

CHESAPEAKE UTILITIES CORP
Form PRE 14A
March 24, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

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 Soliciting Material Under Rule 14a-12

Confidential, For Use of the
Commission Only (as permitted
by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Chesapeake Utilities Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Notice of 2017 Annual Meeting of Stockholders

Wednesday, May 3, 2017 9:00 a.m. Eastern Time

The Board Room of PNC Bank, NA, 222 Delaware Avenue, 18th Floor, Wilmington, DE 19801

April 5, 2017

Dear Stockholder,

On May 3, 2017, Chesapeake Utilities Corporation (the "Company") will be holding its 2017 Annual Meeting of Stockholders (the "Meeting"). Stockholders of record at the close of business on March 10, 2017 will be asked to:

Elect four Class III directors named in the attached Proxy Statement;

- Vote to amend the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 25,000,000 to 50,000,000; and

Cast a non-binding advisory vote for each of the following items:

Approval of the compensation of the Company's named executive officers;

Vote on the frequency for which the advisory vote to approve the compensation of the Company's named executive officers is taken; and

Ratification of the appointment of the Company's independent registered public accounting firm.

Stockholders will also transact any other business that is properly brought before the Meeting and 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 you are being asked to vote on.

If you own shares through your bank, broker or other institution or in an account established under one of the Company's deferred compensation plans, 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

Senior Vice President, General Counsel and Corporate Secretary

Important Notice Regarding the Availability of Proxy Materials. This Notice for the Annual Meeting of Stockholders to be held on May 3, 2017, the attached Proxy Statement, our 2016 Annual Report on Form 10-K, and directions to the Annual Meeting are available at www.chpk.com/proxymaterials.

909 Silver Lake Boulevard, Dover, DE 19904 www.chpk.com (888) 742-5275

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PROXY SUMMARY

The next several pages provide you with an overview of the sections within our Proxy Statement. You should consider all of the information available in the Proxy Statement prior to voting your shares. Additional information on Chesapeake Utilities Corporation's (the "Company") performance in 2016 can be found in our 2016 Annual Report on Form 10-K.

2017 Annual Meeting Information

Time and Date: 9:00 a.m. Eastern Time on Wednesday, May 3, 2017

Location: Board Room of PNC Bank, N.A., 222 Delaware Avenue, 18th Floor, Wilmington, Delaware 19801

Record Date: March 10, 2017

Voting: Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each other proposal to be voted on.

Voting Your Shares

We encourage you to vote by proxy, even if you plan to attend the 2017 Annual Meeting of Stockholders (the "Meeting"). Your vote is important. For your convenience, you can vote 24/7 by using any of the methods below. Please have your Proxy Card available when voting.

If you own shares through your bank, broker or other institution or in an account established under one of the Company's deferred compensation plans, you will receive separate instructions on how you can vote the shares you own in those accounts.

Items of Business

Proposal Number	Description	Board of Directors' Vote Recommendation
1	Election of four Class III directors to serve three-year terms ending in 2020 and until their successors are elected and qualified.	FOR
2	Vote to amend the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 25,000,000 to 50,000,000.	FOR
3	Non-binding advisory vote to approve the compensation of the Company's named executive officers.	FOR
4	Non-binding advisory vote on the frequency of stockholder advisory votes to approve the compensation of the Company's named executive officers.	ONE YEAR
5	Non-binding advisory vote to ratify the appointment of the Company's independent registered public accounting firm.	FOR

Election of Directors (Proposal 1)

Currently, the Company has 10 directors on its Board of Directors (the “Board”). The following table provides summary information about each director nominee standing for re-election to the Board. Upon recommendation of the Corporate Governance Committee, the Board nominated four incumbent directors - Thomas J. Bresnan, Ronald G. Forsythe, Jr., Dianna F. Morgan, and John R. Schimkaitis. Additional information for all of our directors, including these nominees, may be found beginning on page 4.

Name	Age	Director Since	Principal Occupation	Independent	Committee Memberships	Experience and Skills
Thomas J. Bresnan	64	2001	Owner and President, Accounting and Business School of the Rockies and Denver Accounting Services	Yes	Chair, Audit Committee Member, Investment Committee	<ul style="list-style-type: none"> • Executive Management • Sales and Marketing • Technology • Financial Expert • Technology • Market Knowledge and Economic Development (Delmarva Peninsula)
Ronald G. Forsythe, Jr.	48	2014	President and Chief Executive Officer, Quality Health Strategies	Yes	Member, Audit Committee	<ul style="list-style-type: none"> • Organizational Positioning • Financial Expert • Leadership Development and Organizational Culture
Dianna F. Morgan	65	2008	Former Senior Vice President of Public Affairs and Human Resources, Walt Disney World Company	Yes	Chair, Compensation Committee	<ul style="list-style-type: none"> • Customer Experience • Media Relations • Government Relations • Executive Management
John R. Schimkaitis	69	1996	Chair of the Board of Directors, Chesapeake Utilities Corporation	Yes	Chair, Investment Committee	<ul style="list-style-type: none"> • Leadership Development • Energy Industry • Market Knowledge (Delmarva Peninsula and Florida)

Vote to Amend the Company's Amended and Restated Certificate of Incorporation to Increase the Number of Authorized Shares of Common Stock from 25,000,000 to 50,000,000
(Proposal 2)

We are asking stockholders to vote to amend the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 25,000,000 to 50,000,000. The proposed increase in the authorized number of shares of common stock is intended to ensure that there will be a sufficient number of authorized but unissued shares available for issuance in the future for general corporate purposes, possible financing and other corporate transactions, and other purposes which the Board may determine are appropriate. Additional information regarding the proposed amendment to the Company's Amended and Restated Certificate of Incorporation may be found in Proposal 2 - Vote to Amend the Company's Amended and Restated Certificate of Incorporation to Increase the Number of Authorized Shares of Common Stock From 25,000,000 to 50,000,000 on page 9.

Non-Binding Advisory Vote to Approve the Compensation of the Company's Named Executive Officers (Proposal 3)

We are asking stockholders to cast a non-binding, advisory vote to approve the compensation awarded to our named executive officers (or a "say-on-pay" vote). The Compensation Committee, which is comprised solely of independent directors, reviews executive compensation annually. The Compensation Committee has engaged Frederic W. Cook & Co., an independent compensation consultant, to advise the Committee on the executive compensation program. The executive compensation program focuses on aligning total compensation with our business objectives and performance to enable the Company to attract, retain and reward individuals who contribute to the long-term success of the Company and thus, increase stockholder value. Additional information regarding our executive compensation may be found in the Compensation Discussion and Analysis and Executive Compensation sections of this Proxy Statement.

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At the 2014 Annual Meeting of Stockholders, Chesapeake's stockholders demonstrated their support of the compensation of our named executive officers by casting approximately 93.9 percent of "say-on-pay" votes in favor of our executive compensation.

Non-Binding Advisory Vote on the Frequency of Stockholder Advisory Votes to Approve the Compensation of the Company's Named Executive Officers (Proposal 4)

In addition to expressing your view on the compensation of our named executive officers as described in Proposal 3, we are requesting that stockholders vote, on a non-binding, advisory basis, on whether the Company should hold a "say-on-pay" vote every one, two or three years. You may also choose to abstain from voting on the matter. The Board of Directors believes that holding a "say-on-pay" vote every year is appropriate.

Non-Binding Advisory Vote to Ratify the Appointment of the Independent Registered Public Accounting Firm (Proposal 5)

We are asking stockholders to cast a non-binding advisory vote to ratify the appointment of Baker Tilly Virchow Krause, LLP ("Baker Tilly") as our independent registered public accounting firm for 2017. Please refer to page 13 for additional details on the process the Audit Committee used to evaluate Baker Tilly's qualifications, performance and independence. The table below provides a summary of the aggregate fees for professional services billed to the Company and its subsidiaries by Baker Tilly in 2016 and 2015.

Types of Fees	2016	2015
Audit Fees	\$848,450	\$767,176
Audit-Related Fees	\$80,183	\$54,238
Tax and Other Fees	\$0	\$0

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Corporate Governance Summary

The Board:

- is comprised of 90 percent independent directors
- is comprised of directors with a broad range of leadership, professional skills, and experience which, when taken as a whole, complement the nature of our business and support the Company's long-term strategic focus
- has active Board engagement with each director participating in 75 percent or more of the Board meetings held in 2016
- ensures that the Company's risk management framework is sufficient given the risks present in the Company's business activities
- regularly considers and addresses Board succession planning to ensure substantive expertise and experience are aligned with the Company's long-term strategic plan
- adopted a policy that prohibits directors from serving on more than two public company boards in addition to the Company
- adopted a director resignation policy in uncontested director elections
- has access to senior management and independent advisors
- engages in a comprehensive annual self-evaluation process, including the Chair of the Board and the Chair of the Corporate Governance Committee conducting one-on-one discussions with each director and implementing modifications to the evaluation methodology
- approves director compensation arrangements that are designed to encourage performance that aligns the interests of directors with those of our stockholders

The Audit, Compensation, and Corporate Governance Committees:

- are all comprised entirely of independent directors, with the Audit Committee comprised of four "financial experts"
- annually review their Charters to ensure that they are continuously aligned with evolving Committee responsibilities
- engage in comprehensive annual self-evaluation processes
- have active Committee member engagement with all members of each such Committee participating in 75 percent or more of the respective Committee meetings held in 2016

Executive Compensation Summary

The Compensation Committee:

