post integration process
- Financial and Audit Committee expertise

**RONALD G. FORSYTHE, JR.**

Dr. Forsythe has served as Chief Executive Officer of Qlarant Corporation since July 2015. Qlarant Corporation previously operated as Quality Health Strategies until its comprehensive rebranding and new name formation in February 2018. He served as President of Quality Health Strategies from July 2015 until February 2018 and as its Chief Operating Officer from 2012-2015. He previously served as Chief Information Officer and Vice President of Technology and Commercialization at the University of Maryland Eastern Shore, and as an IT consultant for a large water and wastewater utility. He has served as a member of the Regional Advisory Board of Branch Banking and Trust Company, the Board of the Peninsula Regional Medical Center Foundation, and on the Higher Education Advisory Boards for Sprint Corporation and Gateway Computers. Dr. Forsythe also previously served as a member of Quality Health Foundation, and Horizons® at the Salisbury School. He is a NACD Board Leadership Fellow and was recognized by Savoy Magazine as one of 2017's Most Influential Black Corporate Directors.

Director since 2014  
Independent Director  
Age 50  
Audit Committee Member and Financial Expert

**Key Attributes and Skills:**

Extensive experience in leadership, organizational positioning, energy, community engagement, and technology including cyber security

Established relationships with colleagues and members of the community throughout the Delmarva Peninsula

Financial and Audit Committee expertise

**DIANNA F. MORGAN**

Ms. Morgan retired in 2001 from Walt Disney World Company where she served as Senior Vice President of Public Affairs and Human Resources. She previously oversaw the Disney Institute - a leader in experiential training, leadership development, benchmarking and cultural change for business professionals around the world. Ms. Morgan is a member of the Boards of Marriott Vacations Worldwide Corporation, CNL Healthcare Properties, Inc., and Hersha Hospitality Trust. Ms. Morgan serves as a member of Marriott's Compensation Policy, and Nominating and Corporate Governance Committees. She also serves as Chair of Hersha's Risk Sub-Committee, and as a member of Hersha's Audit, Compensation, and Nominating and Corporate Governance Committees. Ms. Morgan is the past Chair of the Board of Trustees for the University of Florida, Orlando Health, and the National Board for the Children's Miracle Network, as well as a former member of the Boards of CNL Hotel & Resorts, and CNL Bancshares, Inc.

Director since 2008  
Independent Director  
Age 67  
Compensation Committee Chair  
CEO Succession Committee Member

**Key Attributes and Skills:**

Extensive public company, leadership development, and organizational culture experience

Expertise in human capital, public affairs and the customer experience

In-depth knowledge in media relations and government relations

**JOHN R. SCHIMKAITIS**

Director since 1996  
Independent Director  
Age 71  
Chair of the Board

Mr. Schimkaitis retired in 2010 as President and Chief Executive Officer of Chesapeake Utilities Corporation. He previously served as Executive Vice President and Chief Operating Officer of the Company and held various other financial and managerial positions throughout his career at Chesapeake Utilities from June 1984 - December 2010. His leadership, business acumen and astute skills successfully led the Company through a period of diversification and growth, including the execution in 2009 of the Company's largest acquisition. Mr. Schimkaitis has served as Chair of the Board of Chesapeake Utilities since 2015 and was Vice Chair of the Board from 2010-2015.

Investment Committee Member  
CEO  
Succession Committee Member

**Key Attributes and Skills:**

- Extensive financial, regulatory and industry experience
- Extensive leadership and strategic foresight evidenced by our growth from \$95 million market capitalization at the end of 1999 to approximately \$395 million at the end of 2010
- In-depth knowledge of the markets in Florida and on the Delmarva Peninsula

**CONTINUING DIRECTORS - CLASS I - TERMS EXPIRE IN 2021**

**THOMAS P. HILL, JR.**

Director since 2006  
Independent Director  
Age 70  
Audit Committee Member and Financial Expert  
Investment Committee Member

Mr. Hill retired in 2002 from Exelon Corporation where he served as Vice President of Finance and Chief Financial Officer of Exelon Energy Delivery Company. Exelon Corporation is an electric utility that provides energy generation, power marketing and energy delivery. Mr. Hill previously served as Vice President and Controller for PECO Energy, a predecessor company of Exelon Corporation, and held various senior financial, managerial, and other positions during his tenure which began in 1970. Mr. Hill is a Trustee at Magee Rehabilitation Hospital, a member of the Thomas Jefferson University hospital system, and served as Chair of the Audit Committee, and member of the Finance and Investment Committee until August 2018. He is also a Trustee of the Magee Rehabilitation Foundation and Trustee of Abington Memorial Hospital. He served on the Audit Committee for Jefferson Health System, Inc. until its corporate restructuring in 2014.

**Key Attributes and Skills:**

- Extensive energy industry experience with energy generation, supply portfolios, marketing and delivery
- In-depth knowledge of utility engineering principles and procedures, regulatory environment and utility operations
- Financial and Audit Committee expertise

**DENNIS S. HUDSON, III**

Director since 2009 Independent Director Age 63 Audit Committee Member and Financial Expert Compensation Committee Member	Mr. Hudson has served as Chief Executive Officer and Chairman of the Board of Seacoast National Bank, and Seacoast Banking Corporation of Florida since 1998 and 1992, respectively. He is the former President and Chief Operating Officer of these entities and has held various managerial positions. Mr. Hudson served as a Director and member of the Audit Committee of FPU prior to its acquisition by Chesapeake Utilities. He is a Trustee, member of the Audit Committee, and Chair of the Nominating Committee of Penn Capital Funds. He serves on the Boards of the Martin Health System, Community Foundation of Palm Beach and Martin Counties, and Visiting Nurses Association of Florida. Mr. Hudson previously served on the Boards of Helping People Succeed and the United Way of Martin County, as well as serving as Chair of the Economic Council of Martin County and member of the Miami Board of Directors of the Federal Reserve Bank of Atlanta.  Key Attributes and Skills: Extensive public company, leadership, and banking experience In-depth knowledge of the Florida markets Financial and Audit Committee expertise
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**CALVERT A. MORGAN, JR.**

Director since 2000 Independent Director Age 71 Corporate Governance Committee Chair Compensation Committee Member Investment Committee Member CEO Succession Committee Chair	Mr. Morgan is a member of the Board and former special advisor to WSFS Financial Corporation, a multi-billion dollar financial services company. Mr. Morgan serves as a member of WSFS' Audit, Corporate Governance and Nominating, Personnel and Compensation, and Trust Audit Committees. He also serves as a member of the Board and Vice Chair of its principal subsidiary, WSFS Bank. Mr. Morgan is the retired Chair of the Board, President and Chief Executive Officer of PNC Bank, Delaware. He is a member of the Delaware Economic and Financial Advisory Council which provides advice to the Governor and Secretary of Finance on financial and economic conditions involving the State. Mr. Morgan previously served as Chair of the Delaware Business Roundtable, and continues to serve as a Trustee of Christiana Care Corporation.  Key Attributes and Skills: Over 45 years of banking, trust and finance experience and executive leadership expertise Extensive public company experience Broad knowledge of the business and economic climate in Delaware
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Proposal **NON-BINDING ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS**

The Board recommends that stockholders vote FOR the approval of the compensation of the Company's NEOs.

2 We promote a pay-for-performance culture by designing an executive compensation program that includes base salary, as well as short and long-term performance-based incentive awards. Our Compensation Committee focuses on aligning total compensation with our business objectives thereby increasing stockholder value.

Say-on-Pay

General Information. Although the Compensation Committee is directly responsible for the oversight and administration of our executive compensation program, we are providing you with the means to express your view on this matter. Your vote will not create or imply any change to our fiduciary duties or create or imply any additional fiduciary duties for the Compensation Committee or the Board. As an advisory vote, this proposal is non-binding on us. However, the Board values the opinions that our stockholders express in their votes and may consider the outcome of the vote when making future executive compensation decisions.

The advisory resolution below, commonly known as a "say-on-pay" proposal, provides you the opportunity to express your views on our executive compensation program for the Company's NEOs. The resolution is required by Section 14A of the Exchange Act. We ask you to vote FOR the following resolution:

"RESOLVED, that the stockholders of Chesapeake Utilities Corporation approve, on a non-binding, advisory basis, the compensation of the Named Executive Officers as disclosed in this Proxy Statement for the 2019 Annual Meeting of Stockholders."

Voting for the Approval of the Compensation of the Company's NEOs. Each share of our common stock is entitled to one vote. Proposal 2 will be deemed to be approved, on an advisory basis, if a majority of the Company's outstanding common stock present in person or represented by proxy and entitled to vote affirmatively votes in favor of this proposal. Abstentions will have the same effect as a vote against this proposal. Broker non-votes will have no effect on the outcome of the advisory vote.

Compensation Committee Role

General Information. The Compensation Committee is responsible for the oversight and administration of the Company's executive compensation program. The Compensation Committee designs, recommends to the Board for adoption, and administers all of the policies and practices related to executive compensation. The Committee, to the extent that it deems appropriate (and, in the case of any of the Company's employee benefit plans, to the extent permitted by the plan), may delegate the day-to-day administration of matters under its authority to employees of the Company, or a subcommittee, subject in all cases to the Committee's oversight responsibility.

Independence of Committee Members. On February 26, 2019, the Board determined that none of the Compensation Committee members had any material relationship with the Company in accordance with the NYSE Listing Standards and with the Company's Corporate Governance Guidelines on Director Independence (the "Independence Guidelines"), which are more stringent than the NYSE Listing Standards. Thus, each member of the Compensation Committee is independent, and, other than in their capacity as a director and member of the Compensation Committee and other Board committees, has no other relationship or arrangement with us or any of the NEOs.

Philosophy and Design of Executive Compensation Program. The philosophy of our current executive compensation program is provided in detail in the Compensation Discussion and Analysis section of this Proxy Statement. The section also provides stockholders with comprehensive information on the design of our executive compensation program, as well as the mix of compensation that the Compensation Committee believes aligns the financial interests of the NEOs with the interests of our stockholders. During the Compensation Committee's annual review of executive compensation, it considers several elements of the executive compensation program, including, but not limited to: (i) the effectiveness of the program in attracting and retaining highly qualified individuals that have a solid foundation and comprehensive perspective of the Company, its operations and competitive environment; (ii) the complex nature of our operations as a diversified energy company; and (iii) the long-term focus on our strategic planning process.

Additional information on our executive compensation program, including tables and accompanying narratives, is available in the Executive Compensation section of this Proxy Statement. The executive compensation program is centered on creation of stockholder value, evidenced by the payment of consecutive annual dividends to stockholders for 58 years and the Company's earnings performance over many years. The dedication of our employees and the commitment and leadership of our management team have driven the Company's growth, in terms of market capitalization, from \$143 million at the end of 2008 to \$1.3 billion as of December 31, 2018. Chesapeake's compound annual total shareholder return has exceeded 14% for the past 3, 5, 10 and 20 year periods ended December 31, 2018.

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The Compensation Committee promotes a pay-for-performance culture to further align executive interests with the long-term interests of stockholders. The executive compensation program designed by the Compensation Committee places a majority of the executive's total direct compensation at risk. Under the current executive compensation program, executive officers are eligible to receive, an equity incentive award based on the achievement of pre-established long-term performance metrics. This equity incentive award comprises the largest performance-based component of our executive compensation program. The Compensation Committee works directly with FW Cook, its independent compensation consultant, in designing the executive compensation program. In January 2018, FW Cook provided the Compensation Committee with a market analysis to assess the competitiveness of total compensation for the NEOs for 2018 as further discussed in the Compensation Discussion and Analysis and Executive Compensation sections of this Proxy Statement. The report compared the Company's compensation against market data for the Company's peer group, as well as market information from published survey sources. The independent compensation consultant's report concluded that for 2018: (i) target total direct compensation for the NEOs was, in aggregate, within a competitive range of the market median for the Company's peer group; and (ii) the executive compensation program promotes a culture of pay-for-performance as a majority of compensation is at risk.

Compensation Committee Practices. The following practices are encompassed in our executive compensation program, providing fair, reasonable and competitive compensation while also aligning total compensation to our business objectives and performance. These practices include, but are not limited to:

The Compensation Committee retains discretion in administering all awards and performance goals, and determining performance achievement;

Each incentive award features a cap on the maximum amount that can be earned for any performance period;

Dividends on the equity incentive awards accrue in the form of dividend equivalents during the performance period and are only paid if the awards are earned and then only in proportion to the actual shares earned;

Stock ownership requirements are in place for executive officers and non-employee directors;

A compensation recovery policy is in place that requires the repayment by an executive if an incentive award was calculated based upon the achievement of certain financial results or other performance metrics that, in either case, were subsequently found to be materially inaccurate;

The Pension SERP is a traditional "excess" retirement plan that covered compensation not included in the qualified pension plan as a result of IRS compensation limitations. This plan has been "frozen" since 2004, does not provide any additional or current benefits, and does not factor in additional compensation or additional future years of service; and

Executive officers participate in the same benefits that are available to other employees of the Company. A Company vehicle is available for our executive's personal use but is treated as compensation to the executives.

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Proposal **NON-BINDING ADVISORY VOTE TO RATIFY THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board recommends a vote FOR the ratification of the appointment of Baker Tilly Virchow Krause, LLP as the Company's independent registered public accounting firm for 2019.

3 Prior to the reappointment of Baker Tilly, the Audit Committee considered factors such as Baker Tilly's professional qualifications, past performance, quality and level of transparency, expanding utility practice, internal annual evaluations, as well as the length of time the firm has been engaged.

Appointment of External Audit Firm

The Audit Committee is solely responsible for the appointment, oversight, retention, and termination of the work of the Company's independent registered public accounting firm (also referred to in this Proxy Statement as "external audit firm"), including the approval of all engagement fees, terms, and the annual audit plan. On February 25, 2019, the Audit Committee approved the reappointment of Baker Tilly to serve as our external audit firm for 2019. Baker Tilly (independently or through a legacy firm) has served as the Company's external audit firm since 2007. In determining whether to reappoint Baker Tilly as the Company's external audit firm, the Audit Committee took into consideration several factors, including an assessment of the professional qualifications and past performance of the Lead Audit Partner and the audit team, the quality and level of transparency of the Audit Committee's relationship and communications with Baker Tilly, and the length of time the firm has been engaged. The Audit Committee considered, among other things, Baker Tilly's expanding utility practice and the knowledge and skills of Baker Tilly's auditing experts that would be providing services to the Company.

Evaluation of External Audit Firm

The Audit Committee previously established criteria and procedures used to evaluate the quality of the audit services. The evaluation focuses on the qualifications and performance of Baker Tilly; the quality and candor of the external audit firm's communications with the Audit Committee and Company management; and the external audit firm's independence and objectivity. In 2018, each member of the Audit Committee, as well as members of management and Internal Audit completed an evaluation of the quality of the audit services rendered in 2017. The questions were specifically developed for each respondent given his or her relationship with the external audit firm. The Audit Committee analyzed the results of the assessment, which provided the Audit Committee with additional insight into the effectiveness and objectivity of the Company's external audit firm. The Chair of the Audit Committee and the Chief Financial Officer communicated the results of the evaluation process to Baker Tilly's Lead Audit Partner. We will be undertaking the same process in 2019 for 2018's annual audit.

The Audit Committee takes additional measures to ensure the audit team is independent and has the experience to facilitate an audit of the highest quality. These measures include, but are not limited to: (i) independently meeting with the external audit firm to discuss communications and other appropriate matters, (ii) pre-approving the audit and non-audit services performed by the external audit firm in order to assure that they do not impair the auditor's independence, (iii) overseeing the process for the rotation of the Lead Audit Partner to ensure the Lead Audit Partner has the knowledge, experience and quality to sustain the integrity of the Company's audits and the requisite knowledge of the Company's business and expected areas of future growth, and (iv) periodically overseeing the process to solicit proposals from external audit firms to review, among other things, the experience, qualifications, technical abilities, and competitiveness of the audit fees prior to appointment of the external audit firm.

Non-Binding Advisory Vote to Ratify the External Audit Firm

Although the NYSE listing standards require that the Audit Committee be directly responsible for selecting and retaining the external audit firm, we are providing you with the means to express your view on this matter. While this vote is not binding, in the event that stockholders fail to ratify the appointment of Baker Tilly, the Audit Committee will reconsider this appointment. Even if the appointment is ratified, the Audit Committee, in its discretion may direct the appointment of a different external audit firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and its stockholders.

Each share of our common stock is entitled to one vote. Proposal 3 will be deemed to be approved, on an advisory basis, if a majority of the Company's outstanding common stock present in person or represented by proxy and entitled to vote affirmatively votes in favor of this proposal. Abstentions will have the same effect as a vote against this proposal. Brokers will have discretion to vote on this proposal.

A representative from Baker Tilly will be present at the Meeting and available to respond to appropriate questions. A formal statement will not be made.

### 3 - AUDIT RELATED MATTERS

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#### Audit Committee Report

To the Stockholders of Chesapeake Utilities Corporation:

The primary functions of the Audit Committee include assisting the Board of Directors in fulfilling its fiduciary responsibilities by providing informed, vigilant, and effective oversight of:

- The Company's accounting policies, procedures and controls;
- The performance of the internal audit function;
- The appointment, retention, termination, compensation and oversight (including the assessment of the qualifications and independence) of the independent auditors;
- The quality and integrity of the Company's consolidated financial statements and related reports; and
- The Company's compliance with legal and regulatory requirements.

The Committee acts under a charter, which is reviewed at least annually and can be found on the Company's website. All of our members are independent directors and determined to be "financial experts." As a Committee, we assess our performance at least annually with a goal of continually finding ways to enhance our oversight performance.

This Audit Committee Report is being submitted in conjunction with the Company's audited financial statements for the year ended December 31, 2018. In conjunction with our oversight responsibilities, prior to the issuance of the Company's unaudited quarterly financial statements and annual audited financial statements, the Committee reviewed and discussed the earnings press releases, consolidated financial statements and disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" (including significant accounting policies and judgments) with the Company's management, internal auditors, and independent registered public accounting firm, Baker Tilly Virchow Krause LLP ("Baker Tilly"). The Committee also reviewed the Company's policies and practices with respect to financial risk assessment, as well as conferred with Baker Tilly on the matters required to be discussed by applicable audit standards adopted by the Public Company Accounting Oversight Board (the "PCAOB"), including Auditing Standard No. 1301, Communications with Audit Committees ("AS No. 1301"), which was originally adopted as Auditing Standard No. 16, Communications with Audit Committees ("AS No. 16"), but was renumbered effective December 31, 2016.

The Committee discussed with Baker Tilly the overall scope and plan for its audit and approved the terms of its engagement letter. The Committee also reviewed the Company's internal audit plan. The Committee met with Baker Tilly and with the Company's internal auditor, in each case, with and without other members of management present, to discuss the results of their respective examinations, the evaluation of the Company's internal controls and the overall quality and integrity of the Company's financial reporting. The Committee has received the written disclosures and the letter from Baker Tilly required by applicable requirements of the PCAOB regarding Baker Tilly's communications with the Committee concerning independence, and has discussed with Baker Tilly its independence. Based on the Committee's review and the discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the Securities and Exchange Commission ("SEC").

The information in this Audit Committee Report shall not be considered to be "soliciting material" or be "filed" with the SEC, nor shall this information be incorporated by reference into any previous or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company incorporated it by specific reference. This Audit Committee Report is provided by the following independent directors, who comprise the Audit Committee:

#### THE AUDIT COMMITTEE

Thomas J. Bresnan, Chair Ronald G. Forsythe, Jr. Thomas P. Hill, Jr. Dennis S. Hudson, III



#### Fees and Services of the Company's Independent Auditors

The following provides information on fees for professional services rendered by Baker Tilly for the two years ended December 31, 2018 and 2017.

##### Audit Fees

The aggregate fees that Baker Tilly billed to the Company and its subsidiaries in 2018 and 2017 totaled \$949,141 and \$864,419, respectively. Fees for professional services rendered included fees associated with assessing the implementation of the new revenue recognition standard, Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, in 2018 and preparing for its implementation in 2017; preparing for the implementation of the new lease accounting standard, ASC 842, Leases; evaluating the implementation of Accounting Standards Update 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities; matters in connection with the audits of the financial statements included in our Annual Reports on Form 10-K; the reviews of the financial statements included in our Quarterly Reports on Form 10-Q; the audits of certain of our subsidiaries or operations typically performed for statutory and regulatory filings or engagements; the audits of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002; and the issuance of their consents associated with our registration statements that were filed with the SEC during those two years.

