GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

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November 7, 2023

BY E-PORTAL

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: [New Filing] - Application by Chesapeake Utilities Corporation for Authorization to Issue and Sell Securities and to Enter into Agreements for Interest Rate Swap Products, Equity Products and Other Financial Derivatives in 2024.

Dear Mr. Teitzman:

Attached for filing, please find the Application of Chesapeake Utilities Corporation for Authority to Issue and Sell Securities and to Enter into Agreements for Interest Rate Swap Products, Equity Products and Other Financial Derivatives in 2024.

As always, thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,

Beth Keating

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Cc:/Office of Public Counsel (Trierweiler)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by Chesapeake Utilities Corporation for Authorization to Issue and Sell Securities and to Enter into Agreements for Interest Rate Swap Products, Equity Products and Other Financial Derivatives in 2024.	)))))))	Docket No. Filed: November 7, 2023

APPLICATION BY CHESAPEAKE UTILITIES CORPORATION FOR AUTHORIZATION TO ISSUE AND SELL SECURITIES , AND TO ENTER INTO AGREEMENTS FOR INTEREST RATE SWAP PRODUCTS, EQUITY PRODUCTS AND OTHER FINANCIAL DERIVATIVES

Chesapeake Utilities Corporation (Chesapeake, the Company or Applicant) respectfully files this Application with the Florida Public Service Commission ("FPSC"), pursuant to Section 366.04 (1), Florida Statutes, seeking authority to issue in 2024 up to 9,800,000 shares of Chesapeake common stock, or such similar securities; up to 2,000,000 shares of Chesapeake preferred stock or such similar securities; up to $950,000,000 in secured and/or unsecured long-term debt, a combination thereof, or such similar securities; to enter into agreements for up to $400,000,000 in Interest Rate Swap Products, Equity Products and other Financial Derivatives; and to issue short-term borrowings in 2024 in an amount not to exceed $800,000,000. The Company would utilize its revolving credit facility and potential new short-term lines of credit and term notes for this purpose.

The long-term debt securities may include first mortgage bonds, medium-term notes, extendible commercial notes, debentures, convertible or exchangeable debentures, notes, convertible or exchangeable notes or other similar rights exercisable for or convertible into debt securities, or other straight debt or hybrid debt securities, whether subordinated or unsubordinated, secured or unsecured, including renewals and extensions thereof, with maturities ranging from one to one hundred years. Chesapeake Utilities may issue long-term debt securities by extending the maturity of short-term securities. Chesapeake Utilities may enter into warrants, options, rights, interest rate swaps, currency swaps or other derivative instruments, or other arrangements. Chesapeake Utilities may also enter into debt purchase contracts, obligating holders to purchase from Chesapeake Utilities, and obligating us to sell, debt securities at a future date or dates.

Other equity securities that may be issued, as alternatives to common stock or preferred stock, include preference stock, convertible preferred or preference stock, or warrants, equity units, tangible equity units, options or rights to acquire such securities, or other similar rights exercisable for or convertible into preferred or preference stock, or purchase contracts obligating holders to purchase such securities, or other equity securities, with such par values, terms and conditions and relative rights and preferences as deemed appropriate by the Company.

1. <u>Name and principal business offices of Applicant:</u>

   a) Chesapeake Utilities Corporation
   500 Energy Lane Suite 400
   Dover, Delaware 19901

   b) Florida Public Utilities Company (a wholly owned subsidiary of Chesapeake Utilities Corporation)
   208 Wildlight Avenue
   Yulee, Florida 32097

2. <u>Incorporated:</u>

   Chesapeake Utilities Corporation – Incorporated under the laws of the state of Delaware in 1947 and qualified to do business in Florida, Georgia, Maryland, and Pennsylvania

   Florida Public Utilities Company – Incorporated under the laws of the state of Florida in 1924 and qualified to do business in Florida

3. <u>Person authorized to receive notices and communications in this respect:</u>

   Beth Keating, Esquire
   Gunster, Yoakley & Stewart, P.A.

Suite 601
215 South Monroe Street
Tallahassee, Florida 32301
(850) 521-1706

Attorneys for Chesapeake Utilities Corporation

4. Capital Stock and Funded Debt

Chesapeake has authority by provisions contained in the Certificate of Incorporation, as amended, to issue common stock as follows:

a) Common stock having a par value of $0.4867 per share.

b) Amount authorized: 50,000,000 shares.

c) Amount outstanding as of June 30, 2023: 17,796,741

d) Amount held in Treasury: 0 shares.

e) Amount pledged by Applicant: None.

f) Amount owned by affiliated corporations: None.

g) Amount held in any fund: None.

Chesapeake has authority by provisions contained in its Certificate of Incorporation, as amended, to issue preferred stock as follows:

a) Preferred stock having a par value of $0.01 per share.

b) Amount authorized: 2,000,000 shares.

c) Amount outstanding as of June 30, 2023: 0 shares.

d) Amount held in Treasury: None.

e) Amount pledged by Applicant: None.

f) Amount owned by affiliated corporations: None.

g) Amount held in any fund: None.

The funded indebtedness by class and series are as follows:

(a) 1 Chesapeake Utilities Corporation 5.93% Unsecured Senior Notes due October 31, 2023 and issued on October 31, 2008 in the principal amount of $30,000,000 bearing interest payable semi-annually with provisions for payment of interest only prior to April 30, 2014; thereafter, principal shall be payable, in addition to interest on the unpaid balance for ten (10) years at the rate of $1,500,000 per semi-annum. Accordingly, as of June 30, 2023, there was a balance of $1,500,000 for this issue.

(a) 2 Chesapeake Utilities Corporation 5.68% Unsecured Senior Notes due June 30, 2026 and issued on June 23, 2011 in the principal amount of $29,000,000 bearing interest payable semi-annually with provisions for payment of interest only prior to June 30, 2017; thereafter, principal shall be payable, in addition to interest on the unpaid balance for ten (10) years at the rate of $2,900,000 per annum. As of June 30, 2023, there was a balance of $8,700,000 on this issue.

(a) 3 Chesapeake Utilities Corporation 6.43% Unsecured Senior Notes due May 2, 2028 and issued on May 2, 2013 in the principal amount of $7,000,000 bearing interest payable semi-annually with provisions for payment of interest only prior to May 2, 2019; thereafter, principal shall be payable, in addition to interest on the unpaid balance for ten (10) years at the rate of $700,000 per annum. As of June 30, 2023, there was a balance of $3,500,000on this issue.

(a) 4 Chesapeake Utilities Corporation 3.73% Unsecured Senior Notes due December 16, 2028 and issued on December 16, 2013 pursuant to a Note Purchase Agreement dated September 5, 2013 in the principal amount of $20,000,000 bearing interest payable semi-annually with provisions for payment of interest only prior to December 16, 2019; thereafter, principal shall be payable, in addition to interest on the unpaid balance for ten (10) years at the rate of $2,000,000 per annum. As of June 30, 2023, there was a balance of $12,000,000 on this issue.

(a) 5 Chesapeake Utilities Corporation 3.88% Unsecured Senior Notes due May 15, 2029 and issued on May 15, 2014 pursuant to a Note Purchase Agreement dated September 5, 2013 in the principal amount of $50,000,000 bearing interest payable semi-annually with provisions for payment of interest only prior to May 15, 2020; thereafter, principal shall be payable, in addition to interest on the unpaid balance for ten (10) years at the rate of $5,000,000 per annum. As of June 30, 2023, there was a balance of $30,000,000 on this issue.

(a) 6 Chesapeake Utilities Corporation 3.25% Unsecured Senior Notes due April 30, 2032, and issued on April 21, 2017 pursuant to a Private Shelf Facility dated October 8, 2015, in the principal amount of $70,000,000 bearing interest payable quarterly with provisions for payment of interest only prior to July 31, 2022; Thereafter, principal shall be payable, in addition to interest on the unpaid balance for forty (40) quarters at the rate of $1,750,000 per quarter. As of June 30, 2023, there was a $63,000,000 balance on this issue.

(a) 7 Chesapeake Utilities Corporation 3.48% Series A Unsecured Senior Notes due May 31, 2038, and issued on May 21, 2018 pursuant to a Master Note Agreement dated March 2, 2017, in the principal amount of $50,000,000 bearing interest payable semi-annually with provisions for payment of interest only prior to May 31, 2029; Thereafter, principal shall be payable, in addition to interest on the unpaid balance at the rate of $5,000,000 per annum. As of June 30, 2023, there was a $50,000,000 balance on this issue.

(a) 8 Chesapeake Utilities Corporation 3.58% Series B Unsecured Senior Notes due November 30, 2038, issued on November 15, 2018 pursuant to a Master Note Agreement dated March 2, 2017, in the principal amount of $50,000,000 bearing interest payable semi-annually with provisions for payment of interest only prior to November 30, 2029; Thereafter, principal shall be payable, in addition to interest on the unpaid balance at the rate of $5,000,000 per annum. As of June 30, 2023, there was a $50,000,000 balance on this issue.

(a) 9 Chesapeake Utilities Corporation 3.98% Unsecured Senior Notes due August 20, 2039, issued on August 12, 2019 pursuant to a Private Shelf Facility dated October 8, 2015, as amended September 14, 2018, in the principal amount of $100,000,000 bearing interest payable quarterly with provisions for payment of interest only prior to August 30, 2030;

Thereafter, principal shall be payable, in addition to interest on the unpaid balance at the rate of $10,000,000 per annum. As of June 30, 2023, there was a $100,000,000 balance on this issue.

(a) 10 Chesapeake Utilities Corporation 2.98% Unsecured Senior Notes due December 20, 2034, issued on December 20, 2019, in the principal amount of $70,000,000 bearing interest payable semi-annually with provisions for payment of interest only prior to December 20, 2025; Thereafter, principal shall be payable, in addition to interest on the unpaid balance at the rate of $7,000,000 per annum. As of June 30, 2023, there was a $70,000,000 balance on this issue.

(a) 11 Chesapeake Utilities Corporation 3.00% Unsecured Senior Notes due July 15, 2035, issued on July 15, 2020, in the principal amount of $50,000,000 bearing interest payable quarterly with provisions for payment of interest only prior to July 15, 2026; Thereafter, principal shall be payable, in addition to interest on the unpaid balance at the rate of $5,000,000 per annum. As of June 30, 2023, there was a $50,000,000 balance on this issue.

(a) 12 Chesapeake Utilities Corporation 2.96% Unsecured Senior Notes due August 15, 2035, issued on August 15, 2020, in the principal amount of $40,000,000 bearing interest payable semi-annually with provisions for payment of interest only prior to August 15, 2026; Thereafter, principal shall be payable, in addition to interest on the unpaid balance at the rate of $4,000,000 per annum. As of June 30, 2023, there was a $40,000,000 balance on this issue.

(a) 13 Chesapeake Utilities Corporation 2.49% Unsecured Senior Notes due January 25, 2037, issued on December 20, 2021, in the principal amount of $50,000,000 bearing interest payable semi-annually with provisions for payment of interest only prior to January 25, 2028; Thereafter, principal shall be payable, in addition to interest on the unpaid balance at the rate of $5,000,000 per annum. As of June 30, 2023, there was a $50,000,000 balance on this issue.

(a) 14 Chesapeake Utilities Corporation 2.46% Equipment Security Note due September 29, 2031, issued on September 29, 2021, in the principal amount of $9,590,434 with principal and interest payable monthly, in the combined amount of $1,082,914 per annum. As of June 30, 2023, there is an $8,077,719 balance on this issue.

(a) 15 Chesapeake Utilities Corporation 2.95% Unsecured Senior Notes due March 15, 2042, issued on March 15, 2022, in the principal amount of $50,000,000 bearing interest payable quarterly with provisions for payment of interest only prior to March 15, 2033; Thereafter, principal shall be payable, in addition to interest on the unpaid balance at the rate of $5,000,000 per annum. As of June 30, 2023, there was a $50,000,000 balance on this issue.

(a) 16 Chesapeake Utilities Corporation 5.43% Unsecured Senior Notes due March 14, 2038, issued on March 14, 2023, in the principal amount of

$80,000,000 bearing interest payable quarterly with provisions for payment of interest only prior to March 14, 2029; Thereafter, principal shall be payable, in addition to interest on the unpaid balance at the rate of $8,000,000 per annum. As of June 30, 2023, there is a $80,000,000 balance on this issue.

Chesapeake currently maintains a multi-tranche short-term borrowing facility with total capacity of $375,000,000. The two tranches of the facility consist of a $175,000,000 364-day short-term debt tranche and a $200,000,000 five-year tranche both of which have three (3) one-year extension options. Each tranche of the facility also contains a $100,000,000 accordion provision which gives the Company the ability to increase the size of the facility by $200,000,000. The 364-day tranche of the credit facility expires in August 2024 and the five-year tranche expires in August 2026. Chesapeake may from time to time add additional lines of credit or term loans to meet short-term financing needs. Chesapeake currently maintains a total short-term borrowing line capacity of $375,000,000. As of June 30, 2023, the total short-term borrowing outstanding under the new syndicated credit facility was $95,807,219.

5. Authorizations Requested

Chesapeake requests authorization from the FPSC to issue up to 800,000 new shares of its common stock during 2024 for the purpose of administering

Chesapeake's Retirement Savings Plan, Stock and Incentive Compensation Plan, and Dividend Reinvestment and Stock Purchase Plan. The share breakdown for each specific purpose is as follows:

Number of Shares	Purpose
200,000	Issuance pursuant to the Company's Retirement Savings Plan.
200,000	Issuance under the terms of the Company's Stock and Incentive Compensation Plan.
400,000	Issuance pursuant to the Company's Dividend Reinvestment and Stock Purchase Plan.

In addition, Chesapeake is requesting FPSC authorization to issue up to 3,000,000 shares of Chesapeake stock or an equity-linked instrument/security equivalent in value in 2024 to permanently finance Chesapeake's ongoing capital expenditure program. The capital expenditure program is subject to continuous review and modification and is funded from short-term borrowings and cash provided by operating activities. Chesapeake seeks further FPSC authorization to issue during 2024 up to an additional 6,000,000 shares of common stock or similar securities. This additional stock would be used to finance Chesapeake's ongoing acquisition program. The Company may from time to time, permanently finance its short-term borrowings through the issuance of common stock or an equity-linked instrument, as opposed to long-term debt. If the Company were to undertake a stock split or reverse split, such amounts would be adjusted accordingly.

Chesapeake requests FPSC authorization to issue up to $950,000,000 in new secured and/or unsecured long-term debt or similar securities during 2024 for general corporate purposes including, but not limited to, working capital, retirement of short-term debt, retirement of long-term debt, capital improvements and acquisitions.

Chesapeake seeks FPSC authorization to issue short-term obligations up to $800,000,000 during 2024 to fund its operations, capital expenditures on a short-term basis and/or in support of the execution of its growth strategy. Chesapeake is also requesting authority to issue up to 2,000,000 shares of Chesapeake preferred stock or similar securities in 2024, for possible acquisitions, financing transactions, and other general corporate purposes.

Chesapeake further seeks FPSC approval to enter into financial agreements with institutions in 2024 to negotiate and execute financial derivatives enabling the Company to lock in its future financing costs and minimize its risk. The Company identifies below some of the financial derivatives that the Company may evaluate in 2024, although the listing is not intended to be all-inclusive. Rather, the Company seeks approval to evaluate and employ those financial derivatives that would mitigate its financial risk associated with a particular financing transaction(s).

Chesapeake is proposing to have the flexibility and authority to enter into the following (a) Treasury rate locks, credit spread locks, interest rate swaps, collars, caps and/or floors (the "Interest Rate Swap Products"); (b) equity collars, floors, prepaid forward contracts, covered calls, forward sales and purchases and/or equity-linked instruments (the "Equity Products"); or (c) any other Financial Derivatives that meet the objectives described above on such terms as Chesapeake considers to be appropriate, provided that the notional amount(s) for said Interest Rate Swap Products, Equity Products, and/or other Financial Derivatives do not, in the aggregate, exceed the sum of $400,000,000.

6. Purposes for which Securities are to be issued:

a) Chesapeake's Retirement Savings Plan ("RSP") was implemented on February 1, 1977. As of June 30, 2023, the RSP had 1,034 active participants, a total market valuation of approximately $192,266,580 (including 378,065 shares of the Company's common stock with a value of $44,989,775). Chesapeake's 401k Plan was amended to be a "safe harbor" plan. Effective January 1, 2011, the Company has matched 100% of the participants' contributions up to six percent of the eligible compensation in cash and any supplemental contributions will generally be made in Chesapeake stock.

To continue to balance the composition of debt and equity, Chesapeake wants to maintain flexibility in how the supplemental RSP contributions are funded, i.e., with new shares of its stock, buying shares on the open market, and/or a combination of both funding methods.

On June 23, 1992, the Delaware Public Service Commission issued Order No. 3425 approving the issuance of up to 150,000 new shares of Chesapeake common stock for the purpose of administering Chesapeake's RSP. Please note that this Order by the Delaware Public Service Commission is "open ended" in the sense that there is no time limit by which the approved securities need to be issued. A copy of the Order has been previously filed with the FPSC within Exhibit J of the Application for Approval of Issuance and Sale of Securities by Chesapeake Utilities Corporation, Docket No. 931112-GU, dated November 17, 1993, and is hereby incorporated by reference. On July 13, 1999, the Delaware Public Service Commission issued Order No. 5165 approving the issuance of an additional 150,000 new shares of Chesapeake common stock for the purpose of administering the RSP. Please note that this Order by the Delaware Public Service Commission is also "open ended" in the sense that there is no time limit by which approved securities need to be issued. A copy of this Order has been previously filed with the FPSC within Exhibit C of the Application by Chesapeake Utilities Corporation for Authorization to issue Common Stock, Preferred Stock and Secured and/or Unsecured Debt and to Exceed Limitation Placed on Short-Term Borrowings in 2000, Docket No. 991631-GU, dated October 20, 1999, and is hereby incorporated by reference. On December 19, 2000, the Delaware Public Service Commission issued Order No. 5609 approving the issuance of an additional 450,000 new shares of Chesapeake common stock for the purpose of administering the RSP. Please note that this Order by the Delaware Public Service Commission is also "open ended" in the sense that there is no time limit by which approved securities need to be issued. A copy of this Order has been previously filed with the FPSC as Exhibit E of the Consummation Report of Securities Issued by Chesapeake

Utilities Corporation, Docket No. 991631-GU, dated March 29, 2001, and is hereby incorporated by reference.

On May 4, 2010, the Delaware Public Service Commission issued Order No. 7769 approving the issuance of an additional 900,000 new shares of Chesapeake common stock for the purpose of administering the RSP. Please note that this Order by the Delaware Public Service Commission is also "open ended" in the sense that there is no time limit by which approved securities need to be issued. A copy of the order was previously filed with the FPSC as Exhibit C of Docket No. 100444-GU dated November 16, 2010. Pursuant to these Orders, Chesapeake has issued 851,414 new shares of common stock for the RSP as of June 30, 2023. Thus, there remains to be issued 798,586 shares as authorized by the Delaware Public Service Commission. The FPSC approved the issuance and sale of up to 200,000 shares of common stock for the Plan during 2023 by Order No. PSC-2023-0100-FOF-GU issued on February 28, 2023. Chesapeake now seeks FPSC authorization to issue up to 200,000 of new shares of Chesapeake common stock for the purpose of administering Chesapeake's Plan during 2024.

(b) On May 3, 2023, after receiving shareholder approval, the Board adopted the 2023 Stock and Incentive Compensation Plan ("SICP") for issuing equity compensation to its directors, to its officers and other key employees, and to its employees. The FPSC approved the issuance of up to 200,000 shares of common stock for the SICP during 2023 by Order No. PSC-2023-0100-FOF-

GU issued on February 28, 2023. Chesapeake is requesting FPSC authorization to issue up to 200,000 new shares of Chesapeake common stock for purposes of administering the SICP during 2024. The SICP will allow the Company to continue to provide a competitive compensation program that seeks to attract and retain exceptional executive officers, directors and employees of the Company and motivate those individuals responsible for the growth and success of the Company.

The SICP also enhances stockholder value by linking a portion of compensation of executive officers, directors and employees of the Company to the increase in the price per share of its common stock and the achievement of other performance objectives and encourage ownership in the Company by key personnel whose long-term employment is considered essential to the Company's continued success and progress. On October 22, 2013, the Delaware Public Service Commission issued Order No. 8470 authorizing Chesapeake to issue up to 661,862 shares of common stock to administer the Company's SICP. Please note that this Order by the Delaware Public Service Commission is "open ended" in the sense that there is no time limit by which the approved securities need to be issued.

On October 25, 2023 the Delaware Public Service Commission issued Order No. 10319, approving the issuance of an additional 300,814 shares of Chesapeake common stock for the purpose of administering Chesapeake's SICP. Please note that this Order by the Delaware Public Service Commission is "open ended" in the sense that there is no time limit by which the approved securities need to be issued. A copy of this Order is being included as Exhibit C in this application.

Pursuant to the Orders above, Chesapeake has issued 394,676 new shares of common stock for the SICP as of June 30, 2023. Thus, there remains to be issued 568,000 shares as authorized by the Delaware Public Service Commission. Chesapeake now seeks FPSC authorization to issue up to 200,000 new shares of Chesapeake common stock for the purpose of administering Chesapeake's Plan during 2024.

(c) Chesapeake's Dividend Reinvestment and Stock Purchase Plan ("DRP") was implemented on April 27, 1989. The DRP Administrator currently has the flexibility of purchasing shares of Chesapeake common stock on the open market, using Treasury stock or issuing new common stock. The gradual issuance of new common stock enables Chesapeake to balance the composition of its capital between common stock and long-term debt. As of June 30, 2023, the DRP had 1,621 stockholder participants.

On May 23, 1989, the Delaware Public Service Commission issued Order No. 3071 approving the issuance of up to 300,000 new shares of Chesapeake common stock for the purpose of administering Chesapeake's DRP. Please note that this Order by the Delaware Public Service Commission is "open ended" in the sense that there is no time limit by which the approved securities need to be issued. A copy of this Order has been previously filed with the FPSC within Exhibit J of the Application for Approval of Issuance and Sale of Securities by

Chesapeake Utilities Corporation, Docket No. 931112-GU, dated November 17, 1993, and is hereby incorporated by reference.

On December 20, 1995, the Delaware Public Service Commission issued Order No. 4097 approving the issuance of an additional 450,000 new shares of Chesapeake common stock for the purpose of administering Chesapeake's DRP. Please note that this Order by the Delaware Public Service Commission is also "open ended" in the sense that there is no time limit by which the approved securities need to be issued. A copy of this Order has been previously filed with the FPSC within Exhibit E of the Application for Approval of Issuance and Sale of Securities by Chesapeake Utilities Corporation, Docket No. 961194-GU, dated October 1, 1996, and is hereby incorporated by reference.

On December 21, 2004 the Delaware Public Service Commission issued Order No. 6543, approving the issuance of an additional 1,125,000 shares of Chesapeake common stock for the purpose of administering Chesapeake's amended Dividend Reinvestment and Stock Purchase Plan. Please note that this Order by the Delaware Public Service Commission is "open ended" in the sense that there is no time limit by which the approved securities need to be issued. A copy of this Order has been previously filed with the FPSC within Exhibit C of the Consummation Report of Securities Issued by Chesapeake Utilities Corporation, Docket No. 030942-GU, dated March 22, 2005, and is hereby incorporated by reference.

On October 25, 2023 the Delaware Public Service Commission issued Order No. 10319, approving the issuance of an additional 842,088 shares of Chesapeake common stock for the purpose of administering Chesapeake's Dividend Reinvestment and Stock Purchase Plan. Please note that this Order by the Delaware Public Service Commission is "open ended" in the sense that there is no time limit by which the approved securities need to be issued. A copy of this Order is being included as Exhibit C in this application. In addition, on August 24, 2023, Chesapeake filed a Registration Statement on Form S-3 with the Securities and Exchange Commission relating to the registration of 1,125,000 shares of the Company's common stock under the Dividend Reinvestment and Direct Stock Purchase Plan that replaced the prior Registration Statement.

Pursuant to the Orders above, Chesapeake has issued 1,592,088 new shares of common stock as of June 30, 2023. Thus, there remains to be issued 1,125,000 shares as authorized by the Delaware Public Service Commission. Chesapeake now seeks FPSC approval to issue up to 400,000 new shares of Chesapeake common stock for the purpose of administering Chesapeake's amended Dividend Reinvestment and Stock Purchase Plan during 2024.

(d) Chesapeake now seeks FPSC approval to issue up to 3,000,000 shares of Chesapeake stock or an equity-linked instrument equivalent in value in 2024 to permanently finance Chesapeake's ongoing capital expenditure program. Financing for the Company's capital expenditure program is subject to continuous review and modification and is funded from short-term borrowings and cash provided by operating activities. The Company, in an effort to manage its capital structure, may, from time to time permanently finance through the issuance of common stock or an equity-linked instrument, as opposed to long-term debt. The FPSC approved the issuance of 3,000,000 shares of common stock for Chesapeake during 2023 by Order No. PSC-2023-0100-FOF-GU issued on February 28, 2023.

(e) Chesapeake seeks FPSC authorization to issue during 2024 up to $350,000,000 in secured and/or unsecured long-term debt or similar securities with an estimated rate of interest of up to 300 basis points above U.S. Treasury rates (or extrapolated U.S. Treasury rates) with equivalent average life. The FPSC approved the issuance and sale of $350,000,000 in secured and/or unsecured long-term debt or similar securities during 2023 by Order No. PSC-2023-0100-FOF-GU issued on February 28, 2023. The remaining proceeds from this debt issuance would be used for general corporate purposes including, but not limited to, working capital, retirement of short-term debt, retirement of long-term debt and capital improvements. Each issue will be for some lawful object within the corporate purposes of the applicant and compatible with the public interest and is reasonably necessary or appropriate for such purpose.

(f) Chesapeake seeks further FPSC authorization to issue during 2024 up to an additional 6,000,000 shares of common stock or an equity-linked instrument equivalent and an additional $600,000,000 in secured and/or unsecured long-term debt or similar securities with an estimated rate of interest of up to 300 basis points above U.S. Treasury rates (or extrapolated U.S. Treasury rates) with equivalent average life. This additional stock and debt would be used to finance Chesapeake's ongoing acquisition program, including, but not limited to, its announced acquisition of Florida City Gas. Chesapeake expects to continue to search for growth opportunities through acquisitions, which fit its long-range plan to achieve the proper mix of business activities. Financing of acquisitions will depend upon the nature and extent of potential acquisitions as well as current market and economic conditions.

(g) Chesapeake seeks FPSC authorization to issue up to 2,000,000 shares of Chesapeake preferred stock or similar securities during 2024 for possible acquisitions, including, but not limited to, its announced acquisition of Florida City Gas, certain financing transactions, and other general corporate purposes. As of June 30, 2023, zero (0) shares of Chesapeake preferred stock have been issued.

(h) Chesapeake is requesting authority during 2024 to enter into an agreement for financial derivatives including, but not limited to Interest Rate Swap Products, Equity Products, and/or other Financial Derivatives on such terms as Chesapeake considers appropriate provided that the notional amount(s) for said

Interest Rate Swap Products, Equity Products, and/or other Financial Derivatives do not, in the aggregate, exceed the sum of $400,000,000.

7. Purposes for which Securities are to be issued:

The common stock or an equity-linked instrument equivalent, preferred stock and long-term debt authorized for issuance will be used for the purpose of administering Chesapeake's Retirement Savings Plan, Stock and Incentive Compensation Plan, Dividend Reinvestment and Stock Purchase Plan, financing of the Company's acquisition program and for other corporate purposes including, but not limited to the following: working capital; retirement of short-term debt; retirement of long-term debt; and capital improvements. The Interest Rate Swap Products, Equity Products and other Financial Derivatives will provide Chesapeake with an additional opportunity to achieve lower cost funding of existing and prospective debt and equity placements, as well as enhanced flexibility to manage the Company's exposure to risk as market conditions permit.

To be clear, Chesapeake allocates funds to Florida Public Utilities Company (FPUC), on an as-needed basis. Chesapeake acknowledges that in no event will such allocations to FPUC exceed 75 percent of the proposed equity securities (common stock, and preferred stock), long-term debt, short-term debt, interest rate swap products, equity products, and financial derivatives issued by Chesapeake.

8. Counsel:

The legality of the common stock, preferred stock and debt issuances will be passed upon by James D. Nutter, Esquire, Parkowski, Guerke and Swayze, P.A., 116 West Water Street, Dover, Delaware 19903 who will rely on Beth Keating, Esquire, Gunster, Yoakley & Stewart, Suite 601, 215 South Monroe Street, Tallahassee, Florida 32301, as to matters of Florida law.

9. Other Regulatory Agencies:

Under 26 Del. C Section 215 of the Delaware statutes, Chesapeake is regulated by the Delaware Public Service Commission and, therefore, must file a Prefiling Notice, a Notice, and an Application to obtain approval of the Delaware Commission before issuing new securities which mature more than one (1) year from the date of issuance. In addition, a Notice must be filed if Chesapeake expects to incur short-term indebtedness, which exceeds ten percent of the Company's total capitalization. All necessary applications or registration statements have been or will be made as required and will be made a part of the final consummation report to the FPSC as required by Rule 25-8.009, Florida Administrative Code.

The address of the Delaware Commission is as follows:

Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building
Dover, Delaware 19904
Attention: Robert Howatt

10. Control or ownership:

Applicant is not owned by any other company nor is Applicant a member of any holding company system.

11. Exhibits:

Filed herewith:

Exhibit A: Exhibit A consists of the following attachments:

A (1) Chesapeake Utilities Corporation Annual Report on Form 10-K (A) for the year ended December 31, 2022.

A (2) Chesapeake Utilities Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.

Exhibit B: Construction Budget for Florida regulated operations

Exhibit C: Delaware PSC Order No. 10319

12. Constitutionality of Statute:

Chesapeake has taken the position that the statutory requirement of FPSC approval of the issuance and sale of securities by a public utility, under Section 366.04 (1), Florida Statutes, as applied to Chesapeake, a Delaware corporation engaged in interstate commerce, is unconstitutional, in that it creates an unreasonable burden on interstate commerce. Support for this position is set out in Chesapeake's Petition for declaratory statement disclaiming jurisdiction, as filed in FPSC Docket No. 930705-GU. By FPSC Order No. PSC-93-1548-FOF-GU, issued on October 21, 1993, the FPSC denied the Petition for declaratory statement, while approving the alternative Application for approval of the issuance of up to 100,000 new shares of common stock for the purpose of administering a Retirement Savings Plan. The FPSC found that "the facial constitutionality of a statute cannot be decided in an administrative proceeding," and that since the stock issuance was approved, "the question of constitutionality appears to be academic at this time."

Chesapeake continues to maintain that the assertion of jurisdiction by the FPSC over its securities unconstitutionally burdens interstate commerce, particularly where the Public Service Commission of the State of Delaware has approved their issuance and sale, and/or where the securities do not create a lien or encumbrance on assets of Chesapeake's public utility operations in the State of Florida.

Florida law provides for severe penalties for any willful violation of a statute administered by the FPSC or any of its rules or orders, Secs. 350.127 (1) and 366.095, Florida Statutes. Accordingly, Chesapeake believes it must submit to FPSC jurisdiction over its securities if it is to avoid assessment of such penalties and to otherwise remain in good standing before the FPSC. It therefore files the instant Application, under protest, and without waiver of its position regarding the unconstitutionality of the statute.

