

CHESAPEAKE UTILITIES CORP

Form 424B2

September 21, 2016

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Filed Pursuant to Rule 424(b)(2)

Registration No. 333-213729

This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but the information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT

(to Prospectus dated September 21, 2016)

SUBJECT TO COMPLETION, DATED SEPTEMBER 21, 2016

Chesapeake Utilities Corporation

Common Stock

Having an Aggregate Offering Price of up to \$52,000,000

We are offering shares of our common stock having an aggregate offering price of up to \$52,000,000. Our common stock is listed on the New York Stock Exchange under the symbol CPK. On September 20, 2016, the last reported sale price of our common stock on the New York Stock Exchange was \$62.18 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-8 of this prospectus supplement for a description of various risks you should consider in evaluating an investment in our common stock.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$

Proceeds, before expenses, to us	\$	\$
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We have granted the underwriters an option for a period of 30 days to purchase up to an additional shares of our common stock (15% of the shares of common stock we are offering). If the underwriters exercise the option in full, the total public offering price will be \$59,800,000, the total underwriting discounts and commissions will be \$, and the total proceeds, before expenses, to the Company will be \$.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect the shares to be ready for delivery on or about , 2016.

Joint Book Running Managers

Wells Fargo Securities

RBC Capital Markets

Senior Co-Managers

Janney Montgomery Scott

Baird

Co-Managers

J.J.B. Hilliard, W.L. Lyons, LLC

Ladenburg Thalmann

U.S. Capital Advisors

BB&T Capital Markets

The date of this prospectus supplement is September , 2016.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. Before investing in our common stock, you should read in their entirety this prospectus supplement, the accompanying prospectus, including the information under the caption **Where You Can Find More Information**, as well as the documents incorporated by reference. These documents contain information you should consider when making your investment decision. You should rely only on the information contained or incorporated by reference into this prospectus supplement or the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different, additional or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates, or in the case of the documents incorporated by reference, the date of such documents regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sales of our common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

References in this prospectus supplement to the **Company**, **Chesapeake**, **we**, **us** and **our** refer to Chesapeake Utilities Corporation and its consolidated subsidiaries, unless the context indicates another meaning. Unless expressly incorporated by reference, information contained on or made available through our website is not a part of this prospectus supplement. Capitalized terms used but not defined in this prospectus supplement shall have the meanings ascribed to them in the accompanying prospectus.

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SUMMARY

*This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement or the accompanying prospectus. Because this is a summary, it is not complete and does not contain all of the information that may be important to you. For a more complete understanding of us and this offering of our common stock, we encourage you to read in their entirety this prospectus supplement, the accompanying prospectus, including the information under the caption *Where You Can Find More Information*, as well as the documents incorporated by reference. You should also read *Risk Factors* beginning on page S- 8 of this prospectus supplement and the section captioned *Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2015, which has been filed with the Securities and Exchange Commission (*SEC*) and is incorporated by reference into this prospectus supplement, for more information about important risks that you should consider before making a decision to purchase any shares of common stock in this offering.*

Our Business

Chesapeake Utilities Corporation is a Delaware corporation formed in 1947. We are a diversified energy company engaged, through our operating divisions and subsidiaries, in various energy and other businesses. We operate primarily on the Delmarva Peninsula and in Florida, Pennsylvania and Ohio, largely providing natural gas distribution and transmission, natural gas supply, gathering and processing, electric distribution and propane distribution service. The core of our business is regulated energy services, which provides stable earnings through our utility operations. Our unregulated businesses provide opportunities to achieve returns greater than those of a traditional utility. The following charts present operating income by type of energy served and geographic area for the year ended December 31, 2015 and average investment by type of energy served and geographic area as of December 31, 2015.

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Operating Income by Energy Served and Geographic Area

Average Investment by Energy Served and Geographic Area

We operate within two reportable segments: Regulated Energy and Unregulated Energy. The Regulated Energy segment includes our natural gas distribution, natural gas transmission and electric distribution operations. All operations in this segment are regulated, as to their rates and service, by the public service commission (PSC) having jurisdiction in each state in which we operate or by the Federal Energy Regulatory Commission (FERC) in the case of Eastern Shore Natural Gas Company (Eastern Shore). The Unregulated Energy segment includes our propane distribution, propane wholesale marketing, natural gas marketing and natural gas supply, gathering and processing services, which are unregulated as to their rates and services. Also included in this segment are other unregulated energy services, such as energy-related merchandise sales; heating, ventilation, and air conditioning, plumbing, and electrical services; and electricity and steam generation services from the combined heat and power (CHP) plant we recently placed into service in Amelia Island, Florida.