##### Audit-Related Fees, Tax and Other Fees

The aggregate fees billed for audit-related services were \$59,262 and \$165,520 for 2018 and 2017, respectively. During 2018 and 2017, Baker Tilly performed annual audits on our benefit plans for the plan years ended December 31, 2017 and 2016, respectively. Fees for professional services rendered in 2017 also included services performed in connection with our business development opportunities. The Company did not engage Baker Tilly to provide any tax services or any services other than those described above.

##### Audit and Non-Audit Services Pre-Approval Policies and Procedures

The Audit Committee pre-approves the audit and non-audit services performed by the Company's external audit firm in order to assure that they do not impair the external audit firm's independence. The Audit Committee may also pre-approve tax services provided by the external audit firm, if any. In November 2018, the Audit Committee reviewed its Audit and Non-Audit Services Pre-Approval Policy and made no changes. Under this policy, the Audit Committee may pre-approve specific services in advance or may pre-approve one or more categories of audit and non-audit services. For all proposed services, the Audit Committee will, among other things, consider whether the external audit firm is the best positioned to provide the proposed services most effectively and efficiently based on its familiarity with our business, people, culture, accounting systems, risk profile and other factors, and whether the services are likely to enhance our ability to manage or control risk or improve audit quality. The Audit Committee may establish ceilings on the level of fees and costs of generally pre-approved services that may be performed. The Audit Committee has delegated to the Chair of the Audit Committee (who may delegate authority to any other member of the Audit Committee) authority to pre-approve up to \$40,000 in audit and non-audit services, which authority may be exercised when the Audit Committee is not in session. At least annually, the external audit firm is required to report to the Audit Committee on the specific services provided and the amounts that have been paid to the external audit firm. The Chief Financial Officer is required to report to the Audit Committee on the specific services provided and the amounts paid by the Company. The Company's Internal Audit team is responsible for monitoring and reporting on the performance of all services provided by the external audit firm and to determine whether these services are in compliance with the Audit Committee's policy. In 2018 and 2017, the Audit Committee approved 100% of all audit and non-audit services provided to the Company by Baker Tilly.

#### 4 - BOARD OF DIRECTORS AND ITS COMMITTEES

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##### Board of Directors

Board Oversight. The Board is elected by the Company's stockholders to oversee the direction and strategy of the business that is being carried out by management and to ensure that the Company continues to operate in the best

interests of all stakeholders. On behalf of our stockholders, the Board and its Committees monitor corporate performance, the integrity of financial controls, and the effectiveness of our compliance and risk management programs, including cyber security. The Board also oversees plans for the succession of key executives and is integrally involved in the strategic planning and capital budget processes, as well as establishing key financial and operational metrics. This year-round oversight process is facilitated through the diversity of our Board who has a broad range of personal and professional skills, experience and expertise in leadership, corporate governance, board service, energy, economics, finance, public

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affairs, academia, and entrepreneurship. The Board is also comprised of a majority of directors who have served as chief executive officers at other organizations and bring skillful business acumen to the boardroom. Collectively, the incumbent Board has a vast amount of diverse experience and established personal and professional relationships in the communities we serve. The leadership of the Board and the collective efforts of the Chesapeake Utilities team contributed to earnings that were driven by our highest ever increase in gross margin in 2018.

**Board Culture.** The Board has a strong boardroom culture that enables directors to express their opinions openly in the boardroom and engage in candid dialogue. Directors are strongly encouraged to attend the Board and Committee meetings, as well as the Annual Meeting of Stockholders. In 2018, all of the directors attended the Annual Meeting of Stockholders. Each director actively participated in 75% or more of Board and their respective Committee meetings held in 2018. The Board held ten meetings during 2018. Board and Committee meetings were held in several of our service territories enabling the Board to remain connected with employees, customers, stockholders, and the communities we serve. Each independent director has access to our Chief Executive Officer and other members of the management team and may request agenda topics to be discussed in more detail at meetings of the full Board or one of its Committees. Directors may not serve on more than two other public company boards in accordance with our Corporate Governance Guidelines.

**Business Performance.** 2018 was a remarkable year as measured by any number of metrics. The leadership of the Board and the collective efforts of the Chesapeake Utilities team contributed to earnings that were driven by our highest ever increase in gross margin in 2018, which reflected strong growth across our regulated and unregulated energy businesses. The Company's net income for the year ended December 31, 2018 was \$56.6 million, or \$3.45 per share. The one-time deferred income tax benefit from the United States Tax Cuts and Job Act ("TCJA") positively impacted 2017 earnings by \$0.87 per share. The growth and initiatives pursued by our businesses in 2018 replaced all but \$0.10 per share of this one-time 2017 tax benefit, resulting in diluted 2018 EPS of \$3.45 per share (versus \$3.55 in 2017). In addition, in 2018, we passed on \$9.6 million in savings to regulated energy customers as a result of lower federal income taxes from the TCJA. Our strong financial results translated into an 11.2% ROE. Over the past five years, we have generated an annual ROE ranging from 11.2% to 12.6%, which represents top quartile performance when compared to our performance peer group. The efforts of the Chesapeake Utilities team throughout 2018 have positioned us for continued future growth in 2019 and beyond. This is truly remarkable and exemplifies the commitment our employees demonstrate each and every day to generate increased value.

We have paid dividends to our stockholders without interruption for 58 years. The Board increased the annualized dividend in 2018 by 13.8% over the prior year reflecting our commitment to stockholder value through dividend growth that is cultivated from sustainable earnings growth.

**Director Nominations.** Throughout the year, the Corporate Governance Committee evaluates board composition and board succession, including practices benchmarked against our peer companies, the S&P 500 and the top 100 U.S. public companies. The Committee considers a range of practices, including board size, average age of directors, tenure, retirement policies, diversity, in addition to other topics such as corporate culture, workplace ethics, and environmental, social and governance practices. The Committee discusses the Board's current profile in the context of the Board as a whole over the near and long-term, director skills and attributes, as well as established guidelines which collectively help to inform our strategic plan. The Committee also considers feedback received during the Board evaluation process. The process may lead to the vetting of potential board candidates who we receive through contacts in the business, civic and legal communities and a variety of other sources or by third-party business partners. Prior to nominating a candidate, the Committee considers a multitude of factors, including biographical and other background information, criteria adopted by the Committee, the Company's governing documents, experience and relationships in the energy industry and the communities we serve, community involvement, a candidate's availability and commitment level, and whether a candidate is independent under applicable rules and listing standards. The Committee also considers the Director Eligibility Guidelines, which includes integrity, ethics, and the ability for a candidate to listen and work in a collegial manner. In addition, for new candidates, the Committee considers the results of the candidate's interview, which is conducted by the Chair of the Board, Corporate Governance Committee Chair, and the Chief Executive Officer, where topics such as depth of experience, business acumen, technical expertise, commitments and cultural fit are discussed. Following this process, and if appropriate, the Committee nominates and recommends to the Board that it formally nominate the candidate to serve as a director. At each annual



meeting, our stockholders vote to elect all director nominees for the applicable class. In the case of a director nominee appointed to fill a vacancy, the nominee will stand for election at our next annual meeting of stockholders, regardless of class. Once elected, a new director participates in our director orientation program held at one of our facilities. The program familiarizes the director with various aspects of the Company, including our strategy, business structure, financial performance and competitive landscape.

Stockholders may also nominate candidates for consideration by the Committee if they satisfy all of the requirements in our Bylaws, Corporate Governance Committee Charter, and Director Eligibility Guidelines. Stockholder submissions to nominate a candidate for election as a director must be sent in writing to our Corporate Secretary and received at the Company's principal office not less than 90 days nor more than 120 days prior to the annual meeting at which the director is to be elected.

Director Eligibility Guidelines. To evaluate potential director nominations, the Board adopted Director Eligibility Guidelines. These guidelines include the following:

- Be a leader in a field of expertise or demonstrate professional achievement through a position of significant responsibility
- Exercise sound business judgment
- Possess integrity and high ethics
- Listen and work in a collegial manner
- Have a reputation that is consistent with our image and reputation
- Be absent of any conflict of interest that would impair the ability to represent the interest of our stockholders
- Be diverse in skills, knowledge and experience that enhances the Board's core competencies, enables differing points of view, and further maximizes stockholder value

#### Board Leadership

The Board is led by the Chair, who is elected annually by the Board. On May 9, 2018, the Board elected John R. Schimkaitis to serve as the non-executive, independent Chair. Mr. Schimkaitis has served as Chair since 2015 and previously served as the Vice Chair of the Board from 2010 to 2015. Mr. Schimkaitis has performed the responsibilities prescribed to him by the Board and those detailed in the Corporate Governance Guidelines, including establishing the agenda for and leading Board meetings, and facilitating communications among Board members and communications between the Board and the Chief Executive Officer outside of Board meetings. Mr. Schimkaitis has more than 40 years of experience in the utility industry, including 25 years in key management roles within the Company. This utility experience, his knowledge of the Company and its businesses, his understanding of the Delmarva Peninsula and Florida markets, as well as his leadership skills are advantageous in leading the Board in the performance of its duties. Based on Mr. Schimkaitis' qualifications and experience, the Board believes that the current Board leadership structure is the most appropriate structure for the Company and its stockholders at this time. The Board may, at a future date, combine the Chair and Chief Executive Officer roles if the Board determines that such a leadership structure would be appropriate.

#### Director Independence

The independent directors bring expertise, objectivity and a diversity of perspectives to the Board. The NYSE Listing Standards governing independence require that a majority of the members of the Board be independent. In addition, the Board adopted Independence Guidelines, which are more stringent than the NYSE Listing Standards. Our Independence Guidelines are available on our website at [www.chpk.com/Our Company/Corporate Governance/Director Independence/Corporate Governance Guidelines on Director Independence](http://www.chpk.com/Our Company/Corporate Governance/Director Independence/Corporate Governance Guidelines on Director Independence). In accordance with the Independence Guidelines, on February 26, 2019, the Board conducted its annual review of director independence. During this review, the Board examined all direct and indirect transactions or relationships between the Company or any of its subsidiaries and each director and any immediate family member of the director and determined that no material relationships with the Company existed during 2018 except as provided below.

On the basis of this review, the Board determined that nine of the eleven directors (or 82%) serving as of February 26, 2019, are independent. Each of the following directors qualifies as an independent director as defined by the NYSE Listing Standards and in accordance with our Independence Guidelines: Eugene H. Bayard, Thomas J. Bresnan, Ronald G. Forsythe, Jr., Thomas P. Hill, Jr., Dennis S. Hudson, III, Paul L. Maddock, Jr., Calvert A. Morgan, Jr., Dianna F. Morgan and John R. Schimkaitis. Mr. Householder, our President and Chief Executive Officer, is a non-independent director. Mr. McMasters, our immediate past President and Chief Executive Officer, is also a non-independent director due to his prior service with the Company.

#### Committees of the Board

To assist the Board in fulfilling its oversight responsibilities, the Board has established four standing committees - Audit Committee, Compensation Committee, Corporate Governance Committee, and Investment Committee. Each committee is comprised solely of independent directors, except that our Chief Executive Officer serves alongside his four fellow independent directors, as Chair of the Investment Committee. Each Committee member has dedicated the appropriate time, attending 75% or more of such members' applicable committee meetings, toward the performance of responsibilities they perform on behalf of the Board as summarized below and further detailed in the Charter for each Committee. In 2018, the Board also established a CEO Succession Committee to assist the Board with management

succession planning. Our corporate governance framework across the enterprise is continuously fostered through the contributions of the Board and its Committees and all of the significant activities to which they devote attention throughout the year.

## Audit Committee

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In 2018, the Committee continued to oversee our risk management program, cyber security efforts, implementation of several significant accounting standards, internal controls, and compliance initiatives. The Committee focused on policies and procedures, as well as ensuring the appropriate risk infrastructure is in place that will support operations as we continue to grow.

Thomas

J. Ronald G. Forsythe, Jr. Thomas P. Hill, Jr. Dennis S. Hudson, III  
Bresnan,  
Chair

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**Independent Responsibilities:** The Committee provides oversight of the integrity of our financial statements and financial reporting process, provides oversight of our compliance with legal and regulatory requirements, and reviews the effect of regulatory and financing initiatives on our financial statements, internal controls, audit process, and risk management program. The Committee's oversight includes the performance of our internal auditors and the performance, qualification and independence of our independent registered public accounting firm. Please view the Committee's charter at [www.chpk.com/our-company/corporate-governance/Board and Board Committees/audit committee charter](http://www.chpk.com/our-company/corporate-governance/Board-and-Board-Committees/audit-committee-charter) for additional information on the Committee's responsibilities.

held

in

2018

**Experience and Service:** Messrs. Bresnan, Forsythe, Hill and Hudson each qualify as an "audit committee financial expert" (as defined by the SEC) based on his experience and knowledge. Biographical information on each Committee member is provided in Proposal 1 of this Proxy Statement. In 2018, each Committee member participated in training given by Baker Tilly and conversed with internal and third-party experts on risk management, accounting trends, changes to accounting standards, and any potential implications on the Company. None of the Committee members currently serve on an audit committee of another public company.

**Several Areas of Focus in 2018 Included:**

Continued to work with the management team to enhance our risk management program, including cyber security, and oversight of the implementation of the new revenue recognition and lease accounting standards, as well as accounting for derivatives

Provided oversight of the Company's consolidated financial statements and related reports, including matters relating to the Tax Cuts and Jobs Act of 2017

Reviewed and discussed with management complex accounting judgments and estimates for several transactions, including acquisition accounting and mark-to-market transactions

Corporate Governance Committee

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In 2018, the Company was named Best for Corporate Governance Among North American Utilities by Ethical Boardroom magazine. We continue to refine policies and assess evolving practices to further enhance our established corporate governance culture. In 2018, a video was sent to directors and employees throughout the Company on our core values and commitment to the highest ethical standards in conducting business each and every day.

Calvert

A.

~~Fugane~~ H. Bayard Paul L. Maddock, Jr.

Jr.,

Chair

Committee Responsibilities: The Committee oversees the evaluation of director candidates, including directors who are being considered for re-election, oversees the evaluation of the composition of the Board and each standing Committee, and reviews our governing documents. The Committee's oversight also includes developing the criteria and procedures for evaluation of the Board and each standing Committee. The Committee remains informed on corporate governance practices including board refreshment, diversity and inclusion, and the Company's unwavering commitment to safety and to our communities as a responsible steward and corporate citizen. Please view the Committee's charter at [www.chpk.com/our company/corporate governance/Board and Board Committees/corporate governance committee charter](http://www.chpk.com/our-company/corporate-governance/Board-and-Board-Committees/corporate-governance-committee-charter) for additional information on the Committee's responsibilities.

Internal and Third-Party Information: With the consent of the Board, the Committee may retain consultants or other advisors to assist in fulfilling the Committee's responsibilities. In 2018, the Committee reviewed information from legal counsel and internally prepared information on governance trends and best practices, and regulatory and legislative developments, and assessed any potential implications on the Company.

Several Areas of Focus in 2018 Included:

- Succession planning to ensure the Board's substantive expertise and experiences are aligned with our eligibility guidelines and long-term strategic plan
- Reviewed corporate governance and industry practices, including emerging trends and regulatory and legislative initiatives
- Benchmarked board composition and profile practices across our peer companies, the energy industry, and broader indices such as the S&P 500 and Top 100 U.S. public companies

#### Compensation Committee

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In 2018, the Committee oversaw organizational development and management succession planning. The Company's strong foundation, special culture, and business-integrated approach provides the roadmap for our continued efforts relating to human capital and organizational development. Our work will continue in the ensuing year to complement our strategic initiatives and enterprise wide culture.

Dianna

F  
Dennis S. Hudson Calvert A. Morgan, Jr.  
Morgan,  
Chair

Committee Responsibilities: The Committee oversees the design and administration of our policies and practices related to director and executive compensation, reviews the results of stockholder advisory votes on executive compensation, and discusses with Independent Management the Compensation Members Discussion and Analysis. The Committee's oversight also includes succession planning for the executive officers. Please view the Committee's charter at [www.chpk.com/our-company/corporate-governance/Board and Board Committees/compensation committee charter](http://www.chpk.com/our-company/corporate-governance/Board-and-Board-Committees/compensation-committee-charter) for additional information on the Committee's responsibilities.

Independent Advisor: The Committee is directly responsible for the appointment, compensation and oversight of the work of any consultant or other advisor it retains. The Committee may, in its sole discretion, engage a consultant or other advisor to assist in the evaluation of executive and director compensation. The Committee reviewed the independence of FW Cook and, on May 8, 2018, engaged them for services to be performed in the ensuing year. After considering various factors, including the specific factors described in the SEC rules and those provided under the NYSE's Listing Standards, the Committee determined that FW Cook is independent with no conflicts of interest.

Several Areas of Focus in 2018 Included:

- Addressed organizational development and management succession planning, including identifying candidates to fill officer level positions to support the Company's strong foundation and continued growth
- Considered a market analysis prepared by FW Cook that compared the Company's executive compensation with market data for the Company's peer group, as well as with industry published survey data and considered the effect of the Tax Cuts and Jobs Act of 2017 on executive compensation
- Reviewed the evolving executive compensation landscape, and compensation practices generally, including emerging trends, regulatory matters and legislative initiatives

#### CEO Succession Committee

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A primary responsibility of the Board is identifying and developing executive talent at our Company. We seek to have continuity of excellent leadership at all levels of our Company. Toward that goal, in 2018, the Board established the CEO Succession Committee to assist the Board with management succession planning and to advise and make recommendations to the Board to ensure that the Company has appropriate management talent to successfully pursue the Company's strategies and implement its business plan. The members of the CEO Succession Committee are Calvert A. Morgan, Jr., Chair, Thomas J. Bresnan, Dianna F. Morgan and John R. Schimkaitis. The CEO Succession Committee met during 2018 and oversaw the appointment of Jeffrey M. Householder as the Company's President and Chief Executive Officer effective January 1, 2019.

## Investment Committee

The Investment Committee assists the Board with evaluating investments pursuant to or in support of the Company's growth strategy, both organically and through acquisitions. The Investment Committee, in consultation with management, reviews and approves, when appropriate, capital investments and the disposition of certain assets as set forth in the Committee's Charter up to \$50 million. Investments above this threshold are presented to the full Board for their consideration. The members of the Investment Committee are Jeffrey M. Householder, Chair, Thomas J. Bresnan, Thomas P. Hill, Jr., Calvert A. Morgan, Jr. and John R. Schimkaitis. In 2018, the Investment Committee held seven meetings during which they reviewed several projects including the estimated investment, internal rate of return, earnings contribution and ROE, strategic fit, and associated risks. The Committee exercises its responsibilities in a manner consistent with the Company's goal of pursuing long-term growth in shareholder value. Please view the Committee's charter at [www.chpk.com/our-company/corporate-governance/Board and Board Committees/investment committee charter](http://www.chpk.com/our-company/corporate-governance/Board-and-Board-Committees/investment-committee-charter) for additional information on the Committee's responsibilities.

## Board and Committee Self-Evaluations

Annually, the Corporate Governance Committee reviews and establishes the criteria that is used by the Board, and the Audit, Compensation and Corporate Governance Committees, for conducting self-evaluations for performance during the preceding year. The annual evaluation provides for continuous process improvements in Board and Committee functioning and communication, and is a medium for Board refreshment. The Board and its Committees conduct self-evaluations to assess the qualifications, attributes, skills and experience represented on the Board and its Committees, and to consider whether appropriate resources are available to the Board and its Committees and that the Board and its Committees are functioning effectively. An annual review of the evaluation methodology is performed to ensure self-evaluations are aligned with our culture and growth, as well as with best practices. For the evaluation process in 2019, the Corporate Governance Committee reviewed best practices relating to annual evaluations for Boards and Committees. After discussion and consideration, including alignment with the Company's culture and practices, the Committee enhanced the evaluations to provide additional clarity, increase consistency, and consolidate questions that are similar in nature, while maintaining the quality of the evaluations. Periodically, the Chair of the Board and the Chair of the Corporate Governance Committee will conduct one-on-one discussions with each director. The Chair of the Corporate Governance Committee receives a report of the results of the Board and Corporate Governance Committee Self-Evaluations. The Chairs of the Audit Committee and Compensation Committee receive a report of the results of their respective Committee Self-Evaluations. The Committee Self-Evaluation results are discussed at Committee meetings and reported to the Board at the next Board meeting. The Chair of the Corporate Governance Committee reports the results of the Board Self-Evaluation at the next Board meeting.