PRAYER FOR RELIEF

Based on the foregoing, Chesapeake Utilities Corporation requests that the FPSC issue an Order authorizing the Company to issue in 2024 up to 9,800,000 shares of common stock or an equity-linked instrument equivalent, up to 2,000,000 shares of preferred stock or similar securities, and up to $950,000,000 of secured and/or unsecured long-term debt or similar securities, to issue short-term borrowings in 2024 in an amount not to exceed $800,000,000, and authorizing it to enter into agreements up to $400,000,000 in Interest Rate Swap Products, Equity Products and other Financial Derivatives.

Respectfully submitted,

Date: November 7, 2023

Beth Keating

Beth Keating, Esquire
Gunster, Yoakley & Stewart, P.A.
Suite 601
215 South Monroe Street
Tallahassee, Florida 32301
(850) 521-1706

Attorneys for
Chesapeake Utilities Corporation

STATE OF DELAWARE *

*

COUNTY OF KENT * SS

BE IT REMEMBERED that on this the day of 7th of Nov. 2023, personally appeared before me, a Notary Public for the State of Delaware, Beth W. Cooper, who being by me duly sworn, did depose and say that she is Executive Vice President Chief Financial Officer and Treasurer of Chesapeake Utilities Corporation, a Delaware corporation, and that insofar as the Application of Chesapeake Utilities Corporation states facts, and insofar as those facts are within her personal knowledge, they are true; and insofar as those facts that are not within her personal knowledge, she believes them to be true, that the exhibits accompanying this Application and attached hereto are true and correct copies of the originals of the aforesaid exhibits, and that she has executed this Application on behalf of the Company and pursuant to the authorization of its Board of Directors.

Beth W. Cooper

Beth W. Cooper
Executive Vice President Chief Financial Officer
and Treasurer

SWORN TO AND SUBSCRIBED before me the day and year first above written.

CONNIE PAPAFIO OSEI
MY COMMISSION EXPIRES August 11, 2027
NOTARY PUBLIC
STATE OF DELAWARE

Notary Public
My Commission Expires: August 11, 2027

Notary Public
My Commission Expires:

EXHIBITS

A (1)	Chesapeake Utilities Corporation Annual Report on Form 10-K for the year ended December 31, 2022.
A (2)	Chesapeake Utilities Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.
B:	Construction Budget for Florida regulated operations
C:	Delaware PSC Order No. 10319

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Fiscal Year Ended: December 31, 2022**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-11590

CHESAPEAKE UTILITIES CORPORATION
(Exact name of registrant as specified in its charter)

State of Delaware	**51-0064146**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

500 Energy Lane, Dover, Delaware 19901
(Address of principal executive offices, including zip code)

302-734-6799
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock—par value per share $0.4867	CPK	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common shares held by non-affiliates of Chesapeake Utilities Corporation as of June 30, 2022, the last business day of its most recently completed second fiscal quarter, based on the last sale price on that date, as reported by the New York Stock Exchange, was approximately $2.2 billion.

The number of shares of Chesapeake Utilities Corporation's common stock outstanding as of February 17, 2023 was 17,741,418

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Chesapeake Utilities Corporation Proxy Statement for the 2023 Annual Meeting of Shareholders are incorporated by reference in Part II and Part III hereof.

CHESAPEAKE UTILITIES CORPORATION

FORM 10-K

YEAR ENDED DECEMBER 31, 2021

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GLOSSARY OF DEFINITIONS

ASC: Accounting Standards Codification issued by the FASB

Adjusted Gross Margin: a non-GAAP measure calculated by deducting the purchased cost of natural gas, propane and electricity and the cost of labor spent on direct revenue-producing activities from operating revenues. The costs included in Adjusted Gross Margin exclude depreciation and amortization and certain costs presented in operations and maintenance expenses in accordance with regulatory requirements

Aspire Energy: Aspire Energy of Ohio, LLC, a wholly-owned subsidiary of Chesapeake Utilities

Aspire Energy Express: Aspire Energy Express, LLC, a wholly-owned subsidiary of Chesapeake Utilities

ASU: Accounting Standards Update issued by the FASB

ATM: At-the-market

CARES Act: Coronavirus Aid, Relief, and Economic Security Act

CDC: U.S. Centers for Disease Control and Prevention

CDD: Cooling Degree-Day

CFG: Central Florida Gas Company, a division of Chesapeake Utilities

Chesapeake or Chesapeake Utilities: Chesapeake Utilities Corporation, its divisions and subsidiaries, as appropriate in the context of the disclosure

CHP: Combined Heat and Power Plant

Company: Chesapeake Utilities Corporation, its divisions and subsidiaries, as appropriate in the context of the disclosure

COVID-19: An infectious disease caused by a coronavirus

CNG: Compressed natural gas

Davenport Energy: An entity from whom we acquired certain propane operating assets in North Carolina.

Degree-day: Measure of the variation in the weather based on the extent to which the average daily temperature (from 10:00 am to 10:00 am) falls above (CDD) or below (HDD) 65 degrees Fahrenheit

Delmarva Peninsula: A peninsula on the east coast of the U.S. occupied by Delaware and portions of Maryland and Virginia

Diversified Energy: Diversified Energy Company an entity from whom we acquired certain propane operating assets in North Carolina, South Carolina, Virginia, and Pennsylvania

DRIP: Dividend Reinvestment and Direct Stock Purchase Plan

Dt(s): Dekatherm(s), which is a natural gas unit of measurement that includes a standard measure for heating value

Dts/d: Dekatherms per day

Eastern Shore: Eastern Shore Natural Gas Company, a wholly-owned subsidiary of Chesapeake Utilities

Eight Flags: Eight Flags Energy, LLC, a wholly-owned subsidiary of Chesapeake Utilities

Elkton Gas: Elkton Gas Company, a wholly-owned subsidiary of Chesapeake Utilities

Escambia Meter Station: A natural gas metering station owned by Peninsula Pipeline Company located in Escambia County, Florida

ESG: Environmental, Social and Governance

FASB: Financial Accounting Standards Board

FERC: Federal Energy Regulatory Commission

FGT: Florida Gas Transmission Company

Florida OPC: The Office of Public Counsel, an agency established by the Florida legislature who advocates on behalf of Florida's utility consumers prior to actions or rule changes

FPU: Florida Public Utilities Company, a wholly-owned subsidiary of Chesapeake Utilities

GAAP: Generally Accepted Accounting Principles

Guernsey Power Station: Guernsey Power Station, LLC, a partner with Aspire Energy Express in the construction of a power generation facility in Ohio

GRIP: Gas Reliability Infrastructure Program

Gross Margin: a term under U.S. GAAP which is the excess of sales over costs of goods sold

Gulfstream: Gulfstream Natural Gas System, LLC, an unaffiliated pipeline network that supplies natural gas to FPU

HDD: Heating Degree-Day

LNG: Liquefied Natural Gas

Marlin Gas Services: Marlin Gas Services, LLC, a wholly-owned subsidiary of Chesapeake Utilities

MetLife: MetLife Investment Advisors, an institutional debt investment management firm, with which we have previously issued Senior Notes and which is a party to the current MetLife Shelf Agreement, as amended

MGP: Manufactured gas plant, which is a site where coal was previously used to manufacture gaseous fuel for industrial, commercial and residential use

MW: Megawatt, which is a unit of measurement for electric power or capacity

NOL: Net operating losses

Peninsula Pipeline: Peninsula Pipeline Company, Inc., a wholly-owned subsidiary of Chesapeake Utilities

Peoples Gas: Peoples Gas System, an Emera Incorporated subsidiary

Prudential: Prudential Investment Management Inc., an institutional investment management firm, with which we have previously issued Senior Notes and which is a party to the current Prudential Shelf Agreement, as amended

PSC: Public Service Commission, which is the state agency that regulates utility rates and/or services in certain of our jurisdictions

Revolver: Our $400.0 million unsecured revolving credit facility with certain lenders

RNG: Renewable natural gas

Sandpiper Energy: Sandpiper Energy, Inc., a wholly-owned subsidiary of Chesapeake Utilities

SEC: Securities and Exchange Commission

Senior Notes: Our unsecured long-term debt issued primarily to insurance companies on various dates

Sharp: Sharp Energy, Inc., a wholly-owned subsidiary of Chesapeake Utilities

Shelf Agreement: An agreement entered into by Chesapeake Utilities and a counterparty pursuant to which Chesapeake Utilities may request that the counterparty purchase our unsecured senior debt with a fixed interest rate and a maturity date not to exceed 20 years from the date of issuance

Shelf Notes: Unsecured senior promissory notes issuable under the Shelf Agreement executed with various counterparties

SICP: 2013 Stock and Incentive Compensation Plan

SOFR: Secured Overnight Financing Rate, a secured interbank overnight interest rate established as an alternative to LIBOR

TCJA: Tax Cuts and Jobs Act enacted on December 22, 2017

TETLP: Texas Eastern Transmission, LP, an interstate pipeline interconnected with Eastern Shore's pipeline

Transco: Transcontinental Gas Pipe Line Company, LLC

Uncollateralized Senior Notes: Our unsecured long-term debt issued primarily to insurance companies on various dates

U.S.: The United States of America

PART I

References in this document to “Chesapeake,” “Chesapeake Utilities,” the “Company,” “we,” “us” and “our” mean Chesapeake Utilities Corporation, its divisions and/or its subsidiaries, as appropriate in the context of the disclosure.

Safe Harbor for Forward-Looking Statements

We make statements in this Annual Report on Form 10-K (this "Annual Report") that do not directly or exclusively relate to historical facts. Such statements are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. One can typically identify forward-looking statements by the use of forward-looking words, such as “project,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “continue,” “potential,” “forecast” or other similar words, or future or conditional verbs such as “may,” “will,” “should,” “would” or “could.” These statements represent our intentions, plans, expectations, assumptions and beliefs about future financial performance, business strategy, projected plans and objectives of the Company. Forward-looking statements speak only as of the date they are made or as of the date indicated and we do not undertake any obligation to update forward-looking statements as a result of new information, future events or otherwise. These statements are subject to many risks and uncertainties. In addition to the risk factors described under *Item 1A, Risk Factors*, the following important factors, among others, could cause actual future results to differ materially from those expressed in the forward-looking statements:

- state and federal legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures, and affect the speed and the degree to which competition enters the electric and natural gas industries;
- the outcomes of regulatory, environmental and legal matters, including whether pending matters are resolved within current estimates and whether the related costs are adequately covered by insurance or recoverable in rates;
- the impact of climate change, including the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change;
- the impact of significant changes to current tax regulations and rates;
- the timing of certification authorizations associated with new capital projects and the ability to construct facilities at or below estimated costs, and within estimated timeframes;
- changes in environmental and other laws and regulations to which we are subject and environmental conditions of property that we now, or may in the future, own or operate;
- possible increased federal, state and local regulation of the safety of our operations;
- the inherent hazards and risks involved in transporting and distributing natural gas, electricity and propane;
- the economy in our service territories or markets, the nation, and worldwide, including the impact of economic conditions (which we do not control) on demand for natural gas, electricity, propane or other fuels;
- risks related to cyber-attacks or cyber-terrorism that could disrupt our business operations or result in failure of information technology systems or result in the loss or exposure of confidential or sensitive customer, employee or Company information;
- adverse weather conditions, including the effects of hurricanes, ice storms and other damaging weather events;
- customers' preferred energy sources;
- industrial, commercial and residential growth or contraction in our markets or service territories;
- the effect of competition on our businesses from other energy suppliers and alternative forms of energy;
- the timing and extent of changes in commodity prices and interest rates;
- the effect of spot, forward and future market prices on our various energy businesses;
- the extent of our success in connecting natural gas and electric supplies to our transmission systems, establishing and maintaining key supply sources, and expanding natural gas and electric markets;
- the creditworthiness of counterparties with which we are engaged in transactions;
- the capital-intensive nature of our regulated energy businesses;
- our ability to access the credit and capital markets to execute our business strategy, including our ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general economic conditions;
- the ability to successfully execute, manage and integrate a merger, acquisition or divestiture of assets or businesses and the related regulatory or other conditions associated with the merger, acquisition or divestiture;
- the impact on our costs and funding obligations, under our pension and other post-retirement benefit plans, of potential downturns in the financial markets, lower discount rates, and costs associated with health care legislation and regulation;
- the ability to continue to hire, train and retain appropriately qualified personnel;
- the availability of, and competition for, qualified personnel supporting our natural gas, electricity and propane businesses;
- the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; and

- the impacts associated with a pandemic, including the duration and scope of the pandemic the corresponding impact on our supply chains, our personnel, our contract counterparties, general economic conditions and growth, the financial markets and any costs to comply with governmental mandates.

ITEM 1. Business.

Corporate Overview and Strategy

Chesapeake Utilities Corporation is a Delaware corporation formed in 1947 with operations primarily in the Mid-Atlantic region, North Carolina, South Carolina, Florida and Ohio. We are an energy delivery company engaged in the distribution of natural gas, electricity and propane; the transmission of natural gas; the generation of electricity and steam, and in providing related services to our customers. Our strategy is focused on growing earnings from a stable regulated energy delivery foundation and investing in related businesses and services that provide opportunities for returns greater than traditional utility returns. We seek to identify and develop opportunities across the energy value chain, with emphasis on midstream and downstream investments that are accretive to earnings per share, consistent with our long-term growth strategy and create opportunities to continue our record of top tier returns on equity relative to our peer group. The Company’s growth strategy includes the continued investment and expansion of the Company’s regulated operations that provide a stable base of earnings, as well as investments in other related non-regulated businesses and services including sustainable energy initiatives. By investing in these related business and services, the Company creates opportunities to sustain its track record of higher returns, as compared to a traditional utility.

Currently, the Company’s growth strategy is focused on the following platforms, including:

- Optimizing the earnings growth in our existing businesses, which includes organic growth, territory expansions, and new products and services as well as increased opportunities to transform the Company with a focus on people, process, technology and organizational structure.
- Identification and pursuit of additional pipeline expansions, including new interstate and intrastate transmission projects.
- Growth of Marlin Gas Services’ CNG transport business and expansion into LNG and RNG transport services as well as methane capture.
- Identifying and undertaking additional strategic propane acquisitions that provide a larger foundation in current markets and expand our brand and presence into new strategic growth markets.
- Pursuit of growth opportunities that enable us to utilize our integrated set of energy delivery businesses to participate in sustainable energy opportunities.

Operating Segments

We conduct operations within two reportable segments: Regulated Energy and Unregulated Energy. The remainder of our operations is presented as “Other businesses and eliminations." These segments are described below in detail.

Regulated Energy

<u>Overview</u>

Our regulated energy businesses are comprised of natural gas and electric distribution, as well as natural gas transmission services. The following table presents net income for the year ended December 31, 2022 and total assets as of December 31, 2022, by operation and area served:

Operations	Areas Served	Net Income	Total Assets
(in thousands)			
Natural Gas Distribution			
Delmarva Natural Gas [1]	Delaware/Maryland	$ 12,930	$ 387,045
Florida Natural Gas [2]	Florida	19,162	507,798
Natural Gas Transmission			
Eastern Shore	Delaware/Maryland/ Pennsylvania	23,222	477,905
Peninsula Pipeline	Florida	10,372	142,702
Aspire Energy Express	Ohio	439	7,235
Electric Distribution			
FPU	Florida	3,951	193,570
Total Regulated Energy		$ 70,076	$ 1,716,255

(1) Delmarva Natural Gas consists of Delaware division, Maryland division, Sandpiper Energy and Elkton Gas.
(2) Florida Natural Gas consists of Chesapeake Utilities CFG Division and FPU, and FPU's Ft. Meade and Indiantown divisions.

Revenues in the Regulated Energy segment are based on rates regulated by the PSC in the states in which we operate or, in the case of Eastern Shore, which is an interstate business, by the FERC. The rates are designed to generate revenues to recover all prudent operating and financing costs and provide a reasonable return for our stockholders. Each of our distribution and transmission operations has a rate base, which generally consists of the original cost of the operation's plant (less accumulated depreciation), working capital and other assets. For Delmarva Natural Gas and Eastern Shore, rate base also includes deferred income tax liabilities and other additions or deductions. Our Regulated Energy operations in Florida do not include deferred income tax liabilities in their rate base.

Our natural gas and electric distribution operations bill customers at standard rates approved by their respective state PSC. Each state PSC allows us to negotiate rates, based on approved methodologies, for large customers that can switch to other fuels. Some of our customers in Maryland receive propane through underground distribution systems in Worcester County. We bill these customers under PSC-approved rates and include them in the natural gas distribution results and customer statistics.

Our natural gas and electric distribution operations earn profits on the delivery of natural gas or electricity to customers. The cost of natural gas or electricity that we deliver is passed through to customers under PSC-approved fuel cost recovery mechanisms. The mechanisms allow us to adjust our rates on an ongoing basis without filing a rate case to recover changes in the cost of the natural gas and electricity that we purchase for customers. Therefore, while our distribution operating revenues fluctuate with the cost of natural gas or electricity we purchase, our distribution adjusted gross margin is generally not impacted by fluctuations in the cost of natural gas or electricity.

Our natural gas transmission operations bill customers under rate schedules approved by the FERC or at rates negotiated with customers.

Operational Highlights

The following table presents operating revenues, volumes and the average number of customers by customer class for our natural gas and electric distribution operations for the year ended December 31, 2022:

	Delmarva Natural Gas Distribution			Florida Natural Gas Distribution [2]			FPU Electric Distribution	
Operating Revenues *(in thousands)*								
Residential	$	83,373	60 %	$	46,824	30 %	$	38,954	48 %
Commercial		40,912	29 %		38,714	25 %		37,524	46 %
Industrial		12,171	9 %		59,704	38 %		2,586	3 %
Other [1]		2,803	2 %		10,628	7 %		2,650	3 %
Total Operating Revenues	$	139,259	100 %	$	155,870	100 %	$	81,714	100 %
Volumes *(in Dts for natural gas/MW Hours for electric)*									
Residential		4,645,336	30 %		2,086,597	5 %		305,593	48 %
Commercial		4,167,454	27 %		6,453,918	15 %		304,816	48 %
Industrial		6,234,637	41 %		31,448,883	72 %		20,969	3 %
Other		307,397	2 %		3,418,788	8 %		5,978	1 %
Total Volumes		15,354,824	100 %		43,408,186	100 %		637,356	100 %
Average Number of Customers [3]									
Residential		92,694	92 %		85,074	91 %		25,516	78 %
Commercial		7,906	8 %		5,728	6 %		7,349	22 %
Industrial		215	<1%		2,594	3 %		2	<1%
Other		4	<1%		6	<1%		—	— %
Total Average Number of Customers		100,819	100 %		93,402	100 %		32,867	100 %

[1] Operating Revenues from "Other" sources include revenue, unbilled revenue, under (over) recoveries of fuel cost, conservation revenue, other miscellaneous charges, fees for billing services provided to third parties, and adjustments for pass-through taxes.
[2] Florida natural gas distribution includes Chesapeake Utilities' CFG division,, FPU and FPU's Indiantown and Fort Meade divisions.
[3] Average number of customers is based on the twelve-month average for the year ended December 31, 2022.

The following table presents operating revenues, by customer type, for Eastern Shore and Peninsula Pipeline for the year ended December 31, 2022, as well as contracted firm transportation capacity by customer type, and design day capacity at December 31, 2022. Aspire Energy Express has been excluded from the table below and had operating revenue of $1.4 million and firm transportation capacity of 300,000 Dts/d for the year ended December 31, 2022:

	Eastern Shore			Peninsula Pipeline		
Operating Revenues *(in thousands)*						
Local distribution companies - affiliated [1]	$	32,458	41 %	$	23,669	87 %
Local distribution companies - non-affiliated		22,943	29 %		840	3 %
Commercial and industrial - affiliated		—	— %		1,120	4 %
Commercial and industrial - non-affiliated		23,213	30 %		264	1 %
Other [2]		10	<1%		1,376	5 %
Total Operating Revenues	$	78,624	100 %	$	27,269	100 %
Contracted firm transportation capacity *(in Dts/d)*						
Local distribution companies - affiliated		154,379	50 %		306,400	36 %
Local distribution companies - non-affiliated		56,576	18 %		534,825	63 %
Commercial and industrial - affiliated		—	— %		8,300	1 %
Commercial and industrial - non-affiliated		98,540	32 %		5,100	<1%
Total Contracted firm transportation capacity		309,495	100 %		854,625	100 %
Design day capacity *(in Dts/d)*		309,495	100 %		854,625	100 %

[1] Eastern Shore's and Peninsula Pipeline's service to our local distribution affiliates is based on the respective regulator's approved rates and is an integral component of the cost associated with providing natural gas supplies to the end users of those affiliates. We eliminate operating revenues of these entities against the natural gas costs of those affiliates in our consolidated financial information; however, our local distribution affiliates include this amount in their purchased fuel cost and recover it through fuel cost recovery mechanisms.
[2] Operating revenues from "Other" sources are from the rental of gas properties.

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Regulatory Overview

The following table highlights key regulatory information for each of our principal Regulated Energy operations. Peninsula Pipeline and Aspire Energy Express are not regulated with regard to cost of service by either the Florida PSC or Ohio PUC respectively, or FERC and are therefore excluded from the table. See Item 8, *Financial Statements and Supplementary Data* (Note 18, *Rates and Other Regulatory Activities,* in the consolidated financial statements) for further discussion on the impact of this legislation on our regulated businesses.

	Natural Gas Distribution							
	Delmarva				Florida		Electric Distribution	Natural Gas Transmission
Operation/Division	**Delaware**	**Maryland**	**Sandpiper**	**Elkton Gas [7]**	**Chesapeake's CFG division**	**FPU**	**FPU**	**Eastern Shore**
Regulatory Agency	Delaware PSC	Maryland PSC			Florida PSC			FERC
Effective date - Last Rate Order	01/01/2017	12/1/2007	12/01/2019	02/07/2019	01/14/2010	01/14/2010[1]	10/8/2020	08/01/2017
Rate Base (in Rates) (in Millions)	Not stated	Not stated	Not stated	Not stated	$46.7	$68.9	$24.9	Not stated
Annual Rate Increase Approved (in Millions)	$2.3	$0.6	N/A[2]	$0.1	$2.5	$8.0	$3.4 base rate and $7.7 from storm surcharge	$9.8
Capital Structure (in rates) [3]*	Not stated	LTD: 42% STD: 5% Equity: 53%	Not stated	LTD: 50% Equity: 50%	LTD: 31% STD: 6% Equity: 43% Other: 20%	LTD: 31% Equity: 47% Other: 22%	LTD: 22% STD: 23% Equity: 55%	Not stated
Allowed Return on Equity	9.75% [4]	10.75%[4]	Not stated [5]	9.80%	10.80%[4]	10.85%[4]	10.25%[4], [6]	Not stated
TJCA Refund Status associated with customer rates	Refunded	Refunded	Refunded	N/A	Retained	Retained	Refunded	Refunded

[1] The effective date of the order approving the settlement agreement, which adjusted the rates originally approved on June 4, 2009.
[2] The Maryland PSC approved a declining return on equity that will result in a decline in our rates.
[3] Other components of capital structure include customer deposits, deferred income taxes and tax credits.
[4] Allowed after-tax return on equity.
[5] The terms of the agreement include revenue neutral rates for the first year (December 1, 2016 through November 30, 2017), followed by a schedule of rate reductions in subsequent years based upon the projected rate of propane to natural gas conversions.
[6] The terms of the settlement agreement for the FPU electric division limited proceeding with the Florida PSC prescribed an authorized return on equity range of 9.25 to 11.25 percent, with a mid-point of 10.25 percent.
[7] The rate increase and allowed return on equity for Elkton Gas were approved by the Maryland PSC before we acquired the company.
* LTD-Long-term debt; STD-Short-term debt.

In May 2022, our natural gas distribution businesses in Florida (FPU, FPU-Indiantown division, FPU-Fort Meade division and Chesapeake Utilities CFG division, collectively, "Florida natural gas distribution businesses") filed a consolidated natural gas rate case with the Florida PSC. The application included a request for the following: (i) permanent rate relief of approximately $24.1 million, effective January 1, 2023; (ii) a depreciation study also submitted with the filing; (iii) authorization to make certain changes to tariffs to include the consolidation of rates and rate structure across the businesses and to unify the Florida natural gas distribution businesses under FPU; (iv) authorization to retain the acquisition adjustment recorded at the time of the FPU merger in our revenue requirement; and (v) authorization to establish an environmental remediation surcharge for the purposes of addressing future expected remediation costs for FPU MGP sites. In August 2022, interim rates were approved by the Florida PSC in the amount of approximately $7.7 million on an annualized basis, effective for all meter readings in September 2022. The discovery process and subsequent hearings were concluded during the fourth quarter of 2022 and briefs were submitted in the same quarter of 2022. In January 2023, the Florida PSC approved the application for consolidation and permanent rate relief of approximately $17.2 million on an annual basis. Actual rates in connection with the rate relief were approved by the Florida PSC in February 2023 with an effective date of March 1, 2023.

The following table presents surcharge and other mechanisms that have been approved by the respective PSC for our regulated energy distribution businesses. These include Delaware surcharges to expand natural gas service in its service territory as well as for the conversion of propane distribution systems to natural gas, Maryland's surcharges to fund natural gas conversions and system improvements in Worcester County, Elkton's STRIDE plan for accelerated pipeline replacement for older portions of the natural gas distribution system, Florida's GRIP surcharge which provides accelerated recovery of the costs of replacing older portions of the natural gas distribution system to improve safety and reliability and the Florida electric distribution operation's limited proceeding which allowed recovery of storm-related costs.

Operation(s)/Division(s)	**Jurisdiction**	**Infrastructure mechanism**	**Revenue normalization**
Delaware division	Delaware	Yes	No
Maryland division	Maryland	No	Yes
Sandpiper Energy	Maryland	Yes	Yes
Elkton Gas	Maryland	Yes	Yes
FPU and CFG natural gas divisions	Florida	Yes	No
FPU electric division	Florida	Yes	No

Weather

Weather variations directly influence the volume of natural gas and electricity sold and delivered to residential and commercial customers for heating and cooling and changes in volumes delivered impact the revenue generated from these customers. Natural gas volumes are highest during the winter months, when residential and commercial customers use more natural gas for heating. Demand for electricity is highest during the summer months, when more electricity is used for cooling. We measure the relative impact of weather using degree-days. A degree-day is the measure of the variation in the weather based on the extent to which the average daily temperature falls above or below 65 degrees Fahrenheit. Each degree of temperature below 65 degrees Fahrenheit is counted as one heating degree-day, and each degree of temperature above 65 degrees Fahrenheit is counted as one cooling degree-day. Normal heating and cooling degree-days are based on the most recent 10-year average.

Competition

Natural Gas Distribution

While our natural gas distribution operations do not compete directly with other distributors of natural gas for residential and commercial customers in our service areas, we do compete with other natural gas suppliers and alternative fuel providers for sales to industrial customers. Large customers could bypass our natural gas distribution systems and connect directly to intrastate or interstate transmission pipelines, and we compete in all aspects of our natural gas business with alternative energy sources, including electricity, oil, propane and renewables. The most effective means to compete against alternative fuels are lower prices, superior reliability and flexibility of service. Natural gas historically has maintained a price advantage in the residential, commercial and industrial markets, and reliability of natural gas supply and service has been excellent. In addition, we provide flexible pricing to our large customers to minimize fuel switching and protect these volumes and their contributions to the profitability of our natural gas distribution operations.

Natural Gas Transmission

Our natural gas transmission business competes with other interstate and intrastate pipeline companies to provide service to large industrial, generation and distribution customers, primarily in the northern portion of the Delmarva Peninsula and in Florida. Our transmission business in Ohio, Aspire Energy Express, services one customer, Guernsey Power Station, to which it is the sole supplier.

Electric Distribution

While our electric distribution operations do not compete directly with other distributors of electricity for residential and commercial customers in our service areas, we do compete with other electricity suppliers and alternative fuel providers for sales to industrial customers. Some of our large industrial customers may be capable of generating their own electricity, and we structure rates, service offerings and flexibility to retain these customers in order to retain their business and contributions to the profitability of our electric distribution operations.

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Supplies, Transmission and Storage

Natural Gas Distribution

Our natural gas distribution operations purchase natural gas from marketers and producers and maintain contracts for transportation and storage with several interstate pipeline companies to meet projected customer demand requirements. We believe that our supply and capacity strategy will adequately meet our customers' needs over the next several years and we will continue to adapt our supply strategy to meet projected growth in customer demand within our service territories.

The Delmarva natural gas distribution systems are directly connected to Eastern Shore's pipeline, which has connections to other pipelines that provide us with transportation and storage. These operations can also use propane-air and liquefied natural gas peak-shaving equipment to serve customers. Our Delmarva Peninsula natural gas distribution operations maintain asset management agreements with a third party to manage their natural gas transportation and storage capacity. The agreements were effective as of April 1, 2020 and currently expire on March 31, 2023. Our Delmarva operations receive a fee, which we share with our customers, from the asset manager, who optimizes the transportation, storage and natural gas supply for these operations.

Our Florida natural gas distribution operation uses Peninsula Pipeline and Peoples Gas to transport natural gas where there is no direct connection with FGT. FPU natural gas distribution and Eight Flags entered into separate 10-year asset management agreements with Emera Energy Services, Inc. to manage their natural gas transportation capacity, each of which expires in November 2030. An agreement with Florida Southeast Connection LLC for additional service to Palm Beach County is also in place for an initial term through December 2044.

A summary of our pipeline capacity contracts follows:

Division	Pipeline	Maximum Daily Firm Transportation Capacity (Dts)	Contract Expiration Date
Delmarva Natural Gas Distribution	Eastern Shore	154,379	2023-2035
	Columbia Gas[1]	5,246	2023-2024
	Transco[1]	30,419	2023-2028
	TETLP[1]	50,000	2027
Florida Natural Gas Distribution	Gulfstream[2]	10,000	2032
	FGT	47,409 - 78,817	2025-2041
	Peninsula Pipeline	337,200	2033-2048
	Peoples Gas	12,160	2024
	Florida Southeast Connection LLC	5,000	2044
	Southern Natural Gas Company	1,500	2029

[1] Transco, Columbia Gas and TETLP are interstate pipelines interconnected with Eastern Shore's pipeline
[2] Pursuant to a capacity release program approved by the Florida PSC, all of the capacity under this agreement has been released to various third parties. Under the terms of these capacity release agreements, Chesapeake Utilities is contingently liable to Gulfstream should any party, that acquired the capacity through release, fail to pay the capacity charge.

Eastern Shore has three agreements with Transco for a total of 7,292 Dts/d of firm daily storage injection and withdrawal entitlements and total storage capacity of 288,003 Dts. These agreements expire in March 2028. Eastern Shore retains these firm storage services in order to provide swing transportation service and firm storage service to customers requesting such services.

Aspire Energy Express, our Ohio intrastate pipeline subsidiary, entered into a precedent agreement to provide natural gas transportation capacity to Guernsey Power Station, who has completed construction of its power generation facility in Guernsey County Ohio in January 2023. Aspire Energy Express completed construction of the gas transmission facilities in the fourth quarter of 2021 and began billing for transportation services in the first quarter of 2022.