- is comprised of independent directors who administer the Company's executive compensation program
- retains an independent compensation consultant to advise the Committee on the executive compensation program and other compensation matters
-

annually reviews the executive compensation program to align the program with the Company's objectives

- uses multiple performance measures in the cash and equity incentive plans that focus on both short-term performance as well as long-term execution of our strategic plan and shareholder return
- considers peer group and benchmarking data in its review of the executive compensation program
- does not change the elements of the executive compensation program significantly from year to year
- retains discretion in administering awards and performance goals, and determining performance achievement
- caps the maximum amount that can be earned for any performance period for an incentive award

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The Named Executive Officers:

- have compensation that is tied to performance, thereby aligning a significant portion of executive compensation payouts with the interests of stockholders
- are evaluated using a variety of quantitative metrics, including total shareholder return relative to a peer group, under the long-term incentive plan
- are subject to a compensation recovery policy
- participate in the same benefits that are available to other employees
- have a cap on their life insurance benefit that is provided to employees of the Company
- have no perquisites other than a Company vehicle that is available for personal use but which is treated as compensation
- do not receive excise tax gross-up protections
- do not receive additional compensation or additional future years of service under the non-qualified defined benefit pension plan
- receive dividends on equity incentive awards only to the extent the awards are earned and in proportion to the shares actually earned
- may not engage in hedging transactions and generally may not pledge any Company stock – no executive has hedged or pledged shares in 2016 or as of the date of this Proxy Statement
- are subject to a double-trigger change-in-control vesting provision under the Company's 2013 Stock and Incentive Compensation Plan approved by stockholders in 2013

PROXY STATEMENT

The enclosed proxy materials are being sent at the request of the Board of Directors (the "Board") of Chesapeake Utilities Corporation (the "Company") to encourage you to vote your shares at the 2017 Annual Meeting of Stockholders (the "Meeting") to be held on May 3, 2017, and any adjournment or postponement of the Meeting. This Proxy Statement contains information on matters that will be presented at the Meeting and is provided to assist you in voting your shares.

VOTING INFORMATION

Meeting Time, Date and Location

The Meeting will be held at 9:00 a.m. Eastern Time on Wednesday, May 3, 2017, in the Board Room of PNC Bank, N.A., 222 Delaware Avenue, 18th Floor, Wilmington, Delaware 19801.

Who May Vote

Holders of the Company's common stock at the close of business on March 10, 2017, the record date established by the Board, are entitled to vote at the Meeting. There were 16,331,889 shares of our common stock outstanding as of this date. 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 named executive officers and directors of the Company, collectively, have the power to vote 4.16 percent of these shares.

Proposals Requiring Your Vote

The named executive officers and directors intend to vote their shares of common stock as follows:

Proposal Number	Description	Vote Recommendation
1	Election of four Class III directors to serve three-year terms ending in 2020 and until their successors are elected and qualified.	FOR
2	Vote to amend the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 25,000,000 to 50,000,000.	FOR
3	Non-binding advisory vote to approve the compensation of the Company's named executive officers.	FOR
4	Non-binding advisory vote on the frequency of stockholder advisory votes to approve the compensation of the Company's named executive officers.	ONE YEAR
5	Non-binding advisory vote to ratify the appointment of the Company's independent registered public accounting firm.	FOR

The appointed proxies will vote pursuant to their discretion on any other matter that is brought before the Meeting and at any adjournment or postponement of the Meeting in accordance with our Amended and Restated Bylaws, as amended (the "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, the appointed proxy will be voted in line with management's and the Board's recommendation for each Proposal and pursuant to the 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 10, 2017, 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, Proposal 2 - amendment to the Company's Amended and Restated Certificate of Incorporation, Proposal 3 - advisory vote to approve the compensation of the Company's named executive officers, and Proposal 4 - advisory vote on the frequency of "say-on-pay" votes to approve the compensation of the Company's named executive officers; however, your institution will be able to vote your shares on Proposal 5 - 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, 2, 3, and 4. We will reimburse the institution for reasonable expenses incurred in connection with their solicitation. If you plan to attend the Meeting, you will need to bring a valid proxy from the 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. If you own shares through your bank, broker or other institution or in an account established under one of the Company's deferred compensation plans, 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.

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.

PROPOSAL 1 – ELECTION OF DIRECTORS

Nominees for Election

General Information. As of the date of this Proxy Statement, the entire Board consists of ten directors divided into three classes. Directors are elected to serve three-year terms. Directors are elected by a plurality of the votes cast by the holders of the shares present in person or represented by proxy at the Meeting. In December 2015, the Board amended the Company’s Corporate Governance Guidelines to adopt a director resignation policy that would apply in cases where a nominee for director receives more “withheld” votes than votes “for” his or her election in an uncontested director election at a stockholder meeting. The Corporate Governance Guidelines are available at www.chpk.com/our-company/corporate-governance/.

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.

Director Biographies, Key Attributes, Experience and Skills. Beginning on page 4, a description is provided for each of the director nominees and continuing director’s principal occupation and employment, principal business, affiliations, and other business experience during the past five years.

Overview of the Process for Nominating Directors. Prior to nominating directors, the Corporate Governance Committee considers each candidate selected and the criteria described under the Director Nomination Process on page 22. 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 skills and attributes that complement the nature of our business and support the Company’s 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. The Board, upon recommendation of the Corporate Governance Committee, has nominated four incumbent directors - Thomas J. Bresnan, Ronald G. Forsythe, Jr., Dianna F. Morgan, and John R. Schimkaitis. If elected, these directors will serve as Class III directors until the 2020 Annual Meeting of Stockholders and until their successors are elected and qualified. If, prior to the election, any of the nominees become unable or unwilling to serve as a director of the Company (an eventuality that we do not anticipate), all proxies will be voted for any substitute nominee who may be designated by the Board pursuant to the recommendation of the Corporate Governance Committee.

Nominees for Election (continued)

Class III Directors (Terms Expire in 2020)

Thomas J. Bresnan

Director Since 2001

Independent Director

Age 64

Audit Committee Chair / Audit Committee Financial Expert / Investment Committee Member

Mr. Bresnan is owner and President of the Accounting & Business School of the Rockies, a post-secondary vocational school specializing in Accounting, Business and Computer Proficiency Certificate Programs. He is also owner and President of Denver Accounting Services, a small business accounting firm. Mr. Bresnan currently serves as a director of Global LT, which provides language training services. From 2008 to 2012, he served as a majority stockholder, President and Chief Executive Officer of Schneider Sales Management, LLC, a provider of sales consulting and skills assessment services, and a publisher of proprietary sales training materials. From 1999 to 2006, Mr. Bresnan was Chief Executive Officer of New Horizons Worldwide, Inc. ("New Horizons"), an information technology training company. At New Horizons he also served as President and was on the Board of Directors from 1993 to 2006. Prior to his employment with New Horizons, he served as President of Capitol American Life Insurance and Chief Financial Officer at Capitol American Finance. Mr. Bresnan began his professional career at Arthur Andersen & Co.

Key Attributes, Experience and Skills: Mr. Bresnan has extensive executive management experience as well as significant financial expertise. Mr. Bresnan was Chief Executive Officer and President of New Horizons, a technology service provider, for more than a decade. While at New Horizons, Mr. Bresnan gained in-depth experience in consummating acquisitions and facilitating the post-acquisition integration process. Mr. Bresnan also previously lead a team of sales and marketing personnel in his role as Owner and President of Schneider Sales Management. His management expertise continues to be augmented through his business experience, including in his current roles as Owner and President of the Accounting & Business School of the Rockies, and Denver Accounting Services. Mr. Bresnan previously served as a manager with a former public accounting firm and Chief Financial Officer at Capitol American Finance. His experience and leadership in these roles have been valuable in his service as a director and in leading the Audit Committee in its oversight role regarding reporting of the Company's results of operations, the effectiveness of its internal controls, risk management, and compliance with regulations.

Ronald G. Forsythe, Jr.

Director Since 2014

Independent Director

Age 48

Audit Committee Member / Audit Committee Financial Expert

Dr. Forsythe is President and Chief Executive Officer of Quality Health Strategies ("QHS"), an organization that delivers value with data analytics and innovative techniques that improve health services and programs. He served as QHS' Chief Operating Officer from 2012 until his appointment as Chief Executive Officer in July 2015. Prior to QHS, Dr. Forsythe served as Vice President for Planning, Assessment, Technology and Commercialization, and Chief Information Officer at the University of Maryland Eastern Shore ("UMES"). Currently, Dr. Forsythe serves on the Regional Advisory Board of Branch Banking and Trust Company, a U.S. financial services holding company. Dr. Forsythe's previous Board affiliations include serving on the Board of the Peninsula Regional Medical Center Foundation, the Board of Quality Health Foundation and Horizons® at the Salisbury School. Dr. Forsythe also served on the Advisory Board for the Worcester County, Maryland School System STEM Initiative.

Key Attributes, Experience and Skills: Dr. Forsythe has an extensive background in management, operations and technology. As President and Chief Executive Officer of QHS, he provides leadership for the shared services that QHS delivers. Dr. Forsythe previously served as the Vice President for Technology and Commercialization at UMES. During his tenure at UMES, he focused on technological advancements, organizational positioning, and community engagement, which contributed to the development, growth and expansion of the university. Dr. Forsythe led the implementation of several projects at UMES that made the Eastern Shore more eco-friendly in its use of energy. Dr. Forsythe provided consulting services to the eighth largest water and wastewater utility in the United States where he

led an assessment of information technology and communications infrastructure, security practices, and operating procedures. Dr. Forsythe has established personal and professional relationships throughout the Delmarva Peninsula and a solid understanding of the Delmarva Peninsula market.

