Chesapeake Utilities Corporation
Long-term Forecasting

A STRONG foundation
FOR GROWTH
Chesapeake Utilities Corporation Facts

$1.7B in total assets at December 31, 2018

Regulated Energy
- 10 Business Units

Unregulated Energy
- 7 Business Units
  - 160+ Financial Reporting Units
  - 246K+ Distribution Customers
  - As of 2018, 983 Employees

Other
- 4 Business Units
  - 12 years of superior earnings growth

Regions of Service:
- Mid-Atlantic
- Mid-West
- Florida

$283M Capital Investments in 2018

As of 2018, 7 Consecutive years recognized as a Top Workplace Company
Financial Planning and Analysis Team

- Our team consists of one manager and four analysts
- Within our business units, there are over 20 analysts that we assist with for Budget/Forecast/Strategic Plan.
Forecast/Budget/Strategic Plan

Short - Term

**Forecast**
- Current Year Monthly
- Complete 5 Official (Board Approved) Forecasts

Long - Term

**Budget**
- 3-Year Budget

**Strategic Plan**
- 5-Year Strategic Plan
Strategic Platform for Sustainable Growth

Results
- Safety awards
- Top workplace for six years and top leadership awards
- Community service awards
- Sustainable strong growth in earnings
- Achieving top quartile total shareholder return

Maximize Growth in Existing Footprint and Expand Into New Territories
- Maximize organic growth in existing geographic footprint
- Expand into new geographic areas
- Develop additional growth across business units

Engagement Strategies
- Unified brand strategy
- Engaged employees
- Engaging customers
- Engaging with communities
- Strategic thinking

Engagement Strategies
Provide the Strategic Infrastructure for Sustainable Growth

Developing New Business Opportunities and Executing Existing Business Unit Growth

A STRONG foundation FOR GROWTH

CHESAPEAKE UTILITIES CORPORATION
Strategic Plan – Long-term Forecasting
Strategy / Assumptions

*Strategy – produce industry leading financial performance with strong growth in earnings, high levels of capital investment and top quartile return on equity*

- Base of the Strategic Plan is the Budget
- Budget is bottoms up approach, meaning margin is forecasted at a rate class level.
- Ability to do “what if” scenarios
Strategic Plan – Long-term Forecasting

Budget vs. Strategic Plan

**Budget**
Budget at a rate class level ("bottoms up approach")

**Strategic Plan**
Layer in high level Strategic Plan initiatives
Strategic Plan Process

**Business Units:**
- Business Units Strategy Planning Sessions
  - Company footprint
  - Modeling on initiatives
  - Identify risks and game changing opportunities
- Consideration of regulatory / political environment
- Corporate provides a Strategic Plan template
- Business Unit analysts enter initiatives in planning software

**Corporate: (collaboration of Tax, FP&A, and Treasury)**
- Establish growth targets
- Tax adjustments
- Financing
Long-term Forecasting Financial Metrics

*Expected Financial Metrics:*
  - ROE by Initiative
  - ROE by Business Unit
  - Consolidated ROE
  - Earnings per Share/Growth
  - Equity as a Percentage of Total Capitalization
  - Capital Investments
  - Dividend Growth
  - Business Mix

*Ad-hoc Requests from Senior Management:*
  - Strategic Development Investments – Ability to show ROE and Income Statement
  - Modeling – “what if”
Planning Software

Budget System

- Depreciation + Asset Removal Costs
- Rev and Cogs
- Allocation Results
- Capital
- IS and BS Detail

Financial Model
Benefits of Long – Term Forecasting in a Planning Software

1. Reduces excel dependencies
2. Reduces data gathering time and increases analysis time
3. System generated financial results
4. Provides ability to multiple users to view reports, transparency
5. Less reliant on one person
6. More accurate modeling
Gross Margin and Expense Inputs

Centralized location for reporting

Centralized location for all Business Units to enter Strategic Plan adjustments
Strategic Plan Reporting

All Business Units have a report view for Strategic Plan reports that have the appropriate time settings.

In addition to Business Unit reports, there are consolidated reports.
Strategic Plan Initiative Report

Each Business Unit has the ability to have a total ROE but also has the ability to see ROE by Initiative.

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<tr>
<th>Business Unit</th>
<th>Strategic Plan Initiative</th>
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<td>Capital In-Service Date</td>
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