Electric Distribution

Our Florida electric distribution operation purchases wholesale electricity under the power supply contracts summarized below:

Area Served by Contract	Counterparty	Contracted Amount (MW)	Contract Expiration Date
Northwest Florida	Gulf Power Company	Full Requirement*	2026
Northeast Florida	Florida Power & Light Company	Full Requirement*	2026
Northeast Florida	Eight Flags	21	2036
Northeast Florida	Rayonier	1.7 to 3.0	2036
Northeast Florida	WestRock Company	As-available	N/A

*The counter party is obligated to provide us with the electricity to meet our customers' demand, which may vary.

Unregulated Energy

Overview

The following table presents net income for the year ended December 31, 2022 and total assets as of December 31, 2022, for our Unregulated Energy segment by operation and area served:

Operations	Area Served	Net Income (Loss)	Total Assets
(in thousands)			
Propane Operations (Sharp, Diversified Energy, FPU and Flo-gas)	Delaware, Maryland, Virginia, Pennsylvania, North Carolina, South Carolina, Florida	$ 13,791	$ 190,298
Energy Transmission (Aspire Energy)	Ohio	2,610	147,068
Energy Generation (Eight Flags)	Florida	1,817	36,945
Marlin Gas Services	The Entire U.S.	716	60,805
Renewable Energy Investments	Delaware, Maryland, Florida	(729)	27,450
Total		$ 18,205	$ 462,566

Propane Operations

Our propane operations sell propane to residential, commercial/industrial, wholesale and AutoGas customers, in the Mid-Atlantic region, North Carolina, South Carolina and Florida, through Sharp Energy, Inc., Sharpgas, Inc., Diversified Energy, FPU and Flo-gas. We deliver to and bill our propane customers based on two primary customer types: bulk delivery customers and metered customers. Bulk delivery customers receive deliveries into tanks at their location. We invoice and record revenues for these customers at the time of delivery. Metered customers are either part of an underground propane distribution system or have a meter installed on the tank at their location. We invoice and recognize revenue for these customers based on their consumption as dictated by scheduled meter reads. As a member of AutoGas Alliance, we install and support propane vehicle conversion systems for vehicle fleets and provide on-site fueling infrastructure.

Propane Operations - Operational Highlights

For the year ended December 31, 2022, operating revenues, volumes sold and average number of customers by customer class for our propane operations were as follows:

	Operating Revenues (in thousands)[2]			Volumes (in thousands of gallons)[2]		Average Number of Customers [1][2]	
Residential bulk	$	54,439	29 %	17,556	22 %	58,320	71 %
Residential metered		18,300	10 %	5,491	7 %	16,072	19 %
Commercial bulk		49,922	27 %	24,543	30 %	8,050	10 %
Commercial metered		1,916	1 %	586	1 %	210	<1%
Wholesale		36,609	19 %	27,825	34 %	47	<1%
AutoGas		7,524	4 %	4,544	6 %	128	<1%
Other [3]		19,702	10 %	—	— %	—	— %
Total	$	188,412	100 %	80,545	100 %	82,827	100 %

[1] Average number of customers is based on a twelve-month average for the year ended December 31, 2022.
[2] Operating revenues, volumes and average customer includes those for Diversified Energy that was acquired in December 2021. See *Item 8, Financial Statements and Supplementary Data* (Note 4, *Acquisitions* in the consolidated financial statements) for further information.
[3] Operating revenues from "Other" sources include revenues from customer loyalty programs; delivery, service and appliance fees; and unbilled revenues.

Competition

Our propane operations compete with national and local independent companies primarily on the basis of price and service. Propane is generally a cheaper fuel for home heating than oil and electricity but more expensive than natural gas. Our propane operations are largely concentrated in areas that are not currently served by natural gas distribution systems.

Supplies, Transportation and Storage

We purchase propane from major oil companies and independent natural gas liquids producers. Propane is transported by truck and rail to our bulk storage facilities in Pennsylvania, Delaware, Maryland, Virginia, North Carolina, South Carolina and Florida which have a total storage capacity of 8.7 million gallons. Deliveries are made from these facilities by truck to tanks located on customers' premises or to central storage tanks that feed our underground propane distribution systems. While propane supply has traditionally been adequate, significant fluctuations in weather, closing of refineries and disruption in supply chains, could cause temporary reductions in available supplies.

Weather

Propane revenues are affected by seasonal variations in temperature and weather conditions, which directly influence the volume of propane used by our customers. Our propane revenues are typically highest during the winter months when propane is used for heating. Sustained warmer-than-normal temperatures will tend to reduce propane use, while sustained colder-than-normal temperatures will tend to increase consumption.

Unregulated Energy Transmission and Supply (Aspire Energy)

Aspire Energy owns approximately 2,800 miles of natural gas pipeline systems in 40 counties in Ohio. The majority of Aspire Energy's revenues are derived from long-term supply agreements with Columbia Gas of Ohio and Consumers Gas Cooperative ("CGC"), which together serve more than 22,000 end-use customers. Aspire Energy purchases natural gas to serve these customers from conventional producers in the Marcellus and Utica natural gas production areas. In October 2021, Aspire Energy completed construction of its Noble Road Landfill RNG pipeline project, which began transporting RNG generated from the landfill to Aspire Energy's pipeline system in January of 2022, displacing conventionally produced natural gas. The RNG volume is estimated to represent nearly 10 percent of Aspire Energy's gas gathering volumes in the future. In addition, Aspire Energy earns revenue by gathering and processing natural gas for customers.

For the twelve-month period ended December 31, 2022, Aspire Energy's operating revenues and deliveries by customer type were as follows:

	Operating revenues		Deliveries	
	(in thousands)	% of Total	*(in thousands Dts)*	% of Total
Supply to Columbia Gas of Ohio	$ 20,812	37 %	2,543	40 %
Supply to CGC	20,748	37 %	1,914	30 %
Supply to Marketers - unaffiliated	11,833	21 %	1,864	29 %
Other (including natural gas gathering and processing)	2,832	5 %	82	1 %
Total	$ 56,225	100 %	6,403	100 %

Energy Generation (Eight Flags)

Eight Flags generates electricity and steam at its CHP plant located on Amelia Island, Florida. The plant is powered by natural gas transported by Peninsula Pipeline and our Florida natural gas distribution operation and produces approximately 21 MW of electricity and 75,000 pounds per hour of steam. Eight Flags sells the electricity generated from the plant to our Florida electric distribution operation and sells the steam to the customer who owns the site on which the plant is located both under separate 20-year contracts.

Marlin Gas Services

Marlin Gas Services is a supplier of mobile CNG and virtual pipeline solutions, primarily to utilities and pipelines. Marlin Gas Services provides temporary hold services, pipeline integrity services, emergency services for damaged pipelines and specialized gas services for customers who have unique requirements. These services are provided by a highly trained staff of drivers and maintenance technicians who safely perform these functions throughout the United States. Marlin Gas Services maintains a fleet of CNG trailers, mobile compression equipment, LNG tankers and vaporizers, and an internally developed patented regulator system which allows for delivery of over 7,000 Dts/d of natural gas. Marlin Gas Services continues to actively expand the territories it serves, as well as leveraging its fleet of equipment and patented technologies to serve LNG and RNG market needs.

Renewable Energy Investments

Our renewable energy investments are comprised primarily of our sustainable energy initiatives that are in various stages of development. Included in these are the assets and intellectual property of Planet Found that we acquired during the fourth quarter of 2022, whose farm scale anaerobic digestion pilot system and technology produces biogas from poultry litter which can be used to create renewable energy in the form of electricity or upgraded to renewable natural gas.

Environmental Matters

See *Item 8, Financial Statements and Supplementary Data* (see Note 19*, Environmental Commitments and Contingencies,* in the consolidated financial statements).

Human Capital Initiatives

Our success is the direct result of our employees and our strong culture that fully engages our team and promotes equity, diversity, inclusion, integrity, accountability and reliability. We believe that a combination of diverse team members and an inclusive culture contributes to the success of our Company and to enhanced societal advancement. Each employee is a valued member of our team bringing a diverse perspective to help grow our business and achieve our goals. Our tradition of serving employees, customers, investors, partners and communities is at the core of our culture. Among the ongoing initiatives across our enterprise, we highlight below the importance of our team, our culture of safety, and our environmental, social and governance stewardship.

Our Team Drives Our Performance

Our employees are the key to our success. Our leadership and human resources teams are responsible for attracting and retaining top talent.Our senior management team includes a Chief Human Resources Officer, with expertise in diverse candidate recruitment, to ensure that we continue to expand our candidate pools to better reflect the diverse demographics of the communities we serve. Furthermore, during 2022, we appointed a Chief Diversity Officer who has direct oversight for the

Company's equity, diversity and inclusion ("EDI") strategy and collaborates across the organization with the teams responsible for the enterprise-wide ESG plan.

Throughout our organization, we seek to promote from within, reviewing strategic positions regularly and identifying potential internal candidates to fill those positions, evaluating critical job skill sets to identify competency gaps and creating developmental plans to facilitate employee professional growth. We provide training and development programs as well as tuition reimbursement to promote continued professional growth.

As of December 31, 2022, we had a total of 1,034 employees, 105 of whom are union employees represented by two labor unions: the International Brotherhood of Electrical Workers and the United Food and Commercial Workers Union. The collective bargaining agreements with these labor unions expire in 2025. We consider our relationships with employees, including those covered by collective bargaining agreements, to be in good standing. We provide a competitive Total Rewards package for our employees including health insurance coverage, wellness initiatives, retirement savings benefits, paid time off, employee assistance programs, educational and tuition reimbursement, competitive pay, career growth opportunities, paid volunteer time, and a culture of recognition. In 2023, the Company was recognized as a Top Workplaces USA award recipient among mid-sized companies for the third consecutive year. This follows being named a Top Workplace in Delaware for the tenth consecutive year in 2021, and being named a Top Workplace in Central Florida in 2019 and 2021. These honors were based entirely on feedback from employees who were surveyed by the research firm 'Energage'. These recognitions are a testament to our employees' commitment to excellence. Our employees are the backbone of our continued growth and success.

We have an established EDI Council which recommends and promotes our EDI strategy, advises our employee resource groups ("ERGs") and works with our operating units and support teams on EDI initiatives. The EDI Council's charter includes the following objectives:

- Build a more diverse and inclusive workforce
- Promote a culture of understanding, equality and inclusion
- Educate employees about the benefits of diversity at Chesapeake Utilities
- Support community programs and organizations that are diverse and inclusive
- Provide guidance on EDI matters for the Company

The Chesapeake Utilities EDI Council includes members of our leadership team, the chairs of each of our ERGs and other individuals in key support roles. The CEO receives a regular report on the achievements of the EDI Council, strategic direction of initiatives, resource needs and issues that require policy decisions or other actions.

Our first ERG was established in 2019, and at December 31, 2022, there were eight active ERGs meeting throughout the Company. ERGs are voluntary, employee-led groups that focus on shared identities, affinities and experiences and seek to apply those perspectives to initiatives that create value throughout the Company. The ERGs support the members' personal growth and professional development, and help develop learning programs and community service opportunities throughout the Company. ERGs also help foster a sense of belonging by creating a deep and intentional community that extends beyond an employee's day-to-day team and colleagues into a companywide network.

Workplace Health and Safety

We believe that there is nothing more important than the safety of our team, our customers and our communities. We are committed to ensuring safety is at the center of our culture and the way we do business. The importance of safety is exhibited throughout the entire organization, with the direction and tone set by both our Board and our President and CEO, and evidenced through required attendance at monthly safety meetings, routine safety training and the inclusion of safety moments at key team meetings. Additionally, while most restrictions related to the COVID-19 pandemic have been lifted in the United States, we remain committed to providing products and services to our customers in a safe and reliable manner, and will continue to do so in compliance with any mandated restrictions in each of the markets we serve.

To maintain safety as a priority, our employees remain committed and work together to ensure that our plans, programs, policies and behaviors are aligned with our aspirations as a Company. The achievement of superior safety performance is both an important short-term and long-term strategic initiative in managing our operations. In November 2020, we announced the completion of our state-of-the art training facility in Dover, Delaware. 'Safety Town' now serves as a resource for training our employees who build, maintain and operate our natural gas infrastructure, offering hands-on training and fully immersive, on-the-job field experiences. First responders and other community partners also benefit from the simulated environment and conditions they could encounter as they enter homes in the community. We are excited to start construction of a second ‘Safety Town’ facility in Florida in 2023.

Environmental, Social and Governance Stewardship

Consistent with our culture of teamwork, the broad responsibility of ESG stewardship is supported across our organization by the dedication and efforts of our Board of Directors and its Committees, as well as the entrepreneurship and dedication of our team. As stewards of long-term enterprise value, the Board of Directors is committed to overseeing the sustainability of the Company its environmental stewardship initiatives, its safety and operational compliance practices, and to promoting equity, diversity and inclusion that reflects the diverse communities we serve. In 2022, Chesapeake Utilities established its ESG Committee, which brings together a cross-functional team of leaders across the organization responsible for identifying, assessing, executing and advancing the Company's strategic ESG initiatives. Additionally, we developed an Environmental Sustainability Office in 2022, which identifies and manages emission-reducing projects both internally, as well as those that support our customers' sustainability goals. Throughout the year, Chesapeake Utilities drove numerous initiatives to enhance its ESG program:

Environmental:
- Successfully completed pilot test of hydrogen and natural gas blend to fuel the Company’s Eight Flags CHP facility
- Opened the Company’s first CNG fueling station near the Port of Savannah, capable of distributing RNG for fleet vehicles
- Acquired Planet Found Energy Development, a farm-scale anaerobic digestion system producing biogas from poultry waste which can be converted to renewable natural gas

Social:
- Appointed a Chief Diversity Officer
- Provided donations to multiple charitable organizations aiding in the recovery efforts across Florida following Hurricane Ian, one of the strongest and most devastating storms to hit the state
- Unveiled “Chesapeake Wellness,” a free, digital service provided to all employees which includes key resources for building and sustaining healthy physical, mental and financial habits

Governance:
- Increased transparency with the enhancement of our director skills matrix in the 2022 Proxy Statement
- Appointed Stephanie N. Gary and Sheree M. Petrone to serve as members of the Company's Board of Directors
- Recognized with "Best Corporate Governance in the U.S. for 2022" by World Finance magazine

Information About Executive Officers
Set forth below are the names, ages, and positions of our executive officers with their recent business experience. The age of each officer is as of the filing date of this Annual Report.

Name	Age	Executive Officer Since	Offices Held During the Past Five Years
Jeffry M. Householder	65	2010	President (January 2019 - present) Chief Executive Officer (January 2019 - present) Director (January 2019 - present) President of FPU (June 2010 - February 2019)
Beth W. Cooper	56	2005	Executive Vice President (February 2019 - present) Chief Financial Officer (September 2008 - present) Senior Vice President (September 2008 - February 2019) Treasurer (January 2022 - present) Assistant Corporate Secretary (March 2015 - present)
James F. Moriarty	65	2015	Executive Vice President (February 2019 - present) General Counsel & Corporate Secretary (March 2015 - present) Chief Policy and Risk Officer (February 2019 - present) Senior Vice President (February 2017 - February 2019) Vice President (March 2015 - February 2017)
Kevin J. Webber	64	2010	Chief Development Officer (January 2022 - present) Senior Vice President (February 2019 - present) President FPU (February 2019 - December 2019) Vice President Gas Operations and Business Development Florida Business Units (July 2010 - February 2019)
Jeffrey S. Sylvester	53	2019	Chief Operating Officer (January 2022 - present) Senior Vice President (December 2019 - present) Vice President Black Hills Energy (October 2012 - December 2019)

Available Information on Corporate Governance Documents

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and amendments to these reports that we file with or furnish to the SEC at their website, *www.sec.gov,* are also available free of charge at our website, *www.chpk.com,* as soon as reasonably practicable after we electronically file these reports with, or furnish these reports to the SEC. The content of this website is not part of this Annual Report.

In addition, the following documents are available free of charge on our website, *www.chpk.com*:

- Business Code of Ethics and Conduct applicable to all employees, officers and directors;
- Code of Ethics for Financial Officers;
- Corporate Governance Guidelines; and
- Charters for the Audit Committee, Compensation Committee, Investment Committee, and Corporate Governance Committee of the Board of Directors.

Any of these reports or documents may also be obtained by writing to: Corporate Secretary; c/o Chesapeake Utilities Corporation, 500 Energy Lane Suite 100, Dover, DE 19901.

ITEM 1A. RISK FACTORS

The risks described below fall into three broad categories related to (1) financial risks, (2) operational risks, and (3) regulatory, legal and environmental risks, all of which may affect our operations and/or the financial performance of our regulated and unregulated energy businesses. These are not the only risks we face but are considered to be the most material. There may be other unknown or unpredictable risks or other factors that could have material adverse effects on our future results. Refer to the section entitled *Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations* of this Annual Report for an additional discussion of these and other related factors that affect our operations and/or financial performance.

FINANCIAL RISKS

Instability and volatility in the financial markets could negatively impact access to capital at competitive rates, which could affect our ability to implement our strategic plan, undertake improvements and make other investments required for our future growth.

Our business strategy includes the continued pursuit of growth and requires capital investment in excess of cash flow from operations. As a result, the successful execution of our strategy is dependent upon access to equity and debt at reasonable costs. Our ability to issue new debt and equity capital and the cost of equity and debt are greatly affected by our financial performance and the conditions of the financial markets. In addition, our ability to obtain adequate and cost-effective debt depends on our credit ratings. A downgrade in our current credit ratings could negatively impact our access to and cost of debt. If we are not able to access capital at competitive rates, our ability to implement our strategic plan, undertake improvements and make other investments required for our future growth may be limited.

Fluctuations in propane gas prices could negatively affect results of operations.

The combination of high demand and lower-than-average inventory is always a common driver for higher propane gas prices. We adjust the price of the propane we sell based on changes in our cost of purchasing propane. However, if the market does not allow us to increase propane sales prices to compensate fully for fluctuations in purchased propane costs, our results of operations and cash flows could be negatively affected.

If we fail to comply with our debt covenant obligations, we could experience adverse financial consequences that could affect our liquidity and ability to borrow funds.

Our long-term debt obligations and our Revolver contain financial covenants related to debt-to-capital ratios and interest-coverage ratios. Failure to comply with any of these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of outstanding debt obligations or the inability to borrow under certain credit agreements. Any such acceleration could cause a material adverse change in our financial condition. As of December 31, 2022, we were in compliance with all of our debt covenants.

Increases in interest rates may adversely affect our results of operations and cash flows.

Increases in interest rates could increase the cost of future debt issuances. To the extent we are not able to fully recover higher debt costs in the rates we charge our utility customers, or the timing of such recovery is not certain, our earnings could be adversely affected. Increases in short-term interest rates could negatively affect our results of operations, which depend on short-term debt to finance accounts receivable and storage gas inventories and to temporarily finance capital expenditures. Reference should be made to *Item 7A, Quantitative and Qualitative Disclosures about Market Risk* for additional information.

Continuing or worsening inflationary and/or supply chain issues may adversely impact our financial condition and results of operations.

Our business is dependent on the supply chain to ensure that equipment, materials and other resources are available to both expand and maintain our services in a safe and reliable manner. Pricing of equipment, materials and other resources have increased recently and may continue to do so in the future. Failure to secure equipment, materials and other resources on economically acceptable terms, including failure to eliminate or manage the constraints in the supply chain, may impact the availability of items that are necessary to support normal operations as well as materials that are required for continued infrastructure growth, and as result, may adversely impact our financial condition and results of operations.

In addition, it may become more costly for us to recruit and retain key employees, particularly specialized/technical personnel, in the face of competitive market conditions and increased competition for specialized and experienced workers in our industry.

Disruptions, uncertainty or volatility in the credit and capital markets may exert downward pressure on the market price of the Company's common stock.

The market price and trading volume of the Company's common stock is subject to fluctuations as a result of, among other factors, general credit and capital market conditions and changes in market sentiment regarding the operations, business and financing strategies of the Company and its subsidiaries. As a result, disruptions, uncertainty or volatility in the credit and capital markets may, amongst other things, have a material adverse effect on the market price of the Company's common stock.

Current market conditions could adversely impact the return on plan assets for FPU's pension plan, which may require significant additional funding.

In 2021, the Company terminated the Chesapeake Utilities pension plan. The FPU pension plan is closed to new employees, and the future benefits are frozen. The costs of providing benefits and related funding requirements of the FPU plan is subject to changes in the market value of the assets that fund the plan and the discount rates used to estimate the pension benefit obligations. The funded status of the plans and the related costs reflected in our financial statements are affected by various factors that are subject to an inherent degree of uncertainty, particularly in the current economic environment. Future losses of asset values and further declines in discount rates may necessitate accelerated funding of the plans to meet minimum federal government requirements and may result in higher pension expense in future years. Adverse changes in the benefit obligations of the FPU pension plan may require us to record higher pension expense and fund obligations earlier than originally planned, which would have an adverse impact on our cash flows from operations, decrease borrowing capacity and increase interest expense.

OPERATIONAL RISKS

We are dependent upon construction of new facilities to support future growth in earnings in our natural gas and electric distribution and natural gas transmission operations.

Construction of new facilities required to support future growth is subject to various regulatory and developmental risks, including but not limited to: (i) our ability to obtain timely certificate authorizations, necessary approvals and permits from regulatory agencies and on terms that are acceptable to us; (ii) potential changes in federal, state and local statutes and regulations, including environmental requirements, that prevent a project from proceeding or increase the anticipated cost of the project; (iii) our inability to acquire rights-of-way or land rights on a timely basis on terms that are acceptable to us; (iv) lack of anticipated future growth in available natural gas and electricity supply; (v) insufficient customer throughput commitments; and (vi) lack of available and qualified third-party contractors which could impact the timely construction of new facilities.

We do not own all of the land on which our pipelines and facilities are located, which could result in disruptions to our operations.

Because we do not own all of the land on which our pipelines and facilities have been constructed, we are subject to the possibility of more onerous terms or increased costs to retain necessary land use if we do not have valid rights-of-way or if such rights-of-way lapse or terminate. We obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies for a specific period of time. Our loss of these rights, through our inability to renew right-of-way contracts or otherwise, could have a material adverse effect on our business, financial condition and results of operations

We operate in a competitive environment, and we may lose customers to competitors.

Natural Gas. Our natural gas transmission and distribution operations compete with interstate pipelines when our customers are located close enough to a competing pipeline to make direct connections economically feasible. Customers also have the option to switch to alternative fuels, including renewable energy sources. Failure to retain and grow our natural gas customer base would have an adverse effect on our financial condition, cash flows and results of operations.

Electric. Our Florida electric distribution business has remained substantially free from direct competition from other electric service providers but does face competition from other energy sources. Changes in the competitive environment caused by legislation, regulation, market conditions, or initiatives of other electric power providers, particularly with respect to retail electric competition, could adversely affect our results of operations, cash flows and financial condition.

Propane. Our propane operations compete with other propane distributors, primarily on the basis of service and price. Our ability to grow the propane operations business is contingent upon capturing additional market share, expanding into new markets, and successfully utilizing pricing programs that retain and grow our customer base. Failure to retain and grow our customer base in our propane operations would have an adverse effect on our results of operations, cash flows and financial condition.

Fluctuations in weather may cause a significant variance in our earnings.

Our natural gas distribution, propane operations and natural gas transmission operations, are sensitive to fluctuations in weather conditions, which directly influence the volume of natural gas and propane we transport, sell and deliver to our customers. A significant portion of our natural gas distribution, propane operations and natural gas transmission revenue is derived from the sales and deliveries to residential, commercial and industrial heating customers during the five-month peak heating season (November through March). Other than our Maryland natural gas distribution businesses (Maryland division, Sandpiper Energy and Elkton Gas) which have revenue normalization mechanisms, if the weather is warmer than normal, we sell and deliver less natural gas and propane to customers, and earn less revenue, which could adversely affect our results of operations, cash flows and financial condition. Conversely, if the weather is colder than normal, we sell and deliver more natural gas and propane to customers, and earn more revenue, which could positively affect our results of operations, cash flows and financial condition. Variations in weather from year to year can cause our results of operations, cash flows and financial condition to vary accordingly.

Our electric distribution operation is also affected by variations in weather conditions and unusually severe weather conditions. However, electricity consumption is generally less seasonal than natural gas and propane because it is used for both heating and cooling in our service areas.

Natural disasters, severe weather events (such as a major hurricane) and acts of terrorism could adversely impact earnings and access to insurance coverage.

Inherent in energy transmission and distribution activities are a variety of hazards and operational risks, such as leaks, ruptures, fires, uncontrollable flows of natural gas, explosions, release of contaminants into the environment, sabotage and mechanical problems. Natural disasters and severe weather events may damage our assets, cause operational interruptions and result in the loss of human life, all of which could negatively affect our earnings, financial condition and results of operations.

Acts of terrorism and the impact of retaliatory military and other action by the United States and its allies may lead to increased political, economic and financial market instability and volatility in the price of natural gas, electricity and propane that could negatively affect our operations. Companies in the energy industry may face a heightened risk of exposure to acts of terrorism, which could affect our results of operations, cash flows and financial condition.

The insurance industry may also be affected by natural disasters, severe weather events and acts of terrorism. As a result, the availability of insurance covering risks against which we and our competitors typically insure may be limited. In addition, the insurance we are able to obtain may have higher deductibles, higher premiums and more restrictive policy terms, which could adversely affect our results of operations, financial condition and cash flows.

Operating events affecting public safety and the reliability of our natural gas and electric distribution and transmission systems could adversely affect our operations and increase our costs.

Our natural gas and electric operations are exposed to operational events and risks, such as major leaks, outages, mechanical failures and breakdown, operations below the expected level of performance or efficiency, and accidents that could affect public safety and the reliability of our distribution and transmission systems, significantly increase costs and cause loss of customer confidence. If we are unable to recover all or some of these costs from insurance and/or customers through the regulatory process, our results of operations, financial condition and cash flows could be adversely affected.

A security breach disrupting our operating systems and facilities or exposing confidential information may adversely affect our reputation, disrupt our operations and increase our costs.

The cybersecurity risks associated with the protection of our infrastructure and facilities is evolving and increasingly complex. We continue to heavily rely on technological tools that support our business operations and corporate functions while enhancing our security. There are various risks associated with our information technology infrastructure, including hardware and software failure, communications failure, data distortion or destruction, unauthorized access to data, misuse of proprietary or confidential data, unauthorized control through electronic means, cyber-attacks, cyber-terrorism, data breaches, programming mistakes, and other inadvertent errors or deliberate human acts. Further, the U.S. government has issued public warnings that indicate energy assets might be specific targets of cybersecurity threats and/or attacks.

Many of our employees, service providers, and vendors have been working, and may continue to work, from remote locations, where cybersecurity protections may be limited and cybersecurity procedures and safeguards may be less effective. As such, we may be subject to a higher risk of cybersecurity breaches than ever before. Therefore, we may be required to expend significant resources to continue to modify or enhance our procedures and controls or to upgrade our digital and operational systems, related infrastructure, technologies and network security.

Any such failure, attack, or security breach could adversely impact our ability to safely and reliably deliver services to our customers through our transmission, distribution, and generation systems, subject to us to reputational and other harm, and subject us to legal and regulatory proceedings and claims and demands from third parties, any of which could adversely affect our business, our earnings, results of operation and financial condition. In addition, the protection of customer, employee and Company data is crucial to our operational security. A breach or breakdown of our systems that results in the unauthorized release of individually identifiable customer or other sensitive data could have an adverse effect on our reputation, results of operations and financial condition and could also materially increase our costs of maintaining our system and protecting it against future breakdowns or breaches. We take reasonable precautions to safeguard our information systems from cyber-attacks and security breaches; however, there is no guarantee that the procedures implemented to protect against unauthorized access to our information systems are adequate to safeguard against all attacks and breaches. We also cannot assure that any redundancies built into our networks and technology, or the procedures we have implemented to protect against cyber-attacks and other unauthorized access to secured data, are adequate to safeguard against all failures of technology or security breaches.

Failure to attract and retain an appropriately qualified employee workforce could adversely affect operations.

Our ability to implement our business strategy and serve our customers depends upon our continuing ability to attract, develop and retain talented professionals and a technically skilled workforce in a manner competitive with current market conditions, and transfer the knowledge and expertise of our workforce to new employees as our existing employees retire. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or the future availability and cost of contract labor could adversely affect our ability to manage and operate our business. If we were unable to hire, train and retain appropriately qualified personnel, our results of operations could be adversely affected.

A strike, work stoppage or a labor dispute could adversely affect our operations.

We are party to collective bargaining agreements with labor unions at some of our Florida operations. A strike, work stoppage or a labor dispute with a union or employees represented by a union could cause interruption to our operations and our results could be adversely affected.

Our businesses are capital-intensive, and the increased costs and/or delays of capital projects may adversely affect our future earnings.

Our businesses are capital-intensive and require significant investments in ongoing infrastructure projects. Our ability to complete our infrastructure projects on a timely basis and manage the overall cost of those projects may be affected by the availability of the necessary materials and qualified vendors. Our future earnings could be adversely affected if we are unable to manage such capital projects effectively, or if full recovery of such capital costs is not permitted in future regulatory proceedings.

Our regulated energy business may be at risk if franchise agreements are not renewed, or new franchise agreements are not obtained, which could adversely affect our future results or operating cash flows and financial condition.

Our regulated natural gas and electric distribution operations hold franchises in each of the incorporated municipalities that require franchise agreements in order to provide natural gas and electricity. Ongoing financial results would be adversely impacted in the event that franchise agreements were not renewed. If we are unable to obtain franchise agreements for new service areas, growth in our future earnings could be negatively impacted.

Slowdowns in customer growth may adversely affect earnings and cash flows.

Our ability to increase revenues in our natural gas, propane and electric distribution businesses is dependent upon growth in the residential construction market, adding new commercial and industrial customers and conversion of customers to natural gas, electricity or propane from other energy sources. Slowdowns in growth may adversely affect our results of operations, cash flows and financial condition.

Energy conservation, including the effects of environmental, social, and governance (ESG) initiatives could lower energy consumption, which would adversely affect our earnings.

Federal and state legislative and regulatory initiatives to promote energy efficiency, conservation and the use of alternative energy sources could lower consumption of natural gas and propane by our customers. For example, on August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law, with hundreds of billions of dollars in incentives for the development of renewable energy, clean hydrogen, and clean fuels, amongst other provisions. These incentives could further accelerate the transition of the U.S. economy away from the use of fossil fuels towards lower- or zero-carbon emissions alternatives and impact demand for our products and services. In addition, increasing attention to climate change, societal expectations on companies to address climate change, investor and societal expectations regarding voluntary ESG disclosures, and the aforementioned demand for alternative forms of energy, may result in increased costs and reduced demand for our products. While we cannot predict the ultimate effect that the development of alternative energy sources and related laws might have on our operations, we may be subject to reduced profits, increased investigations and litigation against us, and negative impacts on our stock price and access to capital markets.

In addition, higher costs of natural gas, propane and electricity may cause customers to conserve fuel. To the extent a PSC or the FERC does not allow the recovery through customer rates of higher costs or lower consumption from energy efficiency or conservation, and our propane retail prices cannot be increased due to market conditions, our results of operations, cash flows and financial condition may be adversely affected.