Nominees for Election (continued)

Dianna F. Morgan
Director Since 2008
Independent Director

Age 65

Compensation Committee Chair

Ms. Morgan retired in 2001 from Walt Disney World Company where she served as Senior Vice President of Public Affairs and Human Resources. During her tenure at Walt Disney World Company, she oversaw the Disney Institute – a recognized leader in experiential training, leadership development, benchmarking and cultural change for business professionals around the world. Ms. Morgan is the past Chair of the Board of Trustees for the University of Florida. She currently serves on the Board of Directors of Marriott Vacations Worldwide Corporation and the Board of Trustees for Hersha Hospitality Trust. Ms. Morgan is also a member of the Board of Directors of CNL Healthcare Properties, Inc. and Orlando Health. She is Vice Chair of the Board of Grace Medical Home, Inc. Ms. Morgan previously served as a director of CNL Hotel & Resorts, CNL Bancshares, Inc., and was past Chair of the national board for the Children’s Miracle Network.

Key Attributes, Experience and Skills: Ms. Morgan has extensive experience serving as a board member of both private and public companies. Ms. Morgan’s previous employment experience overseeing the Disney Institute, which provides leading professional development programs, and serving as Senior Vice President of Human Resources for Walt Disney World Company have provided extensive knowledge of leadership development programs and organizational culture. In addition, Ms. Morgan’s experience as Senior Vice President of Public Affairs for Walt Disney World Company has provided her with a solid foundation in media relations and government relations. As an accomplished senior manager at Walt Disney World Company in these areas, Ms. Morgan brings “best practice” expertise in human capital, public affairs and the customer experience.

John R. Schimkaitis
Director Since 1996
Independent Director

Age 69

Chair of the Board / Investment Committee Chair

Mr. Schimkaitis was appointed Chair of the Board in May 2015. He served as Vice Chair of the Board from March 2010 to May 2015. He held the position of Chief Executive Officer of the Company from January 1999 until his retirement in December 2010. Mr. Schimkaitis served as President of the Company from 1997 until 2010. During his tenure with the Company, Mr. Schimkaitis also served as Chief Operating Officer, Chief Financial Officer, Executive Vice President, Senior Vice President, Vice President, Treasurer, Assistant Treasurer, and Assistant Corporate Secretary.

Key Attributes, Experience and Skills: Mr. Schimkaitis has more than forty years of experience in the utilities industry, twenty-five years of which were spent in key management roles within the Company. Mr. Schimkaitis’ leadership of the Company from 1999 to 2010 was a period of growth and diversification. In 2009, Mr. Schimkaitis successfully led the Company through the FPU acquisition, the largest transaction in the Company’s history. Mr. Schimkaitis’ knowledge of the utility industry, the Delmarva and Florida markets, as well as his leadership skills have been instrumental to the success of the Company, driving the growth of the Company from a \$95 million market capitalization company in 1999 to approximately \$395 million at the end of 2010. Throughout his tenure, Mr. Schimkaitis’ business acumen and skills have contributed to the Company’s continued growth.

Continuing Directors

Class I Directors (Terms Expire in 2018)

Thomas P. Hill, Jr.

Director Since 2006

Independent Director

Age 68

Audit Committee Member / Audit Committee 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, providing energy generation, power marketing and energy delivery. Prior to the PECO Energy and Unicom Corporation merger, out of which Exelon Corporation evolved, Mr. Hill was Vice President and Controller for PECO Energy, where he had been employed since 1970 in various senior financial and managerial positions. Mr. Hill serves as a trustee of Magee Rehabilitation Hospital and the Magee Rehabilitation Foundation, and Chair of the Audit Committee of Magee Rehabilitation Hospital. He served as a member of the Audit Committee for Jefferson Health System, Inc., a Pennsylvania non-profit corporation, until Jefferson Health System, Inc.'s corporate restructuring in 2014.

Key Attributes, Experience and Skills: Mr. Hill has extensive experience in the energy industry, serving in various senior financial and managerial positions at PECO Energy and Exelon Corporation. Through his professional experiences, Mr. Hill has obtained an in-depth knowledge of regulation and energy delivery which has supplemented his engineering training. Mr. Hill also gained financial expertise through his previous roles as Chief Financial Officer of Exelon Energy Delivery Company, and Controller of PECO Energy. He currently serves as a member and Chair of the Audit Committee of Magee Rehabilitation Hospital, which has increased his Audit Committee expertise. With his background in engineering, finance, regulation and utility operations, Mr. Hill brings broad and in-depth utility knowledge to the Board.

Dennis S. Hudson, III

Director Since 2009

Independent Director

Age 61

Audit Committee Member / Audit Committee Financial Expert / Compensation Committee Member

Mr. Hudson is the Chair and Chief Executive Officer of Seacoast National Bank, and Seacoast Banking Corporation of Florida. He has been a member of both organizations' Boards of Directors since 1983. Mr. Hudson has held various other positions in these organizations, including, President and Chief Operating Officer. He served on the Florida Public Utilities Company ("FPU") Board of Directors from 2005 until its acquisition by the Company in 2009. He also served as a member of FPU's Audit Committee. Mr. Hudson also serves on the Board of Trustees of Penn Capital Funds where he is a member of the Audit Committee and Chair of the Nominating Committee. Mr. Hudson is actively involved in the community serving on the Boards of the Community Foundation of Palm Beach and Martin Counties, and Visiting Nurses Association of Florida. He previously served on the Miami Board of Directors of the Federal Reserve Bank of Atlanta, Board of Helping People Succeed, Board of the United Way of Martin County, and as Chair of the Economic Council of Martin County.

Key Attributes, Experience and Skills: Mr. Hudson has extensive public company and leadership experience in his role as Chair and Chief Executive Officer of Seacoast National Bank, and Seacoast Banking Corporation of Florida. In addition, he has also gained relevant experience as a former director of FPU. Mr. Hudson has a strong finance background, having previously served on the Miami Board of Directors of the Federal Reserve Bank of Atlanta and as Chair of the Economic Council of Martin County, Florida. Mr. Hudson also has a solid understanding of the Florida market.

Continuing Directors

Calvert A. Morgan, Jr.

Director Since 2000

Independent Director

Age 69

Corporate Governance Committee Chair / Compensation Committee Member / Investment Committee Member

Mr. Morgan currently serves as a director of WSFS Financial Corporation and its principal subsidiary, WSFS Bank. He is also Vice Chair of WSFS Bank. Mr. Morgan served as Special Advisor to WSFS Financial Corporation from 2004 to 2009. He is the retired Chair of the Board, President and Chief Executive Officer of PNC Bank, Delaware in Wilmington, Delaware. Mr. Morgan has served in numerous business and community board capacities, including as Chair of the Delaware Business Roundtable and trustee of Christiana Care Corporation. Mr. Morgan is a member of the Delaware Economic and Financial Advisory Council.

Key Attributes, Experience and Skills: Mr. Morgan has an established professional career with over 46 years in the banking industry. He has public company experience serving as a director and former Special Advisor to WSFS Financial Corporation. Mr. Morgan's previous position as Chair, President, and Chief Executive Officer of PNC Bank, Delaware has provided him with in-depth management experience combined with significant knowledge of our Delmarva market. His management experience and market knowledge, coupled with serving on another public company board, has provided Mr. Morgan with the appropriate blend of skills to lead the Corporate Governance Committee. His membership on the Delaware Economic and Financial Advisory Council, and his previous leadership role on the Delaware Business Roundtable give him further insight on issues facing both the current and future business and economic climate of Delaware.

Class II Directors (Terms Expire in 2019)

Eugene H. Bayard

Director Since 2006

Independent Director

Age 70

Corporate Governance Committee Member

Mr. Bayard is a partner with the law firm of Morris James Wilson Halbrook & Bayard 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; Sussex County Advisory Board for Wilmington Savings Fund Society; Delaware Wild Lands, Inc.; Mid-Del Charitable Foundation; Delaware Volunteer Firefighter's Association; and the Delaware Community Foundation.

Key Attributes, Experience and Skills: Mr. Bayard is well-established in the Delaware legal community where a majority of corporations are incorporated. He has been instrumental in guiding the Company on Delaware legislative and regulatory matters, as well as corporate governance practices. Mr. Bayard has established personal and professional relationships throughout the Delmarva Peninsula, including his service as a board member of the organizations listed above, that are beneficial to the growth and development of the areas within the Company's Delmarva Peninsula operations.

Continuing Directors

Paul L. Maddock, Jr.
Director Since 2009
Independent Director
Age 67

Corporate Governance Committee Member

Mr. Maddock is a Trustee and President of The Maddock Companies, a diversified real estate company with operations in Palm Beach and Martin Counties, Florida. Mr. Maddock currently serves on the Board and Corporate Governance and Compensation Committees of the W.C. & A.N. Miller Company. Mr. Maddock served on the FPU Board of Directors from 1998 until its acquisition by the Company in 2009. He served as a member of FPU's Audit, Compensation, and Executive Committees. Mr. Maddock has served on the Board of Lydian Bank and Trust since 2003 and was past Chair of the Audit Committee and a past member of the Executive Committee. He has also served on the Boards of PRB Energy, Inc.; Wachovia Bank of Florida; 1st United Bank and Trust; and Island National Bank and Trust. Within the community, Mr. Maddock serves as President of THRIFT, Inc., a Palm Beach charity organization, and is a former director of Good Samaritan Hospital.