## Risk Oversight

## Board of Directors

The Board is responsible for oversight of the Company's risk management activities, working closely with its standing Committees and the management team. Each standing Committee reports its discussions to the Board for consideration. As part of our enterprise risk management program, short and long-term risks are identified through top-down and bottom-up approaches and strategic plan assessments that depict potential market, operational, strategic, legal, regulatory, political, environmental, social, safety, compliance, and financial risks that could affect our operations, financial performance and/or strategic plan. The "Risk Factors" section of our 2018 Annual Report on Form 10-K provides additional information on our potential risks. After assessing our risks, internal processes, practices and controls are established to continually monitor and mitigate risk. We recognize that it is neither possible nor prudent to eliminate all risk. In fact, purposeful and appropriate risk taking is essential for execution of our strategic plan, for our overall continued growth, and for execution of initiatives that have the potential to generate value to our stockholders.

The Audit Committee assists the Board in fulfilling its oversight of our risk exposure and implementation and effectiveness of our risk management programs, including enterprise risk management. The Committee approves our Global Risk Management Policy, which serves as our risk management framework. Specific items such as financial,



internal controls, regulatory, credit and counterparty, market, liquidity, cyber, insurance, strategic, and business risks are reviewed and considered by the Committee, as well as our insurance program and coverages that are in place to mitigate these and other risks. The Investment Committee assists the Board in fulfilling its oversight of risks related to evaluating new investments and ensuring they achieve our financial targets. The Committee considers the financial and operational risks of entering into new, or expanding in existing, service territories and businesses. The Compensation Committee assists the Board in fulfilling its oversight of risks that may arise in connection with our compensation programs and practices. The

Committee considers the appropriateness of our compensation programs and practices and whether they incentivize short and long-term financial and operational performance without encouraging unnecessary risk. Specific items such as organizational development, executive retention and succession planning are reviewed and considered by the Committee. The Corporate Governance Committee assists the Board in fulfilling its oversight of risks that may arise in connection with our governance structure and practices. The Committee reviews our governance structure and practices no less than annually and considers whether our ethical and operational framework is resilient and responsive to our employees and stockholders. Specific items such as Board succession planning, Board structure and composition, stockholder communications, director independence, and related governance practices are reviewed and considered by the Committee.

#### Team Commitment in Risk Management

The commitment of our team across the organization contributes to the precision of our risk profile, the integrity of our controls, our ability to continuously monitor risk, and the depth of information provided to the Board to effectively consider and evaluate companywide risks. This top-down and bottom-up approach is reflected throughout our disciplined approach to matters and our decision-making process. The management team is intimately involved in the development and deployment of our risk management practices and regularly collaborates with the Board and its standing Committees on our risk posture, including financial and investment activities, strategic plan initiatives, and macroeconomic contributors. The management team, representatives from our businesses, and cross-functional team members also routinely participate in internal committees, such as our cyber security, identity theft, and risk management committees. Independent consultants and third-parties periodically attend these meetings to provide independent insight and education on various risk-related topics. Throughout the organization, our team also annually meets and collaborates with Internal Audit on identifying new or evolving risks that could have a potential impact on the Company. Additionally, our team participates in industry events and speaks on risk-related matters alongside practice leaders. Information obtained from these additional avenues continue to strengthen our risk profile, controls, policies and practices, and allow us to better provide informed recommendations to the Audit Committee for consideration.

#### Cyber Security and Physical Infrastructure

The Board and management team recognize the importance of maintaining the trust and confidence of our employees, customers, and other stakeholders. We devote significant time and energy to the oversight of cyber security and to maintaining the integrity of our physical infrastructure. Below are several practices we employ to detect, identify and mitigate potential risk of exposure to our customer and employee information, information systems, and operational infrastructure.

Our team works collectively across the organization to comprehensively review and deploy safeguarding practices

We have several security teams comprised of diverse representation across the enterprise

We receive presentations from external parties on topics related to cyber and physical security

The Board and Audit Committee receive periodic updates from the Chief Information Officer, Internal Audit team, and other members of our management team

The Audit Committee oversees our cyber and physical risks and reviews the appropriateness of our insurance coverage after considering the expertise and advice of our insurance broker

Certain Board members have technology experience, including previous service as Chief Information Officer and as Chief Executive Officer of a technology service provider

We have strong relationships with the private sector and government agencies with relevant expertise

We have an established companywide cyber security education and training program

We have multiple layers of controls, which include comprehensive due diligence and oversight of third-party relationships

We have established relationships with our service providers

We have engaged independent third-parties to assist in enhancing our security posture

We continue to make investments in our technology and physical infrastructure

We are members of trade organizations that provide insight into evolving cyber and physical security matters

We participate in industry cyber and physical security events and speak on the subject matter alongside practice leaders

We benchmark cyber and physical security practices within our industry and beyond

## 5 - CORPORATE GOVERNANCE AND STOCK OWNERSHIP

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### Governance Trends and Director Education

General Information. The Board and its Committees proactively monitor legislative and regulatory initiatives, market trends, and other corporate governance initiatives. Members remain informed through a variety of resources, including internal and external publications, continuing education sessions, continuing legal education, and external programs. The Board and its Committees also engage with external parties on a broad range of topics some of which are provided below.

Industry experts on energy policy, energy trends, market factors and competition, growth opportunities, key customer growth expectations, and future outlook of the natural gas industry

Industry experts on corporate governance, proxy advisory services and investor relations

Institutional investors on portfolio management and the firms' views on our performance, industry dynamics, and valuation

Financial community on the utility industry, including macro-economic outlook, market trends and valuations, industry fundamentals, investor perception, and industry framework

Members of the legal community on corporate governance topics, including a former Chancellor of the Delaware Court of Chancery, and a former Chief Justice of the Delaware Supreme Court

Established members of academia experienced in the utilities industry and broader market

In addition, newly elected directors participate in a comprehensive director orientation program covering various topics including strategy, business structure, financial performance, and competitive landscape. Board meetings are held in locations throughout our service territories which give the directors an opportunity to see our operations first-hand, to visit the communities we serve, and to engage with our employees.

### Corporate Governance Practices

Governance Transparency and Accountability. The Board and Corporate Governance Committee annually review our corporate governance documents and practices to ensure that they provide the appropriate framework under which we operate. Our corporate governance documents can be viewed on our website at

[www.chpk.com/our-company/corporate-governance](http://www.chpk.com/our-company/corporate-governance). These documents include the Charters for each standing Board Committee – Audit Committee, Compensation Committee, Corporate Governance Committee and Investment Committee; Corporate Governance Guidelines; Business Code of Ethics and Conduct (“Code of Ethics”); Code of Ethics for Financial Officers; Independence Guidelines; and Communications with the Board. Additional information in the Corporate Governance section of our website includes the composition of our Board and Committees and a summary of our Ethics and Compliance Program. Under the Investors section of our website, [www.chpk.com/investors](http://www.chpk.com/investors), we provide links to our filings with the SEC, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and equity ownership reports for our executive officers. Under the News section of our website, [www.chpk.com/news](http://www.chpk.com/news), we provide press releases on financial, corporate and community activities. The Company's Annual Report can be viewed on our website at [www.chpk.com](http://www.chpk.com) and provides additional information on our strong foundation for growth and our environmental stewardship and social practices.

Corporate Governance Guidelines. The Board adopted Corporate Governance Guidelines which consist of a series of policies and principles that provide a framework for the corporate governance of the Company. The Corporate Governance Guidelines focus on Board composition and director qualifications, Board meetings, Board committees, Board access to management and advisors, the Board's relationship to senior management, director compensation, and the annual review of Board and Committee effectiveness.

Code of Ethics. The Board adopted a Code of Ethics that reflects our commitment to continuously promote professional conduct throughout the organization, and to ensure that Company representatives demonstrate good ethical business practices. In 2018, the Board, upon recommendation of the Corporate Governance Committee, amended the Code of Ethics to align with the Company's long-standing practice whereby our interactions with third-parties, including suppliers and consultants, shall adhere to the highest standards of ethical conduct. In addition, in 2018, a video was sent to directors and employees throughout the Company on our core values and commitment to the highest ethical standards in conducting business each and every day. Directors are required to disclose any conflict

of interest to the Company's non-management, independent Chair of the Board and to refrain from voting on any matter(s) in which they have a conflict. In considering whether an actual conflict of interest exists, factors to be considered include, but are not limited to, the benefit to the Company and the aggregate value of the transaction. Directors and certain employees annually confirm compliance with the Code of Ethics.

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The Board also adopted a Code of Ethics for Financial Officers that provides a framework for honest and ethical conduct by our financial officers as they perform their financial management responsibilities. The Code of Ethics for Financial Officers is applicable to the Chief Executive Officer, President, Chief Financial Officer, Treasurer, Corporate Controller, and others who are responsible for ensuring accurate and timely disclosures of financial information within our filings with the SEC. Other senior managers with accounting and financial reporting oversight must annually confirm compliance with the Code of Ethics for Financial Officers.

**Related Persons Transactions.** We review relationships and transactions in which the Company, or any of its subsidiaries, and our executive officers, directors, director nominees, 5% or greater stockholders or their immediate family members are participants, to determine whether such related persons have a direct or indirect material interest. A related person transaction would include, but is not limited to, any financial transaction, arrangement or relationship, any indebtedness or guarantee of indebtedness and any series of similar transactions, arrangements or relationships. In determining whether to approve or ratify a related person transaction, the disinterested members of the Audit Committee, as part of an annual review or as required, will consider the relationship of the individual to the Company, the materiality of the transaction to the Company and the individual, and the business purpose and reasonableness of the transaction. The Audit Committee may approve or disapprove the transaction and direct the officers of the Company to take appropriate action. The Audit Committee may also refer the matter to the full Board with a recommendation. If it is determined that a related person transaction is directly or indirectly material to the Company or a related person, the transaction will be disclosed in our proxy statement.

We have established procedures in order to identify material transactions and determine, based on the relevant facts and circumstances, whether the Company or a related person has a direct or indirect material interest in the transaction. This includes discussions with the Board, as well as dissemination of a questionnaire that directors and executive officers are required to complete annually. Director nominees, including those nominated by stockholders, are also required to complete a questionnaire in a form similar to that completed annually by directors and executive officers.

The Code of Ethics requires that individuals provide prompt and full disclosure of all potential conflicts of interest (including related person transactions) to the appropriate person. These conflicts of interest may be specific to the individual or may extend to his or her family members. Any officer who has a conflict of interest with respect to any matter is required to disclose the matter to the Chief Executive Officer, or if the Chief Executive Officer has a conflict of interest, the Chief Executive Officer would disclose the matter to the Audit Committee. All other employees are required to disclose any conflict of interest to Internal Audit. Directors are required to disclose any conflict of interest to the Chair of the Board and to refrain from voting on any matter(s) in which they have a conflict. In addition, directors, executive officers and designated employees must disclose to the Company, in an annual ethics questionnaire, any current or proposed conflict of interest (including related person transactions).

All employees and executive officers are encouraged to avoid relationships that have the potential for creating an actual conflict of interest or a perception of a conflict of interest. The Code of Ethics provides specific examples that could represent a conflict of interest, including, but not limited to, the receipt of any payment, services, loan, guarantee or any other personal benefits from a third-party in anticipation of or as a result of any transaction or business relationship between the Company and the third-party. No employee or executive officer is permitted to participate in any matter in which he or she has a conflict of interest unless authorized by an appropriate Company official and under circumstances that are designed to protect the interests of the Company and its stockholders and to avoid any appearance of impropriety.

For the period beginning January 1, 2018 and ending March 11, 2019, there were no transactions, or currently proposed transactions, in which the Company was or is to be a participant and the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest.

**Anti-Hedging Policy and Pledging of Securities.** Directors, executive officers and employees of the Company may not engage in hedging transactions related to the Company's securities. Directors, executive officers, and employees and their "related persons" (as defined in our Securities Trades by Company Personnel and Related Persons Policy) may not pledge the Company's stock as collateral for a loan or hold the Company's stock in a margin account.

**Executive Sessions.** The Chair of the Board presides over executive sessions of the non-management directors. The Company's Corporate Governance Guidelines ensure the integrity of these meetings by providing that the Chair of the

Corporate Governance Committee would preside over these meetings in the event that the Chair of the Board is a management director. The Corporate Governance Guidelines also provide that if the non-management directors include any director who did not qualify as independent under the NYSE Listing Standards, the independent directors would meet at least annually without the non-independent director(s).

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Ownership of Our Stock  
Security Ownership of Certain Beneficial Owners and Management

The following table provides the number of shares of our common stock beneficially owned as of March 11, 2019 by each director and director nominee, by each NEO in the Summary Compensation Table, as well as the number of shares beneficially owned by all of the directors, director nominees and NEOs as a group. No shares of our common stock have been pledged as security by a director or an Executive NEO. The table also provides information for each other person known to us to beneficially own 5% or more of our common stock. Pursuant to SEC rules, "beneficial ownership" for purposes of this table takes into account shares as to which the individual has or shares voting and/or investment power as well as shares that may be acquired within 60 days and is different from beneficial ownership for purposes of Section 16 of the Exchange Act, which may result in a number that is different than the beneficial ownership number reported in forms filed pursuant to Section 16.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT

Name of Beneficial Owner	Total Shares Owned Beneficially <sup>(1)(2)</sup>	% of Class (* Less than 1%)
Eugene H. Bayard	31,592	*
Elaine B. Bittner <sup>(3)</sup>	32,993	*
Thomas J. Bresnan	21,580	*
Beth W. Cooper	75,365	*
Ronald G. Forsythe, Jr.	4,531	*
Thomas P. Hill, Jr.	31,452	*
Jeffry M. Householder	14,392	*
Dennis S. Hudson, III	12,847	*
Paul L. Maddock, Jr.	48,344	*
Michael P. McMasters	143,629	*
Calvert A. Morgan, Jr.	44,981	*
Dianna F. Morgan	14,100	*
James F. Moriarty	4,562	*
John R. Schimkaitis <sup>(4)</sup>	128,310	*
Stephen C. Thompson	76,109	*
NEOs and Directors as a Group	684,787	4.18%

Name of Investment Advisor	Total Shares	% of Class
T. Rowe Price Associates, Inc. <sup>(5)</sup> 100 E. Pratt Street Baltimore, MD 21202	2,245,136	13.69%
BlackRock, Inc. <sup>(6)</sup> 55 East 52 <sup>nd</sup> Street New York, NY 10055	1,508,440	9.20%
The Vanguard Group <sup>(7)</sup> 100 Vanguard Blvd. Malvern, PA 19355	954,280	5.82%

<sup>1</sup> Unless otherwise indicated in a footnote, each beneficial owner possesses sole voting and sole investment power with respect to his or her shares shown in the table.

Voting rights are shared with spouses and other trustees in certain accounts for Thomas J. Bresnan (10,741 shares),  
<sup>2</sup> Beth W. Cooper (2,083 shares), Jeffry M. Householder (401 shares), Paul L. Maddock, Jr. (18,000 shares), Calvert A. Morgan, Jr. (20,456 shares) and John R. Schimkaitis (100,894 shares). Independent accounts are held by the spouses of Thomas P. Hill, Jr. (14,687 shares) and Michael P. McMasters (56 shares).



<sup>3</sup> According to a report on Form 4 filed by the Company on Ms. Bittner's behalf, on June 11, 2018, after termination of her employment, Ms. Bittner' was deemed to beneficially own 32,993 shares.

Mr. Schimkaitis held the position of Chief Executive Officer of the Company from January 1999 until his retirement in December 2010. Mr. Schimkaitis received a reduced early retirement payment under the Pension Plan. Mr. Schimkaitis received his distribution in the form of a lump sum after providing property equal to 125% of the restricted portion of the lump sum in accordance with the Internal Revenue Code's tax requirements. Currently, Mr. Schimkaitis has deposited 9,000 shares in escrow to satisfy the requirement. This property was placed in escrow, with oversight by a third party escrow agent. Until the Pension Plan is fully funded, as defined under the Internal Revenue Code, each year, shares equal to the value of payments that would have been paid to Mr. Schimkaitis if he had elected the life annuity form of distribution will become unrestricted and returned to Mr. Schimkaitis, subject to the remaining property retaining a minimum market value.

According to their report on Schedule 13G/A, filed on February 14, 2019, T. Rowe Price Associates, Inc. (“T. Rowe Price”) was deemed to beneficially own 2,245,136 shares or 13.7%, of our common stock as of December 31, 2018. According to the Schedule 13G/A, T. Rowe Price had sole power to vote 569,575 shares and to dispose of 2,245,136 shares. T. Rowe Price’s Schedule 13G/A, as filed with the SEC, certified that it acquired the shares of our common stock in the ordinary course of business and not for the purpose of changing or influencing the control of the Company.

According to their report on Schedule 13G/A, filed on February 4, 2019, BlackRock, Inc. (“BlackRock”) was deemed to beneficially own 1,508,440 shares, or 9.2%, of our common stock as of December 31, 2018. According to the Schedule 13G/A, BlackRock had sole power to vote 1,386,834 shares and to dispose of 1,508,440 shares.

BlackRock’s Schedule 13G/A, as filed with the SEC, certified that it acquired the shares of our common stock in the ordinary course of business and not for the purpose of changing or influencing the control of the Company.

According to their report on Schedule 13G, filed on February 11, 2019, Vanguard Group, Inc. (“Vanguard”) was deemed to beneficially own 954,280 shares, or 5.82%, of our common stock as of December 31, 2018. According to the Schedule 13G, Vanguard had sole power to vote 17,876 shares and to dispose of 930,857 shares. Vanguard’s Schedule 13G, as filed with the SEC, certified that it acquired the shares of our common stock in the ordinary course of business and not for the purpose of changing or influencing the control of the Company.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires each of the Company’s directors and executive officers, and any beneficial owner of more than 10% of our common stock, to file reports with the SEC. These include initial reports and reports of changes in the individual’s beneficial ownership of our common stock. Such persons are also required by SEC regulations to furnish the Company with copies of such reports. Other than T. Rowe Price, which owns 13.69% of the Company’s outstanding shares of common stock, we are not aware of any person or entity that beneficially owns more than 10% of our common stock as of the date this Proxy Statement is filed with the SEC. To our knowledge, based solely on a review of (i) the Section 16 reports we filed on behalf of the Company’s directors and executive officers, (ii) all Section 16(a) reports furnished to us, and (iii) the written representations made by such persons that no other reports were required, we believe that during the year ended December 31, 2018 all directors, executive officers, and holders of more than 10% of our common stock, filed on a timely basis the reports required by Section 16(a), except for a Form 4 filing made on behalf of Jeffrey M. Householder on November 6, 2018.