Commodity price increases may adversely affect the operating costs and competitive positions of our natural gas, electric and propane operations, which may adversely affect our results of operations, cash flows and financial condition.

Natural Gas/Electricity. Higher natural gas prices can significantly increase the cost of gas billed to our natural gas customers. Increases in the cost of natural gas and other fuels used to generate electricity can significantly increase the cost of electricity billed to our electric customers. Damage to the production or transportation facilities of our suppliers, which decreases their supply of natural gas and electricity, could result in increased supply costs and higher prices for our customers. Such cost increases generally have no immediate effect on our revenues and net income because of our regulated fuel cost recovery mechanisms. However, our net income may be reduced by higher expenses that we may incur for uncollectible customer accounts and by lower volumes of natural gas and electricity deliveries when customers reduce their consumption. Therefore, increases in the price of natural gas and other fuels can adversely affect our operating cash flows, results of operations and financial condition, as well as the competitiveness of natural gas and electricity as energy sources.

Propane. Propane costs are subject to changes as a result of product supply or other market conditions, including weather, economic and political factors affecting crude oil and natural gas supply or pricing. For example, weather conditions could damage production or transportation facilities, which could result in decreased supplies of propane, increased supply costs and higher prices for customers. Such increases in costs can occur rapidly and can negatively affect profitability. There is no assurance that we will be able to pass on propane cost increases fully or immediately, particularly when propane costs increase rapidly. Therefore, average retail sales prices can vary significantly from year-to-year as product costs fluctuate in response to propane, fuel oil, crude oil and natural gas commodity market conditions. In addition, in periods of sustained higher commodity prices, declines in retail sales volumes due to reduced consumption and increased amounts of uncollectible accounts may adversely affect net income.

Refer to *Item 7A*, *Quantitative and Qualitative Disclosures about Market Risk* for additional information.

Our use of derivative instruments may adversely affect our results of operations.

Fluctuating commodity prices may affect our earnings and financing costs because our propane operations use derivative instruments, including forwards, futures, swaps, puts, and calls, to hedge price risk. While we have risk management policies and operating procedures in place to control our exposure to risk, if we purchase derivative instruments that are not properly matched to our exposure, our results of operations, cash flows, and financial condition may be adversely affected.

A substantial disruption or lack of growth in interstate natural gas pipeline transmission and storage capacity or electric transmission capacity may impair our ability to meet customers' existing and future requirements.

In order to meet existing and future customer demands for natural gas and electricity, we must acquire sufficient supplies of natural gas and electricity, interstate pipeline transmission and storage capacity, and electric transmission capacity to serve such requirements. We must contract for reliable and adequate upstream transmission capacity for our distribution systems while considering the dynamics of the interstate pipeline and storage and electric transmission markets, our own on-system resources, as well as the characteristics of our markets. Our financial condition and results of operations would be materially and adversely affected if the future availability of these capacities were insufficient to meet future customer demands for natural gas and electricity. Currently, our Florida natural gas operation relies primarily on two pipeline systems, FGT and Peninsula Pipeline, our intrastate pipeline subsidiary for most of its natural gas supply and transmission. Our Florida electric operation secures electricity from external parties. Any continued interruption of service from these suppliers could adversely affect our ability to meet the demands of our customers, which could negatively impact our earnings, financial condition and results of operations.

Our ability to grow our businesses could be adversely affected if we are not successful in making acquisitions or integrating the acquisitions we have completed.

One of our strategies is to grow through acquisitions of complementary businesses. Acquisitions involve a number or risks including, but not limited to, the assumption of material liabilities, the diversion of management's attention from the management of daily operations to the integration of operations, difficulties in the assimilation and retention of employees and difficulties in the assimilation of different cultures and internal controls. Future acquisitions could also result in, among other things, the failure to identify material issues during due diligence, the risk of overpaying for assets, unanticipated capital expenditures, the failure to maintain effective internal control over financial reporting, recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges and fluctuations in quarterly results. There can also be no assurance that our past and future acquisitions will deliver the strategic, financial and operational benefits that we anticipate. The failure to successfully integrate acquisitions could have an adverse effect on our results of operations, cash flows and financial condition.

An impairment of our assets could result in a significant charge to earnings.

In accordance with GAAP, goodwill, intangible, and other long-lived assets are tested for impairment annually or whenever events or changes in circumstances indicate impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record an impairment charge for the difference between the carrying value of the applicable asset and the implied fair value in the period the determination is made. The testing of assets for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including: future business operating performance, changes in economic conditions and interest rates, regulatory, industry or market conditions, changes in business operations, changes in competition or changes in technologies. Any changes in key assumptions, or actual performance compared with key assumptions, about our business and its future prospects could affect the fair value of one or more of our assets, which may result in an impairment charge.

REGULATORY, LEGAL AND ENVIRONMENTAL RISKS

Regulation of our businesses, including changes in the regulatory environment, may adversely affect our results of operations, cash flows and financial condition.

The Delaware, Maryland, Ohio and Florida PSCs regulate our utility operations in those states. Eastern Shore is regulated by the FERC. The PSCs and the FERC set the rates that we can charge customers for services subject to their regulatory jurisdiction. Our ability to obtain timely rate increases and rate supplements to maintain current rates of return depends on regulatory approvals, and there can be no assurance that our regulated operations will be able to obtain such approvals or maintain currently authorized rates of return. When earnings from our regulated utilities exceed the authorized rate of return, the respective regulatory authority may require us to reduce our rates charged to customers in the future.

We may face certain regulatory and financial risks related to pipeline safety legislation.

We are subject to a number of legislative proposals at the federal and state level to implement increased oversight over natural gas pipeline operations and facilities to inspect pipeline facilities, upgrade pipeline facilities, or control the impact of a breach of such facilities. Additional operating expenses and capital expenditures may be necessary to remain in compliance. If new legislation is adopted and we incur additional expenses and expenditures, our financial condition, results of operations and cash flows could be adversely affected, particularly if we are not authorized through the regulatory process to recover from customers some or all of these costs and our authorized rate of return.

Pipeline integrity programs and repairs may impose significant costs and liabilities on the Company.

The U.S. Pipeline and Hazardous Materials Safety Administration (PHMSA) requires pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines and to take additional measures to protect pipeline segments located in areas where a leak or rupture could potentially do the most harm. PHMSA constantly updates its regulations to ensure the highest levels of pipeline safety. As the operator of pipelines, we are required to: perform ongoing assessments of pipeline integrity; identify and characterize applicable threats to pipelines; improve data collection, integration and analysis; repair and remediate the pipelines as necessary; and implement preventative and mitigating actions. These new and any future regulations adopted by PHMSA may impose more stringent requirements applicable to integrity management programs and other pipeline safety aspects of our operations, which could cause us to incur increased capital and operating costs and operational delays. Moreover, should we fail to comply with the PHMSA rules and regulations, we could be subject to significant penalties and fines which may adversely affect our results of operations, cash flows and financial condition.

We are subject to operating and litigation risks that may not be fully covered by insurance.

Our operations are subject to the operating hazards and risks normally incidental to handling, storing, transporting, transmitting and delivering natural gas, electricity and propane to end users. From time to time, we are a defendant in legal proceedings arising in the ordinary course of business. We maintain insurance coverage for our general liabilities in the amount of $52 million, which we believe is reasonable and prudent. However, there can be no assurance that such insurance will be adequate to protect us from all material expenses related to potential future claims for personal injury and property damage or that such levels of insurance will be available in the future at economical prices.

Costs of compliance with environmental laws may be significant.

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These evolving laws and regulations may require expenditures over a long period of time to control environmental effects at our current and former operating sites, especially former MGP sites. To date, we have been able to recover, through regulatory rate mechanisms, the costs associated with the remediation of former MGP sites. However, there is no guarantee that we will be able to recover future remediation costs in the same manner or at all. A change in our approved rate mechanisms for recovery of environmental remediation costs at former MGP sites could adversely affect our results of operations, cash flows and financial condition.

Further, existing environmental laws and regulations may be revised, or new laws and regulations seeking to protect the environment may be adopted and be applicable to us. Revised or additional laws and regulations could result in additional operating restrictions on our facilities or increased compliance costs, which may not be fully recoverable. Any such increase in compliance costs could adversely affect our financial condition and results of operations. Compliance with these legal obligations requires us to commit capital. If we fail to comply with environmental laws and regulations, even if such failure is caused by factors beyond our control, we may be assessed administrative, civil, or criminal penalties and fines, imposed with investigatory and remedial obligations, or issued injunctions all of which could impact our financial condition and results of operations. See *Item 8, Financial Statements and Supplementary Data* (see Note 19*, Environmental Commitments and Contingencies,* in the consolidated financial statements).

Unanticipated changes in our tax provisions or exposure to additional tax liabilities could affect our profitability and cash flow.

We are subject to income and other taxes in the U.S. and the states in which we operate. Changes in applicable state or U.S. tax laws and regulations, or their interpretation and application, including the possibility of retroactive effect, could affect our tax expense and profitability. In addition, the final determination of any tax audits or related litigation could be materially different from our historical income tax provisions and accruals. Changes in our tax provision or an increase in our tax liabilities, due to changes in applicable law and regulations, the interpretation or application thereof, future changes in the tax rate or a final determination of tax audits or litigation, could have a material adverse effect on our financial position, results of operations or cash flows.

Our business may be subject in the future to additional regulatory and financial risks associated with global warming and climate change.

There have been a number of federal and state legislative and regulatory initiatives proposed in recent years in an attempt to control or limit the effects of global warming and overall climate change, including greenhouse gas emissions, such as carbon dioxide. The direction of future U.S. climate change regulation is difficult to predict given the potential for policy changes under different Presidential administrations and Congressional leadership. The EPA may or may not continue developing regulations to reduce greenhouse gas emissions. Even if federal efforts in this area slow, states, cities and local jurisdictions may continue pursuing climate regulations. Any laws or regulations that may be adopted to restrict or reduce emissions of greenhouse gases could require us to incur additional operating costs, such as costs to purchase and operate emissions controls, to obtain emission allowances or to pay emission taxes, and reduce demand for our energy delivery services. Federal, state and local legislative initiatives to implement renewable portfolio standards or to further subsidize the cost of solar, wind and other renewable power sources may change the demand for natural gas. We cannot predict the potential impact that such laws or regulations, if adopted, may have on our future business, financial condition or financial results.

Climate changes may impact the demand for our services in the future and could result in more frequent and more severe weather events, which ultimately could adversely affect our financial results.

Significant climatic change creates physical and financial risks for us. Our customers' energy needs vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent their largest energy use. To the extent weather conditions may be affected by climate change, customers' energy use could increase or decrease depending on the duration and magnitude of any changes. To the extent that climate change adversely impacts the economic health or weather conditions of our service territories directly, it could adversely impact customer demand or our customers' ability to pay. Changes in energy use due to weather variations may affect our financial condition through volatility and/or decreased revenues and cash flows. Extreme weather conditions require more system backups and can increase costs and system stresses, including service interruptions. Severe weather impacts our operating territories primarily through thunderstorms, tornadoes, hurricanes, and snow or ice storms. Weather conditions outside of our operating territories could also have an impact on our revenues and cash flows by affecting natural gas prices. To the extent the frequency of extreme weather events increases, this could increase our costs of providing services. We may not be able to pass on the higher costs to our customers or recover all the costs related to mitigating these physical risks. To the extent financial markets view climate change and emissions of greenhouse gases as a financial risk, this could adversely affect our ability to access capital markets or cause us to receive less favorable terms and conditions in future financings. Our business could be affected by the potential for investigations and lawsuits related to or against greenhouse gas emitters based on the claimed connection between greenhouse gas emissions and climate change, which could impact adversely our business, results of operations and cash flows.

We face risks associated with widespread public health crises, epidemics, or pandemics which may have material adverse impacts on the Company's operations, financial condition, liquidity and results of operations.

The Company is subject to the impacts of widespread public health crises, epidemics and pandemics, including the recent COVID-19 outbreak. Such impacts may include, but are not limited to, effects on the national and local economy, capital and credit markets, the workforce, customers and suppliers. There is no assurance that the Company's businesses will be able to operate without material adverse impacts depending on the nature of the public health crisis, epidemic or pandemic. The ultimate severity, duration and impact of public health crises, epidemics and pandemics cannot be predicted. Additionally, there is no assurance that vaccines, or other treatments, are or will be widely available or effective, or that the public will be willing to participate, in an effort to contain the spread of disease. Actions taken in response to such crises by federal, state and local government or regulatory agencies may have a material adverse impact on the Company's business, financial condition, liquidity and results of operations.

While most restrictions related to the COVID-19 pandemic have been lifted in the United States, we remain committed to providing products and services to our customers in a safe and reliable manner, and will continue to do so in compliance with any mandated restrictions in each of the markets we serve.

Our certificate of incorporation and bylaws may delay or prevent a transaction that stockholders would view as favorable.

Our certificate of incorporation and bylaws, as well as Delaware law, contain provisions that could delay, defer or prevent an unsolicited change in control of Chesapeake Utilities, which may negatively affect the market price of our common stock or the ability of stockholders to participate in a transaction in which they might otherwise receive a premium for their shares over the then current market price. These provisions may also prevent changes in management. In addition, our Board of Directors is authorized to issue preferred stock without stockholder approval on such terms as our Board of Directors may determine. Our common stockholders will be subject to, and may be negatively affected by, the rights of any preferred stock that may be issued in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. Properties.

Offices and other operational facilities

We own or lease offices and other operational facilities in our service territories located in Delaware, Maryland, Virginia, North Carolina, South Carolina, Florida, Pennsylvania and Ohio.

Regulated Energy Segment

The following table presents a summary of miles of assets operated by our natural gas distribution, natural gas transmission and electric business units as of December 31, 2022:

Operations	Miles
Natural Gas Distribution	
Delmarva Natural Gas (Natural gas pipelines)	2,012
Delmarva Natural Gas (Underground propane pipelines)	19
CFG and FPU (Natural gas pipelines)	3,043
Natural Gas Transmission	
Eastern Shore	517
Peninsula Pipeline	148
Aspire Energy Express [(1)]	—
Electric Distribution	
FPU	908
Total	6,647

(1) Aspire Energy Express had less than 1 mile of natural gas pipeline at December 31, 2022.

Peninsula Pipeline also has a 50 percent jointly owned intrastate transmission pipeline with Seacoast Gas Transmission, LLC ("Seacoast Gas Transmission") in Nassau County, Florida. The 26-mile pipeline serves demand in both Nassau and Duval Counties.

Unregulated Energy Segment

As of December 31, 2022 the following table presents propane storage capacity, miles of underground distribution mains and transmission for our Unregulated Energy Segment operations:

Operations	Gallons or miles
Propane distribution	
Propane storage capacity (gallons in millions)	8.7
Underground propane distribution mains (miles)	194
Unregulated Energy Transmission and gathering (Aspire Energy)	
Natural gas pipelines (miles)	2,800

ITEM 3. Legal Proceedings.

See Note 20, *Other Commitments and Contingencies* in the Consolidated Financial Statements, which is incorporated into Item 3 by reference.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

ITEM 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock Dividends and Stockholder Information:

Chesapeake Utilities common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol CPK. As of February 17, 2023, we had 2,040 holders of record of our common stock. We declared quarterly cash dividends on our common stock totaling $2.085 per share in 2022 and $1.880 per share in 2021, and have paid a cash dividend to our common stock stockholders for 62 consecutive years. Future dividend payments and amounts are at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements, and other factors.

Indentures to our long-term debt contain various restrictions which limit our ability to pay dividends. Refer to *Item 8, Financial Statements and Supplementary Data* (see Note 12, *Long-Term Debt*, in the consolidated financial statements) for additional information.

Purchases of Equity Securities by the Issuer

The following table sets forth information on purchases by us or on our behalf of shares of our common stock during the quarter ended December 31, 2022.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs [2]
October 1, 2022 through October 31, 2022 [1]	483	$ 119.17	—	—
November 1, 2022 through November 30, 2022	—	—	—	—
December 1, 2022 through December 31, 2022	—	—	—	—
Total	483	$ 119.17	—	—

[1] In October 2022, we purchased 483 shares of common stock on the open market for the purpose of reinvesting the dividend on shares held in the Rabbi Trust accounts under the Non-Qualified Deferred Compensation Plan. The Non-Qualified Deferred Compensation Plan is discussed in detail in *Item 8, Financial Statements and Supplementary Data* (see Note 16, *Employee Benefit Plans*, in the consolidated financial statements).

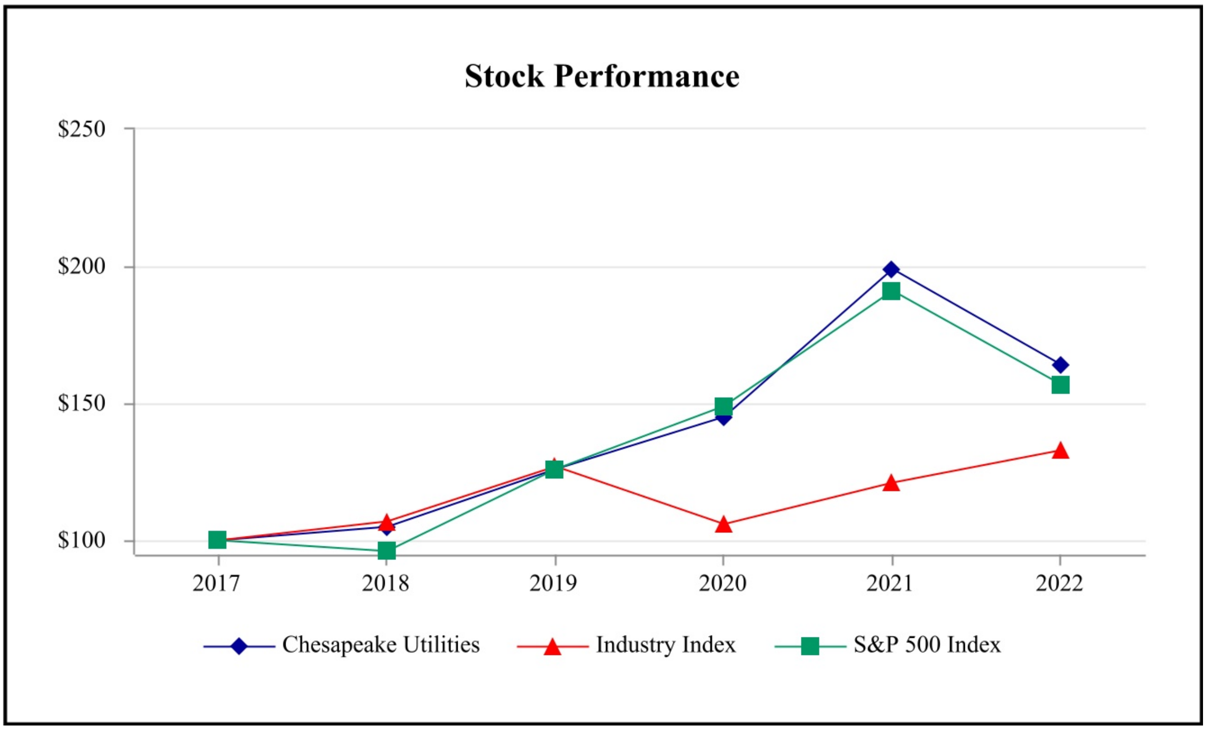
[2] Except for the purpose described in footnote [1], we have no publicly announced plans or programs to repurchase our shares.

Information on certain of our equity compensation plans, for which shares of our common stock are authorized for issuance, is included in the section of our Proxy Statement captioned "Equity Compensation Plan Information" and is incorporated herein by reference.

Common Stock Performance Graph

The stock performance graph and table below compares cumulative total stockholder return on our common stock during the five fiscal years ended December 31, 2022, with the cumulative total stockholder return of the Standard & Poor's 500 Index and the cumulative total stockholder return of select peers, which include the following companies: Atmos Energy Corporation; Black Hills Corporation; Chesapeake Utilities Corporation; New Jersey Resources Corporation; NiSource; Northwest Natural Gas Company; Northwestern Corporation; ONE Gas, Inc.; RGC Resources, Inc.; South Jersey Industries, Inc.; Spire, Inc.; and Unitil Corporation.

The comparison assumes $100 was invested on December 31, 2017 in our common stock and in each of the foregoing indices and assumes reinvested dividends. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.



	2017	2018	2019	2020	2021	2022
Chesapeake Utilities	$ 100	$ 105	$ 126	$ 145	$ 199	$ 164
Industry Index	$ 100	$ 107	$ 127	$ 106	$ 121	$ 133
S&P 500 Index	$ 100	$ 96	$ 126	$ 149	$ 191	$ 157

ITEM 6. [RESERVED]

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section provides management’s discussion of Chesapeake Utilities and its consolidated subsidiaries, with specific information on results of operations, liquidity and capital resources, as well as discussion of how certain accounting principles affect our financial statements. It includes management’s interpretation of our financial results and our operating segments, the factors affecting these results, the major factors expected to affect future operating results as well as investment and financing plans. This discussion should be read in conjunction with our consolidated financial statements and notes thereto in *Item 8, Financial Statements and Supplementary Data*.

Several factors exist that could influence our future financial performance, some of which are described in Item 1A, *Risk Factors*. They should be considered in connection with forward-looking statements contained in this Annual Report, or otherwise made by or on behalf of us, since these factors could cause actual results and conditions to differ materially from those set out in such forward-looking statements.

In March 2020, the CDC declared a national emergency due to the rapidly growing outbreak of COVID-19. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These restrictions significantly impacted economic conditions in the United States beginning in 2020 and persisted throughout 2022, though to a significantly lesser extent. Chesapeake Utilities is considered an “essential business,” which allowed us to continue operational activities and construction projects while social distancing restrictions were in place.

The expiration of the states of emergency along with the settlement of our limited proceeding in Florida concluded our ability to defer incremental pandemic related costs for consideration through the applicable regulatory process. We remain committed to providing products and services to our customers in a safe and reliable manner, and will continue to do so in compliance with any mandated restrictions in each of the markets we serve.

Earnings per share information is presented on a diluted basis, unless otherwise noted.

The following discussions and those later in the document on operating income and segment results include the use of the term Adjusted Gross Margin which is a non-GAAP measure throughout our discussion on operating results. Adjusted Gross Margin is calculated by deducting the purchased cost of natural gas, propane and electricity and the cost of labor spent on direct revenue-producing activities from operating revenues. The costs included in Adjusted Gross Margin exclude depreciation and amortization and certain costs presented in operations and maintenance expenses in accordance with regulatory requirements. Adjusted Gross Margin should not be considered an alternative to Gross Margin under U.S. GAAP which is defined as the excess of sales over cost of goods sold. We believe that Adjusted Gross Margin, although a non-GAAP measure, is useful and meaningful to investors as a basis for making investment decisions. It provides investors with information that demonstrates the profitability achieved by us under our allowed rates for regulated energy operations and under our competitive pricing structures for our unregulated energy operations. Our management uses Adjusted Gross Margin as one of the financial measures in assessing our business units’ performance. Other companies may calculate Adjusted Gross Margin in a different manner.

The below tables reconcile Gross Margin as defined under GAAP to our non-GAAP measure of Adjusted Gross Margin for the years ended December 31, 2022, 2021 and 2020:

(in thousands)	For the Year Ended December 31, 2022 Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Operating Revenues	**$ 429,424**	**$ 280,750**	**$ (29,470)**	**$ 680,704**
Cost of Sales:				
Natural gas, propane and electric costs	(127,172)	(162,683)	29,349	(260,506)
Depreciation & amortization	(52,707)	(16,257)	(9)	(68,973)
Operations & maintenance expense (1)	(35,472)	(29,825)	9	(65,288)
Gross Margin (GAAP)	**214,073**	**71,985**	**(121)**	**285,937**
Operations & maintenance expense (1)	35,472	29,825	(9)	65,288
Depreciation & amortization	52,707	16,257	9	68,973
Adjusted Gross Margin (Non-GAAP)	**$ 302,252**	**$ 118,067**	**$ (121)**	**$ 420,198**

(in thousands)	For the Year Ended December 31, 2021 Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Operating Revenues	**$ 383,920**	**$ 206,869**	**$ (20,821)**	**$ 569,968**
Cost of Sales:				
Natural gas, propane and electric costs	(100,737)	(106,900)	20,687	(186,950)
Depreciation & amortization	(48,748)	(13,869)	(44)	(62,661)
Operations & maintenance expense (1)	(32,780)	(24,123)	179	(56,724)
Gross Margin (GAAP)	**201,655**	**61,977**	**1**	**263,633**
Operations & maintenance expense (1)	32,780	24,123	(179)	56,724
Depreciation & amortization	48,748	13,869	44	62,661
Adjusted Gross Margin (Non-GAAP)	**$ 283,183**	**$ 99,969**	**$ (134)**	**$ 383,018**

(in thousands)	For the Year Ended December 31, 2020 Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Operating Revenues	**$ 352,746**	**$ 152,526**	**$ (17,074)**	**$ 488,198**
Cost of Sales:				
Natural gas, propane and electric costs	(91,994)	(62,780)	16,836	(137,938)
Depreciation & amortization	(46,079)	(11,988)	(50)	(58,117)
Operations & maintenance expense (1)	(31,237)	(22,914)	298	(53,853)
Gross Margin (GAAP)	**183,436**	**54,844**	**10**	**238,290**
Operations & maintenance expense (1)	31,237	22,914	(298)	53,853
Depreciation & amortization	46,079	11,988	50	58,117
Adjusted Gross Margin (Non-GAAP)	**$ 260,752**	**$ 89,746**	**$ (238)**	**$ 350,260**

(1) Operations & maintenance expenses within the Consolidated Statements of Income are presented in accordance with regulatory requirements and to provide comparability within the industry. Operations & maintenance expenses which are deemed to be directly attributable to revenue producing activities have been separately presented above in order to calculate Gross Margin as defined under U.S. GAAP.

2022 to 2021 Gross Margin (GAAP) Variance – Regulated Energy

Gross Margin (GAAP) for the Regulated Energy segment for 2022 was $214.1 million, an increase of $12.4 million, or 6.2 percent, compared to 2021. Higher gross margin reflects continued pipeline expansions by Eastern Shore, Peninsula Pipeline and Aspire Energy Express, incremental contributions from regulated infrastructure programs, organic growth in our natural gas distribution businesses, increased customer consumption, interim rates associated with the Florida natural gas base rate proceeding, cost recovery associated with pandemic related costs, and operating results from our acquisition of the Escambia Meter Station completed in 2021. These increases were partially offset by higher depreciation, amortization and property taxes, increased employee expenses driven by continued competition in the current labor market, higher facilities, maintenance and outside services as well as higher fuel costs.

2021 to 2020 Gross Margin (GAAP) Variance – Regulated Energy

Gross Margin (GAAP) for the Regulated Energy segment for the year ended December 31, 2021 compared to 2020 is described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on Form 10-K for the year ended December 31, 2021, which is incorporated herein by reference.

2022 to 2021 Gross Margin (GAAP) Variance – Unregulated Energy

Gross Margin (GAAP) for the Unregulated Energy segment for 2022 was $72.0 million, an increase of $10.0 million, or 16.1 percent compared to 2021. Increased gross margin resulted from higher retail propane margins per gallon and service fees, contributions from the propane acquisitions completed in 2021 and 2022, increased demand for CNG, RNG and LNG services and increased customer consumption along with higher rates for Aspire Energy. These increases were partially offset by higher depreciation, amortization and property taxes related to recent capital investments and acquisitions, increased employee expenses driven by continued competition in the current labor market, higher costs related to facilities, maintenance and outside services and rising fuel costs.

2021 to 2020 Gross Margin (GAAP) Variance – Unregulated Energy

Gross Margin (GAAP) for the Unregulated Energy segment for the year ended December 31, 2021 compared to 2020 is described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on Form 10-K for the year ended December 31, 2021, which is incorporated by reference.

Overview and Highlights

(in thousands except per share data) For the Year Ended December 31,		2022		2021		Increase (decrease)		2021		2020		Increase (decrease)
Business Segment:												
Regulated Energy	**$**	**115,317**	$	106,174	$	9,143	$	106,174	$	92,124	$	14,050
Unregulated Energy		**27,350**		24,427		2,923		24,427		20,664		3,763
Other businesses and eliminations		**266**		511		(245)		511		(65)		576
Operating Income		**142,933**		131,112		11,821		131,112		112,723		18,389
Other income, net		**5,051**		1,721		3,330		1,721		3,222		(1,501)
Interest charges		**24,356**		20,135		4,221		20,135		21,765		(1,630)
Income from Continuing Operations Before Income Taxes		**123,628**		112,698		10,930		112,698		94,180		18,518
Income Taxes on Continuing Operations		**33,832**		29,231		4,601		29,231		23,538		5,693
Income from Continuing Operations		**89,796**		83,467		6,329		83,467		70,642		12,825
Income (loss) from Discontinued Operations, Net of Tax		**—**		(1)		1		(1)		686		(687)
Gain on sale of Discontinued Operations, Net of tax		**—**		—		—		—		170		(170)
Net Income	**$**	**89,796**	$	83,466	$	6,330	$	83,466	$	71,498	$	11,968
Earnings Per Share of Common Stock [(1)]												
Basic	**$**	**5.07**	$	4.75	$	0.32	$	4.75	$	4.28	$	0.47
Diluted	**$**	**5.04**	$	4.73	$	0.31	$	4.73	$	4.26	$	0.47

[(2)] Basic and diluted earnings per share for the year ended December 31, 2020 include $0.05 attributable to discontinued operations.

2022 compared to 2021

Key variances in continuing operations between 2022 and 2021 included:

(in thousands, except per share data)	Pre-tax Income	Net Income	Earnings Per Share
Year ended December 31, 2021 Reported Results	**$ 112,698**	**$ 83,467**	**$ 4.73**
Adjusting for unusual items:			
Gain from sales of assets	1,902	1,382	0.08
Interest income from federal income tax refund	826	600	0.03
Absence of CARES Act items recognized during the third quarter of 2021	—	(922)	(0.05)
Regulatory deferral of COVID-19 expenses per PSC's orders	(2,545)	(1,849)	(0.10)
	183	(789)	(0.04)
Increased Adjusted Gross Margins:			
Contributions from acquisitions*	10,575	7,681	0.43
Natural gas transmission service expansions*	4,399	3,195	0.18
Contributions from regulated infrastructure programs *	3,926	2,851	0.16
Natural gas growth (excluding service expansions)	3,732	2,711	0.15
Increased propane margins per gallon and fees	3,575	2,597	0.14
Increased margins related to demand for CNG/RNG/LNG services*	3,534	2,567	0.14
Increased customer consumption - Inclusive of weather	3,117	2,264	0.13
Implementation of interim rates associated with the Florida natural gas rate case filing*	2,474	1,797	0.10
Contribution from rates associated with recovery of pandemic related costs	1,040	756	0.04
	36,372	26,419	1.47
(Increased) Other Operating Expenses (Excluding Natural Gas, Electricity and Propane Costs):			
Operating expenses from recent acquisitions	(9,586)	(6,963)	(0.39)
Depreciation, amortization and property tax costs due to new capital investments	(6,297)	(4,574)	(0.26)
Payroll, benefits and other employee-related expenses	(3,019)	(2,193)	(0.12)
Facilities expenses, maintenance costs and outside services	(1,942)	(1,411)	(0.08)
Increased vehicle expenses largely due to higher fuel costs	(1,000)	(726)	(0.04)
	(21,844)	(15,867)	(0.89)
Interest charges	(4,221)	(3,066)	(0.17)
Change in shares outstanding due to 2021 and 2022 equity issuances	—	—	(0.05)
Net Other Changes	440	(368)	(0.01)
Year ended December 31, 2022 Reported Results	**$ 123,628**	**$ 89,796**	**$ 5.04**

*** See the Major Projects and Initiatives table.**

SUMMARY OF KEY FACTORS

Recently Completed and Ongoing Major Projects and Initiatives

We constantly pursue and develop additional projects and initiatives to serve existing and new customers, and to further grow our businesses and earnings, with the intention to increase shareholder value. The following table includes the major projects/initiatives recently completed and currently underway. Major projects and initiatives that have generated consistent year-over-year adjusted gross margin contributions are removed from the table at the beginning of the next calendar year. We will add new projects and initiatives to this table once negotiations or details are substantially final and the associated earnings can be estimated.