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The remainder of our operations is presented as Other businesses and eliminations, which consists of unregulated subsidiaries that own real estate leased to Chesapeake Utilities, as well as certain corporate costs not allocated to other operations.

Regulated Energy

Regulated Energy is our largest segment and consists of: (i) our natural gas distribution operations in Delaware, Maryland and Florida; (ii) our electric distribution operation in Florida; and (iii) our natural gas transmission operations on the Delmarva Peninsula and in Florida. Our natural gas and electric distribution operations, which are local distribution utilities, generate revenues based on tariff rates approved by the PSC of each state in which we operate. The PSCs have also authorized our utilities to negotiate rates, based on approved methodologies, with customers that have competitive alternatives. Some of our customers in Maryland are currently served with propane under PSC-approved tariff rates as we prepare to convert some of our underground propane distribution system customers to natural gas. These customers are included in the Delmarva natural gas distribution operation.

Eastern Shore, our interstate natural gas transmission subsidiary, bills its customers based upon FERC-approved tariff rates. Eastern Shore is also authorized by FERC to negotiate rates above or below FERC-approved tariff rates. Peninsula Pipeline, our Florida intrastate pipeline subsidiary, is subject to regulation by the Florida PSC, and has negotiated contracts with third-party customers and with certain affiliates. Our rates are designed to provide the opportunity to generate revenues to recover all prudently incurred costs and provide a return on rate base sufficient to pay interest on debt and a reasonable return for our stockholders. Rate base generally consists of the original cost of utility plant less accumulated depreciation on utility plant in service, working capital and certain other assets and, depending upon the particular regulatory jurisdiction, may also include deferred income tax liabilities and other additions or deletions.

The natural gas commodity market for Chesapeake Utilities Florida division and FPU s Indiantown division is deregulated. Accordingly, marketers, rather than a traditional utility, sell natural gas to end-use customers in those jurisdictions. For all of our other local distribution utilities, we have fuel cost recovery mechanisms authorized by the PSCs that allow us to periodically adjust fuel rates to reflect changes in the wholesale cost of natural gas and electricity and to ensure we recover all of the costs prudently incurred in purchasing natural gas and electricity for our customers.

Unregulated Energy

Our Unregulated Energy segment provides propane distribution, propane wholesale marketing, natural gas marketing, supply, gathering and processing and other unregulated energy-related services to customers. Revenues generated from this segment are not subject to any federal, state or local pricing regulations. Our businesses in this segment typically complement our regulated businesses by offering propane as a fuel source where natural gas is not readily available, or by providing natural gas marketing, supply, gathering and processing services to our customers. Through competitive pricing and supply management, these businesses provide the opportunity to generate returns greater than those of a traditional utility.

Our propane distribution operations sell propane primarily to residential, commercial/industrial and wholesale customers in Delaware, Maryland, Virginia and in southeastern Pennsylvania through Sharp and Sharpgas, and in Florida through FPU and Flo-gas. Many of our propane distribution customers are bulk delivery customers. We make deliveries of propane to the bulk delivery customers as needed, based on the level of propane remaining in the tank located at the customer s premises. We invoice and record revenues for our bulk delivery service customers at the time of delivery, rather than upon customers actual usage, since the customers typically own the propane gas in the tanks on their premises. We also have underground propane distribution systems serving various neighborhoods and communities. Such customers are billed

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monthly based on actual consumption, which is measured by meters installed on their premises. In Florida, we also offer metered propane distribution service to residential and commercial customers. The customers' tanks are metered, and we read and bill the customers once a month.

Other Businesses

Other businesses consists primarily of other unregulated subsidiaries, including Skipjack and ESRE that own real estate leased to affiliates; and certain unallocated corporate costs, which are not directly attributable to a specific business unit. Skipjack and ESRE own and lease office buildings in Delaware and Maryland to divisions and other subsidiaries of Chesapeake Utilities.