#### 6 - A STRONG FOUNDATION FOR GROWTH

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#### Our Growth Begins With Our People

We focus on providing employees with an environment that inspires growth and propels engagement. The Chesapeake Utilities’ team is comprised of diverse and talented individuals who provide unwavering service to our customers throughout the Delmarva Peninsula, Florida, Pennsylvania and Ohio. Our guiding principles - our brand values - unify our entire workforce and enable us to celebrate what we have accomplished together and plan for the road ahead. Our five brand values define our expectations - we create a personal connection with our customers and others, like they are family; we don’t rest on our laurels and always strive to find new and better solutions; we go above and beyond the norm to do the honorable thing; we are relentless and approach everything with determination and drive; and our employees are results-oriented and make a meaningful impact. We do our very best every day for all of the Company’s stakeholders, including employees, customers, investors and the communities we serve as evidenced by several of our accomplishments provided below:

Employees throughout the Company volunteered their time at local Food Banks, Junior Achievement, Little Smiles of Florida, The Delaware Chapter of The Nature Conservancy, Special Olympics Delaware, and other organizations within the communities we serve

Our team serves in leadership positions that support the efforts of various non-profit organizations, including the Arc of Delaware, The Delaware Chapter of The Nature Conservancy, The Food Bank of Delaware, and the YMCA

The Company sponsored many important local and national events in partnership with the American Heart Association, American Cancer Society, March of Dimes and other organizations

Chesapeake Utilities expanded its SHARING Program and increased grants available under the program to offer additional financial assistance to eligible customers

For the seventh consecutive year, Chesapeake Utilities was recognized by the Delaware News Journal as a Top Workplace

Certain Chesapeake Utilities' facilities have been recognized for energy efficiency, including a Green Globes® Certification by the Green Building Initiative and a Platinum LEED (Leadership in Energy and Environmental Design) Certification

Chesapeake Utilities opened the first compressed natural gas (CNG) vehicle fueling station on the Delmarva Peninsula, which will contribute to reductions in emissions

FPU received Chartwell's Best Practices in Outage Communications Bronze Award for mid-size utilities for its Hurricane Irma community engagement campaign

FPU received PR News' Honorable Mention for the Best Public Relations Campaign and for Community and Engagement efforts related to Hurricane Irma restoration communications

As we do from time to time, the Chesapeake team joined other members of the energy industry to assist with restoration of natural gas service to more than 7,000 homes and businesses in Rhode Island during extreme cold temperatures

Our safety record and practices at Aspire Energy and ESNG resulted in American Gas Association Safety Achievement Awards for each business unit

Chesapeake Utilities Corporation was named Best for Corporate Governance Among North American Utilities by Ethical Boardroom magazine

The Company received an ARC International Award for its 2018 Annual Report to Shareholders, "Energized" Communications with the Board, Stockholders, Financial Community and Other Interested Parties

Communications with the Board. Stockholders and other parties interested in communicating directly with the Board, a committee of the Board, any individual director, the director who presides at executive sessions of the non-management or independent directors, or the non-management or independent directors, in each case, as a group, may do so by sending a written communication to the attention of the intended recipient(s) in care of the Corporate Secretary at Chesapeake Utilities Corporation, 909 Silver Lake Boulevard, Dover, Delaware 19904. All communications must be accompanied by the following information: (i) if the person submitting the communication is a stockholder, a statement of the type and amount of securities of the Company that the person holds; (ii) if the person submitting the communication is not a stockholder and is submitting the communication to the non-management or independent directors as an interested party, the nature of the person's interest in the Company; (iii) any special interest of the person in the subject matter of the communication; and (iv) the address, telephone number and email address, if any, of the person submitting the communication. The Corporate Secretary will forward all appropriate communications to the intended recipient(s). Communications relating to accounting, internal controls or auditing matters are handled in accordance with procedures established by the Audit Committee. The independent directors have unanimously approved these communications procedures. In 2018, all of the directors were in attendance at the Annual Meeting of Stockholders.

Communications with Stockholders and the Financial Community. Our management team conducts outreach to stockholders and the financial community throughout the year to obtain input and to inform our management team and the Board about matters of interest. Input is regularly shared with the Board and its Committees at their scheduled meetings and through interim updates given to the Board.

During the year, we generally discuss our strategy, financial and operational performance, macroeconomics, as well as corporate governance and compensation matters with stockholders and the financial community. In 2018, management participated in several investor roadshows and industry conferences which provide management the opportunity to communicate with security analysts, portfolio managers, investors, rating agencies and investment bankers. Those attending the conferences have an opportunity to receive information about the Company and interact with the management team. From September 18-20, 2018, the Company held its second Investor Day to discuss the Company's growth strategy, current businesses, and financial results. Participants were also invited to tour our local facilities, including: our new Energy Lane facility in Delaware; our compression facilities in Bridgeville, Delaware; a large commercial customer utilizing natural gas; Sandpiper's system in Ocean City, Maryland that is supporting customer conversions to natural gas; and our propane operations in southern Delaware and Maryland. Management also interacts with investors on a routine basis including, but not limited to, the events and venues illustrated below. Communications made during outreach efforts are done so in accordance with our Regulation FD policy.

Engagement with our Stockholders and the Financial Community

## 7 - DIRECTOR AND EXECUTIVE COMPENSATION

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The Compensation Committee, comprised of independent directors, annually reviews and considers non-employee director and executive compensation. In fulfilling this responsibility, the Committee considers a variety of factors including market trends and best practices for aligning compensation with our business strategy and overall objectives, as well as promoting a pay-for-performance culture. The Committee also considers market data for the Company's peer group and industry published survey data provided by FW Cook, its independent compensation consultant. The Board approves all director compensation arrangements. A comprehensive non-employee director and executive compensation program contributes to an organization's strong culture and health and is centered on creating stockholder value. This Director and Executive Compensation section provides additional information on our program, including the plans under which performance incentive awards are granted to the executive officers.

### 2013 Stock and Incentive Compensation Plan

In 2013, stockholders approved the Company's SICP under which employees and non-employee directors are eligible to receive shares of our common stock. The full text of the SICP can be reviewed in our proxy statement that was filed with the SEC on April 2, 2013. In 2017, the Compensation Committee of the Board of Directors, as administrator of the SICP, approved a technical amendment to the SICP to align the SICP with a change in accounting standards. The amendment changes the limitation on tax withholding from shares of the Company's common stock issued pursuant to awards granted to employees under the SICP from the minimum legally required to the maximum permitted, consistent with the change in accounting standards. The SICP enhances stockholder value by ensuring that employees and directors have a proprietary interest in our growth and financial success. The Board has the authority to determine the number and type of equity or stock awards to be granted to employees and directors under the SICP.

### Director Compensation

The Compensation Committee, which consists solely of independent directors, reviews director compensation annually to ensure the appropriate compensation arrangements are in place for non-employee directors. The Committee subsequently reports its findings and any recommendations to the Board. The Board approves all director compensation arrangements. A director who is also an employee of the Company receives no additional compensation for his or her service as a director.

### Non-employee Director Compensation

Each non-employee director receives cash and equity compensation for his or her service on the Board. In May 2018, the Board reviewed non-employee director compensation and determined that changes to the non-employee director compensation were appropriate. The amounts approved by the Board are reflected in the table below. Directors may not elect to receive their cash compensation in stock or vice versa. Directors are reimbursed for business expenses incurred in connection with attending meetings and performing other Board-related services, including external director education.

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	2018 Annual Meeting until the 2019 Annual Meeting	2017 Annual Meeting until the 2018 Annual Meeting
Board Retainers - Cash <sup>(1)</sup>		
Board Member	\$80,000	\$70,000
Board Chair	\$75,000	\$65,000
Board Retainers - Equity <sup>(2)</sup>		
Board Member	\$60,000	\$60,000
Committee Retainers - Cash <sup>(3)</sup>		
Committee Member	\$5,000	\$5,000
Audit Committee Chair	\$14,000	\$12,000
Compensation Committee Chair	\$12,000	\$10,000
Corporate Governance Committee Chair	\$10,000	\$8,000

<sup>1</sup> No additional compensation is received for attendance at a Board or Committee meeting. The Chair of the Board receives a cash retainer that is in addition to the Board Member retainers.

<sup>2</sup> Fractional shares are rounded down to the nearest whole number. Fractional shares are paid in cash.

<sup>3</sup> In addition to Board retainers, Committee members receive a retainer fee for each Standing Committee on which he or she serves with the exception of the Investment Committee. The Chair of each Standing Committee also receives a Chair retainer for his or her service in such capacity with the exception of the Investment Committee. In 2018, each member of the CEO Succession Committee received a one-time \$15,000 cash retainer for his or her service.

#### Deferred Compensation

Directors may defer all or a portion of their Board or Committee retainers in accordance with the Deferred Compensation Plan, which is further described in the Non-Qualified Deferred Compensation Plan section in this Proxy Statement. Deferrals made under the Deferred Compensation Plan are on a pre-tax basis until the director's separation from service with the Company and its affiliates or another specified date. At all times, directors have a 100% vested interest in the amount of cash or stock that is deferred.

#### Director Stock Ownership

In accordance with our Corporate Governance Guidelines, each non-management director is required to own, beneficially and of record, a number of shares of our common stock with a market value that meets or exceeds a threshold established by the Board from time to time. This ownership threshold is currently five times the amount of the annual cash retainer in effect on February 24, 2017 and payable to a non-management director for service on the Board (the "Director Stock Ownership Requirement"). The cash retainer payable to directors for Committee service is not taken into account for this purpose. Each non-management director must comply with the Director Stock Ownership Requirement within five years from the later of (i) the date of such director's initial appointment or election to the Board and (ii) December 6, 2017, the effective date of the director stock ownership guidelines (the "Ownership Period"). A director shall be in compliance with the director stock ownership guidelines if he or she satisfies the Director Stock Ownership Requirement at any time during the Ownership Period and then continues to own not less than the number of shares owned on the date of such compliance (taking into account any stock split or combination transactions). The Corporate Governance Committee, in its sole discretion, may consider the circumstances surrounding any shortfall in ownership by a director and address such situation as it deems appropriate. All non-employee directors currently exceed the Director Stock Ownership Requirement.



## Independent Compensation Consultant's Report

In May 2018, the Compensation Committee received a non-employee director compensation presentation (the "Analysis") prepared by FW Cook. The Analysis compared our then current director compensation arrangements against the Company's peer group and a broader energy industry survey group. The peer group used for the purposes of this Analysis is the same group of companies used to evaluate the Company's executive compensation program. The Analysis reviewed various elements of director compensation, including annual cash and equity retainers, meeting fees, and committee compensation. The Compensation Committee, after reviewing, discussing, and considering the Analysis and other relevant factors, recommended to the Board that changes be made to non-employee director compensation. The Board approved the Compensation Committee's recommendations at its meeting held in May 2018 and approved changes to non-employee director compensation which are reflected in the table provided in the Non-Employee Director Compensation section of this Proxy Statement. In the future, the Board may modify director compensation as it deems appropriate.

## 2018 Director Compensation

The following table reflects compensation paid to non-employee directors for services performed during 2018:  
2018 DIRECTOR COMPENSATION

Director Name <sup>(1),(2)</sup>	Fees Earned or Paid in Cash <sup>(3)</sup>	Stock Awards <sup>(4)</sup>	Total <sup>(5)</sup>
Eugene H. Bayard	\$85,046	\$59,954	\$145,000
Thomas J. Bresnan <sup>(6),(7),(8)</sup>	\$114,046	\$59,954	\$174,000
Ronald G. Forsythe, Jr.	\$85,046	\$59,954	\$145,000
Thomas P. Hill, Jr. <sup>(6),(8)</sup>	\$85,046	\$59,954	\$145,000
Dennis S. Hudson, III	\$90,046	\$59,954	\$150,000
Paul L. Maddock, Jr.	\$85,046	\$59,954	\$145,000
Calvert A. Morgan, Jr. <sup>(6),(7)</sup>	\$115,046	\$59,954	\$175,000
Dianna F. Morgan <sup>(7)</sup>	\$112,046	\$59,954	\$172,000
John R. Schimkaitis <sup>(6),(7),(8)</sup>	\$170,046	\$59,954	\$230,000

Jeffry M. Householder was appointed to serve as a director and our President and Chief Executive Officer effective January 1, 2019. Mr. Householder does not receive compensation for his services as a director or Chair of the Investment Committee.

Michael P. McMasters served as our President and Chief Executive Officer until his retirement on December 31, 2018. Mr. McMasters received no compensation for his services as a director or service on the Investment Committee during 2018. Effective January 1, 2019, Mr. McMasters received a prorated cash and equity retainer of \$27,953 and \$20,893, respectively for his services as a non-management director from January 1, 2019 until the 2019 Annual Meeting.

The Fees Earned or Paid in Cash column reflects Board and Committee retainers paid in May 2018, including fractional shares paid in cash.

The Stock Awards column reflects the grant date fair value on May 9, 2018 of \$59,954 (792 shares of common stock based upon a price per share of \$75.70, the closing price on May 9, 2018). The stock awards and all prior stock awards are fully vested in that they are not subject to forfeiture.

There is no compensation that needs to be included in Option Awards, Non-equity Incentive Plan Compensation, or Change in Pension Value and Non-Qualified Deferred Compensation Earnings or All Other Compensation columns. Dividends on deferred stock units in the Deferred Compensation Plan (which are settled on a one for one basis in shares of common stock) are the same as dividends paid on the Company's outstanding shares of common stock. Additionally, cash meeting compensation deferred under the Deferred Compensation Plan has investment crediting options that are the same as investment options available to all employees under the Company's Retirement Savings Plan. As a result, the directors participating in the Deferred Compensation Plan do not receive preferential earnings



on their investments. Directors do have the ability to purchase propane at the same discounted rate that we offer to our employees, the value of which, when combined with all other perquisites and personal benefits, does not exceed \$10,000 in the aggregate.

<sup>6</sup> No additional compensation was paid to Messrs. Bresnan, Hill, C. Morgan and Schimkaitis for their service on the Investment Committee.

<sup>7</sup> Messrs. Bresnan, Morgan and Schimkaitis and Ms. Morgan each received a one-time \$15,000 cash retainer for his or her service on the CEO Succession Committee.

<sup>8</sup> Mr. Bresnan deferred his annual stock retainer (\$59,954). Mr. Hill deferred his annual cash retainer and fractional shares paid in cash (\$80,046), committee member retainer (\$5,000), and annual stock retainer (\$59,954). Mr. Schimkaitis deferred his annual stock retainer (\$59,954). All deferrals were made in accordance with the terms of the Deferred Compensation Plan.

### Report of the Compensation Committee on Compensation Discussion and Analysis

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis with the Company's management. The Compensation Committee, based on its review and discussions, recommended to the Board that the following Compensation Discussion and Analysis be included in this Proxy Statement and filed with the SEC.

The information in this Report shall not be considered "soliciting material," or to be "filed" with the SEC nor shall this information be incorporated by reference into any previous or future filings under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company incorporated it by specific reference.

This Report is provided by the following independent directors who comprise the Compensation Committee:

#### THE COMPENSATION COMMITTEE

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

#### Compensation Discussion and Analysis

Throughout the Compensation Discussion and Analysis section of this Proxy Statement, we will provide information on the Company's NEOs, the structure and components of our executive compensation program, as well as various considerations and actions taken throughout the year by the Compensation Committee as it relates to the compensation for the NEOs.

#### Named Executive Officers

In this section, we identify six individuals in accordance with Item 402(a)(3) of Regulation S-K. These individuals are collectively referred to as the "Named Executive Officers" or "NEOs."

The following four employees were Named Executive Officers in 2018 (these employees are collectively referred to as the "Executive NEOs"):

¶Jeffrey M. Householder, President and CEO

¶James F. Moriarty, Executive Vice President, General Counsel, Corporate Secretary and Chief Policy & Risk Officer

¶Beth W. Cooper, Executive Vice President, CFO and Assistant Corporate Secretary

¶Stephen C. Thompson, Senior Vice President

The other two NEOs in 2018 were Michael P. McMasters and Elaine B. Bittner who are no longer employed by the Company. Mr. McMasters is our immediate past President and Chief Executive Officer who retired effective December 31, 2018 after thirty-six years of service with the Company. Ms. Bittner, a former Senior Vice President of the Company, terminated employment with the Company on May 2, 2018.

The Executive NEOs have more than 100 years of collective energy industry experience. The Executive NEOs, along with our entire Chesapeake Utilities team, are dedicated to providing value added services to our stockholders and the communities we serve. We refer you to our Strategic Growth section in this Proxy Statement where we discuss our strong growth across the Company's regulated and unregulated energy businesses as evidenced by our highest ever increase in gross margin in 2018. We intend to build upon our strong foundation in further pursuit of new growth opportunities and increased efficiencies, thus increasing shareholder value.

## Highlights for Our Executive Compensation Program

Our executive compensation program is designed to attract and retain talented executive officers and to incentivize both short-term and long-term financial and operational performance, without encouraging unnecessary risk.

Highlights for our executive compensation program are provided below. We encourage you to review these highlights and the entire Compensation Discussion and Analysis section when evaluating our say-on-pay proposal (Proposal 2).

As a result of the collective efforts of the Chesapeake Utilities team, we generated strong financial results in 2018, including for those metrics that are tied to performance-based compensation.

EPS: The growth and initiatives pursued by our businesses in 2018 replaced all but \$0.10 per share of the one-time 2017 tax benefit, resulting in diluted 2018 EPS of \$3.45 per share (versus \$3.55 in 2017).

Strong Performance in 2018  
ROE: ROE was 11.2% as a result of growing earnings from a stable utility foundation and investing in related businesses and services that provide opportunities for returns greater than traditional utility returns.

TSR: Over the long term, our strategic growth has led to a compound annual total shareholder return that has exceeded 14% for the past 3, 5, 10 and 20 year periods ended December 31, 2018.

In 2018, the Board increased the annualized dividend by 13.8% reflecting our commitment to stockholder value through dividend growth that is cultivated from sustainable earnings growth.

Capital Investments: Future growth is generated in part from successfully identifying and making profitable capital investments. We continue to invest in high levels of capital expenditures, with an investment of \$283 million in capital expenditures in 2018.

Strategic Growth  
We are focused on identifying and developing opportunities across the energy value chain, with emphasis on midstream and downstream investments that are accretive to earnings per share and consistent with our long-term growth strategy. Our diverse asset base includes a utility foundation with upside from our complementary unregulated energy businesses. We are continuing to pursue and develop new growth opportunities and regulatory strategies that build upon our core platform. We generated \$36.6 million in incremental gross margin - our largest annual increase ever - reflecting strong growth across our regulated and unregulated energy businesses. The drivers for 2018 gross margin are provided in the Strategic Growth section of this Proxy Statement.

The executive compensation program is designed to focus executive officers on both short-term and long-term financial and operational performance of the Company. Performance-based incentive awards comprise between 55% to 63% of total direct compensation in 2018 for each Executive NEO.

Executive Compensation Program  
Total direct compensation for the Executive NEOs is comprised of the following components:  
Base Salary is a fixed compensation element that is set at competitive levels in order to attract and retain executive officers with skills and attributes that align with our culture and strategic goals.  
Short-Term Cash Incentive Compensation is one of two at-risk compensation elements that incentivizes Executive NEOs upon the achievement of pre-established financial and non-financial performance metrics over an annual period.

Long-Term Equity Incentive Compensation is the second at-risk compensation element that incentivizes Executive NEOs upon the achievement of pre-established financial performance metrics over a three-year performance period.

Executive NEOs participate in the same benefits that are available to other employees.

The Compensation Committee aims to provide a fair, reasonable and competitive executive compensation program that aligns compensation to our business objectives and performance.

**Independent Consultant Review:** To assess the competitiveness of our executive compensation program, the Compensation Committee engages an independent compensation consultant, FW Cook.

Determination of Compensation

**Peer Comparison:** FW Cook prepares a market analysis that compares our compensation practices against those of our compensation peer group and a broader energy industry survey group, which is reviewed and discussed by the Compensation Committee.

**Market Median:** FW Cook concluded that the target total direct compensation for the NEOs was, in aggregate, within a competitive range of the market median of the Company's peer group.

**Benchmarking Performance:** Our short-term and long-term incentive programs include financial metrics that are benchmarked against the peer group.

**Say-on-Pay:** The Compensation Committee will consider advisory stockholder votes in the future when determining executive compensation. The Board adopted annual say-on-pay advisory votes as supported by our stockholders. The next advisory vote on the frequency of future say-on-pay advisory votes will occur at the 2023 Annual Meeting of Stockholders.

Our processes and controls related to the executive compensation program mitigate unnecessary risk-taking.

Compensation Practices

**Process and Controls:** Our short-term and long-term incentive programs: (i) utilize multiple performance criteria; (ii) allow our Compensation Committee to adjust awards based on individual performance; (iii) require the Audit Committee to review the relevant financial results prior to the issuance of any award; and (iv) feature a cap on the maximum amount that can be earned during any performance period.

**Stock Ownership Guidelines:** Our stock ownership guidelines require the Executive NEOs to retain a certain number of shares over the applicable time period, which encourages long-term ownership in the Company, aligns interests with the Company's stockholders, and mitigates potential compensation-related risk.