(in thousands)	Adjusted Gross Margin Year Ended December 31, 2020	2021	2022	Estimate for Fiscal 2023	2024
Pipeline Expansions:					
Western Palm Beach County, Florida Expansion [1]	$ 4,167	$ 4,729	**$ 5,227**	$ 5,227	$ 5,227
Del-Mar Energy Pathway [1] [2]	2,462	4,584	**6,909**	6,980	6,903
Guernsey Power Station	—	187	**1,377**	1,486	1,482
Southern Expansion	—	—	**—**	586	2,344
Winter Haven Expansion	—	—	**260**	576	626
Beachside Pipeline Expansions	—	—	**—**	1,825	2,451
North Ocean City Connector	—	—	**—**	—	200
St. Cloud / Twin Lakes	—	—	**—**	414	584
Clean Energy [1]	—	—	**126**	1,009	1,009
Wildlight	—	—	**—**	528	2,000
Total Pipeline Expansions	6,629	9,500	**13,899**	18,631	22,826
CNG/RNG/LNG Transportation and Infrastructure	7,231	7,566	**11,100**	11,892	12,348
Acquisitions:					
Propane Acquisition	—	603	**10,762**	12,000	12,250
Escambia Meter Station	—	583	**999**	1,000	1,000
Total Acquisitions	—	1,186	**11,761**	13,000	13,250
Regulatory Initiatives:					
Florida GRIP	15,178	16,995	**19,885**	19,885	19,885
Capital Cost Surcharge Programs	523	1,199	**2,001**	2,811	2,831
Elkton STRIDE Plan	—	26	**264**	354	357
Florida Rate Case Proceeding	—	—	**2,474**	15,362	17,153
Electric Storm Protection Plan	—	—	**486**	1,137	2,113
Total Regulatory Initiatives	15,701	18,220	**25,110**	39,549	42,339
Total	$ 29,561	$ 36,472	**$ 61,870**	$ 83,072	$ 90,763

[1] Includes adjusted gross margin generated from interim services.
[2] Includes adjusted gross margin from natural gas distribution services.

Detailed Discussion of Major Projects and Initiatives

Pipeline Expansions

Western Palm Beach County, Florida Expansion

Peninsula Pipeline is constructing four transmission lines to bring additional natural gas to our distribution system in West Palm Beach, Florida. The first phase of this project was placed into service in December 2018 and generated incremental adjusted gross margin of $0.5 million during 2022 compared to 2021. The remainder of the project was completed in the fourth quarter of 2021. We estimate that the project will generate annual adjusted gross margin of $5.2 million in 2023 and beyond.

Del-Mar Energy Pathway

In December 2019, the FERC issued an order approving the construction of the Del-Mar Energy Pathway project. The project was placed into service in the fourth quarter of 2021. The new facilities: (i) include an additional 14,300 Dts/d of firm service to four customers, (ii) provide additional natural gas transmission pipeline infrastructure in eastern Sussex County, Delaware, and (iii) represent the first extension of Eastern Shore's pipeline system into Somerset County, Maryland. The project generated additional adjusted gross margin of $2.3 million for the year ended December 31, 2022. The estimated annual adjusted gross margin from this project, including natural gas distribution service in Somerset County, Maryland, is approximately $7.0 million in 2023 and beyond subject to further increase as the distribution system continues to build out.

Guernsey Power Station
Guernsey Power Station and our affiliate, Aspire Energy Express, entered into a precedent agreement for firm transportation capacity whereby Guernsey Power Station will construct a power generation facility and Aspire Energy Express will provide firm natural gas transportation service to this facility. Guernsey Power Station commenced construction of the project in October 2019. Aspire Energy Express completed construction of the gas transmission facilities in the fourth quarter of 2021.The project generated additional adjusted gross margin of $1.2 million for the year ended December 31, 2022, and is expected to produce adjusted gross margin of approximately $1.5 million in 2023 and beyond.

Southern Expansion
Eastern Shore plans to install a new natural gas driven compressor skid unit at its existing Bridgeville, Delaware compressor station that will provide 7,300 Dts of incremental firm transportation pipeline capacity. The project obtained FERC approval in January 2023 and is currently estimated to go into service in the fourth quarter of 2023. Eastern Shore expects the Southern Expansion project to generate annual adjusted gross margin of $0.6 million in 2023 and $2.3 million in 2024 and thereafter.

Winter Haven Expansion
In May 2021, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with CFG for an incremental 6,800 Dts/d of firm service in the Winter Haven, Florida area. As part of this agreement, Peninsula Pipeline constructed a new interconnect with FGT and a new regulator station for CFG. CFG is using the additional firm service to support new incremental load due to growth in the area, including providing service, most immediately, to a new can manufacturing facility, as well as reliability and operational benefits to CFG’s existing distribution system in the area. In connection with Peninsula Pipeline’s new regulator station, CFG also extended its distribution system to connect to the new station. This expansion was placed in service in the third quarter of 2022. The project generated additional adjusted gross margin of $0.3 million for the year ended December 31, 2022, and is expected to produce adjusted gross margin of approximately $0.6 million in 2023 and beyond.

Beachside Pipeline Expansion
In June 2021, Peninsula Pipeline and Florida City Gas entered into a Transportation Service Agreement for an incremental 10,176 Dts/d of firm service in Indian River County, Florida, to support Florida City Gas’ growth along the Indian River's barrier island. As part of this agreement, Peninsula Pipeline will construct approximately 11.3 miles of pipeline from its existing pipeline in the Sebastian, Florida, area east under the Intercoastal Waterway and southward on the barrier island. Construction is underway and is expected to be complete in the second quarter of 2023. We expect this extension to generate additional annual adjusted gross margin of $1.8 million in 2023 and $2.5 million in the years thereafter.

North Ocean City Connector
During the second quarter of 2022, we began construction of an extension of service into North Ocean City, Maryland. Our Delaware natural gas division and Sandpiper are installing approximately 5.7 miles of pipeline across southern Sussex County, Delaware to Fenwick Island, Delaware and Worcester County, Maryland. The project will reinforce our existing system in Ocean City, Maryland and allow for incremental growth along the pipeline. We expect this expansion to generate annual adjusted gross margin of $0.2 million beginning in 2024, with additional margin opportunities from incremental growth.

St.Cloud / Twin Lakes Expansion
In July 2022, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with FPU for an additional 2,400 Dt/day of firm service in the St. Cloud, Florida area. As part of this agreement, Peninsula Pipeline will construct a pipeline extension and regulator station for FPU. The extension will be used to support new incremental load due to growth in the area, including providing service, most immediately, to the residential development, Twin Lakes. The expansion will also improve reliability and provide operational benefits to FPU’s existing distribution system in the area, supporting future growth. We expect this expansion to be in service in the second quarter of 2023 and generate adjusted gross margin of $0.4 million in 2023 and $0.6 million in the years thereafter.

Clean Energy Expansion
During the fourth quarter of 2022, Clean Energy Fuels ("Clean Energy") and CFG entered into a precedent agreement for firm transportation services associated with a CNG fueling station Clean Energy is constructing. We plan to install approximately 2.2 miles of main extension in Davenport, Florida to support the filling station. Construction is underway and is expected to be complete in the third quarter of 2023. Our subsidiary Marlin Gas Services, is providing interim services to Clean Energy during the construction phase of the project. The project generated adjusted gross margin of approximately $0.1 million for the year ended December 31, 2022, and is expected to contribute adjusted gross margin of approximately $1.0 million in 2023 and the years thereafter.

Wildlight Expansion
In August 2022, Peninsula Pipeline and FPU filed a joint petition with the Florida PSC for approval of its Transportation Service Agreement associated with the development of the Wildlight planned community located in Nassau County, Florida. The project enables us to meet the significant growing demand for service in Yulee, Florida. The agreement will enable us to build the project during the construction and build-out of the community, and charge the reservation rate as each phase of the project goes into service. Construction of the pipeline facilities will occur in two separate phases. Phase one consists of three extensions with associated facilities, and a gas injection interconnect with associated facilities. Phase two will consist of two additional pipeline extensions. The various phases of the project are expected to commence in the first quarter of 2023, with construction on the overall project continuing through 2025. This project is expected to contribute adjusted gross margin of approximately $0.5 million in 2023 and $2.0 million in 2024 and beyond.

CNG/RNG/LNG Transportation and Infrastructure

We have made a commitment to meet customer demand for CNG, RNG and LNG in the markets we serve. This has included making investments within Marlin Gas Services to be able to transport these products through its virtual pipeline fleet to customers.To date, we have also made an infrastructure investment in Ohio, enabling RNG to fuel a third-party landfill fleet and to transport RNG to end use customers off our pipeline system. Similarly, we announced in March 2022, the opening of a high-capacity CNG truck and tube trailer fueling station in Port Wentworth, Georgia. As one of the largest public access CNG stations on the East Coast, it will offer a RNG option to customers in the near future. We constructed the station in partnership with Atlanta Gas Light, a subsidiary of Southern Company Gas. In 2020, Atlanta Gas Light announced that Chesapeake Utilities constructed and maintains the station and ensures access to CNG and RNG for the many customers expected to fuel at the station.

We are also involved in various other projects, all at various stages and all with different opportunities to participate across the energy value chain. In many of these projects, Marlin will play a key role in ensuring the RNG is transported to one of our many pipeline systems where it will be injected. Accordingly, given the overlapping role of Marlin in many of these projects, we have combined our transportation services and infrastructure related adjusted gross margin discussion into one section.

For the year ended December 31, 2022, we generated additional adjusted gross margin of $3.5 million compared to 2021 associated with the transportation of CNG and RNG by Marlin's virtual pipeline and Aspire Energy's Noble Road RNG pipeline. We estimate annual adjusted gross margin of approximately $11.9 million in 2023, and $12.3 million in 2024 for these transportation related services, with potential for additional growth in future years.

Full Circle Dairy
In February 2023, we announced plans to construct, own and operate a dairy manure RNG facility at Full Circle Dairy in Madison County, Florida. The project consists of a facility converting dairy manure to RNG and transportation assets to bring the gas to market. The first injection of RNG is projected to occur in the first half of 2024.

Planet Found Development
In late October 2022, we consummated the acquisition of Planet Found Energy Development. Planet Found's farm scale anaerobic digestion pilot system and technology produces biogas from 1,200 tons of poultry litter annually, which can be used to create renewable energy in the form of electricity or upgraded to renewable natural gas. In addition to generating biogas, Planet Found's nutrient capture system plays a major role in converting digestate into a nutrient-rich soil conditioner, which is distributed to bulk and retail markets under the brand Element Soil. The transaction will accelerate our efforts in converting poultry waste to renewable, sustainable energy while simultaneously improving the local environments in our service territories. The expertise, technologies and know-how can be leveraged for various scale projects across our geographic footprint.

Noble Road Landfill RNG Project
In October 2021, Aspire Energy completed construction of its Noble Road Landfill RNG pipeline project, a 33.1-mile pipeline, which transports RNG generated from the Noble Road landfill to Aspire Energy's pipeline system, displacing conventionally produced natural gas. In conjunction with this expansion, Aspire Energy also upgraded an existing compressor station and installed two new metering and regulation sites. The RNG volume is expected to represent nearly 10 percent of Aspire Energy's gas gathering volumes.

Bioenergy DevCo

In June 2020, our Delmarva natural gas operations and Bioenergy DevCo ("BDC"), a developer of anaerobic digestion facilities that create renewable energy and healthy soil products from organic material, entered into an agreement related to a project to extract RNG from poultry production waste. BDC and our affiliates are collaborating on this project in addition to several other project sites where organic waste can be converted into a carbon-negative energy source.

The RNG source created from the organic waste from the BDC facility will be transported to an Eastern Shore interconnection, where the sustainable fuel will be introduced into our transmission system and ultimately distributed to our natural gas customers.

CleanBay Project

In July 2020, our Delmarva natural gas operations and CleanBay Renewables Inc. ("CleanBay") announced a new partnership to bring RNG to our operations. As part of this partnership, we will transport the RNG produced at CleanBay's planned Westover, Maryland bio-refinery, to our natural gas infrastructure in the Delmarva Peninsula region. Eastern Shore and Marlin Gas Services, will transport the RNG from CleanBay to our Delmarva natural gas distribution system where it is ultimately delivered to the Delmarva natural gas distribution end use customers.

<u>Acquisitions</u>

Propane Acquisitions

On December 15, 2021, Sharp Energy acquired the propane operating assets of Diversified Energy for approximately $37.5 million net of cash acquired. There were multiple strategic benefits to this acquisition including it: (i) expanded the Company's propane territory into North Carolina and South Carolina while also expanding our existing footprint in Pennsylvania and Virginia, and (ii) included an established customer base with opportunities for future growth. Through this acquisition, the Company added approximately 19,000 residential, commercial and agricultural customers, along with distribution of approximately 10.0 million gallons of propane annually.

On June 13, 2022, Sharp acquired the propane operating assets of Davenport Energy's Siler City propane division for approximately $2.0 million. Through this acquisition, the Company expanded its operating footprint further into North Carolina, where customers are being served by Sharp Energy's Diversified Energy division. The acquisition added approximately 850 customers and distribution of approximately 406,000 gallons of propane annually to Sharp Energy's territory. The financial results of this acquisition are included in Sharp Energy's Diversified Energy division given geographic proximity and other synergies within the service territory.

For the year ended December 31, 2022, these acquisitions contributed $10.8 million in adjusted gross margin and are expected to generate $12.0 million of additional adjusted gross margin in 2023 and $12.3 million in 2024.

Escambia Meter Station

In June 2021, Peninsula Pipeline purchased the Escambia Meter Station from Florida Power and Light and entered into a Transportation Service Agreement with Gulf Power Company to provide up to 530,000 Dts/d of firm service from an interconnect with FGT to Florida Power & Light's Crist Lateral pipeline. The Florida Power & Light Crist Lateral provides gas supply to their natural gas fired power plant owned by Florida Power & Light in Pensacola, Florida. We generated generated $1.0 million in additional adjusted gross margin in 2022 and estimate that this acquisition will generate adjusted gross margin of approximately $1.0 million in 2023 and beyond.

<u>Regulatory Initiatives</u>

Florida GRIP

Florida GRIP is a natural gas pipe replacement program approved by the Florida PSC that allows automatic recovery, through rates, of costs associated with the replacement of mains and services. Since the program's inception in August 2012, the Company has invested $203.2 million of capital expenditures to replace 353 miles of qualifying distribution mains, including $13.7 million and $23.6 million of new pipes during 2022 and 2021, respectively. GRIP generated additional gross margin of $2.9 million for the year ended 2022 compared to 2021. We are currently projecting to complete this program in the first quarter of 2023 and expect to generate adjusted gross margin of $19.9 million in 2023 and 2024, respectively. The adjusted gross margin on GRIP investments are expected to continue to be generated as we have included the investments, and the associated expenses, in the base rate proceeding that was filed in May 2022. See additional discussion below for further details on the Florida Natural Gas Base Rate Proceeding.

Capital Cost Surcharge Programs
In December 2019, the FERC approved Eastern Shore's capital cost surcharge to become effective January 1, 2020. The surcharge, an approved item in the settlement of Eastern Shore's last general rate case, allows Eastern Shore to recover capital costs associated with mandated highway or railroad relocation projects that required the replacement of existing Eastern Shore facilities. In 2022 there was an increase of $0.8 million in adjusted gross margin related to the program. Eastern Shore expects to produce adjusted gross margin of approximately $2.8 million in 2023 and 2024 from relocation projects, which is ultimately dependent upon the timing of filings and the completion of construction.

Elkton Gas STRIDE Plan
In June 2021, we reached a settlement with the Maryland PSC Staff and the Maryland Office of the Peoples Counsel regarding a five-year plan to replace Aldyl-A pipelines and recover the associated costs of those replacements through a fixed charge rider. The STRIDE plan went into service in September 2021 and is expected to generate $0.4 million of additional adjusted gross margin in 2023 and annually thereafter.

Florida Natural Gas Base Rate Proceeding
In May 2022, our natural gas distribution businesses in Florida (FPU, FPU-Indiantown division, FPU-Fort Meade division and Chesapeake Utilities CFG division, collectively, "Florida natural gas distribution businesses") filed a consolidated natural gas rate case with the Florida PSC. The application included a request for the following: (i) permanent rate relief of approximately $24.1 million, effective January 1, 2023, (ii) a depreciation study also submitted with the filing; (iii) authorization to make certain changes to tariffs to include the consolidation of rates and rate structure across the businesses and to unify the Florida natural gas distribution businesses under FPU; (iv) authorization to retain the acquisition adjustment recorded at the time of the FPU merger in our revenue requirement;and (v) authorization to establish an environmental remediation surcharge for the purposes of addressing future expected remediation costs for FPU MGP sites. In August 2022, interim rates were approved by the Florida PSC in the amount of approximately $7.7 million on an annualized basis, effective for all meter readings in September 2022. The discovery process and related hearings were concluded during the fourth quarter of 2022 and briefs were submitted in the same quarter of 2022. In January 2023, the Florida PSC approved the application for consolidation and permanent rate relief of approximately $17.2 million on an annual basis. Actual rates in connection with the rate relief were approved by the Florida PSC in February 2023 with an effective date of March 1, 2023.

Storm Protection Plan
In 2020, the Florida PSC implemented the SPP and SPPCR rules, which require electric utilities to petition the Florida PSC for approval of a Transmission and Distribution Storm Protection Plan that covers the utility's immediate 10-year planning period with updates to the plan at least every 3 years. The SPPCR rules allow the utility to file for recovery of associated costs related to its SPP. Our Florida electric distribution operation's SPP and SPPCRC were filed during the first quarter of 2022 and approved in the fourth quarter of 2022 with modifications, by the Florida PSC. This initiative is expected to generate adjusted gross margin of approximately $1.1 million in 2023 and $2.1 million in 2024, and we expect continued investment under the SPP going forward.

COVID-19 Regulatory Proceeding
In October 2020, the Florida PSC approved a joint petition of our natural gas and electric distribution utilities in Florida to establish a regulatory asset to record incremental expenses incurred due to COVID-19. The regulatory asset allows us to obtain recovery of these costs in the next base rate proceedings. The Company's Florida regulated business units reached a settlement with the Florida OPC in June 2021, enabling the business units to establish a regulatory asset of $2.1 million. This amount includes COVID-19 related incremental expenses for bad debt write-offs, personnel protective equipment, cleaning and business information services for remote work. Our Florida regulated business units are currently amortizing the amount over two years effective January 1, 2022 and recovering the regulatory asset through the Purchased Gas Adjustment and Swing Service mechanisms for the natural gas business units and through the Fuel Purchased Power Cost Recovery clause for the electric division. This results in additional adjusted gross margin of $1.0 million annually that is being offset by a corresponding amortization of regulatory asset expense, for both 2022 and 2023.

Other Major Factors Influencing Adjusted Gross Margin

Weather and Consumption
Weather conditions accounted for increased adjusted gross margin of $1.5 million in 2022 compared to 2021. The following table summarizes heating degree day ("HDD") and cooling degree day ("CDD") variances from the 10-year average HDD/CDD ("Normal") for the years ended December 31, 2022 compared to 2021 and December 31, 2021 compared to 2020.

HDD and CDD Information

	For the Years Ended December 31,					
	2022	**2021**	**Variance**	**2021**	**2020**	**Variance**
Delmarva						
Actual HDD	**4,088**	3,849	239	3,849	3,716	133
10-Year Average HDD ("Normal")	**4,147**	4,182	(35)	4,182	4,294	(112)
Variance from Normal	**(59)**	(333)		(333)	(578)	
Florida [1]						
Actual HDD	**836**	829	7	829	745	84
10-Year Average HDD ("Normal")	**828**	839	(11)	839	933	(94)
Variance from Normal	**8**	(10)		(10)	(188)	
Ohio						
Actual HDD	**5,532**	5,138	394	5,138	5,218	(80)
10-Year Average HDD ("Normal")	**5,557**	5,621	(64)	5,621	5,701	(80)
Variance from Normal	**(25)**	(483)		(483)	(483)	
Florida [1]						
Actual CDD	**2,826**	2,687	139	2,687	3,078	(391)
10-Year Average CDD ("Normal")	**2,929**	2,952	(23)	2,952	2,931	21
Variance from Normal	**(103)**	(265)		(265)	147	

[1] Prior year amounts have been revised to conform to the current period presentation.

Natural Gas Distribution Growth

Customer growth for our natural gas distribution operations, as a result of the addition of new customers and the conversion of customers from alternative fuel sources to natural gas service, generated $3.7 million of additional adjusted gross margin in 2022. The average number of residential customers served on the Delmarva Peninsula and Florida increased by approximately 5.7 percent and 4.2 percent, respectively, during 2022. On the Delmarva Peninsula, a larger percentage of the adjusted gross margin growth was generated from residential growth given the expansion of gas into new housing communities and conversions to natural gas as our distribution infrastructure continues to build out. In Florida, as new communities continue to build out due to population growth and infrastructure is added to support the growth, there is increased load from both residential customers as well as new commercial and industrial customers. The details are provided in the following table:

	Adjusted Gross Margin Increase For the Year Ended December 31, 2022	
(in thousands)	**Delmarva Peninsula**	**Florida**
Customer growth:		
Residential	$ 2,045	$ 938
Commercial and industrial	402	347
Total customer growth	$ 2,447	$ 1,285

REGULATED ENERGY

For the Year Ended December	2022	2021	Increase (decrease)	2021	2020	Increase (decrease)
(in thousands)						
Revenue	**$ 429,424**	$ 383,920	$ 45,504	$ 383,920	$ 352,746	$ 31,174
Natural gas and electric costs	**127,172**	100,737	26,435	100,737	91,994	8,743
Adjusted gross margin [1]	**302,252**	283,183	19,069	283,183	260,752	22,431
Operations & maintenance	**112,963**	108,190	4,773	108,190	104,379	3,811
Gain from a settlement	**—**	—	—	—	(130)	130
Depreciation & amortization	**52,707**	48,748	3,959	48,748	46,079	2,669
Other taxes	**21,265**	20,071	1,194	20,071	18,300	1,771
Other operating expenses	**186,935**	177,009	9,926	177,009	168,628	8,381
Operating Income	**$ 115,317**	$ 106,174	$ 9,143	$ 106,174	$ 92,124	$ 14,050

[1] Adjusted Gross Margin is a non-GAAP measure utilized by Management to review business unit performance. For a more detailed discussion on the differences between Gross Margin (GAAP) and Adjusted Gross Margin, see the Reconciliation of GAAP to Non-GAAP Measures presented above.

2022 compared to 2021

Operating income for the Regulated Energy segment for 2022 was $115.3 million, an increase of $9.1 million, or 8.6 percent, compared to 2021. Operating income for the year ended December 31, 2021 included a $2.5 million reduction in other operating expenses resulting from regulatory deferral of certain costs associated with the COVID-19 pandemic. Absent this benefit, operating income increased $11.7 million, or 11.3 percent. Higher operating income reflects continued pipeline expansions by Eastern Shore, Peninsula Pipeline and Aspire Energy Express, incremental contributions from regulated infrastructure programs, organic growth in our natural gas distribution businesses, interim rates associated with the Florida natural gas base rate proceeding, increased customer consumption, cost recovery associated with pandemic related costs, and operating results from the Escambia Meter Station acquisition completed in 2021. Eliminating the benefits of regulatory asset accounting in 2021, operating expenses increased by $7.4 million compared to the prior year primarily due to higher depreciation, amortization and property taxes, increased employee expenses driven by continued competition in the labor market, facilities, maintenance and outside services as well as vehicle expenses largely due to higher fuel costs.

Items contributing to the year-over-year adjusted gross margin increase are listed in the following table:

(in thousands)	
Natural gas transmission service expansions	$ 4,399
Contributions from regulated infrastructure programs	3,926
Natural gas growth (excluding service expansions)	3,732
Contribution from implementation of interim rates approved by FL PSC	2,474
Customer consumption - inclusive of weather	1,263
Contribution from rates associated with recovery of pandemic related costs	1,040
Increased adjusted gross margin from off-system natural gas capacity sales	826
Escambia Meter Station acquisition	416
Other variances	993
Year-over-year increase in adjusted gross margin	$ 19,069

The following narrative discussion provides further detail and analysis of the significant variances in adjusted gross margin detailed above.

Natural Gas Transmission Service Expansions

We generated increased adjusted gross margin of $4.4 million from natural gas transmission service expansions including, Peninsula Pipeline's Western Palm Beach County project, Eastern Shore's Del-Mar Energy Pathway project and the Guernsey pipeline expansion.

Contributions from Regulated Infrastructure Programs

Contributions from regulated infrastructure programs generated incremental adjusted gross margin of $3.9 million for the year. The increase in adjusted gross margin was primarily related to continued investment in the Florida GRIP, Eastern Shore's capital surcharge program, the Elkton Gas STRIDE Plan and Florida's Storm Protection Plan. Refer to Note 18, *Rates and Other Regulatory Activities*, in the consolidated financial statements for additional information.

Natural Gas Distribution Customer Growth
We generated additional adjusted gross margin of $3.7 million from natural gas customer growth. Adjusted gross margin increased by $1.3 million in Florida and $2.4 million on the Delmarva Peninsula compared to 2021, due primarily to residential customer growth of 4.2 percent and 5.7 percent in Florida and on the Delmarva Peninsula, respectively.

Interim Rates Associated with the Florida Natural Gas Base Rate Proceeding
In August 2022, the Florida PSC approved interim rates starting in September 2022. These interim rates contributed additional adjusted gross margin of $2.5 million. Please refer to Note 18, *Rates and Other Regulatory Activities*, in the consolidated financial statements for additional information.

Customer Consumption - Inclusive of Weather
Increased customer consumption contributed additional adjusted gross margin of $1.3 million for the year compared to 2021.

Contributions from Rates Associated with Recovery of Pandemic Related Costs
In July 2021, the Florida PSC approved an order that allowed us to establish a regulatory asset to recover incremental expenses we incurred due to COVID resulting in additional adjusted gross margin of $1.0 million. This adjusted gross margin was offset by a corresponding amortization of regulatory asset expense.

Contributions from Off-System Natural Gas Sales
We generated additional adjusted gross margin of $0.8 million related to off-system natural gas capacity sales.

Contribution from Acquisitions
The acquisition of the Escambia meter station in June 2021 contributed additional adjusted gross margin of $0.4 million.

The major components of the increase in other operating expenses are as follows:

(in thousands)		
Depreciation, amortization and property tax costs due to new capital investments	$	5,453
Absence of regulatory deferral of COVID-19 expenses per PSC's orders		2,545
Payroll, benefits and other employee-related expenses		1,214
Facilities expenses, maintenance costs and outside services		641
Increased vehicle expenses largely due to higher fuel costs		356
Other variances		(283)
Period-over-period increase in other operating expenses	$	9,926

2021 compared to 2020
The results for the Regulated Energy segment for the year ended December 31, 2021 compared to 2020 are described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on Form 10-K for the year ended December 31, 2021, which is incorporated herein by reference.

UNREGULATED ENERGY

For the Year Ended December 31,	2022	2021	Increase (decrease)	2021	2020	Increase (decrease)
(in thousands)						
Revenue	**$ 280,750**	$ 206,869	$ 73,881	$ 206,869	$ 152,525	$ 54,344
Propane and natural gas costs	**162,683**	106,900	55,783	106,900	62,779	44,121
Adjusted gross margin [1]	**118,067**	99,969	18,098	99,969	89,746	10,223
Operations & maintenance	**70,489**	57,905	12,584	57,905	53,839	4,066
Depreciation & amortization	**16,257**	13,869	2,388	13,869	11,988	1,881
Other taxes	**3,971**	3,768	203	3,768	3,255	513
Other operating expenses	**90,717**	75,542	15,175	75,542	69,082	6,460
Operating Income	**$ 27,350**	$ 24,427	$ 2,923	$ 24,427	$ 20,664	$ 3,763

[1] Adjusted Gross Margin is a non-GAAP measure utilized by Management to review business unit performance. For a more detailed discussion on the differences between Gross Margin (GAAP) and Adjusted Gross Margin, see the Reconciliation of GAAP to Non-GAAP Measures presented above.

2022 Compared to 2021

Operating income for the Unregulated Energy segment for 2022 was $27.4 million, an increase of $2.9 million compared to 2021. The higher operating income is a result of contributions from the acquisition of Diversified Energy, increased propane margins including higher service fees, increased demand for CNG, RNG and LNG services, and increased volumes from both Aspire and propane. These adjusted gross margin increases were partially offset by increased operating expenses associated with the acquisition of Diversified Energy, including costs to integrate the business in line with Sharp's operating practices, as well as increased payroll, benefits and employee related expenses driven by competition in the current labor market, increased costs for facilities, maintenance and outside services, depreciation, amortization and property taxes, as well as higher vehicle expenses largely due to rising fuel costs.

Adjusted Gross Margin

Items contributing to the year-over-year increase in adjusted gross margin are listed in the following table:

(in thousands)	
Propane Operations	
Propane acquisitions completed in 2022 and 2021	$ 10,159
Increased propane margins and fees	3,575
Increased customer consumption - inclusive of weather	378
Decreased customer consumption due to conversion of customers to our natural gas system	(694)
CNG/RNG/LNG Transportation and Infrastructure	
Increased demand for CNG/RNG/LNG services	3,534
Aspire Energy	
Increased customer consumption - primarily weather related	1,475
Other variances	(329)
Year-over-year increase in adjusted gross margin	**$ 18,098**

The following narrative discussion provides further detail and analysis of the significant items in the foregoing table.

Propane Operations

- *Recent propane acquisitions* - Adjusted gross margin increased by $10.2 million due to recent propane acquisitions completed in 2021 and 2022.
- *Increased propane margins and fees* - Adjusted gross margin increased by $3.6 million, mainly due to increased customer service fees, lower propane inventory costs and favorable market conditions as well as resuming the assessment of our customary service fees. Propane margins also increased due to realized gains associated with our SWAP agreements. These market conditions, which include market pricing and competition with other propane suppliers, as well as the availability and price of alternative energy sources, may fluctuate based on changes in demand, supply and other energy commodity prices.

- *Increased customer consumption due to weather* - Adjusted gross margin increased by $0.4 million due to higher consumption of gas as weather was 6 percent colder than the prior year.
- *Decreased customer consumption due to conversion of customers to natural gas* - Adjusted gross margin decreased by $0.7 million due to customer conversions from propane service to the Company's natural gas distribution business.