Recent Developments

In June 2016, we commenced operations of our first CHP plant in Amelia Island, Florida, through our newest subsidiary, Eight Flags Energy. We anticipate that the CHP plant will yield significant cost-savings for customers on Amelia Island, while also providing environmental benefits, such as reduced greenhouse gas emissions and lower water use than conventional utility power plants.

Corporate Information

Our principal executive office is located at 909 Silver Lake Boulevard, Dover, Delaware 19904, and our telephone number is (302) 734-6799. Our website address is <http://www.chpk.com>. Information on our website does not constitute part of this prospectus.

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THE OFFERING

Common stock offered	shares (plus an additional shares if the underwriters exercise their option to purchase additional shares in full)
Shares to be outstanding after this offering	shares (or shares outstanding if the underwriters exercise their option to purchase additional shares in full)(1)
Use of proceeds	We estimate that our net proceeds from this offering will be approximately \$ million (or approximately \$ million if the underwriters exercise their option to purchase additional shares in full), after deducting the underwriting discounts and commissions and other offering expenses. We intend to use these proceeds to pay down certain of our short-term revolving debt, which will increase our borrowing availability under these facilities for future capital needs.
Risk factors	Please read Risk Factors on page S-8 and the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Current indicated annualized dividends per share	\$1.22(2)
Exchange Listing	Our common stock is traded on the New York Stock Exchange under the symbol CPK
Transfer Agent and Registrar	Computershare Trust Company, N.A.

(1) The number of shares outstanding after the offering is based on approximately 15,336,799 shares outstanding as of September 7, 2016 and includes the shares to be sold by us in this offering. The number of shares outstanding after the offering does not include the 831,183, 742,245 or 539,374 shares of our common stock reserved as of September 15, 2016 for issuance under the Retirement Savings Plan, Dividend Reinvestment and Direct Stock Purchase Plan or the 2013 Stock and Incentive Compensation Plan, respectively.

(2) Based upon our most recently declared quarterly dividend of \$0.3050 per share of our common stock. Future dividends, if any, may be declared and paid at the discretion of our board of directors and will depend on our future earnings, financial condition and other factors.

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In the table below, we provide you with certain summary financial information. We have derived the income statement data for each of the years in the three-year period ended December 31, 2015 and the balance sheet data as of December 31, 2014 and 2015 from our audited consolidated financial statements incorporated by reference in this prospectus supplement. We have derived the income statement data for the six months ended June 30, 2015 and 2016 and the balance sheet data as of June 30, 2016 from our unaudited consolidated financial statements incorporated by reference in this prospectus supplement. The unaudited condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements and, in the opinion of management, include all adjustments (including normal recurring accruals) necessary for a fair presentation of such data. The results for the interim periods are not necessarily indicative of results for a full year. The financial information below is only a summary and should be read together with, and is qualified in its entirety by reference to, the financial information incorporated by reference in the accompanying prospectus. See the information under the captions "Where You Can Find More Information" and "Incorporation of Certain Information by Reference" in the accompanying prospectus.

	Fiscal Year Ended			Six Months Ended	
	December 31, 2013	December 31, 2014	December 31, 2015	June 30, 2015	June 30, 2016
(\$ in thousands, except per share amounts)					
(Unaudited)					
Income Statement Data:					
Revenue					
Regulated Energy	\$ 264,637	\$ 300,442	\$ 301,902	\$ 171,642	\$ 156,611
Unregulated Energy	166,723	184,961	162,108	91,121	92,027
Other businesses and eliminations	12,946	13,431	(4,766)		
Total revenues	\$ 444,306	\$ 498,834	\$ 459,244	\$ 262,763	\$ 248,638
Operating income					
Regulated Energy	\$ 50,084	\$ 50,451	\$ 60,985	\$ 35,788	\$ 39,545
Unregulated Energy	12,353	11,723	16,355	14,689	12,347
Other businesses and eliminations	297	105	418	201	230
Total operating income	\$ 62,734	\$ 62,279	\$ 77,758	\$ 50,678	\$ 52,122
Net income	\$ 32,787	\$ 36,092	\$ 41,140	\$ 27,403	\$ 28,396
Average common shares outstanding (basic)	14,430,962	14,551,308	15,094,423	14,922,094	15,300,931
Average common shares outstanding (diluted)	14,543,446	14,604,944	15,143,373	14,970,190	15,342,287
Basic earnings per share	\$ 2.27	\$ 2.48	\$ 2.73	\$ 1.84	\$ 1.86
Diluted earnings per share	\$ 2.26	\$ 2.47	\$ 2.72	\$ 1.83	\$ 1.85
Cash Flow Data:					
Cash dividends declared per share	\$ 1.0133	\$ 1.0667	\$ 1.1325	\$ 0.5575	\$ 0.5925
Capital expenditures (Including acquisitions)	\$ 128,240	\$ 98,057	\$ 195,261	\$ 117,267	\$ 70,045