In 2018, the Compensation Committee approved the following payouts under the compensation program for base salary, short-term cash, and long-term equity.

Key Compensation Decisions

**Increased Salaries:** Effective April 1, 2018, each NEO's respective salary increased between 0% and 12.5% after considering a market analysis by FW Cook, the NEO's role and scope, prior performance, and the competitive nature of our business.

**Short-Term Incentive Payout:** Cash incentive award payouts for the Executive NEOs as provided in the Summary Compensation Table ranged from 139% to 149% of each Executive NEO's respective target opportunity based on performance over the period from January 1, 2018 through December 31, 2018.

**Long-Term Incentive Payout:** Equity incentive award payouts were 126% of each Executive NEO's respective target opportunity based on performance over the period from January 1, 2016 through December 31, 2018.

## Strong Performance in 2018

As a result of the collective efforts of the Chesapeake Utilities team, we generated strong financial results in 2018, including with respect to those metrics that are tied to performance-based compensation. 2018 EPS exceeded our guidance of 17% growth over 2017 adjusted earnings. Earnings were driven by our highest ever increase in gross margin, which reflected strong growth across our regulated and unregulated energy businesses. The Company's net income for the year ended December 31, 2018 was \$56.6 million, or \$3.45 per share. The one-time deferred income tax benefit from the United States Tax Cuts and Job Act ("TCJA") positively impacted 2017 earnings by \$0.87 per share. The growth and initiatives pursued by our businesses in 2018 replaced all but \$0.10 per share of this one-time 2017 tax benefit, resulting in diluted 2018 EPS of \$3.45 per share (versus \$3.55 in 2017). In addition, in 2018, we passed on \$9.6 million in savings to regulated energy customers as a result of lower federal income taxes from the TCJA. Our strong financial results translated into an 11.2% ROE. Over the past five years, we have generated an annual ROE ranging from 11.2% to 12.6%, which represents top quartile performance when compared to our performance peer group. The efforts of the Chesapeake Utilities team throughout 2018 have positioned us for continued future growth in 2019 and beyond.

### DILUTED EARNINGS PER SHARE 5-Year CAGR Earnings Growth - 8.8%

Reported net income for 2018 was \$56.6 million, or \$3.45 per share compared to \$58.1 million, or \$3.55 per share for 2017. Over the last five years, our performance has represented a compound growth rate of 8.8%. Adjusted (non-GAAP) 2018 net income increased to \$54.3 million, or \$3.31 per share, from \$47.3 million, or \$2.89 per share in 2017, representing a growth rate of over 14.5%. Continued growth across the Company's businesses, key regulatory initiatives and colder weather were the most significant contributors to higher earnings in 2018. Our diluted earnings per share for 2014 through 2018 is as follows:

### ANNUALIZED DIVIDEND GROWTH 5-Year CAGR Dividend Growth – 7.6%

Chesapeake Utilities has paid dividends to its stockholders without interruption for 58 years. During those 58 years, we have either maintained or increased our annualized dividend. Over the past ten years, the annual dividend increase has grown from 3.4% in 2008 to 13.8% in 2018. The Board increased the annualized dividend in 2018 by \$0.18 per share, or 13.8% over the prior year reflecting our commitment to stockholder value through dividend growth that is cultivated from sustainable earnings growth. This resulted in an annualized dividend of \$1.48 per share in 2018. Our annualized dividend growth from 2014 through 2018 is as follows:

### TOTAL SHAREHOLDER RETURN

The combination of dividends and stock price appreciation for 2018 produced an annual total return to our stockholders of approximately 5.3% for the one year period ended December 31, 2018, and over 14% for the past 3, 5, 10 and 20 year periods ended December 31, 2018. Chesapeake views its performance as an investment over the longer term, as there can be more volatility during shorter periods of time. The table below reflects Chesapeake's total shareholder return over the long-term as compared to our peer group. See the performance peer group in the Companies in Our Peer Group Section of this Proxy Statement for more information on our peer group.

## INVESTING FOR FUTURE GROWTH

Over the 5 years ended December 31, 2018, we have made capital investments totaling approximately 82% of total capitalization

Future growth is generated in part from the success in identifying and making profitable capital investments that accelerate change and fuel future earnings growth and new opportunities. Our performance in 2018 is driven in part by our steadfast commitment to pursuing growth opportunities with discipline, determination and drive. Our results in 2018 are a culmination of the growth efforts that we initiated several years ago coupled with our ability to identify and drive other short-term earnings opportunities. Our earnings growth, because of the significance of our regulated operations, is driven by the additional capital investments we make. To sustain or increase our earnings growth rate, we invest in additional capital expenditures that generate returns equal to or greater than their respective target returns. We continued this strategy with an investment of \$283 million in new capital expenditures in 2018. We have invested approximately \$937 million over the last five years, which represents approximately 82% of the Company's total capitalization of \$1.1 billion at December 31, 2018.

The chart below reflects annual capital expenditures (including acquisitions) to average total capitalization for the twelve months ended December 31 for the most recent five fiscal years.

### Strategic Growth

We are focused on identifying and developing opportunities across the energy value chain, with emphasis on midstream and downstream investments that are accretive to earnings per share and consistent with our long-term growth strategy. Our diverse asset base includes a utility foundation with upside from our complementary unregulated energy businesses. We are continuing to pursue and develop new growth opportunities and regulatory strategies that build upon our core platform. In 2018, we generated \$36.6 million in incremental gross margin - our largest annual increase ever - reflecting strong growth across our regulated and unregulated energy businesses. The 2018 gross margin drivers are provided below.

\$9.6 million was passed on as savings to regulated energy customers as a result of lower federal income taxes from the TCJA.

Recently constructed pipeline projects generated \$12.9 million in gross margin in 2018 and are expected to generate \$23.6 million in annual gross margin going forward, including ESNG's 2017 Expansion Project which is the largest expansion in Eastern Shore's history.

Key regulatory initiatives (including ESNG's rate case) as well as ongoing infrastructure improvement programs contributed \$8.7 million of incremental gross margin in 2018.

Additional gross margin of \$5.9 million was generated from natural gas growth and consumption (excluding service expansions) primarily from residential and commercial customer growth as well as higher sales volumes (consumption) on the Delmarva Peninsula and in Florida.

Growth in the propane operations and Aspire Energy added \$3.1 million of gross margin in 2018 as a result of customer growth, additional customer solutions (like our AutoGas vehicular offering) and higher margins.

Executive Compensation Program

The executive compensation program is designed to focus executive officers on both short-term and long-term financial and operational performance, without encouraging unnecessary risk. The Compensation Committee retains discretion in administering all awards and performance goals, and determining performance achievement. The following provides the components of our executive compensation program.

**TOTAL DIRECT COMPENSATION FOR THE EXECUTIVE NEOs**

	Base salaries are set at competitive levels to attract and retain executive officers that have the knowledge and skills necessary to achieve the Company's established goals
Base Salary	The Compensation Committee considered the following, among other factors, when setting 2018 base salaries: scope of the executive's responsibilities, prior year's performance, internal equity and the competitive nature of our business
Short-Term Incentive Compensation	The 2015 Cash Plan, under which cash incentive awards may be granted, was approved by the Company's stockholders in May 2015 In February 2018, the Compensation Committee granted cash incentive awards for the performance period January 1, 2018 through December 31, 2018
1-year Performance Based Award	Evaluation of performance is based on achieving financial and non-financial targets Awards are subject to a cap of 200% of target on the maximum amount that can be earned during any performance period, as well as an absolute dollar limit set under the terms of the 2015 Cash Plan
Long-Term Incentive Compensation	The SICP, under which equity incentive awards may be granted, was approved by the Company's stockholders in May 2013 In February 2018, the Compensation Committee granted 2018 Equity Incentive Awards which are based upon a three-year performance period ending December 31, 2020
3-year Performance Based Award	Awards are issued based on achievement of the following performance metrics: TSR, growth in long-term earnings, and ROE Awards are subject to a cap of 200% of target on the maximum amount that can be earned during any performance period, as well as an absolute total share award limit set under the terms of the SICP Dividends on the equity incentive awards accrue in the form of dividend equivalents during the performance period and are only paid to the executive if the awards are earned and then only in proportion to the actual shares earned

**BENEFIT PLANS AND PERQUISITES AVAILABLE TO CERTAIN EMPLOYEES, INCLUDING EXECUTIVE NEOs**

Pension Plan	The Pension Plan and benefits thereunder were frozen as of January 1, 2005 Provides retirement income based on years of service and highest average earnings as of December 31, 2004 The Pension SERP is an excess plan that covers compensation not included in the qualified plan as a result of IRS compensation limitations
Pension SERP	Provides retirement income under the same terms as the Pension Plan for compensation in excess of tax code limitations Benefits under the Pension SERP have been frozen since January 1, 2005 The Pension SERP does not provide additional benefits or additional future years of service after 2004

The Retirement Savings Plan is available to all eligible employees of the Company and its subsidiaries

Retirement Savings Plan

For 2018, employees who participated in the Retirement Savings Plan received matching contributions of up to 6% of eligible cash compensation deferred in the plan up to the applicable statutory compensation limit. The IRS limits the amount of pre-tax contributions that a participant may make to his or her Retirement Savings Plan.

Employees of the Company and its subsidiaries, as applicable, are eligible to receive an additional supplemental employer contribution at the discretion of the Company

Extends the Retirement Savings Plan, on a non-qualified basis, for deferral of compensation that is in excess of the tax code limitations, as well as for Company matching and supplemental contributions on such excess cash deferrals under the same terms as the Retirement Savings Plan for a select group of management employees

Deferred Compensation Plan

Select employees of the Company and its subsidiaries, as applicable, are also eligible to receive an additional supplemental employer contribution at the discretion of the Company if such a contribution would have been made in the Retirement Savings Plan absent the compensation limit. Equity incentive awards may be deferred for later settlement; any deferred equity awards are not eligible for matching or supplemental contributions

Executives participate in the same benefits that are available to all employees of the Company. The All Other Compensation column of the Summary Compensation Table provides benefits where the aggregate value is more than \$10,000

Benefits /Perquisites

On behalf of each employee, the Company pays an annual premium in connection with term life insurance. The life insurance benefit of two times base salary is capped at \$500,000, which limits the benefit to highly compensated employees.

Company-owned vehicles are available to the Executive NEOs. Company vehicles are treated as imputed income for any personal use of the vehicle and is filed with the IRS on Form W-2.

Employees have the ability to purchase propane at a discounted rate

The Compensation Committee believes that this compensation program aligns the financial interests of the executive officers with the interests of stockholders. The Committee's approach to executive compensation encompasses practices that focus on a fair, reasonable and competitive executive compensation program while also aligning total compensation with our business objectives and performance, thereby increasing stockholder value. The mix of base salary and performance-based incentive awards promote a pay-for-performance culture. In addition to those practices described above, several other practices encompassed in our executive compensation program are as follows:

A compensation recovery policy that requires the repayment by an individual if an incentive award was calculated based upon the achievement of certain financial results or other performance metrics that, in either case, were subsequently found to be materially inaccurate

- Engaging in hedging transactions related to the Company's stock is prohibited, as well as pledging the Company's stock as collateral for a loan or holding the Company's stock in a margin account

• The Company does not provide excise tax gross-up protections

• Stock ownership guidelines are in place that require attaining a certain ownership threshold within a specific time period

Determination of Compensation

Role of the Compensation Committee. The Compensation Committee is solely responsible for the oversight and administration of our executive compensation program. The Committee designs, recommends to the Board for adoption as appropriate, and administers the policies and practices related to executive compensation. The Committee, to the extent that it deems appropriate (and, in the case of any of the Company's employee benefit plans, to the extent permitted by the plan), may delegate the day-to-day administration of matters under its authority to employees of the Company, or a subcommittee, subject in all cases to the Committee's oversight responsibility. The Compensation Committee believes that the most effective compensation program is one that is designed to ensure that total compensation is fair, reasonable and competitive. The primary objectives in creating an effective compensation



program are to:

- Develop an appropriate mix of compensation to enhance performance that aligns the financial interests of the executive officers with the interests of our stockholders;

- Structure the program to attract high-quality executive talent that will incentivize performance that focuses on achieving our short and long-term goals; and

- Contribute to effective development of talent through internal processes such as performance evaluations, succession planning, and leadership development.

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The Compensation Committee annually reviews the executive compensation program to align (i) the program with the Company's objectives; (ii) the components of each element of compensation to arrive at a proper overall compensation level; and (iii) the compensation with that earned by executive officers in comparable positions at peer companies. Role of Management. The Chief Executive Officer participates in establishing the compensation targets and payout levels for the other NEOs. The Chief Executive Officer assesses the performance for the NEOs and recommends to the Compensation Committee the overall levels of achievement and the extent to which performance targets were attained. Upon request, supplemental materials are provided by management to the Compensation Committee to assist in making its determinations in regards to the overall levels of achievement. The Chief Executive Officer is not involved in any part of the setting of any component of his compensation. The Chief Executive Officer and other members of senior management attend Compensation Committee meetings only at the invitation of the Compensation Committee or the Chief Executive Officer.

Role of Independent Compensation Consultant. The Compensation Committee engaged FW Cook as its independent compensation consultant to assist in reviewing the Company's executive compensation program. FW Cook advises the Compensation Committee on executive compensation and non-employee director compensation matters. FW Cook does not provide any other services to the Company.

Tax Considerations. The Company's 2018 executive compensation program is similar to the program the Compensation Committee established in prior years. We refer you to our discussion in the Compensation Discussion and Analysis section of this Proxy Statement for further information regarding our executive compensation program design, including performance-based compensation. Prior to establishing the executive compensation program for the ensuing year, consideration is given to the accounting and tax treatment of certain forms of compensation. Effective January 1, 2018, the TCJA provided that all remuneration in excess of \$1 million in a single year, including most performance-based compensation and payable to the Chief Executive Officer, Chief Financial Officer or to any one of the Company's three most highly compensated executive officers is not deductible for federal income tax purposes. Companies in Our Peer Group. In January 2018, FW Cook prepared a market analysis that compared our compensation practices for base salary, target cash compensation, and target direct compensation against those of our compensation peer group and an energy industry survey group. The peer group used for this analysis included gas, electric, and multi-utilities. The market capitalization for the peer group ranged from \$659 million to \$3.5 billion at January 7, 2018. The Compensation Committee reviewed and discussed the market analysis with FW Cook. The market analysis reflected that target total direct compensation for the NEOs was, in aggregate, within a competitive range of the market median (within +/-15%) of the Company's peer group. Our short-term and long-term incentive programs include financial metrics that are benchmarked against the peer companies. The peer group established by the Compensation Committee relating to our long-term incentive program for the 2018-2020 performance period is comprised of companies similar to ours in terms of business operations. The market capitalization and revenues for each company in our compensation peer group and our performance peer group are as follows:

COMPENSATION PEER GROUP AND PERFORMANCE PEER GROUP

Company <sup>(1)</sup>	Compensation Peer Group			Performance Peer Group		
	In Peer Group	Market Capitalization (in millions at 1/7/2018)	Revenues (in millions)	In Peer Group	Market Capitalization (in millions at 12/31/2018)	Revenues (in millions)
Atmos Energy Corporation	—	—	—	x	\$ 10,450	\$ 3,116
Black Hills Corporation	—	—	—	x	\$ 3,767	\$ 1,754
MGE Energy, Inc.	x	\$ 2,130	\$ 562	—	—	—
New Jersey Resources Corp.	—	—	—	x	\$ 4,070	\$ 2,915
NiSource Inc.	—	—	—	x	\$ 9,439	\$ 5,115
Northwest Natural Gas Company	x	\$ 1,684	\$ 755	x	\$ 1,708	\$ 706
Northwestern Corporation	—	—	—	x	\$ 3,203	\$ 1,192
ONE Gas, Inc.	—	—	—	x	\$ 4,184	\$ 1,634
RGC Resources, Inc.	—	—	—	x	\$ 214	\$ 66
South Jersey Industries, Inc.	x	\$ 2,434	\$ 1,227	x	\$ 2,377	\$ 1,641

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Spire Inc.	x	\$ 3,463	\$ 1,741	x	\$ 3,727	\$ 1,965
Suburban Propane Partners LP	x	\$ 1,629	\$ 1,188	—	—	—
Unitil Corporation	x	\$ 659	\$ 395	x	\$ 753	\$ 444
Vectren Corporation	—	—	—	x	\$ 5,397	\$ 2,657

<sup>1</sup> Given transactional activity, WGL Holdings, Inc. has been excluded from the list of peer companies.

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## Compensation Practices

Process and Controls. We have controls in place that discourage unnecessary risk-taking. The Executive NEOs simultaneously participate in the 2015 Cash Plan and the SICP, which provides multiple performance criteria at any given time. The Compensation Committee has discretion and the ability to adjust awards based on an NEO's individual performance. Several other features of the cash incentive award process further mitigate risk-taking and exposure, including the following: (i) financial results for the respective award period are reviewed by the Audit Committee prior to the issuance of any cash incentive award; (ii) the target for the cash incentive award is set at an amount that approximates the median cash incentive award of an industry peer group; and (iii) each cash incentive award features a cap (a maximum of 200% of the target) on the maximum amount that can be earned for any performance period, as well as an absolute dollar limit set under the terms of the 2015 Cash Plan.

The equity incentive awards compensate Executive NEOs for improving stockholder value by achieving growth in TSR as well as growth in earnings, while investing for future long-term earnings growth. The Compensation Committee believes that these awards do not encourage unnecessary risk-taking since part of the ultimate value of the award is tied to the Company's stock price and awards are staggered and cover a multi-year performance period. Additionally, several other features of the equity incentive award process further minimizes potential risk: (i) financial results for the respective award year are reviewed by the Audit Committee prior to the issuance of any equity incentive award; (ii) all three performance metrics over the relevant performance periods are benchmarked against the same measures for a peer group of natural gas distribution companies, and the average ROE performance component is compared to pre-determined ROE thresholds that are established by the Compensation Committee; and (iii) each equity incentive award features a cap (a maximum of 200% of the target) on the maximum amount that can be earned in any year, as well as an absolute total share award limit set under the terms of the SICP. The Compensation Committee believes that the 2015 Cash Plan and the SICP appropriately balance risk and the desire to focus on areas considered critical to the short-term and long-term growth and success of the Company.

The Compensation Committee has adopted additional practices to ensure diligent and prudent decision-making and review processes. The practices that are in place to manage and control risk include:

- Cash incentive and equity incentive awards include performance components that are tied to the Company's capital budget and strategic plan, which are reviewed and approved by the Board;

- During its goal-setting process, the Compensation Committee considers prior years' performance relative to future expected performance to assess the reasonableness of the goals;

- The 2015 Cash Plan and the SICP include both performance and profitability measures, thus balancing growth with value creation;

- The Compensation Committee retains discretion in administering all awards and performance goals, and in determining performance achievement;

- Each Executive NEO is subject to stock ownership guidelines commensurate with his or her position that require attaining and maintaining a specific stock ownership threshold, which stock, together with his or her equity awards, could lose significant value over time if the Company were exposed to inappropriate or unnecessary risks that could affect the Company's stock price; and

A compensation recovery policy is in place that requires the repayment by an individual if an incentive award was calculated based upon the achievement of certain financial results or other performance metrics that, in either case, were subsequently found to be materially inaccurate.

In January 2018, FW Cook provided the Compensation Committee with a market analysis that compared the Company's executive compensation with market data for the Company's peer group, as well as with energy industry survey data. Target total direct compensation for the NEOs was, in aggregate, within a competitive range (+/-15%) of the market median of the Company's peer group. The Company reviewed its compensation programs applicable to all employees in conjunction with the risks that were identified and included in the Company's Annual Report on Form 10-K and determined that these programs do not create risk that could result in a material adverse effect on the Company.

Stock Ownership and Retention Guidelines. The Corporate Governance Committee is responsible for the development, oversight, and monitoring of stock ownership guidelines. In November 2014, the Board amended the

ownership guidelines upon the recommendation of the Corporate Governance Committee, replacing those guidelines adopted by the Board in 2006. The amended stock ownership guidelines include recommendations made by FW Cook. Since 2014, no changes have been made to the stock ownership guidelines for Executive NEOs.