CNG/RNG/LNG Transportation and Infrastructure

- *Increased demand for CNG services* - Adjusted gross margin increased by $3.5 million due to higher demand for CNG hold services for Marlin and contributions from an Aspire RNG project.

Aspire Energy

- *Increased customer consumption primarily weather related* - Adjusted gross margin increased by $1.5 million due to higher consumption of gas as weather in Ohio was approximately 8 percent colder than the prior year.

Other Operating Expenses

Items contributing to the period-over-period increase in other operating expenses are listed in the following table:

(in thousands)		
Operating expenses associated with recent propane acquisitions	$	9,586
Increased payroll, benefits and other employee-related expenses		2,351
Increased facilities expenses, maintenance costs and outside services		1,110
Increased depreciation, amortization and property tax costs		848
Increased vehicle expenses largely due to higher fuel costs		570
Other variances		710
Period-over-period increase in other operating expenses	**$**	**15,175**

2021 compared to 2020

The results for the Unregulated Energy segment for the year ended December 31, 2021 compared to 2020 are described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on Form 10-K for the year ended December 31, 2021, which is incorporated by reference.

Other income, net

Other income, net was $5.1 million and $1.7 million for 2022 and 2021, respectively. Other income, net includes non-operating investment income (expense), interest income, late fees charged to customers, gains or losses from the sale of assets for our unregulated businesses and pension and other benefits expense. The increase from 2021 to 2022 was primarily due to a higher level of gains recognized on the sale of assets and interest income received in connection to a federal income tax refund received during 2022.

Interest Charges

2022 Compared to 2021

Interest charges for 2022 increased by $4.2 million, compared to the same period in 2021, attributable primarily to an increase of $2.0 million in higher interest rates on outstanding borrowings under our Revolver, $1.9 million in interest expense as a result of a long-term debt placement in 2022 and $0.3 million of an amortization credit/reduction in interest expense associated with a regulatory liability that was established in connection with the Hurricane Michael regulatory proceeding settlement. The interest rate associated with our Revolver increased by 4.3 percent in 2022 as a result of the Federal Reserve raising interest rates. Any additional increases in interest rates by the Federal Reserve would have a corresponding increase in the interest rates charged under our Revolver.

Income Taxes

2022 Compared to 2021

Income tax expense was $33.8 million for 2022 compared to $29.2 million for 2021. Our effective income tax rates were 27.4 percent and 25.9 percent for the years ended December 31, 2022 and 2021, respectively. For the year ended December 31, 2021, we implemented certain provisions of the CARES Act that allowed us to carryback net operating losses into prior year periods where the federal income tax rate was higher. The tax benefits associated with this legislation were not available for the year ended December 31, 2022. As a result of the CARES Act, we recognized a $0.9 million reduction in income tax expense for the year ended December 31, 2021. Absent the provisions of the CARES Act, our effective tax rate for the year ended December 31, 2021 was 26.8 percent.

Liquidity and Capital Resources

Our capital requirements reflect the capital-intensive and seasonal nature of our business and are principally attributable to investment in new plant and equipment, retirement of outstanding debt and seasonal variability in working capital. We rely on cash generated from operations, short-term borrowings, and other sources to meet normal working capital requirements and to temporarily finance capital expenditures. We may also issue long-term debt and equity to fund capital expenditures and to maintain our capital structure within our target capital structure range. We maintain an effective shelf registration statement with the SEC for the issuance of shares of common stock under various types of equity offerings, including shares of common stock under our ATM equity program, as well as an effective registration statement with respect to the DRIP. Depending on our capital needs and subject to market conditions, in addition to other possible debt and equity offerings, we may consider issuing additional shares under the direct share purchase component of the DRIP and/or under the ATM equity program. Beginning in the third quarter of 2020, we issued shares of common stock under both the DRIP and the ATM equity program.

Our energy businesses are weather-sensitive and seasonal. We normally generate a large portion of our annual net income and subsequent increases in our accounts receivable in the first and fourth quarters of each year due to significant volumes of natural gas, electricity, and propane delivered by our distribution operations, and our natural gas transmission operations to customers during the peak heating season. In addition, our natural gas and propane inventories, which usually peak in the fall months, are largely drawn down in the heating season and provide a source of cash as the inventory is used to satisfy winter sales demand.

Capital expenditures for investments in new or acquired plant and equipment are our largest capital requirements. Our capital expenditures were $140.7 million in 2022.

The following table shows total capital expenditures for the year ended December 31, 2022 by segment and by business line:

(dollars in thousands)	For the Year Ended December 31, 2022
Regulated Energy:	
Natural gas distribution	$ 69,799
Natural gas transmission	22,220
Electric distribution	5,535
Total Regulated Energy	97,554
Unregulated Energy:	
Propane distribution	15,658
Energy transmission	7,264
Other unregulated energy	17,851
Total Unregulated Energy	40,773
Other:	
Corporate and other businesses	2,355
Total Other	2,355
Total 2022 Capital Expenditures	**$ 140,682**

In the table below, we have provided a range of our forecasted capital expenditures for 2023:

	Estimate for Fiscal 2023	
(dollars in thousands)	Low	High
Regulated Energy:		
Natural gas distribution	$ 89,000	$ 100,000
Natural gas transmission	50,000	60,000
Electric distribution	13,000	15,000
Total Regulated Energy	152,000	175,000
Unregulated Energy:		
Propane distribution	15,000	16,000
Energy transmission	8,000	9,000
Other unregulated energy	23,000	27,000
Total Unregulated Energy	46,000	52,000
Other:		
Corporate and other businesses	2,000	3,000
Total Other	2,000	3,000
Total 2023 Forecasted Capital Expenditures	**$ 200,000**	**$ 230,000**

The 2023 forecast, which excludes potential acquisitions due to their opportunistic nature, includes capital expenditures for the following: Pipeline expansions related to the Eastern Shore Southern expansion, Florida Beachside Pipeline, the Wildlight pipeline expansion, other small pipeline expansion opportunities, continued distribution system expansions including further expansion in Somerset County, Maryland and the Wildlight development in Florida. Furthermore, the 2023 forecast includes continued expenditures under the Florida GRIP, the capital cost surcharge program and the Elkton Gas STRIDE program as well as information technology system enhancements and other strategic initiatives and investments.

The capital expenditure projection is subject to continuous review and modification. Actual capital requirements may vary from the above estimates due to a number of factors, including changing economic conditions, supply chain disruptions, capital delays that are greater than currently anticipated, customer growth in existing areas, regulation, new growth or acquisition opportunities and availability of capital and other factors discussed in Item 1A. *Risk Factors*. Historically, actual capital expenditures have typically lagged behind the budgeted amounts.

The timing of capital expenditures can vary based on delays in regulatory approvals, securing environmental approvals and other permits. The regulatory application and approval process has lengthened in the past few years, and we expect this trend to continue.

Capital Structure

We are committed to maintaining a sound capital structure and strong credit ratings. This commitment, along with adequate and timely rate relief for our regulated energy operations, is intended to ensure our ability to attract capital from outside sources at a reasonable cost, which will benefit our customers, creditors, employees and stockholders.

The following tables present our capitalization, excluding and including short-term borrowings, as of December 31, 2022 and 2021 follows:

(in thousands)		December 31, 2022			December 31, 2021	
Long-term debt, net of current maturities	**$**	**578,388**	**41 %**	$	549,903	42 %
Stockholders' equity		**832,801**	**59 %**		774,130	58 %
Total capitalization, excluding short-term borrowings	**$**	**1,411,189**	**100 %**	$	1,324,033	100 %

(in thousands)		December 31, 2022			December 31, 2021	
Short-term debt	**$**	**202,157**	**12 %**	$	221,634	14 %
Long-term debt, including current maturities		**599,871**	**37 %**		567,866	36 %
Stockholders' equity		**832,801**	**51 %**		774,130	50 %
Total capitalization, including short-term borrowings	**$**	**1,634,829**	**100 %**	$	1,563,630	100 %

Our target ratio of equity to total capitalization, including short-term borrowings, is between 50 and 60 percent. We seek to align permanent financing with the in-service dates of capital projects. We may utilize more temporary short-term debt when the financing cost is attractive as a bridge to the permanent long-term financing or if the equity markets are volatile.

In 2021, we issued approximately 0.1 million shares at an average price per share of $125.71 and received net proceeds of $15.2 million under the DRIP. In 2022, we issued less than 0.1 million shares at an average price per share of $136.26 and received net proceeds of $4.5 million under the DRIP. See Note 15, *Stockholders' Equity*, in the consolidated financial statements for additional information on commissions and fees paid in connection with these issuances.

Uncollateralized Senior Notes

All of our Senior Notes require periodic principal and interest payments as specified in each note. They also contain various restrictions. The most stringent restrictions state that we must maintain equity of at least 40 percent of total capitalization (including short-term borrowings), and the fixed charge coverage ratio must be at least 1.2 times. The most recent Senior Notes issued since September 2013 also contain a restriction that we must maintain an aggregate net book value in our regulated business assets of at least 50 percent of our consolidated total assets. Failure to comply with those covenants could result in accelerated due dates and/or termination of the Senior Note agreements.

Certain Uncollateralized Senior Notes contain a "restricted payments" covenant as defined in the respective note agreements. The most restrictive covenants of this type are included within the 5.93 percent Senior Note, due October 31, 2023. The covenant provides that we cannot pay or declare any dividends or make any other restricted payments in excess of the sum of $10.0 million, plus our consolidated net income accrued on and after January 1, 2003. As of December 31, 2022, the cumulative consolidated net income base was $754.2 million, offset by restricted payments of $326.4 million, leaving $427.8 million of cumulative net income free of restrictions.

Shelf Agreements

We have entered into Shelf Agreements with Prudential and MetLife, whom are under no obligation to purchase any unsecured debt. The following table summarizes our Shelf Agreements at December 31, 2022:

Shelf Agreement (1)	Total Borrowing Capacity	Less: Amount of Debt Issued	Less: Unfunded Commitments	Remaining Borrowing Capacity
(in thousands)				
Prudential Shelf Agreement (2)	$ 370,000	$ (220,000)	(80,000)	$ 70,000
MetLife Shelf Agreement	150,000	(50,000)	—	100,000
Total	$ 520,000	$ (270,000)	$ (80,000)	$ 170,000

(1) The amended Prudential and MetLife Shelf Agreements both expire in February 2026.

(2) Unfunded commitments of $80.0 million reflects Senior Notes expected to be issued on or before March 14, 2023.

In February 2023, we amended our Shelf Agreements with Prudential and MetLife. The amended agreements now provide for total borrowing capacity of up to $405.0 million under the Prudential Shelf Agreement and $200.0 million under the MetLife Shelf Agreement. Additionally, the amendments extend the term of the agreements for an additional three years from the effective dates.

The Uncollateralized Senior Notes, Shelf Agreements and Shelf Notes set forth certain business covenants to which we are subject when any note is outstanding, including covenants that limit or restrict our ability, and the ability of our subsidiaries, to incur indebtedness, or place or permit liens and encumbrances on any of our property or the property of our subsidiaries.

Short-Term Borrowings

We are authorized by our Board of Directors to borrow up to $400.0 million of short-term debt, as required. At December 31, 2022 and 2021, we had $202.2 million and $221.6 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 5.04 percent and 0.83 percent, respectively.

In August 2021, we amended and restated our Revolver into a multi-tranche facility totaling $400.0 million with multiple participating lenders. The two tranches of the facility consist of a $200.0 million 364-day short-term debt tranche and a $200.0 million five-year tranche, both of which have three (3) one-year extension options, which can be authorized by our Chief Financial Officer. We are eligible to establish the repayment term for individual borrowings under the five-year tranche of the Revolver and to the extent that an individual loan under the Revolver exceeded 12 months, the outstanding balance would be classified as a component of long-term debt.

In August 2022, we amended both tranches of the Revolver, which now bear interest using SOFR as the benchmark interest rate, plus a 10-basis point SOFR adjustment, in lieu of LIBOR which is being retired by financial institutions. In addition, the 364-day tranche was extended for the upcoming year, expiring in August 2023. As part of these amendments, the parties agreed to eliminate the previous covenant capping the aggregate investments at $150.0 million where we maintain an ownership interest less than 50 percent. Additionally, the 364-day tranche of the facility now offers a reduced interest margin similar to the five-year tranche for amounts borrowed in connection with new sustainable investments. All other terms and conditions remained unchanged. Borrowings outstanding under the sustainable investment sublimit of the 364-day tranche amounted to $9.4 million at December 31, 2022.

The availability of funds under the Revolver is subject to conditions specified in the credit agreement, all of which we currently satisfy. These conditions include our compliance with financial covenants and the continued accuracy of representations and warranties contained in the Revolver's loan documents. We are required by the financial covenants in the Revolver to maintain, at the end of each fiscal year, a funded indebtedness ratio of no greater than 65 percent. As of December 31, 2022, we are in compliance with this covenant.

The 364-day tranche of the Revolver expires in August 2023 and the five-year tranche expires in August 2026, both of which are available to fund our short-term cash needs to meet seasonal working capital requirements and to temporarily fund portions of our capital expenditures. Borrowings under both tranches of the Revolver are subject to a pricing grid, including the commitment fee and the interest rate charged based upon our total indebtedness to total capitalization ratio for the prior quarter. As of December 31, 2022, the pricing under the 364-day tranche of the Revolver does not include an unused commitment fee and maintains an interest rate of 70 basis points over SOFR plus a 10 basis point SOFR adjustment. As of December 31, 2022, the pricing under the five-year tranche of the Revolver included an unused commitment fee of 9 basis points and an interest rate of 95 basis points over SOFR plus a 10 basis point SOFR adjustment.

Our total available credit under the Revolver at December 31, 2022 was $192.0 million. As of December 31, 2022, we had issued $5.8 million in letters of credit to various counterparties under the syndicated Revolver. These letters of credit are not included in the outstanding short-term borrowings and we do not anticipate they will be drawn upon by the counterparties. The letters of credit reduce the available borrowings under the Revolver.

In the fourth quarter of 2020, we entered into two $30.0 million interest rate swaps with a total notional amount of $60.0 million through December 2021 with pricing of 0.20 percent and 0.205 percent for the period associated with our outstanding borrowing under the Revolver. In February 2021, we entered into an additional interest rate swap with a notional amount of $40.0 million through December 2021 with pricing of 0.17 percent. In the third quarter of 2022, we entered into an interest rate swap with a notional amount of $50.0 million through September 30, 2025 at a price of 3.98 percent.

Key statistics regarding our unsecured short-term credit facilities (our Revolver and previous bilateral lines of credit and revolving credit facility) for the years ended December 31, 2022, 2021 and 2020 are as follows:

(in thousands)	**2022**	2021	2020
Average borrowings during the year	**$ 170,434**	$ 182,305	$ 230,526
Weighted average interest rate for the year	**2.49 %**	1.03 %	1.50 %
Maximum month-end borrowings	**$ 225,050**	$ 226,097	$ 284,914

Cash Flows

The following table provides a summary of our operating, investing and financing cash flows for the years ended December 31, 2022, 2021 and 2020:

	For the Year Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Net cash provided by (used in):			
Operating activities	**$ 158,882**	$ 150,504	$ 158,916
Investing activities	**(136,448)**	(223,023)	(181,631)
Financing activities	**(21,206)**	73,996	19,229
Net increase (decrease) in cash and cash equivalents	**1,228**	1,477	(3,486)
Cash and cash equivalents—beginning of period	**4,976**	3,499	6,985
Cash and cash equivalents—end of period	**$ 6,204**	$ 4,976	$ 3,499

Cash Flows Provided by Operating Activities

Changes in our cash flows from operating activities are attributable primarily to changes in net income, adjusted for non-cash items, such as depreciation and changes in deferred income taxes, and changes in working capital. Working capital requirements are determined by a variety of factors, including weather, the prices of natural gas, electricity and propane, the timing of customer collections, payments for purchases of natural gas, electricity and propane, and deferred fuel cost recoveries.

We normally generate a large portion of our annual net income and related increases in our accounts receivable in the first and fourth quarters of each year due to significant volumes of natural gas and propane delivered to customers during the peak heating season by our natural gas and propane operations and our natural gas supply, gathering and processing operation. In addition, our natural gas and propane inventories, which usually peak in the fall months, are largely drawn down in the heating season and provide a source of cash as the inventory is used to satisfy winter sales demand.

During 2022, net cash provided by operating activities was $158.9 million. Operating cash flows were primarily impacted by the following:

- Net income, adjusted for non-cash adjustments, provided a $169.4 million source of cash;
- An increased level of deferred taxes associated with incremental tax depreciation from growth investments resulted in a source of cash of $23.7 million;
- A decrease in income tax receivables increased cash inflows by $14.9 million.
- Changes in net regulatory assets and liabilities due primarily to the change in fuel costs collected through the various cost recovery mechanisms resulted in a $38.7 million use of cash; and
- Other working capital changes, impacted primarily by propane inventory purchases and hedging activities, resulted in a $10.5 million use of cash.

Cash Flows Used in Investing Activities

Net cash used in investing activities totaled $136.4 million during the year ended December 31, 2022. Key investing activities contributing to the cash flow change included:

- Cash used to pay for capital expenditures was $128.3 million for 2022; and
- Net cash of $11.8 million was used to acquire Planet Found and Davenport in 2022.

Cash Flows Used in Financing Activities

Net cash used in financing activities totaled $21.2 million for the year ended December 31, 2022. This use of cash included:

- A use of cash of $35.1 million for dividend payments in 2022;
- Repayments under lines of credit resulted in a use of cash of $20.6 million;
- Net increase in long-term debt borrowings resulted in a net source of cash of $31.9 million to permanently finance investment in growth initiatives, including $49.9 million from issuances, offset by long-term repayments of $18.0 million; and
- Source of cash of $4.5 million from issuance of stock under the DRIP.

CONTRACTUAL OBLIGATIONS

We have the following contractual obligations and other commercial commitments as of December 31, 2022:

	Payments Due by Period				
Contractual Obligations *(in thousands)*	**2023**	**2024-2025**	**2026-2027**	**After 2027**	**Total**
Long-term debt [1]	$ 21,483	$ 44,033	$ 66,225	$ 469,076	$ 600,817
Operating leases [2]	2,871	4,707	3,213	6,192	16,983
Purchase obligations [3]					
Transmission capacity	36,653	69,127	57,565	125,227	288,572
Storage capacity	1,281	801	801	100	2,983
Commodities	39,181	—	—	—	39,181
Electric supply	6,406	12,887	12,961	19,441	51,695
Unfunded benefits [4]	268	542	530	1,134	2,474
Funded benefits [5]	1,539	3,078	3,078	2,856	10,551
Total Contractual Obligations	**$ 109,682**	**$ 135,175**	**$ 144,373**	**$ 624,026**	**$ 1,013,256**

[1] This represents principal payments on long-term debt. See *Item 8, Financial Statements and Supplementary Data,* Note 12, *Long-Term Debt*, for additional information. The expected interest payments on long-term debt are $19.9 million, $37.4 million, $33.6 million and $89.8 million, respectively, for the periods indicated above. Expected interest payments for all periods total $180.7 million.

[2] See *Item 8, Financial Statements and Supplementary Data,* Note 14, *Leases*, for additional information.

[3] See *Item 8, Financial Statements and Supplementary Data,* Note 20, *Other Commitments and Contingencies*, for additional information.

[4] These amounts associated with our unfunded post-employment and post-retirement benefit plans are based on expected payments to current retirees and assume a retirement age of 62 for currently active employees. There are many factors that would cause actual payments to differ from these amounts, including early retirement, future health care costs that differ from past experience and discount rates implicit in calculations. See *Item 8, Financial Statements and Supplementary Data,* Note 16, *Employee Benefit Plan*s, for additional information on the plans.

[5] We have recorded long-term liabilities of $3.7 million at December 31, 2022 for the FPU qualified, defined benefit pension plan. The assets funding this plan is in a separate trust and is not considered assets of ours or included in our balance sheets. We do not expect to make payments to the trust funds in 2023. Additional contributions may be required in future years based on the actual return earned by the plan assets and other actuarial assumptions, such as the discount rate and long-term expected rate of return on plan assets. See *Item 8, Financial Statements and Supplementary Data,* Note 16, *Employee Benefit Plan*s, for further information on the plans. Additionally, the Contractual Obligations table above includes deferred compensation obligations totaling $10.6 million, funded with Rabbi Trust assets in the same amount. The Rabbi Trust assets are recorded under Investments on the consolidated balance sheets. We assume a retirement age of 65 for purposes of distribution from this trust.

OFF-BALANCE SHEET ARRANGEMENTS

Our Board of Directors has authorized us to issue corporate guarantees securing obligations of our subsidiaries and to obtain letters of credit securing our subsidiaries' obligations. The maximum authorized liability under such guarantees and letters of credit as of December 31, 2022 was $20.0 million. The aggregate amount guaranteed at December 31, 2022 was approximately $13.5 million with the guarantees expiring on various dates through November 30, 2023. In addition, the Board has authorized us to issue specific purpose corporate guarantees. The amount of specific purpose guarantees outstanding at December 31, 2022 was $11.1 million, including a guarantee issued in July 2022 in the amount of $7.1 million associated with the Florida natural gas rate case.

As of December 31, 2022, we have issued letters of credit totaling approximately $5.8 million related to the electric transmission services for FPU's electric division, the firm transportation service agreement between TETLP and our Delaware and Maryland divisions, the capacity agreement between NEXUS and Aspire, and our current and previous primary insurance carriers. These letters of credit have various expiration dates through October 25, 2023. There have been no draws on these letters of credit as of December 31, 2022. We do not anticipate that the counterparties will draw upon these letters of credit, and we expect that they will be renewed to the extent necessary in the future. Additional information is presented in *Item 8, Financial Statements and Supplementary Data,* Note 20*, Other Commitments and Contingencies* in the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

We prepare our financial statements in accordance with GAAP. Application of these accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingencies during the reporting period. We base our estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Since a significant portion of our businesses are regulated and the accounting methods used by these businesses must comply with the requirements of the regulatory bodies, the choices available are limited by these regulatory requirements. In the normal course of business, estimated amounts are subsequently adjusted to actual results that may differ from the estimates.

Regulatory Assets and Liabilities

As a result of the ratemaking process, we record certain assets and liabilities in accordance with ASC Topic 980, *Regulated Operations*, and consequently, the accounting principles applied by our regulated energy businesses differ in certain respects from those applied by the unregulated businesses. Amounts are deferred as regulatory assets and liabilities when there is a probable expectation that they will be recovered in future revenues or refunded to customers as a result of the regulatory process. This is more fully described in Item 8*, Financial Statements and Supplementary Data,* Note 2*, Summary of Significant Accounting Policies,* in the consolidated financial statements. If we were required to terminate the application of ASC Topic 980, we would be required to recognize all such deferred amounts as a charge or a credit to earnings, net of applicable income taxes. Such an adjustment could have a material effect on our results of operations.

Financial Instruments

We utilize financial instruments to mitigate commodity price risk associated with fluctuations of natural gas, electricity and propane and to mitigate interest rate risk. We continually monitor the use of these instruments to ensure compliance with our risk management policies and account for them in accordance with GAAP, such that every derivative instrument is recorded as either an asset or a liability measured at its fair value. It also requires that changes in the derivatives' fair value are recognized in the current period earnings unless specific hedge accounting criteria are met. If these instruments do not meet the definition of derivatives or are considered “normal purchases and normal sales,” they are accounted for on an accrual basis of accounting.

Additionally, GAAP also requires us to classify the derivative assets and liabilities based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the fair value of the assets and liabilities and their placement within the fair value hierarchy.

We determined that certain propane put options, call options, swap agreements and interest rate swap agreements met the specific hedge accounting criteria. We also determined that most of our contracts for the purchase or sale of natural gas, electricity and propane either: (i) did not meet the definition of derivatives because they did not have a minimum purchase/sell requirement, or (ii) were considered “normal purchases and normal sales” because the contracts provided for the purchase or sale of natural gas, electricity or propane to be delivered in quantities that we expect to use or sell over a reasonable period of time in the normal course of business. Accordingly, these contracts were accounted for on an accrual basis of accounting.

Additional information about our derivative instruments is disclosed in Item 8, *Financial Statements and Supplementary Data,* Note 8, *Derivative Instruments,* in the consolidated financial statements.

Goodwill and Other Intangible Assets

We test goodwill for impairment at least annually in December. The annual impairment testing for 2022 indicated no impairment of goodwill. Additional information is presented in Item 8*, Financial Statements and Supplementary Data,* Note 10*, Goodwill and Other Intangible Assets,* in the consolidated financial statements.

Other Assets Impairment Evaluations

We periodically evaluate whether events or circumstances have occurred which indicate that long-lived assets may not be recoverable. When events or circumstances indicate that an impairment is present, we record an impairment loss equal to the excess of the asset's carrying value over its fair value, if any.

Pension and Other Postretirement Benefits

Pension and other postretirement plan costs and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected returns on plan assets, assumed discount rates, the level of contributions made to the plans, and current demographic and actuarial mortality data. The assumed discount rates and the expected returns on plan assets are the assumptions that generally have the most significant impact on the pension costs and liabilities. The assumed discount rates, the assumed health care cost trend rates and the assumed rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities. Additional information is presented in Item 8, *Financial Statements and Supplementary Data,* Note 16*, Employee Benefit Plans,* in the consolidated financial statements, including plan asset investment allocation, estimated future benefit payments, general descriptions of the plans, significant assumptions, the impact of certain changes in assumptions, and significant changes in estimates.

At December 31, 2022, actuarial assumptions include expected long-term rates of return on plan assets for FPU's pension plan of 6.00 percent and a discount rate of 5.25 percent. The discount rate was determined by management considering high-quality corporate bond rates, such as the Empower curve index and the FTSE Index, changes in those rates from the prior year and other pertinent factors, including the expected lives of the plans and the availability of the lump-sum payment option. A 0.25 percent increase or decrease in the discount rate would not have a material impact on our pension and postretirement costs.

Actual changes in the fair value of plan assets and the differences between the actual return on plan assets and the expected return on plan assets could have a material effect on the amount of pension benefit costs that we ultimately recognize for our funded pension plan. A 0.25 percent change in the rate of return would not have a material impact on our annual pension cost for the FPU pension plan.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

INTEREST RATE RISK

Long-term debt is subject to potential losses based on changes in interest rates. We evaluate whether to refinance existing debt or permanently refinance existing short-term borrowings based in part on the fluctuation in interest rates. The fluctuation in interest rates expose us to potential increased cost we could incur when we issue debt instruments or to provide financing and liquidity for our business activities. We utilize interest rate swap agreements to mitigate short-term borrowing rate risk. Additional information about our long-term debt and short-term borrowing is disclosed in Note 12, *Long-Term Debt,* and Note 13, *Short-Term Borrowings*, respectively, in the consolidated financial statements.

COMMODITY PRICE RISK

Regulated Energy Segment

We have entered into agreements with various wholesale suppliers to purchase natural gas and electricity for resale to our customers. Our regulated energy distribution businesses that sell natural gas or electricity to end-use customers have fuel cost recovery mechanisms authorized by the PSCs that allow us to recover all of the costs prudently incurred in purchasing natural gas and electricity for our customers. Therefore, our regulated energy distribution operations have limited commodity price risk exposure.

Unregulated Energy Segment

Our propane operations are exposed to commodity price risk as a result of the competitive nature of retail pricing offered to our customers. In order to mitigate this risk, we utilize propane storage activities and forward contracts for supply and sales activities.

We can store up to approximately 8.7 million gallons of propane (including leased storage and rail cars) during the winter season to meet our customers' peak requirements and to serve metered customers. Decreases in the wholesale price of propane may cause the value of stored propane to decline, particularly if we utilize fixed price forward contracts for supply. To mitigate the risk of propane commodity price fluctuations on the inventory valuation, we have adopted a Risk Management Policy that allows our propane distribution operation to enter into fair value hedges, cash flow hedges or other economic hedges of our inventory.

Aspire Energy is exposed to commodity price risk, primarily during the winter season, to the extent we are not successful in balancing our natural gas purchases and sales and have to secure natural gas from alternative sources at higher spot prices. In order to mitigate this risk, we procure firm capacity that meets our estimated volume requirements and we continue to seek out new producers in order to fulfill our natural gas purchase requirements.

The following table reflects the changes in the fair market value of financial derivatives contracts related to propane purchases and sales from December 31, 2021 to December 31, 2022:

(in thousands)	**Balance at December 31, 2021**	**Increase (Decrease) in Fair Market Value**	**Less Amounts Settled**	**Balance at December 31, 2022**
Sharp	$ 6,333	$ (1,262)	$ (3,564)	**$ 1,507**

There were no changes in the methods of valuations during the year ended December 31, 2022.

The following is a summary of fair market value of financial derivatives as of December 31, 2022, by method of valuation and by maturity for each fiscal year period.

(in thousands)	**2023**	**2024**	**2025**	**Total Fair Value**
Price based on Mont Belvieu - Sharp	$ 763	$ 763	$ (19)	$ 1,507

Wholesale Credit Risk

The Risk Management Committee reviews credit risks associated with counterparties to commodity derivative contracts prior to such contracts being approved.

Additional information about our derivative instruments is disclosed in Item 8, *Financial Statements and Supplementary Data,* Note 8, *Derivative Instruments,* in the consolidated financial statements.

Inflation

Inflation affects the cost of supply, labor, products and services required for operations, maintenance and capital improvements. To help cope with the effects of inflation on our capital investments and returns, we periodically seek rate increases from regulatory commissions for our regulated operations and closely monitor the returns of our unregulated energy business operations. To compensate for fluctuations in propane gas prices, we adjust propane sales prices to the extent allowed by the market.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Chesapeake Utilities Corporation

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Chesapeake Utilities Corporation and Subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows, for each of the years in the three-year period ended December 31, 2022, and the related notes and financial statement schedule listed in Item 15(a)2 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework: (2013)* issued by COSO.

Basis for Opinion

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

Goodwill Impairment Assessment - Energy Transmission and Supply Services (Aspire Energy), Propane Distribution and Marlin Gas Services - Unregulated Energy Segment - Refer to Notes 2 and 10 to the consolidated financial statements

Critical Audit Matter Description

As described in Notes 2 and 10 to the consolidated financial statements, the Company has recorded approximately goodwill within the Unregulated Energy reportable segment as of December 31, 2022, all of which relates to the three reporting units listed above. To test goodwill for impairment, the Company uses a present value technique based on discounted cash flows to estimate the fair value of its reporting units. Management's testing of goodwill as of December 31, 2022 indicated no impairment.

We determined the goodwill impairment assessment for the four reporting units listed above was a critical audit matter because the fair value estimates require significant estimates and assumptions by management, including those relating to future revenue and operating margin forecasts and discount rates. Testing these estimates involved increased auditor judgment and effort.

How the Critical Audit Matter was Addressed in the Audit

The primary procedures we performed to address this critical audit matter included:
- We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value of the reporting units within the Unregulated Energy reportable segment.
- We evaluated the appropriateness of management's valuation methodology, including testing the mathematical accuracy of the calculation.
- We assessed the historical accuracy of management's revenue and operating margin forecasts.
- We compared the significant assumptions used by management to current industry and economic trends, current and historical performance of each reporting unit, and other relevant factors.
- We performed sensitivity analyses of the significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in the assumptions.
- We evaluated whether the assumptions were consistent with evidence obtained in other areas of the audit, including testing the Company's fair value of all reporting units, inclusive of the Regulated and Unregulated Energy reporting units, in relation to the market capitalization of the Company and assessed the results.