Key Attributes, Experience and Skills: Mr. Maddock's professional experience with real estate development companies has provided him with in-depth knowledge of the Florida economy. Mr. Maddock has gained additional knowledge of the Florida economy through his service as a director of Lydian Bank and Trust, as well as his involvement within the Florida community. Mr. Maddock has extensive public company and utility experience not only as a former director of FPU, but also as a former director of PRB Energy, Inc., a natural gas exploration and distribution company. Mr. Maddock currently serves on the Board of W.C. & A.N. Miller Company, a real estate holding company located in Washington, D.C.

Michael P. McMasters
Director Since 2010
Director
Age 58

Mr. McMasters is President and Chief Executive Officer of the Company. He was appointed Chief Executive Officer effective January 1, 2011. He was appointed President in March 2010. Mr. McMasters is responsible for execution of the Company's strategic plan and providing leadership and oversight of the Company's businesses. Mr. McMasters previously served as Executive Vice President and Chief Operating Officer of the Company from 2008 to 2010. Mr. McMasters joined the Company in 1980. During his tenure with the Company, he has also served as Chief Financial Officer, Senior Vice President, Vice President, Treasurer, Director of Accounting and Rates, and Controller. He serves on the Board of Directors of the American Gas Association. Mr. McMasters is also a member of the Delaware Business Roundtable.

Key Attributes, Experience and Skills: Mr. McMasters has served in numerous capacities during his tenure with the Company, most recently as Chief Executive Officer. Mr. McMasters' experience, leadership skills and vision have been significant in the execution of the Company's strategic plan and implementation of key corporate policies. His strategic foresight has guided the Company's continued growth both organically and through acquisitions. Under Mr. McMasters' leadership, the Company has continued to generate strong earnings growth. The Company has grown from a \$395 million market capitalization company at the end of 2010 to approximately \$1.1 billion in market capitalization at December 31, 2016. Mr. McMasters has more than thirty-five years of experience in the utilities industry, which has provided him with in-depth financial and regulatory experience that has driven the Company's financial discipline. Mr. McMasters' involvement with the Delaware Business Roundtable has given him further insight on issues facing both the current and future business and economic climate of Delaware.

BOARD RECOMMENDATION: THE BOARD RECOMMENDS A VOTE FOR EACH OF THE DIRECTOR NOMINEES.

PROPOSAL 2 – VOTE TO AMEND THE COMPANY’S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 25,000,000 TO 50,000,000

The Board has approved an amendment to Article FOURTH of the Company’s Amended and Restated Certificate of Incorporation to increase the number of authorized shares of the Company’s common stock from twenty five million (25,000,000) to fifty million (50,000,000). The text of the first paragraph of Article FOURTH as proposed to be amended is as follows:

"The total number of shares of all classes of stock which the Corporation shall have authority to issue is Fifty Two Million (52,000,000) shares, of which Fifty Million (50,000,000) shares shall be Common Stock having a par value of forty-eight and two-thirds cents (\$0.4867) per share, and Two Million (2,000,000) shares shall be Preferred Stock having a par value of one cent (\$0.01) per share."

As of March 10, 2017, there were 16,331,889 shares of common stock outstanding. In addition, 730,300 shares were reserved under the Company’s Dividend Reinvestment and Direct Stock Purchase Plan, 831,183 shares were reserved for issuance under the Company’s Retirement Savings Plan, and 516,717 shares were reserved for issuance under the Company’s 2013 Stock and Incentive Compensation Plan (the "2013 Equity Plan"). Thus, the Company currently has a total of 6,589,911 shares of common stock available for use in connection with general corporate purposes.

The additional 25,000,000 shares of common stock would be part of the existing class of common stock, and, if and when issued, would have the same rights and privileges as the shares of common stock currently outstanding. The holders of the common stock do not have preemptive rights to purchase or otherwise acquire any shares of common stock that may be issued in the future.

If the proposed amendment to Article FOURTH is approved, the Board will be empowered, without the necessity of further action or authorization by the stockholders (unless otherwise required by applicable law or the New York Stock Exchange ("NYSE") Listing Standards) to cause the Company to issue, from time to time, the 25,000,000 additional shares of common stock on such terms and under such circumstances as it may determine. The increase in the authorized number of shares of common stock is intended to ensure that there will be a sufficient number of authorized but unissued shares available for issuance in the future. Such future activities may include, but are not limited to, issuances related to general corporate activities, possible financing and other corporate transactions, and other purposes which the Board may determine are appropriate.

The approval by the stockholders of the proposal to amend the Certificate of Incorporation to increase the number of authorized shares of common stock will not, by itself, have any effect on the rights of stockholders. The future issuance of the additional shares of common stock would however, dilute the stockholders’ ownership interest in the Company at the time of issuance. The issuance of common stock could also discourage an attempt by a third party to acquire control of the Company. This could occur if the purchasers of newly issued common stock supports the Board in opposing a proposed transaction for control or if our rights plan is triggered by such a transaction. In addition, the issuance of new shares could dilute the stock ownership and voting power of a third party seeking to acquire control of the Company. One possible effect of these actions is to perpetuate incumbent management. It should be noted that the risk of these possible actions is present even if the number of authorized shares of common stock is not increased. The proposed amendment is not being recommended in response to any specific effort to obtain control of the Company and the Company is not aware of any such efforts.

Proposal 2 will be adopted 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. Consequently, abstentions will have the effect of votes cast against this proposal and broker non-votes will have no effect on the outcome of this proposal. If this proposal is approved by the stockholders, a Certificate of Amendment of the Company’s Amended and Restated

Certificate of Incorporation will be filed with the Secretary of the State of Delaware to affect the increase in the number of authorized shares of common stock.

BOARD RECOMMENDATION: THE BOARD RECOMMENDS A VOTE FOR THE AMENDMENT TO THE COMPANY'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 25,000,000 TO 50,000,000.

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PROPOSAL 3 – NON-BINDING ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

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. On February 24, 2017, 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 Committees, has no other relationship or arrangement with the Company or any of its named executive officers.

The philosophy of our current executive compensation program is provided in detail in the Compensation Discussion and Analysis section of this Proxy Statement, which begins on page 30. 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 named executive officers 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, which begins on page 43. The executive compensation program is centered on the premise of creating stockholder value. This is evidenced by the payment of consecutive annual dividends to stockholders for 56 years and the Company's earnings performance over many years. The dedication of the Company's employees and the commitment and leadership of the Company's named executive officers have driven the Company's growth, in terms of market capitalization, from \$95 million in 1999 to approximately \$1.1 billion as of December 31, 2016. Over one, three, five, ten and twenty year periods, stockholders have earned more than 13.9% annually on their investment in the Company.

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 named executive officers' target total direct compensation at risk. Under the current executive compensation program, each executive officer is 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 component of each named executive officers' compensation. The Compensation Committee works directly with Frederic W. Cook & Co. ("Cook & Co."), its independent compensation consultant in designing the executive compensation program. In December 2016, Cook & Co. provided the Compensation Committee with a market analysis to assess the competitiveness of total compensation for the named executive officers. The report compared the Company's pay 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; (i) named executive officer compensation is within a competitive range of 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 the named executive officers' compensation is at risk.

The Compensation Committee utilizes the following practices to ensure that our executive compensation program remains fair, reasonable and competitive 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 to the named executive officers if the awards are earned and then only in proportion to the actual shares earned;

Stock ownership requirements are in place for named executive officers;

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Each named executive officer is subject to a compensation recovery policy that requires the repayment by the 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 Company does not provide excise tax gross-up protections;

The supplemental pension and 401(k) plans are traditional plans that cover compensation not included in the qualified plans as a result of Internal Revenue Service ("IRS") compensation limitations. These plans do not otherwise provide benefits to the named executive officers and do not factor in additional compensation or additional future years of service;

With the exception of Company vehicles that are available for personal use, but which are treated as compensation to the named executive officers, there are no perquisites. Named executive officers participate in the same benefits that are available to other employees of the Company; and

The life insurance benefit provided to employees of the Company is capped at \$500,000 which limits the benefit to highly compensated individuals.

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 the Company. 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. 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. Broker non-votes will have no effect on the outcome of the advisory vote.

BOARD RECOMMENDATION: THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.

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PROPOSAL 4 – NON-BINDING ADVISORY VOTE ON THE FREQUENCY OF STOCKHOLDER ADVISORY VOTES TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS

In addition to expressing your view on the compensation of our named executive officers as described in Proposal 3 above, we are requesting that stockholders vote on whether the Company should seek a non-binding advisory stockholder "say-on-pay" vote every one, two or three years. You may also choose to abstain from voting on the matter. The Board believes that holding a "say-on-pay" vote annually is appropriate given the following:

• The Compensation Committee is comprised of independent directors who develop, oversee and administer policies and practices related to our executive compensation program;

• The Compensation Committee annually reviews the executive compensation program to ensure, among other things, that the program is aligned with the creation of stockholder value;

• The Compensation Committee retains an independent compensation consultant to advise the Committee on the executive compensation program;

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

Each named executive officer is eligible to receive incentive awards that comprise approximately 50 percent or more of their total direct compensation, which assists in the retention of named executive officers and the ability to reward them for their continuous efforts in the Company's growth and creation of stockholder value;

The executive compensation program utilizes multiple performance measures, including metrics benchmarked against our peer group, in the cash and equity incentive plans. The plans focus on both short-term performance as well as long-term execution of our strategic plan and shareholder return; and

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

Stockholders may express their view on this matter by selecting one of the voting intervals listed on the proxy card.