The stock ownership guidelines promote long-term profitability by aligning the interests of the Executive NEOs with those of the Company's stockholders. The Chief Executive Officer's stock ownership requirement is five times base salary, and all other Executive NEOs are at three times base salary. The stock ownership requirements can be achieved through several means, including making purchases on the open market, making optional cash investments through our Dividend Reinvestment and Direct Stock Purchase Plan, and earning performance incentive shares awarded by the Compensation Committee upon completion of the relevant performance period. Once an Executive NEO attains his or her ownership requirement, he or she will remain in compliance with the ownership guidelines despite future changes in the stock price and base salary, as long as the Executive NEO continues to own shares equal to the number of shares owned at the time the ownership requirement is met.

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## Key Compensation Decisions

**Base Salary.** In January 2018, the Compensation Committee reviewed and discussed the market analysis that was prepared by FW Cook to assess the competitiveness of base salary levels. FW Cook's market assessment compared the Company's base salaries for the NEOs against market data for the Company's peer group, as well as from industry published survey data. FW Cook concluded that base salaries, in aggregate, for the NEOs are within a competitive range of the market median for the Company's peer group. Various factors such as experience, depth of responsibility, tenure, internal equity, and performance may drive variances to market. The Compensation Committee considered the following prior to setting base salaries for 2018: results of the market assessment performed by FW Cook; functional role of the position; scope of the individual's responsibilities; prior year's performance; internal equity and competitive nature of our business. Effective April 1, 2018, base salaries for the NEOs increased from 0% to 12.5% over their respective base salaries for the prior year.

**Cash Incentive Award for the 2018 Performance Period.** For 2018, the Compensation Committee was authorized to grant cash incentive awards to each NEO under the 2015 Cash Plan. Generally, the target cash incentive award opportunity for each NEO is set at an amount that approximates the median prevailing practices of the industry peer group and broader energy industry for comparable positions. The actual award earned for all NEOs can range from 0% to 200% of the target cash incentive award, depending on actual performance at the end of the performance period as compared to the performance targets. The Compensation Committee may also use its discretion to adjust a participant's cash incentive payout amount based on unanticipated and/or extraordinary events or other individual performance considerations. In general, the Compensation Committee's discretion under the Cash Plan to adjust final bonus awards to NEO's who are subject to the \$1 million deduction limit under the Internal Revenue Code is limited to making a downward adjustment in the final amount payable.

In February 2018, the Compensation Committee established financial and non-financial performance targets for the NEOs. The EPS financial target for the NEOs was established at \$3.45. Additionally, for Messrs. Householder and Thompson and Ms. Bittner, the Committee established aggregate pre-established business unit operating income targets of \$35,235,390, \$45,531,161 and \$15,132,142, respectively. The payout opportunity for the EPS target and the business unit operating income targets were 0% to 200% based upon a band centered around the applicable financial target. Each NEO also had established individual goals in connection with determining the extent to which the individual met his or her non-financial targets, including: (i) Leadership, (ii) Employee Engagement, and (iii) Brand Excellence. The NEOs may earn a cash incentive award upon achieving his or her pre-established financial and non-financial targets based on the Compensation Committee's evaluation. The Compensation Committee reserves the right to consider additional performance criteria for the Chief Executive Officer related to pursuing strategic or operational opportunities.

The following table shows each Executive NEO's target cash incentive award, based on his or her applicable base salary as of December 31, 2018 and weighting for the financial and non-financial performance targets. In February 2019, the Compensation Committee reviewed the Company's earnings and the extent to which each NEO had achieved his or her applicable performance goals. Based on this review, the Compensation Committee authorized the payment of cash incentive awards as reflected in the table below. The payout for the performance-based cash incentive awards ranged from 139% to 149% of the Executive NEO's target opportunity:

## 2018 CASH INCENTIVE AWARD

Executive NEO <sup>(1)</sup>	Base Salary (at 12/31/2018)	Cash Opportunity (% of Base Salary)	Award Target (100%)	Weighting for the Performance Targets		Actual Achievement of Performance Targets and Associated Payout			Payout reflected in Summary Compensation Table	
				Non-Financial	Financial	Non-Financial	Financial	Financial		
Jeffrey M. Householder	\$ 345,000	35%	\$ 120,750	20%	80%	150.00%	\$36,225	137.55%	\$ 132,870	\$ 169,095
James F. Moriarty <sup>(2)</sup>	\$ 335,000	35%	\$ 117,250	20%	80%	150.00%	\$35,175	135.71%	\$ 127,300	\$ 162,475

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Beth W. Cooper	\$ 345,000	35%	\$ 120,750	20%	80%	150.00%	\$36,225	135.71%	\$ 131,100	\$ 167,325
Stephen C. Thompson	\$ 350,000	35%	\$ 122,500	20%	80%	112.50%	\$27,563	158.63%	\$ 155,453	\$ 183,016

Mr. McMasters and Ms. Bittner were not included in this table because they are no longer employed by the Company. As of his retirement, Mr. McMasters had a target award valued at \$405,000 which is 60% of his base salary of \$675,000. Mr. McMasters' weightings for the performance targets was 20% for the non-financial component and 80% for the financial component. For the non-financial component, Mr. McMasters achieved 50% of the performance target and received \$40,500 as the associated payout. For the financial component, Mr. McMasters achieved 135.71% of the performance target and received \$439,714 as the associated payout. The total payout for Mr. McMasters is reflected in the Summary Compensation Table. Ms. Bittner's employment terminated on May 2, 2018 and she did not receive a Cash Incentive Award.

In February 2017, Mr. Moriarty received a \$305,000 time-vested cash award granted to him pursuant to the 2015 Cash Plan in connection with his promotion. On February 28, 2018, \$152,500 of the award vested and as such is included in the Summary Compensation Table. The remainder of the award vested in February 2019.

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Equity Incentive Awards. The Compensation Committee is authorized to grant equity incentive awards to NEOs under the SICP. While the SICP authorizes the issuance of several types of equity or equity-based awards, the Company's long-term incentive awards to NEOs have historically been 100% performance-based, featuring annual grants of shares that are awarded if pre-established performance targets are achieved at the end of a three-year performance period. The equity incentive awards are designed to reward executives for improving stockholder value by achieving growth in earnings while investing in the future growth of our businesses. The target equity award is a number of shares equivalent to the dollar value based on a percentage of base salary. The payout opportunity is 0% (minimum), 50% (threshold), 100% (target) and 200% (maximum) of the target equity award and as reflected in the table for the ROE component. The actual award earned for each NEO can range from zero to the maximum payout opportunity of 200% of the target number of shares, depending on actual performance at the end of the performance period as compared to the performance targets. Awards are granted for each performance period pursuant and subject to the terms of performance share agreements, including the applicable three-year period, entered into by each NEO and the Company.

2018 Equity Incentive Awards. In February 2018, the Compensation Committee granted performance-based equity incentive awards to each Executive NEO for the January 1, 2018 through December 31, 2020 performance period as follows:

**EQUITY INCENTIVE AWARD OPPORTUNITY FOR THE 2018-2020 PERFORMANCE PERIOD**

Executive NEO <sup>(1)</sup>	Base Salary (at 2/26/2018)	Opportunity (% of Base Salary)	Target Equity Value	Average Closing Stock Price (From 11/1/17 - 12/31/17)	Target Equity Shares
Jeffrey M. Householder	\$ 345,000	65%	\$ 224,250	\$ 80.99	2,769
James F. Moriarty	\$ 335,000	65%	\$ 217,750	\$ 80.99	2,689
Beth W. Cooper	\$ 345,000	65%	\$ 224,250	\$ 80.99	2,769
Stephen C. Thompson	\$ 350,000	65%	\$ 227,500	\$ 80.99	2,809

Mr. McMasters and Ms. Bittner were not included in this table because they are no longer employed by the Company. On February 26, 2018, the Compensation Committee granted a target equity award of 7,501 shares to Mr. McMasters under the 2018 Equity Incentive Plan. The target equity award is based on an opportunity of 90% of Mr. McMasters' base salary (\$675,000). The Compensation Committee will determine the achievement of equity incentive grants made to the NEOs for the 2018 Equity Incentive Award upon consideration of pre-established performance targets for the 2018-2020 performance period. Ms. Bittner's employment terminated on May 2, 2018 and in connection with her termination, Ms. Bittner received a total of 14,107 shares upon an accelerated vesting of previously granted awards for three performance periods, including the 2018-2020 performance period.

The Compensation Committee approved the following performance components in connection with the equity incentive awards granted for the 2018-2020 Performance period.

Performance Component	Benchmark and Description of Benchmark	% of Target Award
TSR	Total shareholder return compared to the total shareholder returns of companies included in the peer group for the performance period. Shareholder Return incentivizes executives to generate additional value for our stockholders.	30%
Growth in Long-Term Earnings	Total capital expenditures as a percentage of total capitalization as compared to companies in the peer group for the performance period. In the long-term, the Company's growth in earnings per share is dependent upon continuous investment of capital at levels sufficient to drive growth.	35%



ROE Average ROE compared to pre-determined ROE targets and the ROE relative to peer group performance. ROE measures the Company's ability to generate current income using 35% equity investors' capital.

The Compensation Committee evaluates achievement of the TSR and Growth in Long-Term Earnings performance components based upon evaluating the Company's performance relative to the performance of a peer group over the applicable thirty-six month performance period. The Company's performance is ranked against the performance of the peer group. The payout opportunity is based on the Company's percentile ranking against the companies in the peer group for each of these two performance components as shown in the table below.

Percentile Ranking as Compared To Companies in the Performance Peer Group	Percentage of Payout of Target Equity Incentive Award
40th – 49th percentile	50%
50th – 54th percentile	75%
55th – 59th percentile	100%
60th – 64th percentile	125%
65th – 69th percentile	150%
70th – 80th percentile	175%
Greater than 80th percentile	200%

The Compensation Committee evaluates achievement of the ROE component based on the matrix provided below. NEOs are evaluated based both on the Company's average ROE over the three-year performance period as compared to pre-determined ROE thresholds of 10% to a maximum of 12% and the ROE relative to the ROE performance of the peer group.

Percentile Rank Payout Matrix				
	75%	100%	175%	200%
Maximum	75%	100%	175%	200%
Target	50%	75%	100%	150%
Threshold	25%	50%	75%	100%
	Threshold	Low Target	Target	Maximum
	10.00%	11.00%	11.25%	12.00%
3 YEAR AVERAGE ROE				
COMPARED TO FIXED TARGETS				

The peer group used to evaluate these components is provided in the performance share agreement applicable to these awards filed as Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended March 31, 2018. The payout opportunity for the 2018 Equity Incentive Awards is 0% (minimum), 50% (threshold), 100% (target), and 200% (maximum) of the target equity award and as reflected in the table above for the ROE component.

2017 Equity Incentive Awards. In February 2017, the Compensation Committee granted performance-based target equity incentive awards to the Executive NEOs for the January 1, 2017 through December 31, 2019 performance period as follows: Householder - 2,943 shares, Moriarty - 2,805 shares, Thompson - 3,173 shares, and Cooper - 2,943 shares. The incentive opportunity as a percentage of base salary is 60% for all of the Executive NEOs. The features of these awards are similar to the features described above for the 2018 Equity Incentive Awards. The peer group used to evaluate these components is provided in the performance share agreement applicable to these awards filed as Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended June 30, 2017. The payout opportunity is 0% (minimum), 50% (threshold), 100% (target), and 200% (maximum) of the target equity award and as reflected in the table above for the ROE component. Each Executive NEO is entitled to earn the performance shares at the end of the performance period depending on the extent to which performance targets are achieved. Mr. McMasters retired from the Company effective December 31, 2018. In February 2017, the Compensation Committee granted a target equity award of 8,278 shares to Mr. McMasters under the 2017 Equity Incentive Plan. The Compensation Committee will determine the achievement of equity incentive grants made to the NEOs for the 2017 Equity Incentive Award upon consideration of pre-established performance targets for the 2017-2019 performance period. Ms. Bittner's employment terminated on May 2, 2018 and in connection with her termination, Ms. Bittner received a total of 14,107 shares upon an accelerated vesting of previously granted awards for three performance periods, including the 2017-2019 performance period.

2016 Equity Incentive Award. In February 2016, the Compensation Committee granted performance-based target equity incentive awards to the Executive NEOs for the January 1, 2016 through December 31, 2018 performance period as follows: Householder - 2,827 shares, Moriarty - 2,549 shares, Thompson - 3,151 shares, and Cooper - 2,873 shares. The features of these awards are similar to the features described above for the 2018 Equity Incentive Awards, except the ROE component will be evaluated solely on the achievement of the Company's average ROE over the three-year performance period as compared to pre-determined thresholds of 10.50% to greater than 12.24%. The TSR and Growth in Long-Term Earnings components are similar to the 2018 Equity Incentive Awards. The peer group used to evaluate these components is provided in the performance share agreement applicable to these awards filed as Exhibit 10.19 of our Annual Report on Form 10-K for the year ended December 31, 2015. The payout opportunity is 0% (minimum), 50% (threshold), 100% (target), and 200% (maximum) of the target equity award for each NEO. Each NEO is entitled to earn the performance shares at the end of the performance period depending on the extent to which performance targets are achieved.

The Compensation Committee met in February 2019 to review the extent to which the Executive NEOs achieved the performance targets established for the 2016 Equity Incentive Awards. During this performance period: (i) with respect to the TSR component, our TSR for the three years ended December 31, 2018, was at the 57th percentile

compared to the peer companies' TSR for the same period and (ii) with respect to the Growth in Long-Term Earnings component, total capital expenditures as a percentage of total capitalization for the Company was at the 100th percentile of our peer group. For the purposes of calculating the Earnings Performance component, the average ROE for the three years ended December 31, 2018 for the Company after certain adjustments, including the one-valuation of the deferred income tax balances in 2017, was 10.86%. The Executive NEOs received a payout of 100% of the target for the TSR, 200% of the target for the Growth in Long-Term Earnings components, and a payout of 75% of the target for the ROE component. The shares received by each Executive NEO for the 2016 Equity Incentive Award are reflected in the table below. In addition, dividends on the equity incentive awards accrue in the form of dividend equivalents during the performance period and are paid to the respective Executive NEO in proportion to the actual shares earned.

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## ACHIEVEMENT OF EQUITY INCENTIVE AWARD FOR THE 2016 - 2018 PERFORMANCE PERIOD

Executive NEO <sup>(1)</sup>	Target Shares	TSR (30% Weighting)	Growth in Long-Term Earnings (35% Weighting)	ROE (35% Weighting)	Actual Payout
Jeffrey M. Householder	2,827	848	1,979	742	3,569
James F. Moriarty	2,549	765	1,784	669	3,218
Beth W. Cooper	2,873	862	2,011	754	3,627
Stephen C. Thompson	3,151	945	2,206	827	3,978

Mr. McMasters and Ms. Bittner were not included in this table because they are no longer employed by the Company. In February 2016, the Compensation Committee granted Mr. McMasters, under the 2016 Equity Incentive Plan, a target equity award of 8,063 shares with the same weightings and performance metrics as the Executive NEOs. Mr. McMasters' actual payout for the 2016-2018 performance period was 10,180 shares. Ms. Bittner received a total of 14,107 shares upon an accelerated vesting of previously granted awards for three performance periods, including the 2016-2018 performance period.

Stock Vested During 2018

In February 2019, the Compensation Committee met and approved 2016 Equity Incentive Awards for each NEO in the table below as described above in the 2016 Equity Incentive Award section in this Proxy Statement. These equity incentive awards vested in 2018.

## STOCK VESTED DURING 2018

NEO <sup>(1)</sup>	Date Shares Awarded by Compensation Committee	Number of Shares Acquired on Vesting <sup>(2)</sup>	Closing Stock Price on 2/26/2019	Value Realized on Vesting
Jeffrey M. Householder	2/25/2019	3,569	\$ 90.69	\$323,673
Michael P. McMasters	2/25/2019	10,180	\$ 90.69	\$923,224
James F. Moriarty	2/25/2019	3,218	\$ 90.69	\$291,840
Beth W. Cooper	2/25/2019	3,627	\$ 90.69	\$328,933
Stephen C. Thompson	2/25/2019	3,978	\$ 90.69	\$360,765

1Mr. McMasters retired from the Company effective December 31, 2018. Ms. Bittner's employment terminated on May 2, 2018 and in connection with her termination, Ms. Bittner received a total of 14,107 shares upon an accelerated vesting of previously granted awards for three performance periods, including the 2016-2018 performance period.

2The shares awarded and corresponding value realized, reflect shares received in March 2019 by each NEO in the table above for the three-year performance period ended December 31, 2018.

## Outstanding Equity Awards

In February 2017 and February 2018, the Compensation Committee granted performance shares to Messrs. Householder, McMasters, Moriarty, and Thompson and Mes. Cooper and Bittner for the 2017-2019 and 2018-2020 performance periods. The values of the 2017 Equity Incentive Awards are reflected in the Stock Award column for 2017 in the Summary Compensation Table and are further described under the 2017 Equity Incentive Award section in this Proxy Statement. Mr. Moriarty was designated as an NEO in 2018. The values of the 2018 Equity Incentive Awards are reflected in the Stock Award column for 2018 in the Summary Compensation Table and in the Grant Date Fair Value column in the Grants of Plan-Based Awards Table for the NEOs. Please refer to the 2018 Equity Incentive Award and Grants of Plan-Based Awards sections in this Proxy Statement for additional details on these awards.

Executive Compensation  
Summary Compensation Table

The following table provides information on compensation earned by the NEOs for the years ended December 31, 2018, 2017 and 2016. In determining the individuals to be included in this table, we considered the roles and responsibilities of individuals serving at the Company and its subsidiaries during 2018, as well as total compensation (reduced by the change in pension value and non-qualified deferred compensation earnings), for the year ended December 31, 2018.

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## 2018 SUMMARY COMPENSATION TABLE

NEO and Principal Position	Year	Salary	Stock Awards <sup>(1)</sup>	Bonus <sup>(2)</sup>	Non-Equity Incentive Plan Compensation <sup>(3)</sup>	Change in Pension Value and NQDC Earnings <sup>(4)(5)</sup>	All Other Compensation <sup>(6)</sup>	Total <sup>(6)</sup>
Jeffrey M. Householder <sup>(7)</sup> Chief Executive Officer & President	2018	\$338,269	\$251,872	\$—	\$169,095	\$—	\$33,538	\$792,774
	2017	\$315,962	\$264,670	\$15,000	\$61,824	\$—	\$39,765	\$697,221
	2016	\$302,308	\$320,513	\$—	\$86,011	\$—	\$48,683	\$757,515
Michael P. McMasters <sup>(8)</sup> Retired Chief Executive Officer & President	2018	\$656,250	\$682,302	\$—	\$480,214	\$—	\$86,871	\$1,905,637
	2017	\$595,000	\$744,322	\$—	\$100,000	\$126,681	\$88,320	\$1,654,323
	2016	\$572,500	\$914,250	\$—	\$330,600	\$64,469	\$112,844	\$1,994,663
James F. Moriarty Executive Vice President, General Counsel, Corporate Secretary and Chief Policy & Risk Officer	2018	\$327,500	\$244,595	\$—	\$314,975	—	25,152	\$912,222
Beth W. Cooper Executive Vice President, Chief Financial Officer and Assistant Corporate Secretary	2018	\$338,750	\$251,872	\$—	\$167,325	\$—	\$44,292	\$802,239
	2017	\$317,500	\$264,670	\$25,000	\$35,520	\$31,032	\$47,943	\$721,665
	2016	\$308,000	\$325,767	\$—	\$86,490	\$14,727	\$65,994	\$800,978
Stephen C. Thompson Senior Vice President	2018	\$348,750	\$255,511	\$—	\$183,016	\$—	\$47,518	\$834,795
	2017	\$343,750	\$285,348	\$15,000	\$73,278	\$114,554	\$53,492	\$885,422
	2016	\$338,750	\$357,293	\$—	\$148,920	\$57,571	\$64,150	\$966,684
Elaine B. Bittner <sup>(9)</sup> Former Senior Vice President	2018	\$133,333	\$233,589	\$—	\$—	\$—	\$1,937,787	\$2,304,709
	2017	\$316,250	\$264,670	\$—	\$33,600	\$—	\$31,172	\$645,692
	2016	\$297,500	\$320,513	\$—	\$70,913	\$—	\$41,318	\$730,244

For the NEOs we calculated the aggregate grant date fair value of the performance-based equity incentive awards for each performance period based on the estimated compensation costs on the grant date in accordance with FASB ASC Topic 718. We estimate the percent of which the Growth in Long-Term Earnings component and the Earnings Performance component are likely to be earned. The equity incentive awards have been recorded at the grant date fair value, which is based on the closing price on the grant date. We also evaluated the likelihood of earning the TSR component for the respective performance periods. We first determined the aggregate fair value of the award using a Black-Scholes model. The Company's TSR was then compared to the companies in our performance peer group using a Monte Carlo stock simulation. The Monte Carlo stock simulation estimated a percentile ranking for the TSR component, which is used to determine the payout percentage. The performance share fair value for the TSR component was generated from the Black-Scholes model and used to calculate the aggregate grant date fair value of this component of the award. The number of actual performance shares earned will range from 0% to 200% of the target performance shares depending on the applicable performance period and actual performance as compared to the performance goals. The following table sets forth the factors associated with the estimated compensation costs for each performance period.