/s/ Baker Tilly US, LLP

We have served as the Company's auditor since 2007.

Philadelphia, Pennsylvania
February 22, 2023

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Statements of Income

	For the Year Ended December 31,		
	2022	**2021**	**2020**
(in thousands, except shares and per share data)			
Operating Revenues			
Regulated Energy	**$ 429,424**	$ 383,920	$ 352,746
Unregulated Energy	**280,750**	206,869	152,526
Other businesses and eliminations	**(29,470)**	(20,821)	(17,074)
Total operating revenues	**680,704**	569,968	488,198
Operating Expenses			
Natural gas and electricity costs	**127,172**	100,737	91,994
Propane and natural gas costs	**133,334**	86,213	45,944
Operations	**164,505**	148,294	142,055
Maintenance	**18,176**	16,793	15,587
Gain from a settlement	—	—	(130)
Depreciation and amortization	**68,973**	62,661	58,117
Other taxes	**25,611**	24,158	21,908
Total operating expenses	**537,771**	438,856	375,475
Operating Income	**142,933**	131,112	112,723
Other income, net	**5,051**	1,721	3,222
Interest charges	**24,356**	20,135	21,765
Income from Continuing Operations Before Income Taxes	**123,628**	112,698	94,180
Income Taxes on Continuing Operations	**33,832**	29,231	23,538
Income from Continuing Operations	**89,796**	83,467	70,642
Income (loss) from Discontinued Operations, Net of Tax	—	(1)	686
Gain on sale of Discontinued Operations, Net of tax	—	—	170
Net Income	**$ 89,796**	$ 83,466	$ 71,498
Weighted Average Common Shares Outstanding:			
Basic	**17,722,227**	17,558,078	16,711,579
Diluted	**17,804,294**	17,633,029	16,770,735
Earnings Per Share of Common Stock:			
Basic	**$ 5.07**	$ 4.75	$ 4.23
Earnings Per Share from Discontinued Operations	—	—	0.05
Basic Earnings Per Share of Common Stock	**$ 5.07**	$ 4.75	$ 4.28
Diluted Earnings Per Share of Common Stock:			
Diluted	**$ 5.04**	$ 4.73	$ 4.21
Earnings Per Share from Discontinued Operations	—	—	0.05
Diluted Earnings Per Share of Common Stock	**$ 5.04**	$ 4.73	$ 4.26

The accompanying notes are an integral part of the financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

	For the Year Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Net Income	**$ 89,796**	$ 83,466	$ 71,498
Other Comprehensive Income (Loss), net of tax:			
Employee Benefits, net of tax:			
Reclassifications of amortization of prior service credit and actuarial (gain) loss, net of tax of $18, $550 and $150, respectively	**57**	1,616	365
Net gain (loss), net of tax of $243, $93, and $(209), respectively	**705**	262	(578)
Cash Flow Hedges, net of tax:			
Net (loss) gain on commodity contract cash flow hedges, net of tax of $(369), $2,702 and $2,063, respectively	**(934)**	7,075	5,400
Reclassifications of net (gain) loss on commodity contract cash flow hedges, net of tax of $(963), $(1,838) and $(671), respectively	**(2,545)**	(4,813)	(1,757)
Net gain on interest rate swap cash flow hedges, net of tax of $0, $0, and $4, respectively	**—**	—	16
Reclassifications of net (gain) loss on interest rate swap cash flow hedges, net of tax of $12, $12 and $(16), respectively	**35**	28	(44)
Total Other Comprehensive Income (Loss)	**(2,682)**	4,168	3,402
Comprehensive Income	**$ 87,114**	$ 87,634	$ 74,900

The accompanying notes are an integral part of the financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Balance Sheets

Assets	As of December 31, 2022	As of December 31, 2021
(in thousands, except shares and per share data)		
Property, Plant and Equipment		
Regulated Energy	**$ 1,802,999**	$ 1,720,287
Unregulated Energy	**393,215**	357,259
Other businesses and eliminations	**29,890**	35,418
Total property, plant and equipment	**2,226,104**	2,112,964
Less: Accumulated depreciation and amortization	**(462,926)**	(417,479)
Plus: Construction work in progress	**47,295**	49,393
Net property, plant and equipment	**1,810,473**	1,744,878
Current Assets		
Cash and cash equivalents	**6,204**	4,976
Trade and other receivables	**65,758**	61,623
Less: Allowance for credit losses	**(2,877)**	(3,141)
Trade receivables, net	**62,881**	58,482
Accrued revenue	**29,206**	22,513
Propane inventory, at average cost	**9,365**	11,644
Other inventory, at average cost	**16,896**	9,345
Regulatory assets	**41,439**	19,794
Storage gas prepayments	**6,364**	3,691
Income taxes receivable	**2,541**	17,460
Prepaid expenses	**15,865**	17,121
Derivative assets, at fair value	**2,787**	4,277
Other current assets	**428**	1,033
Total current assets	**193,976**	170,336
Deferred Charges and Other Assets		
Goodwill	**46,213**	44,708
Other intangible assets, net	**17,859**	13,192
Investments, at fair value	**10,576**	12,095
Derivative assets, at fair value	**982**	2,799
Operating lease right-of-use assets	**14,421**	10,139
Regulatory assets	**108,214**	104,173
Receivables and other deferred charges	**12,323**	12,549
Total deferred charges and other assets	**210,588**	199,655
Total Assets	**$ 2,215,037**	$ 2,114,869

The accompanying notes are an integral part of the financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Balance Sheets

	As of December 31,	
Capitalization and Liabilities	**2022**	**2021**
(in thousands, except shares and per share data)		
Capitalization		
Stockholders' equity		
Preferred stock, par value $0.01 per share (authorized 2,000,000 shares), no shares issued and outstanding	**$ —**	$ —
Common stock, par value $0.4867 per share (authorized 50,000,000 shares)	**8,635**	8,593
Additional paid-in capital	**380,036**	371,162
Retained earnings	**445,509**	393,072
Accumulated other comprehensive income (loss)	**(1,379)**	1,303
Deferred compensation obligation	**7,060**	7,240
Treasury stock	**(7,060)**	(7,240)
Total stockholders' equity	**832,801**	774,130
Long-term debt, net of current maturities	**578,388**	549,903
Total capitalization	**1,411,189**	1,324,033
Current Liabilities		
Current portion of long-term debt	**21,483**	17,962
Short-term borrowing	**202,157**	221,634
Accounts payable	**61,496**	52,628
Customer deposits and refunds	**37,152**	36,488
Accrued interest	**3,349**	2,775
Dividends payable	**9,492**	8,466
Accrued compensation	**14,660**	15,505
Regulatory liabilities	**5,031**	2,312
Derivative liabilities, at fair value	**585**	704
Other accrued liabilities	**13,618**	17,920
Total current liabilities	**369,023**	376,394
Deferred Credits and Other Liabilities		
Deferred income taxes	**256,167**	233,550
Regulatory liabilities	**142,989**	142,488
Environmental liabilities	**3,272**	3,538
Other pension and benefit costs	**16,965**	24,120
Derivative liabilities at fair value	**1,630**	39
Operating lease - liabilities	**12,392**	8,571
Deferred investment tax credits and other liabilities	**1,410**	2,136
Total deferred credits and other liabilities	**434,825**	414,442
Environmental and other commitments and contingencies (Notes 19 and 20)		
Total Capitalization and Liabilities	**$ 2,215,037**	$ 2,114,869

The accompanying notes are an integral part of the financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	For the Year Ended December 31,		
	2022	**2021**	**2020**
(in thousands)			
Operating Activities			
Net Income	**$ 89,796**	$ 83,466	$ 71,498
Adjustments to reconcile net income to net operating cash:			
Depreciation and amortization	**68,973**	62,661	58,117
Depreciation and accretion included in operations expenses	**11,044**	10,228	9,599
Deferred income taxes, net	**23,705**	26,658	24,709
Gain on sale of discontinued operations	**—**	—	(200)
Realized (loss) on sale of assets/commodity contracts	**(7,532)**	(9,026)	(6,243)
Unrealized loss (gain) on investments/commodity contracts	**1,817**	(1,464)	(1,482)
Employee benefits and compensation	**(1,111)**	(53)	207
Share-based compensation	**6,438**	5,945	4,829
Changes in assets and liabilities:			
Accounts receivable and accrued revenue	**(11,159)**	(1,634)	(7,426)
Propane inventory, storage gas and other inventory	**(7,847)**	(9,517)	1,709
Regulatory assets/liabilities, net	**(38,671)**	(18,464)	(4,973)
Prepaid expenses and other current assets	**9,124**	(1,520)	2,424
Accounts payable and other accrued liabilities	**2,724**	8,285	4,941
Income taxes receivable	**14,919**	(4,575)	7,165
Customer deposits and refunds	**664**	3,176	2,238
Accrued compensation	**(1,231)**	1,198	(2,473)
Other assets and liabilities, net	**(2,771)**	(4,860)	(5,723)
Net cash provided by operating activities	**158,882**	150,504	158,916
Investing Activities			
Property, plant and equipment expenditures	**(128,276)**	(186,924)	(165,511)
Proceeds from sale of assets	**3,860**	1,033	8,080
Acquisitions, net of cash acquired	**(11,766)**	(36,371)	(22,231)
Proceeds from the sale of discontinued operations	**—**	—	200
Environmental expenditures	**(266)**	(761)	(2,169)
Net cash used in investing activities	**(136,448)**	(223,023)	(181,631)
Financing Activities			
Common stock dividends	**(35,147)**	(31,537)	(27,161)
Issuance of stock for Dividend Reinvestment Plan	**4,534**	15,851	22,627
Proceeds from issuance of common stock, net of expenses	**—**	—	60,980
Tax withholding payments related to net settled stock compensation	**(2,838)**	(1,478)	(977)
Change in cash overdrafts due to outstanding checks	**955**	(1,154)	(825)
Net borrowings (repayments) under line of credit agreements	**(20,608)**	46,647	(71,637)
Proceeds from issuance of long-term debt	**49,859**	59,478	89,822
Repayment of long-term debt and finance lease obligation	**(17,961)**	(13,811)	(53,600)
Net cash (used in) provided by financing activities	**(21,206)**	73,996	19,229
Net (Decrease) Increase in Cash and Cash Equivalents	**1,228**	1,477	(3,486)
Cash and Cash Equivalents — Beginning of Period	**4,976**	3,499	6,985
Cash and Cash Equivalents — End of Period	**$ 6,204**	$ 4,976	$ 3,499

Supplemental Cash Flow Disclosures (see Note 7)

The accompanying notes are an integral part of the financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Statements of Stockholders' Equity

(in thousands, except shares and per share data)	Common Stock [1] Number of Shares[2]	Common Stock [1] Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Treasury Stock	Total
Balance at December 31, 2019	**16,403,776**	**$ 7,984**	**$ 259,253**	**$ 300,607**	**$ (6,267)**	**$ 4,543**	**$ (4,543)**	**$ 561,577**
Net Income	—	—	—	71,498	—	—	—	**71,498**
Other comprehensive income	—	—	—	—	3,402	—	—	**3,402**
Dividends declared ($1.725 per share)	—	—	—	(29,106)	—	—	—	**(29,106)**
Equity issuances under various plans [5]	1,023,609	498	85,353	—	—	—	—	**85,851**
Share-based compensation and tax benefit [3] [4]	34,456	17	3,876	—	—	—	—	**3,893**
Treasury stock activities[2]	—	—	—	—	—	1,136	(1,136)	**—**
Cumulative effect of the adoption of ASU 2016-13	—	—	—	(30)	—	—	—	**(30)**
Balance at December 31, 2020	**17,461,841**	**8,499**	**348,482**	**342,969**	**(2,865)**	**5,679**	**(5,679)**	**697,085**
Net Income	—	—	—	83,466	—	—	—	**83,466**
Other comprehensive income	—	—	—	—	4,168	—	—	**4,168**
Dividends declared ($1.880 per share)	—	—	—	(33,363)	—	—	—	**(33,363)**
Dividend reinvestment plan [5]	147,256	72	18,176	—	—	—	—	**18,248**
Share-based compensation and tax benefit [3] [4]	46,313	22	4,504	—	—	—	—	**4,526**
Treasury stock activities [2]	—	—	—	—	—	1,561	(1,561)	**—**
Balances at December 31, 2021	**17,655,410**	**8,593**	**371,162**	**393,072**	**1,303**	**7,240**	**(7,240)**	**774,130**
Net Income	—	—	—	89,796	—	—	—	**89,796**
Other comprehensive loss	—	—	—	—	(2,682)	—	—	**(2,682)**
Dividends declared ($2.085 per share)	—	—	—	(37,359)	—	—	—	**(37,359)**
Issuance under various plans [5]	39,418	19	5,273	—	—	—	—	**5,292**
Share-based compensation and tax benefit [3] [4]	46,590	23	3,601	—	—	—	—	**3,624**
Treasury stock activities [2]	—	—	—	—	—	(180)	180	**—**
Balances at December 31, 2022	**17,741,418**	**$ 8,635**	**$ 380,036**	**$ 445,509**	**$ (1,379)**	**$ 7,060**	**$ (7,060)**	**$ 832,801**

[1] 2,000,000 shares of preferred stock at $0.01 par value per share have been authorized. No shares have been issued or are outstanding; accordingly, no information has been included in the Consolidated Statements of Stockholders' Equity.
[2] Includes 108,143, 116,238 and 105,087 shares at December 31, 2022, 2021 and 2020, respectively, held in a Rabbi Trust related to our Non-Qualified Deferred Compensation Plan.
[3] Includes amounts for shares issued for directors' compensation.
[4] The shares issued under the SICP are net of shares withheld for employee taxes. For 2022, 2021 and 2020, we withheld 21,832, 14,020 and 10,319 shares, respectively, for taxes.
[5] Includes shares issued under the Retirement Savings Plan, DRIP and/or ATM equity issuances, as applicable.

The accompanying notes are an integral part of the financial statements.

1. Organization and Basis of Presentation

Chesapeake Utilities, incorporated in 1947 in Delaware, is a diversified energy company engaged in regulated and unregulated energy businesses.

Our regulated energy businesses consist of: (a) regulated natural gas distribution operations in central and southern Delaware, Maryland's eastern shore and Florida; (b) regulated natural gas transmission operations on the Delmarva Peninsula, in Pennsylvania, Florida and in Ohio; and (c) regulated electric distribution operations serving customers in northeast and northwest Florida.

Our unregulated energy businesses primarily include: (a) propane operations in the Mid-Atlantic region, North Carolina, South Carolina, and Florida; (b) our unregulated natural gas transmission/supply operation in central and eastern Ohio; (c) our CHP plant in Florida that generates electricity and steam; (d) our subsidiary, based in Florida, that provides CNG, LNG and RNG transportation and pipeline solutions, primarily to utilities and pipelines throughout the United States; and (e) project development activities related to our sustainable energy initiatives.

Our consolidated financial statements include the accounts of Chesapeake Utilities and its wholly-owned subsidiaries. We do not have any ownership interest in investments accounted for using the equity method or any interest in a variable interest entity. All intercompany accounts and transactions have been eliminated in consolidation. We have assessed and, if applicable, reported on subsequent events through the date of issuance of these consolidated financial statements. Where necessary to improve comparability, prior period amounts have been reclassified to conform to current period presentation.

Effects of COVID-19

In March 2020, the CDC declared a national emergency due to the rapidly growing outbreak of COVID-19. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These restrictions significantly impacted economic conditions in the United States beginning in 2020 and to a lesser extent continued throughout 2022. Chesapeake Utilities is considered an "essential business," which allowed us to continue operational activities and construction projects while social distancing restrictions were in place. At this time, restrictions have predominantly been lifted as vaccines have become widely available in the United States. Previously existing states of emergency in all of our service territories expired during the second and third quarters of 2021 eliminating a majority of restrictions initially implemented to slow the spread of the virus. The expiration of the states of emergency along with the settlement of our limited proceeding in Florida concluded our ability to defer incremental pandemic related costs for consideration through the applicable regulatory process. We adjusted our operating practices accordingly to ensure the safety of our operations and will take the necessary actions to comply with the CDC, and the Occupational and Safety and Health Administration, as new developments occur.

Refer to Note 18*, Rates and Other Regulatory Activities*, for further information on the regulated assets established as a result of the incremental expenses associated with COVID-19.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates in measuring assets and liabilities and related revenues and expenses. These estimates involve judgments about various future economic factors that are difficult to predict and are beyond our control; therefore, actual results could differ from these estimates. As additional information becomes available, or actual amounts are determined, recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

Property, Plant and Equipment

Property, plant and equipment are stated at original cost less accumulated depreciation or fair value, if impaired. Costs include direct labor, materials and third-party construction contractor costs, allowance for funds used during construction ("AFUDC"), and certain indirect costs related to equipment and employees engaged in construction. The costs of repairs and minor replacements are charged to expense as incurred, and the costs of major renewals and betterments are capitalized. Upon retirement or disposition of property within the regulated businesses, the gain or loss, net of salvage value, is charged to accumulated depreciation. Upon retirement or disposition of property owned by the unregulated businesses, the gain or loss, net of salvage value, is charged to income. A summary of property, plant and equipment by classification as of December 31, 2022 and 2021 is provided in the following table:

(in thousands)	As of December 31, 2022	As of December 31, 2021
Property, plant and equipment		
Regulated Energy		
Natural gas distribution - Delmarva Peninsula and Florida	**$ 925,501**	$ 859,627
Natural gas transmission - Delmarva Peninsula, Pennsylvania, Ohio and Florida	**741,865**	727,277
Electric distribution	**135,633**	133,383
Unregulated Energy		
Propane operations – Mid-Atlantic, North Carolina, South Carolina and Florida	**185,090**	176,095
Natural gas transmission and supply – Ohio	**128,620**	112,050
Electricity and steam generation	**36,886**	36,740
Mobile CNG and pipeline solutions	**38,543**	32,374
Renewable energy investments	**4,076**	—
Other	**29,890**	35,418
Total property, plant and equipment	**2,226,104**	2,112,964
Less: Accumulated depreciation and amortization	**(462,926)**	(417,479)
Plus: Construction work in progress	**47,295**	49,393
Net property, plant and equipment	**$ 1,810,473**	$ 1,744,878

Contributions or Advances in Aid of Construction

Customer contributions or advances in aid of construction reduce property, plant and equipment, unless the amounts are refundable to customers. Contributions or advances may be refundable to customers after a number of years based on the amount of revenues generated from the customers or the duration of the service provided to the customers. Refundable contributions or advances are recorded initially as liabilities. Non-refundable contributions reduce property, plant and equipment at the time of such determination. As of December 31, 2022 and 2021, the non-refundable contributions totaled $7.6 million and $6.3 million, respectively.

AFUDC

Some of the additions to our regulated property, plant and equipment include AFUDC, which represents the estimated cost of funds, from both debt and equity sources, used to finance the construction of major projects. AFUDC is capitalized in the applicable rate base for ratemaking purposes when the completed projects are placed in service. During the years ended December 31, 2022, 2021 and 2020, AFUDC totaled $0.1 million, $0.4 million and $0.7 million, respectively, which was reflected as a reduction of interest charges.

Leases

We have entered into lease arrangements for office space, land, equipment, pipeline facilities and warehouses. These leases enable us to conduct our business operations in the regions in which we operate. Our operating leases are included in operating lease right-of-use assets, other accrued liabilities, and operating lease - liabilities in our consolidated balance sheets.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on our balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Our leases do not provide an implicit lease rate, therefore, we utilize our incremental borrowing rate, as the basis to calculate the present value of future lease payments, at lease commencement. Our incremental borrowing rate represents the rate that we would have to pay to borrow funds on a collateralized basis over a similar term and in a similar economic environment.

We have lease agreements with lease and non-lease components. At the adoption of ASC 842, we elected not to separate non-lease components from all classes of our existing leases. The non-lease components have been accounted for as part of the single lease component to which they are related. See Note 14, *Leases,* for additional information.

Jointly-owned Pipelines

Property, plant and equipment for our Florida natural gas transmission operation included $28.3 million of jointly owned assets at December 31, 2022, primarily comprised of the 26-mile Callahan intrastate transmission pipeline in Nassau County, Florida jointly-owned with Seacoast Gas Transmission. Peninsula Pipeline's ownership is 50 percent. Direct expenses for the jointly-owned pipeline are included in operating expenses of our consolidated statements of income. Accumulated depreciation for this pipeline totaled $1.5 million and $0.9 million at December 31, 2022 and 2021, respectively.

Impairment of Long-lived Assets

We periodically evaluate whether events or circumstances have occurred, which indicate that other long-lived assets may not be fully recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the asset, compared to the carrying value of the asset. When such events or circumstances are present, we record an impairment loss equal to the excess of the asset's carrying value over its fair value, if any.

Depreciation and Accretion Included in Operations Expenses

We compute depreciation expense for our regulated operations by applying composite, annual rates, as approved by the respective regulatory bodies. The following table shows the average depreciation rates used for regulated operations during the years ended December 31, 2022, 2021 and 2020:

	2022	**2021**	**2020**
Natural gas distribution – Delmarva Peninsula	**2.5%**	2.5%	2.5%
Natural gas distribution – Florida	**2.5%**	2.5%	2.5%
Natural gas transmission – Delmarva Peninsula	**2.7%**	2.7%	2.7%
Natural gas transmission – Florida	**2.4%**	2.3%	2.3%
Natural gas transmission – Ohio	**5.0%**	N/A	N/A
Electric distribution	**2.8%**	2.8%	2.9%

For our unregulated operations, we compute depreciation expense on a straight-line basis over the following estimated useful lives of the assets:

Asset Description	Useful Life
Propane distribution mains	10-37 years
Propane bulk plants and tanks	10-40 years
Propane equipment, meters and meter installations	5-33 years
Measuring and regulating station equipment	5-37 years
Natural gas pipelines	45 years
Natural gas right of ways	Perpetual
CHP plant	30 years
Natural gas processing equipment	20-25 years
Office furniture and equipment	3-10 years
Transportation equipment	4-20 years
Structures and improvements	5-45 years
Other	Various

We report certain depreciation and accretion in operations expense, rather than as a depreciation and amortization expense, in the accompanying consolidated statements of income in accordance with industry practice and regulatory requirements. Depreciation and accretion included in operations expense consists of the accretion of the costs of removal for future retirements of utility assets, vehicle depreciation, computer software and hardware depreciation, and other minor amounts of depreciation expense. For the years ended December 31, 2022, 2021 and 2020, we reported $11.0 million, $10.2 million and $9.6 million, respectively, of depreciation and accretion in operations expenses.

Regulated Operations

We account for our regulated operations in accordance with ASC Topic 980, *Regulated Operations,* which includes accounting principles for companies whose rates are determined by independent third-party regulators. When setting rates, regulators often make decisions, the economics of which require companies to defer costs or revenues in different periods than may be appropriate for unregulated enterprises. When this situation occurs, a regulated company defers the associated costs as regulatory assets on the balance sheet and records them as expense on the income statement as it collects revenues. Further, regulators can also impose liabilities upon a regulated company, for amounts previously collected from customers and for recovery of costs that are expected to be incurred in the future, as regulatory liabilities. If we were required to terminate the application of these regulatory provisions to our regulated operations, all such deferred amounts would be recognized in the statement of income at that time, which could have a material impact on our financial position, results of operations and cash flows.

We monitor our regulatory and competitive environments to determine whether the recovery of our regulatory assets continues to be probable. If we determined that recovery of these assets is no longer probable, we would write off the assets against earnings. We believe that the provisions of ASC Topic 980, *Regulated Operations,* continue to apply to our regulated operations and that the recovery of our regulatory assets is probable.

Revenue Recognition

Revenues for our natural gas and electric distribution operations are based on rates approved by the PSC in each state in which they operate. Customers' base rates may not be changed without formal approval by these commissions. The PSCs, however, have authorized our regulated operations to negotiate rates, based on approved methodologies, with customers that have competitive alternatives. Eastern Shore's revenues are based on rates approved by the FERC. The FERC has also authorized Eastern Shore to negotiate rates above or below the FERC-approved maximum rates, which customers can elect as an alternative to FERC-approved maximum rates.

For regulated deliveries of natural gas and electricity, we read meters and bill customers on monthly cycles that do not coincide with the accounting periods used for financial reporting purposes. We accrue unbilled revenues for natural gas and electricity delivered, but not yet billed, at the end of an accounting period to the extent that they do not coincide. We estimate the amount of the unbilled revenue by jurisdiction and customer class.

All of our regulated natural gas and electric distribution operations have fuel cost recovery mechanisms, except for two utilities that provide only unbundled delivery service (Chesapeake Utilities' CFG division and FPU's Indiantown division). These mechanisms allow us to adjust billing rates, without further regulatory approvals, to reflect changes in the cost of purchased fuel. Differences between the cost of fuel purchased and delivered are deferred and accounted for as either unrecovered fuel cost or amounts payable to customers. Generally, these deferred amounts are recovered or refunded within one year.

We charge flexible rates to our natural gas distribution industrial interruptible customers who can use alternative fuels. Interruptible service imposes no contractual obligation to deliver or receive natural gas on a firm service basis.

Our unregulated propane distribution businesses record revenue in the period the products are delivered and/or services are rendered for their bulk delivery customers. For propane customers with meters whose billing cycles do not coincide with our accounting periods, we accrue unbilled revenue for product delivered but not yet billed and bill customers at the end of an accounting period, as we do in our regulated energy businesses.

Our Ohio natural gas transmission/supply operation recognizes revenues based on actual volumes of natural gas shipped using contractual rates based upon index prices that are published monthly.

Eight Flags records revenues based on the amount of electricity and steam generated and sold to its customers.

Our mobile compressed natural gas operation recognizes revenue for CNG services at the end of each calendar month for services provided during the month based on agreed upon rates for labor, equipment utilized, costs incurred for natural gas compression, miles driven, mobilization and demobilization fees.

We report revenue taxes, such as gross receipts taxes, franchise taxes, and sales taxes, on a net basis.

For our businesses with agreements that contain variable consideration, we use the invoice practical expedient method. We determined that the amounts invoiced to customers correspond directly with the value to our customers and our performance to date.

Natural Gas, Electric and Propane Costs

Natural gas, electric and propane costs include the direct costs attributable to the products sold or services provided to our customers. These costs include primarily the variable commodity cost of natural gas, electricity and propane, costs of pipeline capacity needed to transport and store natural gas, transmission costs for electricity, costs to gather and process natural gas, costs to transport propane to/from our storage facilities or our mobile CNG equipment to customer locations, and steam and electricity generation costs. Depreciation expense is not included in natural gas, electric and propane costs.

Operations and Maintenance Expenses

Operations and maintenance expenses include operations and maintenance salaries and benefits, materials and supplies, usage of vehicles, tools and equipment, payments to contractors, utility plant maintenance, customer service, professional fees and other outside services, insurance expense, minor amounts of depreciation, accretion of removal costs for future retirements of utility assets and other administrative expenses.

Cash and Cash Equivalents

Our policy is to invest cash in excess of operating requirements in overnight income-producing accounts. Such amounts are stated at cost, which approximates fair value. Investments with an original maturity of three months or less when purchased are considered cash equivalents.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist primarily of amounts due for sales of natural gas, electricity and propane and transportation and distribution services to customers. An allowance for doubtful accounts is recorded against amounts due based upon our collections experiences and an assessment of our customers' inability or reluctance to pay. If circumstances change, our estimates of recoverable accounts receivable may also change. Circumstances which could affect such estimates include, but are not limited to, customer credit issues, natural gas, electricity and propane prices and impacts from general economic conditions. Accounts receivable are written off when they are deemed to be uncollectible.

Our estimate for expected credit losses has been developed by analyzing our portfolio of financial assets that present potential credit exposure risk. These assets consist solely of our trade receivables from customers and contract assets. The estimate is based on five years of historical collections experience, a review of current economic and operating conditions in our service territories, and an examination of economic indicators which provide a reasonable and supportable basis of potential future activity. Those indicators include metrics which we believe provide insight into the future collectability of our trade receivables such as unemployment rates and economic growth statistics in our service territories.

When determining estimated credit losses, we analyze the balance of our trade receivables based on the underlying line of business. This includes an examination of trade receivables from our energy distribution, energy transmission, energy delivery services and propane operations businesses. Our energy distribution business consists of all our regulated distribution utility (natural gas and electric) operations on the Delmarva Peninsula and in Florida. These business units have the ability to recover their costs through the rate-making process, which can include consideration for amounts historically written off to be included in rate base. Therefore, they possess a mechanism to recover credit losses which we believe reduces their exposure to credit risk. Our energy transmission and energy delivery services business units consist of our natural gas pipelines and our mobile CNG delivery operations. The majority of customers served by these business units are regulated distribution utilities who also have the ability to recover their costs. We believe this cost recovery mechanism significantly reduces the amount of credit risk. Our propane operations are unregulated and do not have the same ability to recover their costs as our regulated operations. However, historically our propane operations have not had material write offs relative to the amount of revenues generated.

Our estimate of expected credit losses reflects our anticipated losses associated with our trade receivables as a result of non-payment from our customers beginning the day the trade receivable is established. We believe the risk of loss associated with trade receivables classified as current presents the least amount of credit exposure risk and therefore, we assign a lower estimate to our current trade receivables. As our trade receivables age outside of their expected due date, our estimate increases. Our allowance for credit losses relative to the balance of our trade receivables has historically been immaterial as a result of on time payment activity from our customers. The table below illustrates the changes in the balance of our allowance for expected credit losses for the year ended December 31, 2022:

(in thousands)		
Balance at December 31, 2021	**$**	**3,141**
Additions:		
Provision for credit losses		**1,550**
Recoveries		**172**
Deductions:		
Write offs		**(1,986)**
Balance at December 31, 2022	**$**	**2,877**

Inventories

We use the average cost method to value propane, materials and supplies, and other merchandise inventory. If market prices drop below cost, inventory balances that are subject to price risk are adjusted to their net realizable value. There were no lower-of-cost-or-net realizable value adjustment for the years ended December 31, 2022, 2021 or 2020.

Goodwill and Other Intangible Assets

Goodwill is not amortized but is tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We use a present value technique based on discounted cash flows to estimate the fair value of our reporting units. An impairment charge is recognized if the carrying value of a reporting unit's goodwill exceeds its fair value. The testing of goodwill for the years ended December 31, 2022, 2021 and 2020 indicated no goodwill impairment. Other intangible assets are amortized on a straight-line basis over their estimated economic useful lives.

Other Deferred Charges

Other deferred charges include issuance costs associated with short-term borrowings. These charges are amortized over the life of the related short-term debt borrowings.

Asset Removal Cost

As authorized by the appropriate regulatory body (state PSC or FERC), we accrue future asset removal costs associated with utility property, plant and equipment even if a legal obligation does not exist. Such accruals are provided for through depreciation expense and are recorded with corresponding credits to regulatory liabilities or assets. When we retire depreciable utility plant and equipment, we charge the associated original costs to accumulated depreciation and amortization, and any related removal costs incurred are charged to regulatory liabilities or assets. The difference between removal costs recognized in depreciation rates and the accretion and depreciation expense recognized for financial reporting purposes is a timing difference between recovery of these costs in rates and their recognition for financial reporting purposes. Accordingly, these differences are deferred as regulatory liabilities or assets. In the rate setting process, the regulatory liability or asset is excluded from the rate base upon which those utilities have the opportunity to earn their allowed rates of return. The costs associated with our asset retirement obligations are either currently being recovered in rates or are probable of recovery in future rates.

