



2019 Incentive Performance Plan – Florida

General Overview

Florida Public Utilities Corporation (FPU) provides an Incentive Performance Plan (IPP) for the eligible employees of the Florida Business Unit (BU). For the purposes of this plan, the BU includes the operations of FPU Natural Gas (inclusive of Indiantown and Ft. Meade), FPU Electric, Central Florida Gas, Peninsula Pipeline, Flo-Gas, Eight Flags Energy, Marlin Services and Unregulated Energy Services.

The plan provides for a potential annual payout, no later than March 15, 2020, for eligible full-time team members. The primary objectives of the IPP are as follows:

- Link performance metrics related to the BU's strategy, operational objectives and financial targets to individual compensation;
- Create a line of sight for each eligible team member to more clearly understand how their performance contributes to the overall BU and corporate performance;
- Recognize and reward performance achievement of individual, team, Business Unit and corporation metrics.

The Florida BU IPP includes four distinct performance categories:

1. The annual individual rated performance of each BU employee.
2. Business Unit non-financial results for safety and customer service performance.
3. Business Unit financial results compared to the annual budget or multi-year metrics.
4. Overall annual corporate Earnings per Share results.

The IPP includes four (4) Eligibility Tiers based on the salary grade of an IPP participant's current job classification. Each Eligibility Tier has a targeted Incentive Payment Opportunity, established as a percentage of the respective employee's base salary. The IPP also establishes a maximum pay-out amount for each Eligibility Tier, also based on the employee's base salary.

Each of the above performance categories includes specific metric targets designed to measure performance. Each of the categories is assigned a weighting factor that determines the respective category's pay-out percentage relative to the total incentive plan target for each Eligibility Tier. Establishing different weighting adjustments by Eligibility Tier appropriately reflects the additional responsibility for BU financial results assigned to supervisory and management employees who exercise greater control over such results.



The tables on the last page of this plan outline the Eligibility Tiers by job classification, the annual incentive pay opportunity targets and the weighting of each performance metric by Eligibility Tier.

The 2019 IPP payout, if awarded, is scheduled for March 2020, prior to March 15th, 2020.

IPP Eligibility

All full time employees are eligible for the IPP, with the exception of those employees covered by a Collective Bargaining Agreement. Participation by bargaining unit employees will be determined by the provisions of the applicable Collective Bargaining Agreement.

Employees must be actively employed with the Company on the day the IPP amount is paid in order to be eligible for a pay-out. Any employee hired between January 1, 2019 and December 31, 2019 will have their IPP prorated from employment start date to December 31st. Employees on short term or long term disability or workers compensation will have their IPP prorated to actual time worked.

The 2019 IPP covers performance for a twelve-month period beginning January 1, 2019 and ending December 31, 2019. For the purposes of determining Individual Performance, an employee's most recent annual evaluation (typically completed each September) will be utilized, except that any subsequent update to an employee's annual evaluation reflecting positive or negative changes in performance through year-end may be considered.

- Employees will not be eligible for an IPP pay-out if they were subject to any step of FPU's formal Progressive Discipline Policy during 2019 and they received a score below a 3.0 on their performance rating.

The IPP percentage is applied to an employee's annual base salary that is in effect on February 15th, 2020. *It does not include all earnings, only base pay.*

Exceptions, Modifications, IPP Suspension or Termination

Any exceptions to the above eligibility requirements must be approved by the Vice President and President of the Business Unit.

The Company reserves the right to offer performance incentive plans other than the IPP, in an effort to recruit top talent. All such incentive plans must have a BU Officer's approval and must be in writing. The 2019 IPP does not apply to any employee that may be covered under a different incentive plan referenced in an offer letter or employment contract.

Management reserves the right to increase, reduce, suspend or eliminate the IPP plan for any reason.

For more information about the details of this plan, please contact a member of Human Resources.



Performance Category Metrics

The following outlines the performance targets and pay-out percentage levels for each Performance Category of the IPP.

1. Individual Performance

Individual Performance is based on each employee’s annual performance rating (as provided in the above IPP Eligibility section). The intent of the annual performance rating is to assess each employee’s contributions to the overall performance of the BU. The individual employee goals established for 2019 and included in the employee’s Performance Review Form are a key element in determining the Performance Rating used for IPP purposes. The BU current Performance Appraisal System rates each employee’s annual performance on a 0 to 5.0 scale; with 0 as unacceptable performance and 5.0 as outstanding performance.

The 2019 IPP establishes a 2.75 performance rating as eligible for pay-out of the Individual Performance category. The chart below provides the pay-out percentage for each range of Individual Performance rating.