The Board recommends holding a say-on-pay vote annually. The voting interval that receives the most votes from stockholders will be deemed to be the frequency recommended by our stockholders. You may also abstain from voting on this proposal. Abstentions and broker non-votes will have no effect on the outcome of the advisory vote.

While the vote is not binding, the Board values the views expressed by our stockholders and will consider the outcome of the vote as appropriate.

BOARD RECOMMENDATION: THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR A "ONE YEAR" FREQUENCY OF THE NON-BINDING ADVISORY STOCKHOLDER VOTE TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.

PROPOSAL 5 – NON-BINDING ADVISORY VOTE TO RATIFY THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 23, 2017, the Audit Committee approved the reappointment of Baker Tilly to serve as our external audit firm for 2017. 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 the Company; and the external audit firm's independence and objectivity. In 2016, 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 2015. The questions were specifically developed for the individual 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. The Company will be undertaking the same process in 2017 for 2016. The Audit Committee takes additional measures to ensure the audit team is independent and has the experience that creates 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 in 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 audit fees in the industry 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.

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

BOARD RECOMMENDATION: 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 2017.

AUDIT COMMITTEE REPORT

This Audit Committee Report is provided by the Audit Committee of the Board of Directors and pertains to the Company's audited financial statements for the year ended December 31, 2016. Prior to the issuance of the Company's unaudited quarterly financial statements and annual audited financial statements, we 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 management, the Company's internal auditors, and the independent external auditors. We also reviewed the Company's policies and practices with respect to financial risk assessment, as well as its audit firm, Baker Tilly Virchow Krause LLP ("Baker Tilly"), the matters required to be discussed by applicable audit standards adopted by the Public Company Accounting Oversight Board (the "PCAOB"), including the 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. We discussed with Baker Tilly the overall scope and plan for their audit and approved the terms of their engagement letter. We also reviewed the Company's internal audit plan. We 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, 2016 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 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 INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following provides information on fees for professional services rendered by Baker Tilly for the two years ended December 31, 2016 and 2015.

Audit Fees

The aggregate fees billed to the Company and its subsidiaries by Baker Tilly in 2016 and 2015 totaled \$848,450 and \$767,176, respectively. Fees for professional services rendered included matters in conjunction with the audits of the financial statements included in our Annual Report 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, including the testing of Aspire Energy of Ohio's internal controls for the first time in 2016; and the issuance of their consents associated with our registration statements that were filed with the SEC during those two years. In 2016, Baker Tilly also issued a comfort letter in connection with the Company's placement of \$57.4 million of new common stock (net proceeds).

Audit-Related Fees, Tax and Other Fees

During 2016 and 2015, Baker Tilly performed annual audits on our benefit plans for the plan years ended December 31, 2015 and 2014, respectively. The aggregate fees billed for audit-related services were \$80,183 and \$54,238 for 2016 and 2015, respectively. Fees for professional services rendered in 2016 included services performed in connection with the Company's 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 2016, 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 the Company's business, people, culture, accounting systems, risk profile and other factors, and whether the services are likely to enhance the Company's 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 (and 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 department 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 2016 and 2015, the Audit Committee approved 100 percent of all audit and non-audit services provided to the Company by Baker Tilly.

BOARD OF DIRECTORS AND ITS COMMITTEES

Board Profile

The Board reflects a broad range of leadership, professional skills and experience; corporate governance and board service; experience in the markets in which we conduct business; economic and financial expertise; industry experience; public affairs experience; academia experience; and entrepreneurship that complements the Board as a whole. A majority of our Board currently serves or has served as chief executive officers of public and private organizations. Collectively, the Board has a strong background and experience in the utility and energy industry. The Board, management and employees are committed to continued earnings growth and increased stockholder value.

2016 Strategic Accomplishments

- Continued natural gas distribution and transmission system growth
- Eight Flags' Combined Heat and Power plant became fully operational and generated both regulated and non-regulated energy operating income
- Aspire Energy of Ohio, LLC, our natural gas infrastructure company, earned higher operating income from its first full calendar year of operations and was accretive to our Earnings Per Share
- Implemented the strategy for several new business opportunities
- Continued investments to increase the reliability and integrity of the Company's natural gas distribution systems
- Oversight of the investments made in several ESNG projects which received FERC approval

Financial Results

- A decade of record earnings as a result of strong 2016 performance
- Net income increased by 8.6% over 2015
- Diluted Earnings Per Share increased by 5.1% over 2015
-

Chesapeake Utilities Corporation 2016 Board Profile

Director Independence

An independent Board ensures that the Board is acting in the best interests of stockholders. 9 out of 10 (or 90%) Directors are independent.

Board Experience

The Board has a broad range of leadership and experience that have been beneficial as the Company has continued to grow. Former and current CEOs serve on the Board.

Board Involvement

The Board stays connected with employees, customers, stockholders, and the communities we serve. A majority of directors have professional experience in our service areas.

Boardroom Culture

There is a strong boardroom culture with active participation by all Board members. The Board met 9 times in 2016. Directors participated in 75 percent or more of Board and Committee meetings held in 2016.

Tenure on the Board

The Company increased the dividend paid to stockholders by 6.1% in 2016

-

We have invested more than \$669 million in capital expenditures, including \$73 million in acquisitions over the last 5 years

-

Successful execution and placement of \$57.4 million of new common stock (net proceeds)

Directors have a mix of skills and attributes that complement the Board as a whole.

The Board is comprised of a balanced mix of directors with diverse backgrounds that have been significant in the execution of the Company's short and long-term strategic initiatives.

Director Independence

The independent directors bring expertise and a diversity of perspectives to the Board. The culture of the Board enables directors to openly express their opinions in the boardroom and engage in open dialogue. The NYSE Listing Standards governing independence require that a majority of the members of the Board be independent as defined by the NYSE. Members of the Board are independent if it is determined that the director has no material relationship with the Company except in his or her capacity as a director. To assist in making the determination of independence for each director, the Board previously adopted the Independence Guidelines, which are more stringent than the NYSE Listing Standards.

In accordance with the Independence Guidelines, on February 24, 2017, 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 2016. On the basis of this review, the Board determined that nine directors (or 90 percent) are independent. Each of the following directors qualifies as an independent director as defined by the NYSE Listing Standards and in accordance with the standards set forth in the 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. McMasters, our President and Chief Executive Officer, is the only non-independent director.

Board Leadership

The Board is elected by the Company's stockholders to oversee the direction and strategy of the business and ensure that it continues to operate in the best interests of all stakeholders. The Board works diligently to fulfill its fiduciary duties to protect the Company's assets and stockholders' investment. The Board is led by the Chair, who is elected annually by the Board. At its meeting on May 4, 2016, 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 and Florida markets, as well as his leadership skills are advantageous in leading the Board in the performance of its duties.

The Corporate Governance Committee regularly engages in discussion on Board composition and succession planning as further discussed on page 22. 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.

Board's Role in Risk Oversight

The Board maintains an oversight role with respect to risk management and is ultimately responsible for ensuring that the Company's risk management framework is sufficient given the Company's business activities. Risks are considered in virtually every business decision and process, including the Company's strategic planning process. We recognize that it is neither possible nor prudent to eliminate all risk. In fact, purposeful and appropriate risk taking is essential for the Company to continue to grow and execute its strategic plan.

The Company's risk management framework includes the following components: risk identification, risk assessment, risk management and monitoring and communication. During the risk identification process, risk heat maps are developed. The risk heat maps reflect a variety of risks that the Company faces, including strategic, operational, compliance and financial risks that may affect the operations and/or financial performance of our businesses. During the risk management process, appropriate actions are identified to manage the specific risk, and processes are established to continually monitor identified risks.

Senior management is involved in the decision-making process, is aware of the known risks, and is intimately involved in the monitoring and mitigation of the identified risks. As part of its responsibilities, senior management updates the Board or Audit Committee, as appropriate, on the monitoring and mitigation of identified risks and the Board and/or Audit Committee provides direction to management as it deems appropriate. The Company's executive officers report to the Board regularly regarding financial and investment decisions, strategic plan initiatives, and other activities that may involve material risks that the Company may face. Board members remain informed on industry trends, Company-wide strategic initiatives, key financial barometers and other matters relevant to the Company and its businesses. This provides the Board members with a comprehensive understanding of our initiatives, and allows the Board to effectively consider and evaluate the various risks associated with the Company, its businesses and its strategic initiatives.

In addition to the Board's general oversight role, the Audit, Compensation and Corporate Governance Committees focus on specific risks. The Audit Committee reviews and discusses with management the Company's guidelines and policies that govern the process by which

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risk assessment and risk management activities are undertaken. The Audit Committee also reviews with management the Company's major risk exposures relating to strategic, operational, compliance, and financial areas and the steps management has taken to monitor and control such exposures. The Audit Committee approved the Company's formal Global Risk Management Policy which outlines the Company's risk management framework and serves to guide the Company's overall risk management process. The Audit Committee receives updates and documents on this plan, including the Company's short-term and long-term risk assessments and risk heat maps that reflect the Company's most significant risks as discussed above. Formal risk identification, evaluation and monitoring steps are completed by the Company and reviewed with the Audit Committee, prior to finalizing the risk assessment and risk heat maps. In 2015, the Company engaged an independent third-party to conduct a more formalized cybersecurity and physical security program assessment across our technology environments and key facilities. Several recommendations from this independent assessment have been or are currently in process to be implemented throughout the organization. In 2016, the Company took the following actions, among others, to further protect our business from potential cyber or physical security risk: i) added additional key members to our team, ii) added new security mechanisms to further protect key assets, iii) developed strong relationships among the private sector and government agencies, iv) participated in several industry specific events, v) convened several security teams comprised of select members of management that collectively review best practices and security related matters, and vi) adopted several policies, controls and procedures to further enhance our security posture. The Audit Committee routinely receives updates and is actively engaged in these matters. The Audit Committee also reviews the Company's insurance program and various coverages, which serve to mitigate some of the Company's key risks. In 2016, the Audit Committee reviewed the Company's insurance coverage, including its cyber risk insurance.