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(\$ in thousands)	At December 31,		At June 30,	
	2014	2015	2015	2016
Balance Sheet Data:			(Unaudited)	
Gross property, plant and equipment	\$ 883,131	\$ 1,070,263	\$ 995,479	\$ 1,138,633
Net property, plant and equipment	\$ 689,762	\$ 854,950	\$ 790,449	908,807
Total assets	\$ 904,469	\$ 1,068,586	\$ 970,636	1,097,047
Total stockholders' equity	\$ 300,322	\$ 358,138	\$ 351,176	379,554
Long-term debt, net of current maturities	158,486	149,340	156,247	143,865
Total capitalization	\$ 458,808	\$ 507,478	\$ 507,423	\$ 523,419
Current portion of long-term debt	\$ 9,109	\$ 9,151	\$ 9,127	\$ 12,075
Short-term borrowing	88,231	173,397	94,713	180,042
Total capitalization and short-term borrowing	\$ 556,148	\$ 690,026	\$ 611,263	\$ 715,536
Equity as a % of total capitalization	65.46%	70.57%	69.21%	72.51%
Equity as a % of total capitalization and short-term borrowing	54.00%	51.90%	57.45%	53.04%

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RISK FACTORS

An investment in our common stock involves risks. You should read carefully the risks and uncertainties described below and the Risk Factors section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which is incorporated by reference into this prospectus supplement and the accompanying prospectus, in addition to the other information set forth or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment an investment decision. Also, these risks are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition, or results of operations could be materially adversely affected by the materialization of any of these risks. The trading price of our securities could decline due to the materialization of any of these risks and you may lose all or part of your investment.

Risks relating to the Company's Common Stock

The market price of the Company's common stock may fluctuate significantly, which could negatively affect the Company and holders of its common stock. Such fluctuations in price may occur from time to time as a result of many factors, including but not limited to:

investors' perceptions of the prospects of the Company and the energy and commodities markets;

investors' perceptions of the Company's and/or the industry's risk and return characteristics relative to other investment alternatives;

differences between our actual financial and operating results and those expected by investors and analysts;

changes in analyst reports, recommendations or earnings estimates regarding the Company, other comparable companies or the industry generally, and the Company's ability to meet those estimates;

actual or anticipated fluctuations in quarterly financial and operating results;

volatility in the equity securities market; and

sales, or anticipated sales, of large blocks of the Company's common stock.

The Company cannot predict the effect that issuances or sales of its common stock, including pursuant to this offering, may have on the market price for its common stock. The issuance and sale of substantial amounts of common stock, including issuances and sales pursuant to this offering, could adversely affect the market price of the Company's common stock.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement and the accompanying prospectus include and incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identifiable by use of the words believe, expect, intend, anticipate, plan, estimate, project or similar expressions. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Actual results could differ materially from those in forward-looking statements because of, among other reasons, the factors described under Risk Factors in this prospectus and Item 1A Risk Factors in our Annual Report on Form 10-K and in the periodic reports that we file with the SEC, as well as the following:

state and federal legislative and regulatory initiatives (including deregulation) that affect cost and investment recovery, have an impact on rate structures, and affect the speed at, and the degree to, which competition enters the electric and natural gas industries;

the outcomes of regulatory, tax, environmental, and legal matters, including whether pending matters are resolved within current estimates and whether the costs associated with such matters are adequately covered by insurance or recovered in rates;

the weather and other natural phenomena, including the economic, operational, and other effects of hurricanes, ice storms, and other damaging weather events;

industrial, commercial, and r