<u>Performance Rating</u>	<u>Payout Percentage</u>
<2.75	0% of Base
2.75 - 2.99	50% of Base
3.00 - 3.74	100% of Base
3.75 - 4.24	150% of Base
4.25 - 5.00	200% of Base

*Payout % will not be prorated within the above levels.

The Individual Performance component may be awarded independent of the BU and Consolidated Financial Results achievements. Management reserves the right to limit the Individual Performance pay-out if overall financial results are significantly below expectation.

2. Business Unit Non-Financial Results

In recognition of the company’s focus on supporting and sustaining a culture of safety and providing high quality customer service, the BU non-financial targets include the following goals:

Safety Goal - Less than 30 Preventable Incidents based on the incident report evaluation of the BU Safety Committee.

Customer Service Goal - Net Promoter Score (NPS) of no less than 34 as measured by independent third-party customer survey results.



Each of the two non-financial goals will be assessed on a stand-alone basis and pay-out percentages are established separately for each goal. The pay-out for achievement of these goals is on a pass/fail basis. Achievement of the respective goal will result in a 100% pay-out; non-achievement will result in a 0% payout. The pay-out % will not be prorated.

3. Business Unit Financial Results

There are three (3) BU financial targets included in the IPP.

- 1) Operating Income: The annual operating income targets are established in the budget process. The plan measures operating income after corporate services and overhead expenses are applied. The 100% payout target is \$ 42,070,837.
- 2) BU Consolidated Return on Equity (ROE): The benchmark ROE target for 100% pay-out is established based on the Average Return on Equity calculation used in the Strategic Plan and assumes regulated returns at 90% of the allowed ROE. The Average ROE benchmark in the respective plan year is compared to the three year average for the periods 2017, 2018, and 2019.
- 3) Investment Growth: The BU measures investment growth by determining the change in total BU annual average capitalization in a respective year compared to the prior year total average capitalization. The achieved ratios for each of the 2017, 2018 and 2019 annual periods will be averaged to determine the Investment Growth result. A benchmark target of 10% over the three-year or measurement period is established for 100% pay-out.

For purposes of computing Achieved ROE, the BU President and CFO may exclude certain large project investment and net income results or adjust the BU ROE targets to reflect early year project returns. Management also may include or exclude certain expense, other income and/or below the line results in calculating Operating Income or ROE. The pay-out amounts for the financial performance categories will be prorated between target levels. There will be no pay-out for a respective BU Financial Performance category if the achieved performance for the category is below the minimum target established below. No additional pay-out will occur for performance achieved above the maximum targets.

Business Unit Financial Performance Targets

<u>Operating Income</u>	<u>Target</u>	<u>Payout %</u>
\$ 37,863,753 (minimum)	90%	50%
\$ 42,070,837	100%	100%
\$ 46,277,921 (maximum)	110%	150%



<u>ROE 3 Year Average</u>	<u>Target</u>	<u>Payout %</u>
8.8% (minimum)	90%	50%
9.8%	100%	100%
10.7% (maximum)	120%	150%

<u>Growth 3 Year Average</u>	<u>Target</u>	<u>Payout %</u>
8.0% (minimum)	8.0%	50%
10.0%	10.0%	100%
12.0% (maximum)	12.0%	150%

4. Corporate Financial Results

There is one (1) Chesapeake Utilities corporate financial target included in the IPP based on annual Earnings per Share (EPS) results. The EPS related award is targeted at 5% of a respective employee's total IPP payout. Each year the Board establishes a budget corporate EPS target. The CEO shall determine the annual pay-out percentage based on actual achieved EPS.

Additional Large Project Incentives: The Business Unit President and the CFO may approve additional bonus amounts for the BU and/or individual BU employees based on contributions to specific projects or initiatives.



Bonus Opportunity 2019

Eligibility Tier	Salary Grade	Target Bonus Opportunity %
1	Q1-S1	15.0%
2	N1-P1	10.0%
3	H1-M1	8.0%
4	C1-G1, Union	6.0%

Weighted Base IPP Payout % by Metric

Tier	EBIT	ROE	Investment Growth	Individual Goals	Safety	Customer Centric	Corporate (EPS)	Total
1	3.00%	3.00%	2.25%	3.00%	1.50%	1.50%	0.75%	15.00%
2	1.50%	1.50%	1.00%	2.50%	1.50%	1.50%	0.50%	10.00%
3	1.20%	0.80%	0.80%	2.40%	1.20%	1.20%	0.40%	8.00%
4	0.30%	0.30%	0.60%	2.40%	1.20%	0.90%	0.30%	6.00%