The Compensation Committee focuses on our compensation program and ensures the program appropriately incentivizes short-term and long-term financial and operational performance, without encouraging unnecessary risk. The Compensation Committee also considers risks related to organizational development, executive recruitment, retention and succession planning. The Corporate Governance Committee focuses on risks that arise in connection with the Company's governance structure and processes, including Board structure and composition, director independence, and related governance practices.

In addition, management-level committees have been established to assist in identifying, assessing and managing risks, including a Risk Management Committee. The Company also has internal resources that provide support, oversight and direction for the Company's risk management programs. These programs are aligned with the Company's other risk management functions under our Internal Audit team to provide a broader approach to identifying, assessing, managing and monitoring risk.

Overall, the Company maintains both top down and bottom up approaches in regards to risk identification, awareness, management and monitoring.

Standing Committees of the Board

The standing committees of the Board are the Audit Committee, Corporate Governance Committee, Compensation Committee, and Investment Committee. Each of the committees is comprised solely of independent directors and reports their activities to the Board. Each Committee member attended 75 percent or more of such members' applicable committee meetings.

Audit Committee

Independent
Members: 4
Financially Literate: 4
Financial Experts: 4
Meetings Held in
2016: 6

In 2016, the Audit Committee continued to focus on the Company's risk management process and the application of its process to the annual strategic planning process. The Audit Committee also focused on compliance with new accounting standards.

Thomas J. Bresnan
Audit Committee Chair

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

Messrs. Bresnan, Forsythe, Hill and Hudson each qualify as an "audit committee financial expert" based on his experience and knowledge in accordance with the SEC rules. Biographical information on each Committee member can be reviewed beginning on page 4 of this Proxy Statement. Each Committee member participated in an annual training session given by Baker Tilly and other internal and third party experts on accounting trends, changes to the accounting standards, and their potential impact on the Company. None of the members of the Audit Committee currently serve on an audit committee of another public company.

Summary of Committee Responsibilities:

- Appointment, compensation, oversight, retention and termination of the external audit firm
- Discuss with management the adequacy and effectiveness of the Company's internal accounting and disclosure controls
- Review with management and the independent external audit firm the Company's financial statements and Management's Discussion and Analysis
- Review the effect of regulatory and accounting initiatives on the Company's financial statements
- Review and discuss with management the Company's risk assessment and risk management process
- Review with management the Company's major financial risk exposures and related internal controls
- Review and discuss with management any related party transactions
- Provide oversight of the Company's internal audit function
- Review and assess compliance with the Company's Business Code of Ethics and Conduct, and Code of Ethics for Financial Officers
- Review the Company's procedures for complaints received by the Company regarding accounting, internal accounting controls or audit matters, including submissions by whistle-blowers, if any
- Provide oversight for all matters related to the security of and risks related to information technology systems and procedures

You can review the Committee's Charter at www.chpk.com/Our Company/Corporate Governance/Board and Board Committees/Audit Committee Charter for additional details on the Committee's responsibilities.

Summary of Significant Activities in 2016:

- Reviewed the Company's risk management program and the application of its risk assessment process to the annual strategic planning process
-

Reviewed, discussed, and monitored the Company's compliance with the implementation of the new accounting standard - Revenue from Contracts with Customers (ASC 606)

Reviewed with the Company's Chief Internal Auditor the initial implementation of Sarbanes-Oxley related controls for Aspire Energy of Ohio, LLC

Reviewed and discussed with management complex accounting judgments and estimates for several transactions

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Corporate Governance Committee

In 2016, the Corporate Governance Committee enhanced the Board and Committee self-evaluation process. The Chair of the Board and Chair of the Corporate Governance Committee conducted one-on-one discussions with each member of the Board.

Calvert A. Morgan, Jr.
Corporate Governance Committee Chair

Independent
Members: 3
Meetings Held in
2016: 4

Committee
Members:
Calvert A.
Morgan, Jr., Chair
Eugene H.
Bayard
Paul L.
Maddock, Jr.

The Corporate Governance Committee, with the consent of the Board, may retain consultants or other advisors to assist it in fulfilling its responsibilities. In 2016, the Committee received information from legal counsel and other consultants on certain matters, including emerging trends and regulatory and legislative developments and their impact on the Company. The Committee also reviewed internally prepared information on governance trends and best practices.

Summary of Committee Responsibilities:

- Review and assess the Company's Corporate Governance Guidelines
 - Evaluate the size and composition of the Board and each standing Committee, in consultation with the Chair of the Board
 - Review eligibility guidelines for directors to ensure compliance with legal requirements
 - Evaluate director candidates and make appropriate recommendations to the Board
 - Evaluate, and discuss with the Board, the quality of the performance of the Board
 - Develop and recommend criteria and procedures to the Board to be utilized by the Board in evaluating the performance of each standing Committee
 - Evaluate and make a recommendation to the Board on stockholder proposals
 - Approve the service of Board members on the Board of any other public company
 - Review director and executive stock ownership guidelines and monitor progress toward meeting the guidelines
- You can review the Committee's Charter at www.chpk.com/Our Company/Corporate Governance/Board and Board Committee/Corporate Governance Committee Charter for additional details on the Committee's responsibilities.

Summary of Significant Activities in 2016:

- Enhanced the Board and Committee self-evaluation process, including the Board Chair and Corporate Governance Committee Chair conducting one-on-one discussions with directors and implementing modifications to the evaluation methodology
- Continued to implement the Board succession plan to ensure substantive expertise and experiences are aligned with Chesapeake's long-term strategic plan
- Reviewed best practices with regards to stock ownership and retention guidelines for non-management directors and aligned the guidelines with such practices
- Reviewed corporate governance practices generally, including emerging trends and regulatory and legislative initiatives

Compensation Committee

Independent
Members: 3
Meetings Held
in 2016: 6

In 2016, the Committee continued to focus on enhancing the Company's organizational development and succession planning to ensure that the Company is positioned to support its short-term and long-term strategic growth initiatives. In connection with this positioning, the Committee recommended to the Board the approval of several new officer level positions.

Committee
Members:
Dianna F.
Morgan, Chair
Dennis S.
Hudson
Calvert A.
Morgan, Jr.

Dianna F. Morgan
Compensation Committee Chair

The Compensation 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 retained Frederic W. Cook & Co. ("Cook & Co.") for services to be performed in 2016. The Compensation Committee reviewed the independence of Cook & Co. After considering various factors, including the specific factors described in the SEC rules and those provided under the NYSE's Listing Standards, the Compensation Committee determined that Cook & Co. is independent and no conflicts of interest exist with respect to Cook & Co.

Summary of Committee Responsibilities:

- Appointment, compensation and oversight of the work of any consultant or other advisor retained by the Committee
- Design and administer the policies and practices related to executive compensation
- Administer the Company's plans under which cash and equity incentive awards are granted
- Evaluate the Company's director compensation arrangements
- Review, in conjunction with the Chief Executive Officer, management succession plans
- Review and discuss with management the Compensation Discussion & Analysis in the Proxy Statement
- Review the results of stockholder advisory votes on the frequency that stockholders will vote on executive officer compensation
- Review the results of stockholder advisory votes on executive compensation

You can review the Committee's Charter at www.chpk.com/Our Company/Corporate Governance/Board and Board Committees/Compensation Committee Charter for additional details on the Committee's responsibilities.

Summary of Significant Activities in 2016:

- Discussed organizational development and succession planning
- Recommended to the Board the approval of several new officer level positions that will support the Company's growth
- Considered a market analysis prepared by Cook & Co. that compared the Company's executive compensation against market data for the Company's peer group, as well as from industry published survey data
- Reviewed compensation practices generally, including emerging trends and regulatory and legislative initiatives

Investment Committee

In 2016, the Board established the Investment Committee to assist in oversight of the Company's business strategy which includes the continued pursuit of growth, both organically and through acquisitions. The Investment Committee reviews and approves, when appropriate, capital projects not to exceed \$40 million. The members of the Investment Committee are currently John R. Schimkaitis, Chair, Thomas J. Bresnan, Thomas P. Hill, Jr., and Calvert A. Morgan, Jr. In 2016 the Investment Committee held two meetings during which they reviewed several projects including an overview of the initiative, estimated investment, internal rate of return, strategic fit of the project, and risks associated with each project. The Committee exercises its responsibilities in a manner consistent with the Company's goal of pursuing long-term growth in shareholder value.