## ESTIMATED PAYOUT FOR EQUITY INCENTIVE AWARDS

Year	Performance Period	Grant Date	Performance-Based Equity Awards			Market-Based Equity Awards		Fair Value Per Share
			Growth in Long-Term Earnings	ROE	Fair Value Per Share	TSR	Monte Carlo Estimated Percentile Ranking	
2018	2018-2020	2/26/2018	200%	100%	\$68.85	100%	43%	\$62.23
2017	2017-2019	2/23/2017	200%	100%	\$67.40	100%	65%	\$63.83
2016	2016-2018	2/22/2016	200%	100%	\$64.00	200%	65%	\$76.98

If the maximum awards were achieved for the Executive NEOs for the 2018-2020 performance period as reflected in the 2018 row of the Summary Compensation Table, each award would be valued as follows: Householder - \$370,293, Moriarty - \$359,595, Thompson - \$375,642 and Cooper - \$370,293. If the maximum awards were achieved for the Executive NEOs for the 2017-2019 performance period as reflected in the 2017 row of the Summary Compensation Table, each award would be valued as follows: Householder - \$390,470, Thompson - \$420,975 and Cooper - \$390,470. Mr. McMasters and Ms. Bittner were not included in this information because they are no longer employed by the Company. For the 2018-2020 and 2017-2019 performance periods Mr. McMasters' maximum award value is \$1,003,094 and \$1,098,196, respectively. In connection with Ms. Bittner's termination, a total of 14,107 shares were received upon an accelerated vesting of previously granted awards for three performance periods, including the 2017-2019 and 2018-2020 performance periods.

The Compensation Committee has sole discretion to issue a one-time cash bonus payment to the Company's  
<sup>2</sup> NEOs. As reflected in the Summary Compensation Table, the Compensation Committee approved an incremental discretionary cash bonus for Householder, Thompson and Cooper given their level of performance in 2017. NEOs received payment in March 2019 for performance during 2018 (except Ms. Bittner), in March 2018 for performance during 2017, and in March 2017 for performance during 2016. The awards are granted pursuant to the  
<sup>3</sup> 2015 Cash Plan. In February 2017, Mr. Moriarty received a \$305,000 time-vested cash award granted to him pursuant to the 2015 Cash Plan in connection with his promotion. On February 28, 2018, \$152,500 of the award vested and as such is included in the Summary Compensation Table. The remainder of the award vested in February 2019.

The two defined benefit pension plans (a qualified plan, the Pension Plan, and a non-qualified plan, the Pension SERP) were frozen as of January 1, 2005. The amount of monthly pension payments each participant is entitled to receive has not changed since that date; however, the net present value of those payments varies each year depending primarily on the assumptions made for the discount rate, mortality rates and expected return on plan assets (for the Pension Plan). The present value of the accrued pension benefits has been calculated in accordance with Accounting Standards Codification Topic 715 "Compensation - Retirement Benefits" (see Note 17 "Employee  
<sup>4</sup> Benefit Plans" in our 2018 Annual Report on Form 10-K and the Pension Plan section of this Proxy Statement for further details). The discount rates at December 31, 2018, December 31, 2017, and December 31, 2016 were 4%, 3.5%, and 3.75%, respectively. When the discount rate decreases, it generates an increase in the present value of the pension benefits and vice versa. In 2018, 2017 and 2016 the Mortality Improvement Scale was updated to the MP-2018, MP-2017, and MP- 2016, respectively. In 2018, the present value of accumulated benefits in the Pension Plan decreased as follows: McMasters - \$31,381; Thompson - \$28,310; and Cooper - \$2,747. The present value of the accumulated benefits in the Pension Plan increased in 2017 and 2016 as follows: McMasters - \$109,725 and \$61,204; Thompson - \$100,384 and \$53,234; and Cooper - \$31,032, and \$14,727.

The assumptions used to calculate the present value of the Pension SERP are the same as those used for the Pension Plan, except that there is no assumed return on assets because the Pension SERP is unfunded. Variances from year to year have the same causes as the Pension Plan. Mr. Thompson elected to receive his Pension SERP benefit in annuity payments at age 65. Commensurate with his retirement from the Company in December 2018, Mr. McMasters became eligible to receive his Pension SERP benefit in a lump sum payment, six months after retirement. The different forms of payment (lump sum vs. annuity) elections also impact the present value calculation due to different regulations for calculating lump sum and annuity payments. In 2018, the present value of the Pension SERP increased for Mr. McMasters by \$16,365 but decreased for Mr. Thompson by \$10,169. In 2017 and 2016, the present value of the Pension SERP increased as follows: McMasters - \$16,956 and \$3,265 and Thompson - \$14,170 and \$4,337. No other NEO participates in the Pension SERP.

Dividends on deferred stock units (which are settled on a one-for-one basis in shares of common stock) are the same as dividends paid on the Company's outstanding shares of common stock. For 2018, 2017 and 2016, compensation deferred under the Deferred Compensation Plan (or any predecessor plan) earned the same returns as funds available for the Company's Retirement Savings Plan. We considered that investment options under our Deferred Compensation Plan (or any predecessor plan) are the same choices available to all employees under the Company's Retirement Savings Plan. As a result, the NEOs do not receive preferential earnings on their investments.

The following table includes payments that were made by the Company on behalf of the NEOs in 2016, 2017 and 2018.

NEO	Qualified and Non-Qualified 401(k) Plan Matching and Supplemental Contributions			Term Life Insurance Premiums			Vehicle Allowance			Dividends on shares earned for the 2016-2018 Performance Period
	2016	2017	2018	2016	2017	2018	2016	2017	2018	
Jeffrey M. Householder	\$31,994	\$37,058	\$30,632	\$480	\$480	\$480	\$2,227	\$2,227	\$2,426	\$13,982
Michael P. McMasters	\$64,398	\$76,205	\$72,699	\$480	\$480	\$480	\$8,086	\$11,635	\$13,692	\$39,880
James F. Moriarty	N/A	N/A	\$20,810	N/A	N/A	\$480	N/A	N/A	\$3,862	\$12,607
Beth W. Cooper	\$42,017	\$38,781	\$36,431	\$480	\$480	\$480	\$9,288	\$8,682	\$7,381	\$14,209
Stephen C. Thompson	\$41,351	\$45,853	\$40,255	\$480	\$480	\$480	\$6,735	\$7,159	\$6,783	\$15,584
Elaine B. Bittner	\$39,093	\$28,965	\$18,990	\$480	\$480	\$200	\$1,745	\$1,727	\$18,597	N/A

A company-owned vehicle is available to NEOs during their service with the Company. The vehicle is available for personal use and is imputed income on their Form W-2 filed with the IRS. The cash dividend amounts paid to the NEOs in 2019 for the 2016-2018 performance period are reflected in the 2016 row in the Summary Compensation Table, the year the share awards (on which the dividends were based) were granted by the Compensation Committee. Dividends were accrued on the same basis as dividends declared by the Board each calendar quarter during the applicable years and paid on the Company's common stock. The actual cash dividend received by each NEO was determined based upon the number of shares of common stock earned and issued to the executive for such performance periods. Executive NEOs also have the ability to purchase propane at the same discounted rate that we offer to our employees.

Mr. Householder was appointed as our President and Chief Executive Officer effective January 1, 2019 at which time his annual base salary increased to \$600,000. He was also elected to serve as a director of the Company effective January 1, 2019. He received no additional compensation for serving as a director of the Company.

Mr. McMasters is our immediate past President and Chief Executive Officer of the Company. He retired on December 31, 2018 after thirty-six years with the Company. Mr. McMasters continues to serve as a director of the Company, and received compensation for his service in that capacity until the 2019 Annual Meeting.



Ms. Bittner's employment terminated on May 2, 2018. In connection therewith, Ms. Bittner received a severance payment valued at \$1,900,000 the terms of which are further described in the Company's Current Report on Form 8-K filed with the SEC on June 8, 2018. Ms. Bittner purchased a company vehicle and the associated dollars are reflected in footnote 6 to this table.

#### Grants of Plan-Based Awards

The following table reflects, for each Executive NEO, the range of payouts for 2018 performance under the 2018 Cash Incentive Plan and the number of equity incentive awards established by the Compensation Committee on February 26, 2018 for the 2018-2020 performance period. For each Executive NEO, the Compensation Committee established a target equity award with a dollar value (as a percentage of base salary) to be paid in shares of our common stock, if earned, based on the grant date fair value of the common stock. The threshold (minimum amount payable for a certain level of performance), target (amount payable if the targets are reached), and maximum (maximum payout possible) award levels are provided for each award. Additional information on these awards can be found under the Key Compensation Decisions section in this Proxy Statement.

#### GRANTS OF PLAN-BASED AWARDS

EXECUTIVE NEO <sup>(1)</sup>	2018 Cash Incentive Plan			2018-2020 Equity Incentive Plan			Grant Date Fair Value <sup>(2)</sup>		
	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			
		Threshold 50%	Target 100%	Maximum 200%		Threshold 50%		Target 100%	Maximum 200%
Jeffrey M. Householder	2/26/2018	\$60,375	\$120,750	\$241,500	2/26/2018	1,385	2,769	5,538	\$251,872
James F. Moriarty	2/26/2018	\$58,625	\$117,250	\$234,500	2/26/2018	1,345	2,689	5,378	\$244,595
Beth W. Cooper	2/26/2018	\$60,375	\$120,750	\$241,500	2/26/2018	1,385	2,769	5,538	\$251,872
Stephen C. Thompson	2/26/2018	\$61,250	\$122,500	\$245,000	2/26/2018	1,405	2,809	5,618	\$255,511

Mr. McMasters and Ms. Bittner were not included in this table because they are no longer employed by the Company. On February 26, 2018, the Compensation Committee granted awards to Mr. McMasters and Ms. Bittner under the 2018 Cash Incentive Plan as follows: McMasters - Threshold (50%) \$202,500, Target (100%) \$405,000, Maximum (200%) \$810,000; and Bittner - Threshold (50%) \$56,000, Target (100%) \$112,000, Maximum (200%) \$224,000. The actual cash incentive payout amount for Mr. McMasters is reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. Ms.

<sup>1</sup> Bittner did not receive a Cash Incentive Award. On February 26, 2018, the Compensation Committee granted awards to Mr. McMasters and Ms. Bittner under the 2018-2020 Equity Incentive Plan as follows: McMasters - Threshold (50%) 3,750 shares, Target (100%) 7,501 shares, Maximum (200%) 15,002 shares; and Bittner - Threshold (50%) 1,284 shares, Target (100%) 2,568 shares, Maximum (200%) 5,136 shares. The Compensation Committee will determine the achievement of equity incentive grants made to the NEOs for the 2018 Equity Incentive Award upon consideration of pre-established performance targets for the 2018-2020 performance period. In connection with Ms. Bittner's termination

of employment, she received a total of 14,107 shares upon an accelerated vesting of previously granted awards for three performance periods, including the 2018-2020 performance period.

For the 2018-2020 performance period, we calculated the aggregate grant date fair value of the performance-based equity incentive awards based on the estimated compensation costs on the grant date. We estimated that 200% of the Growth in Long-Term Earnings component and 100% of the ROE component are likely to be earned. These equity incentive awards have been recorded at the grant date fair value of \$68.85 per share, which is based on the closing price on February 26, 2018, the grant date. We also evaluated the likelihood of earning the TSR component for this performance period. We first determined the aggregate fair value of the award using a Black-Scholes model. The Company's TSR was then compared to the TSR of companies in our performance peer group using a Monte Carlo stock simulation. The Monte Carlo stock simulation estimated a percentile ranking for the TSR component of greater than 43%, representing a 100% payout. For the 2018-2020 performance period, the performance share fair value of \$62.23 was generated from the Black-Scholes model and used to calculate the aggregate grant date value of this component of the award. The number of actual performance shares earned will range from 0% to 200% of the target performance shares depending on actual performance as compared to the performance goals.

Comparative Information Relating to Compensation of our Chief Executive Officer and Compensation of all Employees of the Company

We are providing the following information to comply with Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K. For 2018, our last completed fiscal year, the median of the annual total compensation of our employees (other than Mr. McMasters, who served as our Chief Executive Officer until his retirement on December 31, 2018) was \$65,163. The annual total compensation for Mr. McMasters, as reported in the Summary Compensation Table, was \$1,905,637. Based on this information, for 2018, the estimate of the ratio of compensation for our Chief Executive Officer to the median employee was 29 to 1. This ratio is specific to our Company and may not be comparable to any ratio disclosed by another company.

As permitted by Item 402(u) of Regulation S-K, we used the same median employee in 2018 as we used in 2017, as our employee population and employee compensation arrangements in 2018 did not significantly change from 2017. Among other factors, the philosophy and design of our compensation program, the size and geographic diversity of our employee base, and the diversity of our business operations is consistent for 2018 as compared to 2017. We identified the median employee in 2017 by reviewing compensation reflected in our payroll records as reported to the Internal Revenue Service on Form W-2 for our 938 employees as of December 31, 2017 for purposes of determining pay ratio, which includes employees of companies we acquired during the year. We annualized the compensation of these and other full-time employees who joined the Company in 2017 but did not work for us for the entire fiscal year. Based on the diversity of our businesses across our service territories, W-2 earnings provide a fixed and fair representation of compensation across our enterprise and thus are an appropriate measure to determine the median employee. No other assumptions, adjustments, or estimates, including any cost-of-living adjustments, were made in identifying the median employee. We next calculated the median employee's annual total compensation in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K for the Summary Compensation Table, consistent with the calculations we provide for all of our NEOs. No adjustments were made to the annual total compensation of our Chief Executive Officer, as reported in the Summary Compensation Table, to calculate the reported ratio of the annual total compensation of our Chief Executive Officer to the median of the annual total compensation of all employees.

Outstanding Equity Incentive Awards

In February 2018 and February 2017, the Compensation Committee granted performance shares to the NEOs for the 2018-2020 and 2017-2019 performance periods. Shares granted for the 2018-2020 and 2017-2019 performance period were outstanding at December 31, 2018 for all of the NEOs, except Ms. Bittner. No awards have been transferred. Please refer to the 2018 Equity Incentive Awards, 2017 Equity Incentive Awards, and Outstanding Equity Awards sections in this Proxy Statement for details on these awards.

OUTSTANDING EQUITY AWARDS FOR THE NEOs AT DECEMBER 31, 2018

NEO <sup>(1)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(2)</sup>	Equity Incentive
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		Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested <sup>(3)</sup>
Jeffrey M. Householder	11,424	\$928,771
Michael P. McMasters	31,558	\$2,565,665
James F. Moriarty	10,988	\$893,324
Beth W. Cooper	11,424	\$928,771
Stephen C. Thompson	11,964	\$972,673

Ms. Bittner's employment terminated on May 2, 2018 and in connection with her termination, Ms. Bittner received a total of 14,107 shares upon an accelerated vesting of previously granted awards for three performance periods, including the 2018-2020 and 2017-2019 performance periods.

The share amounts for the Executive NEOs represent the maximum award levels at 200% for the 2018-2020 and 2017-2019 performance periods and are as follows: Householder - 5,538 and 5,886, Moriarty - 5,378 and 5,610, Thompson - 5,618 and 6,346, and Cooper 5,538 and 5,886. The maximum award level for Mr. McMasters at 200% for the 2018-2020 and 2017-2019 performance periods are 15,002 and 16,556, respectively. The number of actual performance shares to be earned will depend on the actual performance for the applicable performance period.

The market value represents the unearned shares multiplied by \$81.30, the closing market price per share of the Company's common stock on December 31, 2018. These shares will be earned to the extent that certain performance targets are achieved for the award periods January 1, 2017 through December 31, 2019 and January 1, 2018 through December 31, 2020. Award levels for the 2018-2020 performance period are shown in the Grants of Plan-Based Awards Table.

## Pension Plans

We maintain two defined benefit pension plans (one tax-qualified and one excess, non-qualified plan) that include NEOs as provided below. Both plans were frozen effective January 1, 2005. On that date all benefits became fully vested and no further benefit accruals have occurred thereafter.

The Pension Plan is a tax qualified plan that was formerly available to all eligible employees and provides benefits based on a formula that yields a monthly amount payable over the participant's life. Benefits from the Pension Plan are paid from the Pension Plan's trust, which is funded solely by the Company.

The Pension SERP provides benefits based on the Pension Plan formula applied to compensation in excess of IRS limits. The Pension SERP is unfunded, but is required to be funded in the event of a change in control of the Company.

The following table shows the present value of accumulated benefits that Messrs. McMasters and Thompson and Ms. Cooper are entitled to under the Pension Plan and Pension SERP:

## PRESENT VALUE OF NEO ACCUMULATED BENEFITS UNDER THE PENSION PLAN AND PENSION SERP

NEO	Pension Plan		Pension SERP			
	Number of Years Credited Service <sup>(1)</sup>	Present Value of Accumulated Benefits <sup>(2)</sup>	Payments During the Last Fiscal Year	Number of Years Credited Service <sup>(1)</sup>	Present Value of Accumulated Benefits <sup>(2)</sup>	Payments During the Last Fiscal Year
Michael P. McMasters <sup>(3)</sup>	25	\$ 848,563	\$ —	25	\$ 234,593	\$ —
Beth W. Cooper <sup>(4)</sup>	17	\$ 177,906	\$ —	—	\$ —	\$ —
Stephen C. Thompson <sup>(4)</sup>	24	\$ 728,371	\$ —	24	\$ 181,458	\$ —

Number of years of service equals total service from date of employment until the plans were frozen. Additionally, on December 31, 2004, in conjunction with the freezing of the Pension Plan and the Pension SERP, each employee participating in such plans was credited with an additional two years of service. Since the Plans are now frozen, service and compensation on or after January 1, 2005 will not affect the benefits available to any participant. Due to the additional two years of credited service, the monthly accrued benefit payable at normal retirement age from the Pension Plan increased as follows: McMasters \$522; Thompson \$520; and Cooper \$236. The monthly accrued benefits at normal retirement age under the Pension SERP increased as follows: McMasters, \$130 and Thompson \$117.

Actuarial present value is based on assumptions and methods used to calculate the benefit obligation under standards established by the Financial Accounting Standards Board (see Note 17 "Employee Benefit Plans" in our 2018 Annual Report on Form 10-K for further details), including:

- Discount rate equal to 4% as of December 31, 2018;
- Mortality rates based on the RP-2014 Mortality Table (adjusted to 2006) with MP-2018 Mortality Improvement Scale;
- Long-term rate of return on Pension Plan assets equal to 6.0%;
- Annuity at normal retirement (age 65) except for Mr. McMasters' Pension SERP, which assumes a lump sum payment at age 65; and
- "Final Average Earnings" equal to the average of "Adjusted W-2 Earnings" during the highest 60 consecutive months taken from the last 120 months before December 31, 2004, when the plans were frozen. Adjusted W-2 Earnings are comprised of W-2 compensation, less performance-based share awards, plus salary deferrals, less fringe benefits. The Internal Revenue Code places limits on annual benefit amounts and annual compensation that can be considered under the Pension Plan; the Pension SERP provides the executive with a benefit as if the limits did not exist. Final Average Earnings used to compute the benefit amounts were as follows: McMasters - \$293,565, Thompson - \$273,815, and

Cooper - \$116,342. The annual benefits that may be paid and the amount of annual compensation that will be considered in connection with the Pension SERP are based on IRS limitations for 2004, which are \$165,000 and \$205,000, respectively.