CORPORATE GOVERNANCE

Director Nomination Process

The Corporate Governance Committee regularly engages in discussion on Board composition and succession planning. The Corporate Governance Committee identifies potential director nominees through contacts in the business, civic and legal communities and a variety of other sources. The Committee may retain a search firm or utilize third-party database search tools to identify director nominees. Stockholders may nominate candidates for election as directors by submitting a written submission to the Corporate Secretary at the Company’s principal offices not less than 90 days nor more than 120 days prior to the annual meeting at which directors are to be elected. The written submission must comply with the provisions of the Company’s Bylaws and the Corporate Governance Committee’s Charter. The Corporate Governance Committee will consider all candidates recommended by stockholders who comply with these provisions and satisfy the Director Eligibility Guidelines.

The Corporate Governance Committee will consider several factors prior to nominating a candidate. Generally, the Committee will consider the existing size and composition of the Board, evaluate biographical information and other background material, and interview each candidate selected. The Committee will apply any director selection criteria adopted by the Corporate Governance Committee based on the circumstances at the time and the criteria set forth in the Company’s Corporate Governance Guidelines. In addition to the personal characteristics and core competencies provided in our Director Eligibility Guidelines described below, the Corporate Governance Committee reviews other criteria such as: a candidate’s judgment; knowledge of our industry; business and service areas; community involvement; availability and commitment to carry out the responsibilities as a director of the Company (directors may not be directors of more than two public companies in addition to the Company); and the candidate’s independence under applicable regulations and listing standards.

Director Eligibility Guidelines

- Leadership in a particular field of expertise
- Education or experience that enables the exercise of sound business judgment
- Integrity and the highest ethical character
- Personal and professional reputations that are consistent with the Company’s image and reputation
- Background or experience that enables differing points of view
- Willingness to listen and work in a collegial manner
- Knowledge, experience and skills that enhance the mix of the Board’s core competencies
- Professional achievement generally through service as a principal executive of a major company; distinguished member of academia; partner in a law firm or accounting firm; successful entrepreneur; or similar position of significant responsibility
- Absence of any real or perceived conflict of interest that would impair the director’s ability to generally represent the interest of the Company’s stockholders
- Individual contribution in terms of knowledge, experience and skills that enhances the Board’s mix of core competencies and further maximize stockholder value

Governance Trends and Director Education

The Board and its Committees proactively monitor legislative and regulatory initiatives, market trends, as well as other corporate governance trends and their potential impact on the Company. Each director has access to publications and other resources that cover these matters. In 2016, the Board received a presentation from an industry expert on the potential impact of the presidential election on energy policy. In 2014 and 2015, the Board received presentations from two of our long-term institutional investors, which provided additional information on portfolio management roles and processes associated with their investment decisions, as well as the firms' views on the Company's performance, industry dynamics, and valuation. In previous years, professionals in the financial community presented on various aspects of the utility industry, including the then current macro economic outlook, market trends, utility industry fundamentals, downstream utility focus, current valuations, investor perception, industry framework, and current industry topics. Experts in the areas of corporate governance, proxy advisory services and investor relations have also spoken to the Board on regulatory actions, governance trends and various other corporate governance topics. The Board has also received corporate governance updates from a Chancellor from the Delaware Court of Chancery, a Chief Justice of the Delaware Supreme Court, and established members of the academic, governance, investor relations, legal and financial communities who are experienced in the utilities industry and the broader market. Directors participated in continuing education sessions to remain informed on recent trends applicable to their Committee duties. Certain directors also participate in continuing legal education. Newly elected directors participate in a comprehensive director orientation program that covers, among other things, our strategy, business structure, financial performance, and competitive landscape. As part of this program, directors are invited to participate in a tour of selected facilities of the Company. Several of our Board meetings are held in various locations throughout our service territories. This provides directors the opportunity to become more familiar with our operations and the communities we serve. During these visits, the Board also has the opportunity to engage with our employees in the applicable service areas. Industry experts have also spoken to the Board on such topics as energy trends, market factors and competition, growth opportunities, key customer growth expectations, and future outlook. The Committees actively engage with senior management and other parties when necessary to further assess the current environment or respond to governance related matters. Cook & Co. has routinely provided the Compensation Committee with updates on the status of compensation-related initiatives under the Dodd-Frank Act. The Corporate Governance Committee and Audit Committee each routinely receive updates on matters applicable to their responsibilities from legal counsel and independent consultants. The Committees also receive regulatory and legislative updates at their respective meetings.

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 the Company operates. Our corporate governance documents can be viewed on our website at 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; Corporate Governance Guidelines on Director Independence; 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.investor.chpk.com, we provide links to our filings with the SEC, including our Annual Report on Form 10-K and 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, we provide press releases on financial, corporate and community activities. In this section on our website, you can also read more about the Company's Combined Heat and Power Plant being named "Best CHP Project of the Year", our Delmarva propane operations being named the "Best Gas Company" on the Delmarva Peninsula, two of our subsidiaries (Eastern Shore Natural Gas and Florida Public Utilities Company) receiving national safety awards, an announcement of the Company's largest natural gas pipeline expansion

(Eastern Shore Natural Gas - 2017 System Expansion Project), recognition the Company received for its involvement in the community, as well as information about the Company being named a Top Workplace in Delaware (for the fifth consecutive year).

Corporate Governance Guidelines. The Board has adopted Corporate Governance Guidelines, which consist of a series of policies and principles that are adhered to when overseeing 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, Board relationship to senior management, director compensation, and annual review of Board and Committee effectiveness.

Code of Ethics. The Board has adopted a Code of Ethics that reflects our commitment to continuously promote professional conduct throughout the organization, and to ensure that representatives of the Company demonstrate good ethical business practices. 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.

The Board has 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 the Company's proxy statement.

The Company has 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 Company's 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 Company's 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 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 Company's 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, 2016 and ending March 10, 2017, 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 Pledges of Securities. Directors, executive officers and employees of the Company may not engage in hedging transactions related to the Company's stock or pledge the Company's stock as collateral for a loan. The Chief Financial Officer may grant an exception to an individual who desires to pledge the Company's stock as collateral for a loan (excluding margin debt) if such individual clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. No exception was granted in 2016 or as of the date of this Proxy Statement.

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 was a management director. The Corporate Governance Guidelines also provide that if the non-management directors included 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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Board and Committee Self-Evaluations

Annually, the Corporate Governance Committee reviews and establishes the criteria that is used by the Board and each standing Committee prior to conducting self-evaluations for performance during the preceding year. The Board and its Committees conduct self-evaluations to, among other things, assess the qualifications, attributes, skills and experience represented on the Board and its Committees; ensure that appropriate resources are available to the Board and its Committees; and ensure the Board and its Committees are functioning effectively. In 2016, the Board and Committee self-evaluation process was enhanced, including the Chair of the Board and the Chair of the Corporate Governance Committee conducting one-on-one discussions with each director and implementing modifications to the evaluation methodology. 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.

Communications with the Board, Stockholders and the Financial Community

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 with respect to such matters. These communications procedures have been unanimously approved by the independent directors.

Communications with Stockholders and the Financial Community. In addition to the above, we present information on the Company at the American Gas Association's Annual Financial Forum, where we have the opportunity to communicate with security analysts, portfolio managers, investors, rating agencies and investment bankers. Those attending the presentation have an opportunity to ask questions and interact with the management team. Annually, we conduct road shows and participate in industry conferences where current and potential investors, as well as other members of the financial community, receive information about the Company. On August 11, 2016 the Company hosted its first annual Investor Day to discuss the Company's growth strategy, current businesses, and financial results. Participants were also invited to attend a tour of Eight Flags Energy's Combined Heat and Power plant. We also hold quarterly conference calls to discuss our financial results with stockholders and the financial community. In addition, a presentation is given to investors immediately following our Annual Meeting of Stockholders. In 2016, all of the directors were in attendance at the Annual Meeting of Stockholders.

Information about Chesapeake Utilities Corporation and our family of businesses is available at www.chpk.com or through our IR App. The IR App can be downloaded for free through the App Store on an iPhone or iPad, or Google Play on an Android mobile device by searching for Chesapeake Utilities Corporation.

STOCK SPLIT

On September 8, 2014, the Company effectuated a three-for-two stock split in the form of a stock dividend. The stock

split highlights the shareholder value creation over the long-term as well as the short-term.

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OWNERSHIP OF OUR STOCK

Security Ownership of Certain Beneficial Owners and Management

The table below provides the number of shares of our common stock beneficially owned as of March 10, 2017 by each director and director nominee, by each named executive officer in the Summary Compensation Table, as well as the number of shares beneficially owned by all of the directors, director nominees and named executive officers as a group. No shares of our common stock have been pledged as security by a director or named executive officer. The table also provides information for each other person known to us to beneficially own five percent or more of our common stock.

Name of Beneficial Owner	Qualified 401(k) Retirement Savings Plan	Non-Qualified Deferred Compensation Plan ⁽¹⁾	Total Shares Owned Beneficially ⁽²⁾⁽³⁾	Percent of Class
Eugene H. Bayard	—	—	29,366	*
Elaine B. Bittner	7,746	2,721	32,177	*
Thomas J. Bresnan	—	8,862	19,603	*
Beth W. Cooper	11,569	14,414	65,933	*
Ronald G. Forsythe, Jr.	—	2,285	2,769	*
Thomas P. Hill, Jr.	—	6,414	27,781	*
Jeffrey M. Householder	—	7,527	9,619	*
Dennis S. Hudson, III	—	—	11,220	*
Paul L. Maddock, Jr.	—	—	46,317	*
Michael P. McMasters	19,568	43,710	141,370	*
Calvert A. Morgan, Jr.	—	—	43,354	*
Dianna F. Morgan	—	—	12,010	*
John R. Schimkaitis ⁽⁴⁾	—	—	145,112	*
Stephen C. Thompson	22,043	—	92,793	*
Executive Officers and Directors as a Group	60,926	85,933	679,424	4.16 %

* Less than one percent.

Name of Investment Advisor

T. Rowe Price Associates, Inc.⁽⁵⁾

100 E. Pratt Street
Baltimore, MD 21202

BlackRock, Inc.⁽⁶⁾
55 East 52nd Street

New York, NY 10055

(1) The Non-Qualified Deferred Compensation Plan enables non-employee directors to defer all or a portion of their cash and/or equity annual retainers on a pre-tax basis. The named executive officers can also defer base salary, cash incentive awards and equity incentive awards on a pre-tax basis under the Non-Qualified Deferred Compensation Plan. See the description of the Non-Qualified Deferred Compensation Plan on page 48.

(2) 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.

(3) Voting rights are shared with spouses and other trustees in certain accounts for Thomas J. Bresnan (10,741 shares), Beth W. Cooper (1,985 shares), Jeffrey M. Householder (387 shares), Paul L. Maddock, Jr. (18,000 shares), Calvert A. Morgan, Jr. (18,829 shares) and John R. Schimkaitis (111,394 shares). Independent accounts are held by the spouses of Thomas P. Hill, Jr. (13,196 shares) and Michael P. McMasters (54 shares).

(4) 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 percent of the restricted portion of the lump sum in accordance with the Internal Revenue Code's tax requirements. Currently, Mr. Schimkaitis has deposited 12,500 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.

(5) According to their report on Schedule 13G/A, filed on February 7, 2017, T. Rowe Price Associates, Inc. ("T. Rowe Price") was deemed to beneficially own 1,538,892 or 9.4 percent, of our common stock as of December 31, 2016. According to the Schedule 13G/A, T. Rowe Price had sole power to vote 393,445 shares and to dispose of 1,538,892 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.

(6) According to their report on Schedule 13G/A, filed on January 23, 2017, BlackRock, Inc. ("BlackRock") was deemed to beneficially own 972,470 shares, or 6.0 percent, of our common stock as of December 31, 2016. According to the Schedule 13G/A, BlackRock had sole power to vote 941,774 shares and to dispose of 972,470 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.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires each of the Company's directors and executive officers, and any beneficial owner of more than 10 percent 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 the Company's common stock. Such persons are also required by SEC regulations to furnish the Company with copies of such reports. To our knowledge, based solely on the review of such reports furnished to the Company and on the written representations made by such persons that no other reports were required, the Company believes that during the year ended December 31, 2016 all directors and executive officers filed on a timely basis the reports required by Section 16(a). We are not aware of any person or entity that beneficially owns more than ten percent of the Company's common stock.

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 2016, the Board approved several changes to non-employee director compensation as reflected in the table below. Directors may not elect to receive their cash compensation in stock. Directors are also reimbursed for business expenses incurred in connection with attending meetings and performing other Board-related services, including external director education.

	2016	2015
	Annual	Annual
	Meeting	Meeting
	until the	until the
	2017	2016
	Annual	Annual
	Meeting	Meeting
Board Retainers ⁽¹⁾		
Board Member - Cash	\$ 70,000	\$ 65,000
Board Member - Equity ⁽²⁾	\$ 60,000	\$ 55,000
Board Chair	\$ 65,000	\$ 65,000
Committee Retainers ⁽³⁾		
Committee Member	\$ 5,000	\$ 5,000
Audit Committee Chair	\$ 12,000	\$ 12,000
Compensation Committee Chair	\$ 10,000	\$ 10,000
Corporate Governance Committee Chair	\$ 8,000	\$ 8,000

(1) No additional compensation is received for attendance at a Board or Committee meeting.

(2) Fractional shares are rounded down to the nearest whole number.

In addition to Board retainers, Committee members receive a retainer fee for each Committee on which he or she (3) serves with the exception of the Investment Committee. The Chair of each Committee also receives a Chair retainer for his or her service in such capacity with the exception of the Investment Committee.

2013 Stock and Incentive Compensation Plan

In 2013, stockholders approved the Company's 2013 Equity Plan under which non-employee directors are eligible to receive shares of our common stock. The full text of the plan can be reviewed on page 55 of our Proxy Statement that was filed with the SEC on April 2, 2013. The 2013 Equity Plan enhances stockholder value by ensuring that 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 non-employee directors under the 2013 Equity Plan. Each director has the right to vote the shares awarded under the 2013 Equity Plan and to receive dividends on the shares. Each director is individually responsible for any tax obligations in connection with these shares.

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Non-Qualified Deferred Compensation Plan

Directors may defer all or a portion of their annual retainers in accordance with the Chesapeake Utilities Corporation Non-Qualified Deferred Compensation Plan (the “Non-Qualified Deferred Compensation Plan”) which is described in detail on page 48 in this Proxy Statement. Deferrals made under the Non-Qualified 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 percent vested interest in the amount of cash or stock that is deferred.

Director Stock Ownership

In 2016, the Board reviewed the stock ownership and retention guidelines for non-management directors and approved changes to the Corporate Governance Guidelines to better align the Company's stock ownership requirement for non-management directors with best practices. The Company requires that each non-management director shall own, beneficially and of record, that number of shares of common stock of the Company that have a total market value equal to not less than five times the annual cash retainer for service on the Board for a non-management director at the time such director is appointed or elected to the Board (excluding any cash retainer received for service on a committee of the Board or as Chair of the Board) (the “Director Stock Ownership Requirement”). Each non-management director shall have five years from the later of (i) the date of such director's initial appointment or election to the Board and (ii) the date of the effectiveness of these director stock ownership guidelines to comply with the Director Stock Ownership Requirement (the “Compliance Period”). Once a director has reached the Director Stock Ownership Requirement, that director will remain in compliance with the Director Stock Ownership Requirement so long as such director shall maintain record and beneficial ownership of such number of shares of common stock of the Company owned at the time the Director Stock Ownership Requirement is met for director's entire term of service on the Board regardless of any changes to the annual cash retainer for non-management directors or fluctuations in the Company's stock price. Should a non-management director at any time following the Compliance Period cease to comply with the Director Stock Ownership Requirement, the Corporate Governance Committee, in its sole discretion, may review and address any such shortfall in ownership as it deems appropriate. All directors currently own shares of stock exceeding this threshold or will continue to acquire shares in an effort to achieve their requisite ownership within the established timeframe.

Independent Compensation Consultant's Report

In May 2016, the Compensation Committee received a Non-Employee Director Compensation presentation (the “Analysis”) prepared by Cook & Co. The Analysis compared our then current director compensation arrangements against the Company's peer group and a broader utility industry. 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 reviewed and discussed the Analysis that was prepared by Cook & Co. The Compensation Committee, after consideration of the Analysis and other relevant factors, recommended to the Board increases to the Board cash and equity retainers to further align director compensation with that of the peer group and broader industry. The Board approved the Compensation Committee's recommendations at its meeting held in May 2016, as reflected in the Non-employee Director Compensation Table on page 27. In the future, the Board may modify director compensation as it deems appropriate.

2016 Director Compensation

The following table reflects compensation paid to non-employee directors for services performed during 2016:

Name	2016 Director Compensation		
	Fees Earned or Paid in Cash ⁽¹⁾ (\$)	Stock Awards ⁽²⁾ (\$)	Total ⁽³⁾ (\$)
Eugene H. Bayard	75,000	59,944	134,944
Thomas J. Bresnan ⁽⁴⁾ ⁽⁵⁾	87,000	59,944	146,944
Ronald G. Forsythe, Jr. ⁽⁵⁾	75,000	59,944	134,944
Thomas P. Hill, Jr. ⁽⁴⁾ ⁽⁵⁾	75,000	59,944	134,944
Dennis S. Hudson, III	80,000	59,944	139,944
Paul L. Maddock, Jr.	75,000	59,944	134,944
Calvert A. Morgan, Jr. ⁽⁴⁾	88,000	59,944	147,944
Dianna F. Morgan	85,000	59,944	144,944
John R. Schimkaitis ⁽⁴⁾	135,000	59,944	194,944

(1) The Fees Earned or Paid in Cash column reflects Board and Committee retainers paid in May 2016.

The Stock Awards column reflects the grant date fair value on May 4, 2016 of \$59,944 (953 shares based upon a (2) price per share of \$62.90, the closing price on May 4, 2016). The stock awards and all prior stock awards are fully vested in that they are not subject to forfeiture.

(3) 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 Non-Qualified 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 Non-Qualified Deferred Compensation Plan have investment crediting options that are the same as investment options available to all employees under the Company's Retirement Savings Plan (a qualified 401(k) Plan). As a result, the directors participating in the Non-Qualified 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.

(4) No additional compensation was paid to Messrs. Bresnan, Hill, C. Morgan and Schimkaitis for their service on the Investment Committee.

(5) Mr. Bresnan deferred his annual stock retainer (\$59,944). Dr. Forsythe deferred a portion of his annual stock retainer (\$29,940). Mr. Hill deferred his annual cash retainer (\$70,000), committee member retainer (\$5,000), and annual stock retainer (\$59,944). Mr. Schimkaitis deferred his annual stock retainer (\$59,944). All deferrals were made in accordance with the terms of the Non-Qualified Deferred Compensation Plan.

REPORT OF THE COMPENSATION COMMITTEE ON COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with the Company's management. The Compensation Committee, based on its review and discussions, has recommended to the Board 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 Securities Exchange Act of 1934, as amended, 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.

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