<sup>3</sup> Mr. McMasters' early retirement benefits under the Pension Plan and Pension SERP are \$4,608 and \$1,143 per month, respectively.

<sup>4</sup> Mr. Thompson's early retirement benefits under the Pension Plan and Pension SERP are \$3,801 and \$858, respectively. Ms. Cooper is not eligible for early retirement under the Pension Plan. She did not participate in the Pension SERP.

Under the Pension Plan and Pension SERP, participants are entitled to receive benefits at the normal retirement age of 65, based upon Final Average Earnings (defined in footnote 2 above) and credited years of service (described in footnote 1 above). The Pension Plan provides a benefit up to the IRS limits and the Pension SERP provides a benefit for additional amounts that would have been earned if the IRS limits did not exist. The accrued monthly benefit for each NEO is determined by calculating one-twelfth of the annual amount of (i) plus (ii), multiplied by (iii):

(i) 1.3% of the Final Average Earnings

(ii) 0.625% of the Final Average Earnings in excess of Covered Compensation, as defined by the IRS

(iii) Credited years of service (but not more than 35 years)

A participant may elect to receive a reduced early retirement benefit beginning at age 55. The early retirement benefit equals the normal retirement benefit reduced by one-fifteenth for each of the first five years, and one-thirtieth for each of the next five years by which the annuity start date precedes the normal retirement date.

For the Pension Plan, the normal form of benefit for a married employee is a joint and survivor annuity. The normal form of benefit for a single employee is a life annuity. Other forms of benefits may be elected, including a lump sum payment. Benefits under the qualified Pension Plan and Pension SERP are not subject to any deduction for Social Security or other offset amounts. The Pension Plan and Pension SERP also include provisions for benefits that the participant's beneficiary or spouse would be entitled to in the event of death or disability.

## Non-Qualified Deferred Compensation Plan

Chesapeake Utilities sponsors the Deferred Compensation Plan for executive officers and directors. The Deferred Compensation Plan is informally funded in a Rabbi Trust. The Deferred Compensation Plan allows:

NEOs to defer any percentage of their performance-based stock awards (excluding any required withholdings). Additionally, non-management directors can elect to defer any percentage of their stock retainers. Participants are entitled to deferred stock units for the performance-based shares and stock retainers. Dividends are paid on the deferred stock units in the same proportion and amount as dividends on the Company's common stock. These dividends are then reinvested into additional deferred stock units. When distributed to participants, the deferred stock units will be settled on a one-for-one basis in shares of the Company's common stock. Deferrals of performance-based stock awards are not eligible for Company matching contributions.

NEOs may also defer a specified percentage (up to 80%) of their eligible cash compensation to the Deferred Compensation Plan. Additionally, non-management directors could elect to defer any percentage of their cash retainer. The Company matches NEO deferrals (up to 6% of eligible compensation) provided there is no duplication of matching in the Retirement Savings Plan. We may also make discretionary contributions to the NEOs.

Discretionary contributions are made to applicable NEOs during the years discretionary contributions are made to the Retirement Savings Plan, for compensation that exceeds the IRS limits applicable to the qualified plan. Participants may allocate their deferrals and the Company's contributions among the same mutual fund choices available to all employees under the Retirement Savings Plan.

The Deferred Compensation Plan is required to comply with Internal Revenue Code Section 409A and procedures established by the Compensation Committee. The requirements include advance elections of deferral amounts. Additionally, participants must select a distribution date and form of distribution at the time of the deferral election. Distributions can be made in a single payment or in annual installments over 2-15 years (prior to January 1, 2014, installments were allowed over 5 or 10 years). The NEOs will not be entitled to receive any payments until six months after his or her date of separation, except under certain circumstances. Payments to the participant may be accelerated in the event of death, disability, change in control, or an unforeseeable emergency. Participants will be individually responsible for any tax obligations related to deferring compensation under the Deferred Compensation Plan. Distributions of deferrals of cash compensation will be paid in cash, while distributions of deferred stock units will be paid in common stock.

All of the NEOs participated in the Deferred Compensation Plan during 2018. The following table reflects the aggregate balance of non-qualified deferred compensation for each Executive NEO.

## NON-QUALIFIED DEFERRED COMPENSATION FOR THE 2018 FISCAL YEAR

	Executive Registrant Deferrals in 2018	Registrant Contributions in 2018 <sup>(1)</sup>	Aggregate Earnings in 2018 <sup>(2)(3)</sup>	Aggregate Withdrawals/ Distributions in 2018	Aggregate Balance at December 31, 2018
Jeffrey M. Householder	\$45,887	\$ 16,211	\$(21,426)	\$0	\$1,318,513
Michael P. McMasters	\$52,500	\$ 41,776	\$97,313	\$(4,348 )	\$4,684,205
James F. Moriarty	\$0	\$ 2,729	\$(192 )	\$0	\$4,546
Beth W. Cooper	\$220,993	\$ 11,711	\$28,819	\$(186,648 )	\$2,203,396
Stephen C. Thompson	\$40,695	\$ 15,048	\$(29,103)	\$0	\$974,631
Elaine B. Bittner	\$20,000	\$ 4,521	\$(31,043)	\$0	\$706,549

<sup>1</sup> Represents our matching and supplemental contributions associated with the Deferred Compensation Plan. These dollars are included in the All Other Compensation column of the Summary Compensation Table.

<sup>2</sup> The investment options available under the Deferred Compensation Plan are the same that are available to all employees under the Retirement Savings Plan. Accordingly, these amounts are not considered above-market or preferential earnings for purposes of, and are not included in, the 2018 Summary Compensation Table.

<sup>3</sup>

Dividends on deferred stock units in the Deferred Compensation Plan are paid at the same rate as dividends on shares of the Company's common stock.

Those amounts, as well as similar awards reported in the Summary Compensation Tables in prior years and matching contributions into the Deferred Compensation Plan previously reported in the Summary Compensation Tables in prior years under All Other Compensation, are included in the Aggregate Balance at December 31, 2018 column and quantified below:

Name	Amount included in both Non-Qualified Deferred Compensation Table and Summary Compensation Table	Amount included in both Non-Qualified Deferred Compensation Table and Prior Years' Summary Compensation Tables
Jeffry M. Householder	\$ 62,098	\$ 897,847
Michael P. McMasters	\$ 94,276	\$ 1,241,763
James F. Moriarty	\$ 2,729	\$ 0
Beth W. Cooper	\$ 232,704	\$ 1,479,589
Stephen C. Thompson	\$ 55,743	\$ 513,895
Elaine B. Bittner	\$ 24,521	\$ 428,322
Termination Provisions		

As of January 1, 2018, the Company and each of the Executive NEOs were parties to a written employment agreement. Subsequent amendments of such employment agreements extended their terms to December 31, 2019. Commensurate with his appointment as President and Chief Executive Officer, Jeffry M. Householder entered into a new employment agreement effective January 1, 2019 as filed with the SEC as Exhibit 10.25 to our 2018 Annual Report on Form 10-K. The following is a description of provisions contained in the employment agreements in effect during 2018.

Each NEO may participate in all bonus, incentive compensation and performance-based compensation plans; all profit-sharing, savings and retirement benefit plans; all insurance, medical, health and welfare plans; all vacation and other employee fringe benefit plans; and other similar policies, plans or arrangements of the Company, all on a basis that is commensurate with his or her position and no less favorable than those generally applicable or made available to the other NEOs or other employees generally. Each NEO was also eligible for a target short-term and long-term equity-based incentive award as determined on an annual basis by the Board or Compensation Committee, as applicable, in its discretion and in accordance with and subject to the terms of the 2015 Cash Plan and SICP, respectively.

Each NEO employment agreement contains a clawback provision that provides that all or any portion of an incentive award under the 2015 Cash Plan and SICP or any future arrangement established by the Company was subject to repayment by the NEO, if the award was calculated based upon the achievement of certain financial results or other performance metrics that, in either case, were subsequently found to be materially inaccurate. If the Compensation Committee determined that the NEO engaged in misconduct, malfeasance or gross negligence in the performance of his or her duties that either caused or significantly contributed to the material inaccuracy in financial statements or other performance metrics, there is no time limit on this right of recovery. In all other circumstances, the right of recovery is limited to one year after the date of payment of each award. The right of recovery of payments automatically terminates upon a change in control except with respect to any right of recovery that had been asserted prior to such change in control.



Each NEO employment agreement contains covenants that protect our goodwill and are effective during the NEO's employment with us and after termination of the agreement. These covenants relate to confidentiality of information; non-solicitation of employees; non-solicitation of third parties; non-competition; post-termination cooperation; and non-disparagement. The non-solicitation and non-competition covenants remain effective for one year after the termination of an NEO's employment. If the NEO resigns for reasons related to certain acts of the Company after a change in control, these covenants remain effective for fifteen months after the resignation. Payments upon termination (described below) are subject to compliance with these provisions and the execution and delivery (and non-revocation) of a release of claims against the Company and its officers, directors, employees and affiliates. In the event that a NEO did not comply with the provisions or did not deliver a release of claims, then payments upon termination would cease and any unpaid amounts would be forfeited.

**Potential Payments Upon Termination or Death.** Under the employment agreements, if the Company terminates an NEO's employment agreement for any reason other than his or her death or "for cause," as specifically defined in the employment agreements, then the NEO would be entitled to receive, as severance compensation, his or her then monthly base compensation for one year after the termination date. Termination by the Company "for cause," termination due to the death, or resignation of the NEO generally does not entitle the NEO to any severance compensation but only to the payment of accrued amounts as yet unpaid. Termination "with cause" generally means termination by the Company for reasons related to a crime involving moral turpitude, theft from the Company, violation of non-competition or confidentiality obligations, or, following a cure period, gross negligence in fulfilling his or her responsibilities. Based upon a hypothetical termination date of December 31, 2018, and assuming the termination is "without cause" the Executive NEO (or his or her estate) would have received a severance benefit (described above) as follows: Jeffrey M. Householder \$345,000, James F. Moriarty \$335,000; Stephen C. Thompson \$350,000; and Beth W. Cooper \$345,000.

Potential Payments Upon a Change in Control. The employment agreements include provisions that are designed to help retain the NEOs in the event of a change in control of the Company. In accordance with the agreements, a change in control occurs upon one of several events involving the replacement of a majority of the members of our Board, the acquisition of ownership of significant percentages of our outstanding stock, or the acquisition of a significant portion of our assets.

If a NEO's employment is terminated after a change in control and while the employment agreement is in effect, by the NEO for "good reason," or by the Company "without cause," as specifically defined in the employment agreement and as described herein, he or she would be entitled to receive, in addition to the sum of all accrued but unpaid amounts due, a single lump sum payment (provided such termination occurs within two years of a change in control) in cash based on the sum of the following:

- Current monthly base compensation multiplied by 24 (multiplied by 36 for the Chief Executive Officer).
- Average of the cash incentive awards paid over the prior three calendar years, multiplied by two (multiplied by three for M the Chief Executive Officer).

Generally, resignation by an NEO "with good reason" can occur when the Company decreases a NEO's position, responsibility, compensation or benefits, and does not cure the change after notice from the NEO. Upon a change in control, each NEO's monthly base compensation may increase by such amounts as the Board may determine from time to time based, in part, on an annual review of the NEOs' compensation and performance. In no event would a NEO's base compensation be decreased. Each NEO would receive health and other insurance benefits for the remainder of the term of his or her employment agreement. Pursuant to each NEO's performance share agreements, in the event of a change in control, the executive immediately earns all unearned performance shares at the target level under the 2017 Equity Incentive Award and 2018 Equity Incentive Award agreements. In addition, each NEO would receive any benefits that he or she otherwise would have been entitled to receive under our Retirement Savings Plan and Deferred Compensation Plan, as of the date of termination, although these benefits are not increased.

The total severance amount payable to a NEO following a change in control is capped at one dollar less than the amount that would be subject to the "golden parachute" limitations under Internal Revenue Code Section 280G. As a result, no excise tax would be levied nor would there be any loss of tax deductibility to the Company as a result of making the severance payment. If the severance as computed exceeds this limitation, the amount payable will be unilaterally reduced to the amount necessary to avoid exceeding the limitations under Internal Revenue Code Section 280G.

Based upon a hypothetical termination date of December 31, 2018, under the terms and conditions of the employment agreements, estimated payments or benefits in connection with a change in control, using \$81.30, the closing market price per share of our common stock on December 31, 2018, the last business day of 2018, would have been as follows:

**ESTIMATED PAYMENTS OR BENEFITS TO EXECUTIVE NEOs IN CONNECTION WITH A CHANGE IN CONTROL<sup>1</sup>**

	Jeffrey Householder	James Moriarty	Beth Cooper	Stephen Thompson
Base Salary (based upon severance multiple)	\$ 690,000	\$ 670,000	\$ 690,000	\$ 700,000
Cash Bonus (based upon severance multiple) <sup>(2)</sup>	\$ 217,116	\$ 289,540	\$ 210,954	\$ 282,752
Healthcare and Other Insurance Benefits <sup>(3)</sup>	\$ 25,354	\$ 14,740	\$ 35,770	\$ 25,313
Unpaid Equity Incentive Compensation <sup>(4)</sup>	\$ 464,386	\$ 446,662	\$ 464,386	\$ 486,337
<b>Total</b>	<b>\$ 1,396,856</b>	<b>\$ 1,420,942</b>	<b>\$ 1,401,110</b>	<b>\$ 1,472,451</b>
Reduced to Not Exceed the IRC 280G Limit <sup>(5)</sup>	\$ —	\$(75,762 )	\$ —	\$ —
<b>Net Amount Payable to Executive</b>	<b>\$ 1,396,856</b>	<b>\$ 1,345,180</b>	<b>\$ 1,401,110</b>	<b>\$ 1,472,451</b>

<sup>1</sup> Mr. McMasters and Ms. Bittner were not included in this table because they are no longer employed by the Company.

<sup>2</sup> The average of the cash incentive awards under the 2015 Cash Plan (or any predecessor plan) for performance in 2015, 2016 and 2017, multiplied by the respective severance multiple. In addition, each NEO is entitled to receive

his or her applicable annual cash incentive award that was earned for performance in 2018 as set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

<sup>3</sup> Based upon the expected healthcare cost per employee for 2018, as provided by the Company's third-party administrator, as well as the term life insurance paid by the Company, and continued coverage for life, accidental death and dismemberment, and long-term disability insurance.

<sup>4</sup> This represents the target awards under the 2017-2019 and 2018-2020 performance periods. The awards are valued at \$81.30 per share, the year-end closing price.

<sup>5</sup> The total severance amount payable to a NEO following a change in control is capped at one dollar less than the amount that would be subject to Internal Revenue Code Section 280G. Pursuant to Section 280G, this amount is calculated by multiplying three times the five-year average of the NEO's W-2 compensation (or the period employed, if less).

Upon a change in control, each NEO is entitled to receive the amounts deferred under the Deferred Compensation Plan, in the form of a lump sum payment.

In accordance with the Treasury Regulations issued under Section 409A of the Internal Revenue Code, each NEO's employment agreement provides that if a separation from service occurs: (i) within two years of a change in control, severance benefits would be paid in a lump sum, or (ii) more than two years after the change in control, the benefits would be paid in equal installments over a one year period. In addition, each employment agreement provides that benefits paid upon a separation from service would be subject to a six-month delay in the commencement of payment if required by Section 409A of the Internal Revenue Code. The NEO would pay the full amount for benefits extended during the six-month delay period (to be reimbursed by the Company with interest) if this delay provision applies.

#### Equity Compensation Plan Information

As of December 31, 2018, there were 725,262 shares reserved under the Company's Dividend Reinvestment and Direct Stock Purchase Plan, 831,183 shares reserved for issuance under the Company's Retirement Savings Plan, and 475,099 shares reserved for issuance under the Company's SICP. The SICP was approved by our stockholders in 2013 and amended by the Compensation Committee in January 2017. There are no outstanding options, warrants or rights under these plans.

#### Compensation Committee Interlocks and Insider Participation

Dianna F. Morgan, Chair, Dennis S. Hudson, III and Calvert A. Morgan, Jr. serve as members of the Compensation Committee. Each member of the Compensation Committee is independent as required by the NYSE Listing Standards. No member of the Compensation Committee, at any time, has been employed by the Company, or been a participant in a related person transaction with the Company. There were no Compensation Committee interlocks or insider (employee) participation during 2018.

#### 8 - OTHER IMPORTANT INFORMATION

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#### Quorum

A quorum must be present in order for business to be conducted at the Meeting. A quorum consists of a majority of the shares of common stock outstanding on our record date. Shares represented at the Meeting in person or by proxy will be counted in determining whether a quorum exists. If you abstain or withhold your vote, your shares will be treated as present and entitled to vote in determining the presence of a quorum. Broker non-votes will be counted as present at the Meeting for quorum purposes, but not voted. The Company's Inspector of Elections will tabulate the votes and determine whether a quorum is present.

#### Soliciting Proxies

The Company will pay all costs relating to the solicitation of proxies. We have hired Georgeson LLC, a proxy solicitation firm, to assist us in soliciting proxies for a fee of \$9,000 plus reasonable expenses. Proxies may be solicited by our directors, officers and employees by personal interview, mail, telephone or e-mail. In addition, we may engage other consultants at our expense to solicit proxies.

#### Revoking a Proxy

You may revoke your proxy at any time before voting is declared closed at the Meeting by: (i) voting at the Meeting in person; (ii) executing and delivering a subsequent proxy; (iii) submitting another timely and later dated proxy by telephone or the internet; or (iv) delivering a written statement to the Corporate Secretary of the Company revoking the proxy.

#### Householding

Stockholders of record who have the same last name and address and who request paper copies of the proxy materials or Annual Report will receive only one copy of the proxy materials. Brokers and banks that hold our stock on your behalf may provide you with one copy of the proxy materials and Annual Report if the bank or broker is aware that more than one stockholder at your address have the same last name or they reasonably believe that the stockholders are members of the same family. If you receive a notice from your broker or bank stating that they intend to send only one copy of the proxy materials to your address, and members of your household do not object, then you will have consented to this arrangement. Stockholders of record that received one copy of the proxy statement or Annual Report as a result of householding may request to receive separate copies of these materials by contacting the Corporate Secretary at Chesapeake Utilities Corporation, 909 Silver Lake Boulevard, Dover, Delaware 19904 or (888) 742-5275. If your shares are held through a broker or bank, you should contact the broker or bank directly to request multiple copies of the proxy statement and Annual Report.



### Stockholder Proposals

To be considered for inclusion in our proxy statement mailed in 2020, stockholder proposals must be received in writing at our principal executive offices on or before December 5, 2019. Stockholder proposals should be directed to the Corporate Secretary at Chesapeake Utilities Corporation, 909 Silver Lake Boulevard, Dover, Delaware 19904. A stockholder wishing to bring business before stockholders at the 2020 Annual Meeting must provide written notice to the Corporate Secretary. The notice must be received by the Company at its principal executive offices not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the 2019 Meeting. In the event that our annual meeting is more than 30 days before or more than 60 days after such anniversary date, you should refer to our Bylaws for specific requirements. In accordance with our Bylaws, a stockholder's notice must include, among other things, a description of the business to be brought before the meeting, Ownership and Rights Information (as defined in our Bylaws), and any other information that would be required to be made in connection with the solicitation of proxies. A stockholder's notice must also include a representation as to the accuracy of the information that is being provided. We have provided additional information in the Board of Directors section of this Proxy Statement under subsection Director Nominations.

### Annual Report on Form 10-K

At your request, we will provide, without charge, a copy of our 2018 Annual Report to Shareholders which contains our Annual Report on Form 10-K for the year ended December 31, 2018. The Annual Report provides financial information to our stockholders. The Annual Report is not, and shall not be considered, "soliciting material," or be "filed" with the SEC nor shall this information be subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended. Please direct all written requests to the Corporate Secretary, Chesapeake Utilities Corporation, 909 Silver Lake Boulevard, Dover, Delaware 19904.