Pension and Other Postretirement Plans

Pension and other postretirement plan costs and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates, including the fair value of plan assets, estimates of the expected returns on plan assets, assumed discount rates, the level of contributions made to the plans, and current demographic and actuarial mortality data. We review annually the estimates and assumptions underlying our pension and other postretirement plan costs and liabilities with the assistance of third-party actuarial firms. The assumed discount rates, expected returns on plan assets and the mortality assumption are the factors that generally have the most significant impact on our pension costs and liabilities. The assumed discount rates, health care cost trend rates and rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities.

The discount rates are utilized principally in calculating the actuarial present value of our pension and postretirement obligations and net pension and postretirement costs. When estimating our discount rates, we consider high-quality corporate bond rates, such as the Empower curve index and the FTSE Index, changes in those rates from the prior year and other pertinent factors, including the expected life of each of our plans and their respective payment options.

The expected long-term rates of return on assets are utilized in calculating the expected returns on the plan assets component of our annual pension plan costs. We estimate the expected returns on plan assets by evaluating expected bond returns, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors in making a final determination of our expected rates of return on plan assets.

We estimate the health care cost trend rates used in determining our postretirement net expense based upon actual health care cost experience, the effects of recently enacted legislation and general economic conditions. Our assumed rate of retirement is estimated based upon our annual reviews of participant census information as of the measurement date.

The mortality assumption used for our pension and postretirement plans is reviewed periodically and is based on the actuarial table that best reflects the expected mortality of the plan participants.

Income Taxes, Investment Tax Credit Adjustments and Tax-Related Contingency

Deferred tax assets and liabilities are recorded for the income tax effect of temporary differences between the financial statement basis and tax basis of assets and liabilities and are measured using the enacted income tax rates in effect in the years in which the differences are expected to reverse. Deferred tax assets are recorded net of any valuation allowance when it is more likely than not that such income tax benefits will be realized. Investment tax credits on utility property have been deferred and are allocated to income ratably over the lives of the subject property.

We account for uncertainty in income taxes in our consolidated financial statements only if it is more likely than not that an uncertain tax position is sustainable based on technical merits. Recognizable tax positions are then measured to determine the amount of benefit recognized in the consolidated financial statements. We recognize penalties and interest related to unrecognized tax benefits as a component of other income.

We account for contingencies associated with taxes other than income when the likelihood of a loss is both probable and estimable. In assessing the likelihood of a loss, we do not consider the existence of current inquiries, or the likelihood of future inquiries, by tax authorities as a factor. Our assessment is based solely on our application of the appropriate statutes and the likelihood of a loss, assuming the proper inquiries are made by tax authorities.

Financial Instruments

We utilize financial instruments to mitigate commodity price risk associated with fluctuations of natural gas, electricity and propane and to mitigate interest rate risk. Our propane operations enter into derivative transactions, such as swaps, put options and call options in order to mitigate the impact of wholesale price fluctuations on inventory valuation and future purchase commitments. These transactions may be designated as fair value hedges or cash flow hedges, if they meet all of the accounting requirements pursuant to ASC Topic 815, *Derivatives and Hedging,* and we elect to designate the instruments as hedges. If designated as a fair value hedge, the value of the hedging instrument, such as a swap, future, or put option, is recorded at fair value, with the effective portion of the gain or loss of the hedging instrument effectively reducing or increasing the value of the hedged item. If designated as a cash flow hedge, the value of the hedging instrument, such as a swap or call option, is recorded at fair value with the effective portion of the gain or loss of the hedging instrument being recorded in comprehensive income. The ineffective portion of the gain or loss of a hedge is recorded in earnings. If the instrument is not designated as a fair value or cash flow hedge, or it does not meet the accounting requirements of a hedge under ASC Topic 815, *Derivatives and Hedging*, it is recorded at fair value with all gains or losses being recorded directly in earnings.

Our natural gas, electric and propane operations enter into agreements with suppliers to purchase natural gas, electricity, and propane for resale to our respective customers. Purchases under these contracts, as well as distribution and sales agreements with counterparties or customers, either do not meet the definition of a derivative, or qualify for “normal purchases and normal sales” treatment under ASC Topic 815 *Derivatives and Hedging*, and are accounted for on an accrual basis.

We manage interest rate risk by entering into derivative contracts to hedge the variability in cash flows attributable to changes in the short-term borrowing rates. We designate and account for the interest rate swaps as cash flows hedges. Accordingly, unrealized gains and losses associated with the interest rate swaps are recorded as a component of accumulated other comprehensive income (loss). When the interest rate swaps settle, the realized gain or loss will be recorded in the income statement and recognized as a component of interest charges.

Recent Accounting Standards

There are no pending or recently effective accounting standards which have had, or are expected to have, a material impact to our consolidated financial statements or disclosures.

3. Earnings Per Share

The following table presents the calculation of our basic and diluted earnings per share:

	For the Year Ended December 31,		
(in thousands, except shares and per share data)	**2022**	**2021**	**2020**
Calculation of Basic Earnings Per Share:			
Income from Continuing Operations	**$ 89,796**	$ 83,467	$ 70,642
Income/(Loss) from Discontinued Operations	**—**	(1)	856
Net Income	**$ 89,796**	$ 83,466	$ 71,498
Weighted average shares outstanding	**17,722,227**	17,558,078	16,711,579
Earnings Per Share from Continuing Operations	**$ 5.07**	$ 4.75	$ 4.23
Earnings Per Share from Discontinued Operations	**—**	—	0.05
Basic Earnings Per Share	**$ 5.07**	$ 4.75	$ 4.28
Calculation of Diluted Earnings Per Share:			
Reconciliation of Denominator:			
Weighted average shares outstanding — Basic	**17,722,227**	17,558,078	16,711,579
Effect of dilutive securities — Share-based compensation	**82,067**	74,951	59,156
Adjusted denominator — Diluted	**17,804,294**	17,633,029	16,770,735
Earnings Per Share from Continuing Operations	**$ 5.04**	$ 4.73	$ 4.21
Earnings Per Share from Discontinued Operations	**—**	—	0.05
Diluted Earnings Per Share	**$ 5.04**	$ 4.73	$ 4.26

4. Acquisitions

Acquisition of Davenport Energy

In June 2022, Sharp acquired the propane operating assets of Davenport Energy's Siler City, North Carolina propane division for approximately $2.0 million. Through this acquisition, the Company expands its operating footprint further into North Carolina, where customers will be served by Sharp Energy's Diversified Energy division. Sharp added approximately 850 customers, and expected distribution of approximately 0.4 million gallons of propane annually. We recorded $1.5 million in property plant and equipment, $0.5 million in goodwill, and immaterial amounts associated with customer relationships and non-compete agreements, all of which are deductible for income tax purposes. The amounts recorded in conjunction with the acquisition are preliminary, and subject to adjustment based on contractual provisions and finalization prior to the first anniversary of the transaction closing. The financial results associated with this acquisition will be included within the Company's propane distribution operations within its Unregulated Energy segment.

Acquisition of Diversified Energy

In December 2021, Sharp acquired the propane operating assets of Diversified Energy for approximately $37.5 million, net of cash acquired. We initially recorded a $2.1 million liability related to the seller's adherence to various provisions contained in the purchase agreement which was released upon passage of the first anniversary of the transaction closing. Included with the acquisition, was approximately $1.7 million of working capital from the Seller consisting predominantly of accounts receivable and propane inventory. We accounted for this acquisition as a business combination within our Unregulated Energy Segment beginning in the fourth quarter of 2021. In January 2022, we recorded a post-closing true-up of $0.8 million related to the provision for working capital valuation at the time of closing. In connection with this acquisition, we recorded $23.1 million in property plant and equipment, $6.2 million in intangible assets associated with customer relationships and non-compete agreements and $5.9 million in goodwill, all of which are deductible for income tax purposes.

There were multiple strategic benefits to this acquisition including it: (i) expands our propane service territory into North Carolina and South Carolina, (ii) builds upon our existing propane presence in Virginia and Pennsylvania, and (iii) includes an established customer base with opportunities for future growth. Through this acquisition, the Company added approximately 19,000 residential, commercial and agricultural customers, along with expected distribution of approximately 10.0 million gallons of propane annually.

These acquisitions generated operating revenue and operating income of $26.0 million and $1.0 million, respectively, for the year ended December 31, 2022. For the year ended December 31, 2021, the acquisitions generated operating revenue and operating income of $1.4 million and $0.3 million, respectively.

Acquisition of Planet Found Energy Development
In October 2022, we acquired Planet Found Energy Development, LLC ("Planet Found") for $9.5 million. In connection with this acquisition, we recorded a $0.9 million liability which is subject to the seller's adherence to various provisions contained in the purchase agreement through the first anniversary of the transaction closing. We accounted for this acquisition as a business combination within our Unregulated Energy Segment beginning in the fourth quarter of 2022. Planet Found's farm scale anaerobic digestion pilot system and technology produces biogas from 1,200 tons of poultry litter annually, which can be used to create renewable energy in the form of electricity or upgraded to renewable natural gas. The transaction will accelerate our efforts in converting poultry waste to renewable, sustainable energy while simultaneously improving the local environments in our service territories. At December 31, 2022, the operating revenues and operating income of Planet Found were not material to our consolidated results.

In connection with this acquisition, we recorded $4.4 million in intangible assets associated primarily with intellectual property and non-compete agreements, $4.0 million in property plant and equipment, $1.1 million in goodwill, and $0.1 million in working capital, all of which are deductible for income tax purposes. The amounts recorded in conjunction with the acquisition are preliminary, and subject to adjustment based on contractual provisions and finalization prior to the first anniversary of the transaction closing.

5. Revenue Recognition

We recognize revenue when our performance obligations under contracts with customers have been satisfied, which generally occurs when our businesses have delivered or transported natural gas, electricity or propane to customers. We exclude sales taxes and other similar taxes from the transaction price. Typically, our customers pay for the goods and/or services we provide in the month following the satisfaction of our performance obligation. The following table displays revenue from continuing operations by major source based on product and service type for the years ended December 31, 2022, 2021 and 2020:

	For the year ended December 31, 2022			
(in thousands)	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution				
Delaware natural gas division	$ 82,176	$ —	$ —	$ 82,176
Florida natural gas division	40,036	—	—	40,036
FPU electric distribution	81,714	—	—	81,714
FPU natural gas distribution	115,834	—	—	115,834
Maryland natural gas division	26,607	—	—	26,607
Sandpiper natural gas/propane operations	21,278	—	—	21,278
Elkton Gas	9,198	—	—	9,198
Total energy distribution	376,843	—	—	376,843
Energy transmission				
Aspire Energy	—	56,225	—	56,225
Aspire Energy Express	1,377	—	—	1,377
Eastern Shore	78,624	—	—	78,624
Peninsula Pipeline	27,263	—	—	27,263
Total energy transmission	107,264	56,225	—	163,489
Energy generation				
Eight Flags	—	25,318	—	25,318
Propane operations				
Propane distribution operations	—	188,412	—	188,412
Compressed Natural Gas Services				
Marlin Gas Services	—	11,159	—	11,159
Other and eliminations				
Eliminations	(54,683)	(364)	(29,778)	(84,825)
Other	—	—	308	308
Total other and eliminations	(54,683)	(364)	(29,470)	(84,517)
Total operating revenues [1]	**$ 429,424**	**$ 280,750**	**$ (29,470)**	**$ 680,704**

[1] Total operating revenues for the year ended December 31, 2022, include other revenue (revenues from sources other than contracts with customers) of $0.5 million and $0.4 million for our Regulated and Unregulated Energy segments, respectively. The sources of other revenues include revenue from alternative revenue programs related to revenue normalization for Maryland division and Sandpiper and late fees.

	For the year ended December 31, 2021			
(in thousands)	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution				
Delaware natural gas division	$ 71,195	$ —	$ —	$ 71,195
Florida natural gas division	34,074	—	—	34,074
FPU electric distribution	78,300	—	—	78,300
FPU natural gas distribution	100,535	—	—	100,535
Maryland natural gas division	22,449	—	—	22,449
Sandpiper natural gas/propane operations	20,746	—	—	20,746
Elkton Gas	7,105	—	—	7,105
Total energy distribution	334,404	—	—	334,404
Energy transmission				
Aspire Energy	—	38,163	—	38,163
Aspire Energy Express	187	—	—	187
Eastern Shore	76,911	—	—	76,911
Peninsula Pipeline	26,630	—	—	26,630
Total energy transmission	103,728	38,163	—	141,891
Energy generation				
Eight Flags	—	18,652	—	18,652
Propane operations				
Propane distribution operations	—	142,082	—	142,082
Compressed Natural Gas Services				
Marlin Gas Services	—	8,315	—	8,315
Other and eliminations				
Eliminations	(54,212)	(343)	(21,348)	(75,903)
Other	—	—	527	527
Total other and eliminations	(54,212)	(343)	(20,821)	(75,376)
Total operating revenues [1]	**$ 383,920**	**$ 206,869**	**$ (20,821)**	**$ 569,968**

[1] Total operating revenues for the year ended December 31, 2021, include other revenue (revenues from sources other than contracts with customers of $0.2 million and $0.4 million for our Regulated and Unregulated Energy segments, respectively. The sources of other revenues include revenue from alternative revenue programs related to revenue normalization for Maryland division and Sandpiper and late fees.

	For the years ended December 31, 2020			
(in thousands)	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution				
Delaware natural gas division	$ 63,389	$ —	$ —	$ 63,389
Florida natural gas division	30,850	—	—	30,850
FPU electric distribution	76,863	—	—	76,863
FPU natural gas distribution	90,150	—	—	90,150
Maryland natural gas division	21,853	—	—	21,853
Sandpiper natural gas/propane operations	17,214	—	—	17,214
Elkton Gas	2,399	—	—	2,399
Total energy distribution	302,718	—	—	302,718
Energy transmission				
Aspire Energy	—	27,951	—	27,951
Aspire Energy Express	16	—	—	16
Eastern Shore	75,117	—	—	75,117
Peninsula Pipeline	23,080	—	—	23,080
Total energy transmission	98,213	27,951	—	126,164
Energy generation				
Eight Flags	—	16,147	—	16,147
Propane operations				
Propane distribution operations	—	100,744	—	100,744
Compressed Natural Gas Services				
Marlin Gas Services	—	7,818	—	7,818
Other and eliminations				
Eliminations	(48,185)	(134)	(17,602)	(65,921)
Other	—	—	528	528
Total other and eliminations	(48,185)	(134)	(17,074)	(65,393)
Total operating revenues [1]	**$ 352,746**	**$ 152,526**	**$ (17,074)**	**$ 488,198**

[1] Total operating revenues for the year ended December 31, 2020, include other revenue (revenues from sources other than contracts with customers) of $1.4 million and $0.2 million for our Regulated and Unregulated Energy segments, respectively. The sources of other revenues include revenue from alternative revenue programs related to revenue normalization for Maryland division and Sandpiper and late fees.

Regulated Energy Segment

The businesses within our Regulated Energy segment are regulated utilities whose operations and customer contracts are subject to rates approved by the respective state PSC or the FERC.

Our energy distribution operations deliver natural gas or electricity to customers, and we bill the customers for both the delivery of natural gas or electricity and the related commodity, where applicable. In most jurisdictions, our customers are also required to purchase the commodity from us, although certain customers in some jurisdictions may purchase the commodity from a third-party retailer (in which case we provide delivery service only). We consider the delivery of natural gas or electricity and/or the related commodity sale as one performance obligation because the commodity and its delivery are highly interrelated with two-way dependency on one another. Our performance obligation is satisfied over time as natural gas or electricity is delivered and consumed by the customer. We recognize revenues based on monthly meter readings, which are based on the quantity of natural gas or electricity used and the approved rates. We accrue unbilled revenues for natural gas and electricity that have been delivered, but not yet billed, at the end of an accounting period, to the extent that billing and delivery do not coincide.

Revenues for Eastern Shore are based on rates approved by the FERC. The FERC has also authorized Eastern Shore to negotiate rates above or below the FERC-approved maximum rates, which customers can elect as an alternative to the FERC-approved maximum rates. Eastern Shore's services can be firm or interruptible. Firm services are offered on a guaranteed basis and are available at all times unless prevented by force majeure or other permitted curtailments. Interruptible customers receive service only when there is available capacity or supply. Our performance obligation is satisfied over time as we deliver natural gas to the customers' locations. We recognize revenues based on capacity used or reserved and the fixed monthly charge.

Peninsula Pipeline is engaged in natural gas intrastate transmission to third-party customers and certain affiliates in the State of Florida. Our performance obligation is satisfied over time as the natural gas is transported to customers. We recognize revenue based on rates approved by the Florida PSC and the capacity used or reserved. We accrue unbilled revenues for transportation services provided and not yet billed at the end of an accounting period.

Aspire Energy Express is engaged in natural gas intrastate transmission in the State of Ohio. We currently serve the Guernsey power plant and our performance obligation is satisfied over time as the natural gas is transported to the plant. We recognize revenue based on rates approved by the Ohio PSC and the capacity used or reserved. We accrue unbilled revenues for transportation services provided and not yet billed at the end of an accounting period.

Unregulated Energy Segment

Revenues generated from the Unregulated Energy segment are not subject to any federal, state, or local pricing regulations. Aspire Energy primarily sources gas from hundreds of conventional producers and performs gathering and processing functions to maintain the quality and reliability of its gas for its wholesale customers. Aspire Energy's performance obligation is satisfied over time as natural gas is delivered to its customers. Aspire Energy recognizes revenue based on the deliveries of natural gas at contractually agreed upon rates (which are based upon an established monthly index price and a monthly operating fee, as applicable). For natural gas customers, we accrue unbilled revenues for natural gas that has been delivered, but not yet billed, at the end of an accounting period, to the extent that billing and delivery do not coincide with the end of the accounting period.

Eight Flags' CHP plant, which is located on land leased from a customer, produces three sources of energy: electricity, steam and heated water. This customer purchases the steam (unfired and fired) and heated water, which are used in the customer's production facility. Our electric distribution operation purchases the electricity generated by the CHP plant for distribution to its customers. Eight Flags' performance obligation is satisfied over time as deliveries of heated water, steam and electricity occur. Eight Flags recognizes revenues over time based on the amount of heated water, steam and electricity generated and delivered to its customers.

For our propane distribution operations, we recognize revenue based upon customer type and service offered. Generally, for propane bulk delivery customers (customers without meters) and wholesale sales, our performance obligation is satisfied when we deliver propane to the customers' locations (point-in-time basis). We recognize revenue from these customers based on the number of gallons delivered and the price per gallon at the point-in-time of delivery. For our propane distribution customers with meters, we satisfy our performance obligation over time. We recognize revenue over time based on the amount of propane consumed and the applicable price per unit. For propane distribution metered customers, we accrue unbilled revenues for propane that is estimated to have been consumed, but not yet billed, at the end of an accounting period, to the extent that billing and delivery do not coincide with the end of the accounting period.

Marlin Gas Services provides mobile CNG and pipeline solutions primarily to utilities and pipelines. Marlin Gas Services provides temporary hold services, pipeline integrity services, emergency services for damaged pipelines and specialized gas services for customers who have unique requirements. Marlin Gas Services' performance obligations are comprised of the compression of natural gas, mobilization of CNG equipment, utilization of equipment and on-site CNG support. Our performance obligations for the compression of natural gas, utilization of mobile CNG equipment and for the on-site CNG staff support are satisfied over time when the natural gas is compressed, equipment is utilized or as our staff provide support services to our customers. Our performance obligation for the mobilization of CNG equipment is satisfied at a point-in-time when the equipment is delivered to the customer project location. We recognize revenue for CNG services at the end of each calendar month for services provided during the month based on agreed upon rates for equipment utilized, costs incurred for natural gas compression, miles driven, mobilization and demobilization fees.

Contract balances

The timing of revenue recognition, customer billings and cash collections results in trade receivables, unbilled receivables (contract assets), and customer advances (contract liabilities) in our consolidated balance sheets. The balances of our trade receivables, contract assets, and contract liabilities as of December 31, 2022 and 2021 were as follows:

(in thousands)	Trade Receivables	Contract Assets (Current)	Contract Assets (Noncurrent)	Contract Liabilities (Current)
Balance at 12/31/2021	$ 56,277	$ 18	$ 4,806	$ 747
Balance at 12/31/2022	**61,687**	**18**	**4,321**	**983**
Increase (decrease)	$ 5,410	$ —	$ (485)	$ 236

Our trade receivables are included in trade and other receivables in the consolidated balance sheets. Our non-current contract assets are included in receivables and other deferred charges in the consolidated balance sheet and relate to operations and maintenance costs incurred by Eight Flags that have not yet been recovered through rates for the sale of electricity to our electric distribution operation pursuant to a long-term service agreement.

At times, we receive advances or deposits from our customers before we satisfy our performance obligation, resulting in contract liabilities. Contract liabilities are included in other accrued liabilities in the consolidated balance sheets and relate to non-refundable prepaid fixed fees for our propane distribution operation's retail offerings. Our performance obligation is satisfied over the term of the respective retail offering plan on a ratable basis. For the years ended December 31, 2022 and 2021, we recognized revenue of $1.2 million and $1.1 million, respectively.

Remaining performance obligations

Our businesses have long-term fixed fee contracts with customers in which revenues are recognized when performance obligations are satisfied over the contract term. Revenue for these businesses for the remaining performance obligations at December 31, 2022 are expected to be recognized as follows:

(in thousands)	2023	2024	2025	2026	2027	2028 and thereafter
Eastern Shore and Peninsula Pipeline	$ 36,472	$ 33,148	$ 26,890	$ 23,444	$ 20,536	$ 167,663
Natural gas distribution operations	6,287	6,106	5,748	5,518	5,101	33,113
FPU electric distribution	652	652	275	275	275	275
Total revenue contracts with remaining performance obligations	$ 43,411	$ 39,906	$ 32,913	$ 29,237	$ 25,912	$ 201,051

6. Segment Information

We use the management approach to identify operating segments. We organize our business around differences in regulatory environment and/or products or services, and the operating results of each segment are regularly reviewed by the chief decision maker (our Chief Executive Officer, or "CEO") in order to make decisions about resources and to assess performance.

Our operations are entirely domestic and are comprised of two reportable segments:

- *Regulated Energy*. Includes energy distribution and transmission services (natural gas distribution, natural gas transmission and electric distribution operations). All operations in this segment are regulated, as to their rates and services, by the PSC having jurisdiction in each operating territory or by the FERC in the case of Eastern Shore.
- *Unregulated Energy.* Includes energy transmission, energy generation (the operations of our Eight Flags' CHP plant), propane distribution operations, mobile compressed natural gas distribution and pipeline solutions operations, and project development activities related to our sustainable energy initiatives. Also included in this segment are other unregulated energy services, such as energy-related merchandise sales and heating, ventilation and air conditioning, plumbing and electrical services. These operations are unregulated as to their rates and services.

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

The following table presents information about our reportable segments.

	For the Year Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Operating Revenues, Unaffiliated Customers			
Regulated Energy	**$ 422,894**	$ 381,879	$ 350,853
Unregulated Energy	**257,810**	188,089	137,345
Total operating revenues, unaffiliated customers	**$ 680,704**	$ 569,968	$ 488,198
Intersegment Revenues [1]			
Regulated Energy	**$ 6,530**	$ 2,041	$ 1,893
Unregulated Energy	**22,940**	18,780	15,181
Other businesses	**308**	527	528
Total intersegment revenues	**$ 29,778**	$ 21,348	$ 17,602
Operating Income			
Regulated Energy	**$ 115,317**	$ 106,174	$ 92,124
Unregulated Energy	**27,350**	24,427	20,664
Other businesses and eliminations	**266**	511	(65)
Operating Income	**142,933**	131,112	112,723
Other income, net	**5,051**	1,721	3,222
Interest charges	**24,356**	20,135	21,765
Income from Continuing Operations before Income Taxes	**123,628**	112,698	94,180
Income Taxes on Continuing Operations	**33,832**	29,231	23,538
Income from Continuing Operations	**89,796**	83,467	70,642
Income (loss) from Discontinued Operations, Net of Tax	**—**	(1)	686
Gain on sale of Discontinued Operations, Net of tax	**—**	—	170
Net Income	**$ 89,796**	$ 83,466	$ 71,498
Depreciation and Amortization			
Regulated Energy	**$ 52,707**	$ 48,748	$ 46,079
Unregulated Energy	**16,257**	13,869	11,988
Other businesses and eliminations	**9**	44	50
Total depreciation and amortization	**$ 68,973**	$ 62,661	$ 58,117
Capital Expenditures			
Regulated Energy	**$ 97,554**	$ 139,733	$ 147,100
Unregulated Energy	**40,773**	81,651	46,295
Other businesses	**2,355**	6,425	2,480
Total capital expenditures	**$ 140,682**	$ 227,809	$ 195,875

[1] All significant intersegment revenues are billed at market rates and have been eliminated from consolidated revenues.

	As of December 31,	
	2022	**2021**
Identifiable Assets		
Regulated Energy segment	**$ 1,716,255**	$ 1,629,191
Unregulated Energy segment	**463,239**	439,114
Other businesses and eliminations	**35,543**	46,564
Total identifiable assets	**$ 2,215,037**	$ 2,114,869

7. Supplemental Cash Flow Disclosures

Cash paid for interest and income taxes during the years ended December 31, 2022, 2021 and 2020 were as follows:

	For the Year Ended December 31,		
	2022	**2021**	**2020**
(in thousands)			
Cash paid for interest	**$ 24,267**	$ 20,809	$ 22,884
Cash (received) paid for income taxes, net of refunds	**$ (4,963)**	$ 8,395	$ (8,135)

Non-cash investing and financing activities during the years ended December 31, 2022, 2021, and 2020 were as follows:

	For the Year Ended December 31,		
	2022	**2021**	**2020**
(in thousands)			
Capital property and equipment acquired on account, but not paid for as of December 31	**$ 13,211**	$ 16,164	$ 23,625
Common stock issued for the Retirement Savings Plan	**$ —**	$ 1,712	$ 1,605
Common stock issued under the SICP	**$ 2,868**	$ 2,834	$ 1,971

8. Derivative Instruments

We use derivative and non-derivative contracts to manage risks related to obtaining adequate supplies and the price fluctuations of natural gas, electricity and propane and to mitigate interest rate risk. Our natural gas, electric and propane distribution operations have entered into agreements with suppliers to purchase natural gas, electricity and propane for resale to our customers. Our natural gas gathering and transmission company has entered into contracts with producers to secure natural gas to meet its obligations. Purchases under these contracts typically either do not meet the definition of derivatives or are considered "normal purchases and normal sales" and are accounted for on an accrual basis. Our propane distribution operations may also enter into fair value hedges of their inventory or cash flow hedges of their future purchase commitments in order to mitigate the impact of wholesale price fluctuations. Occasionally, we may enter into interest rate swap agreements to mitigate risk associated with changes in short-term borrowing rates. As of December 31, 2022 and 2021, our natural gas and electric distribution operations did not have any outstanding derivative contracts.

Volume of Derivative Activity

As of December 31, 2022, the volume of our open commodity derivative contracts were as follows:

Business unit	Commodity	Contract Type	Quantity hedged (in millions)	Designation	Longest expiration date of hedge
Sharp	Propane (gallons)	Purchases	20.0	Cash flow hedges	August, 2025
Sharp	Propane (gallons)	Sales	5.0	Cash flow hedges	December, 2023

Sharp entered into futures and swap agreements to mitigate the risk of fluctuations in wholesale propane index prices associated with the propane volumes expected to be purchased and/or sold during the heating season. Under the futures and swap agreements, Sharp will receive or pay the difference between (i) the index prices (Mont Belvieu prices in December 2022 through August 2025) and (ii) the per gallon propane contracted prices, to the extent the index prices deviate from the contracted prices. We designated and accounted for the propane swaps as cash flows hedges. The change in the fair value of the swap agreements is recorded as unrealized gain (loss) in other comprehensive income (loss) and later recognized in the statement of income in the same period and in the same line item as the hedged transaction. We expect to reclassify approximately $0.8 million of unrealized gain from accumulated other comprehensive income to earnings during the next 12-month period ending December 31, 2023.

Interest Rate Swap Activities

We manage interest rate risk by entering into derivative contracts to hedge the variability in cash flows attributable to changes in the short-term borrowing rates. In the second quarter of 2020, we entered into interest rate swaps with notional amounts totaling $100.0 million associated with three of our short-term lines of credit which expired in October 2020. Pricing on the interest rate swaps ranged between 0.2615 and 0.3875 percent for the period. In the fourth quarter of 2020, we entered into additional interest rate swaps with notional amounts totaling $60.0 million through December 2021 with pricing of 0.20 percent and 0.205 percent for the period associated with our outstanding borrowing under the Revolver. In February 2021, we entered into an additional interest rate swap with a notional amount of $40.0 million through December 2021 with pricing of 0.17 percent. In September 2022, we entered into an interest rate swap with a notional amount of $50.0 million through September 2025, with pricing of 3.98 percent.

Prior to August 2022, our short-term borrowing interest rate was based on the 30-day LIBOR rate. In August 2022, we amended and restated the Revolver and transitioned the benchmark interest rate to the 30-day SOFR as a result of the impending expiration of LIBOR. Our pre-2022 interest rate swaps were cash settled monthly as the counter-party paid us the 30-day LIBOR rate less the fixed rate. Our current interest rate swap is cash settled monthly as the counter-party pays us the 30-day SOFR rate less the fixed rate.

We designate and account for interest rate swaps as cash flows hedges. Accordingly, unrealized gains and losses associated with the interest rate swaps are recorded as a component of accumulated other comprehensive income (loss). When the interest rate swaps settle, the realized gain or loss is recorded in the income statement and is recognized as a component of interest charges.

Broker Margin

Futures exchanges have contract specific margin requirements that require the posting of cash or cash equivalents relating to traded contracts. Margin requirements consist of initial margin that is posted upon the initiation of a position, maintenance margin that is usually expressed as a percent of initial margin, and variation margin that fluctuates based on the daily mark-to-market relative to maintenance margin requirements. We currently maintain a broker margin account for Sharp included within our Other Current Liabilities on the consolidated balance sheet, the balance as of December 31, 2022 and 2021 was $0.1 million and $4.1 million, respectively.

Financial Statements Presentation

The following tables present information about the fair value and related gains and losses of our derivative contracts. We did not have any derivative contracts with a credit-risk-related contingency. Fair values of the derivative contracts recorded in the consolidated balance sheets as of December 31, 2022 and 2021 are as follows:

	Derivative Assets		
		Fair Value as of	
(in thousands)	**Balance Sheet Location**	**December 31, 2022**	**December 31, 2021**
Derivatives not designated as hedging instruments			
Propane swap agreements	Derivative assets, at fair value	**$ —**	$ 16
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative assets, at fair value [1]	**3,317**	7,060
Interest rate swap agreements	Derivative assets, at fair value [1]	**452**	—
Total Derivative Assets		**$ 3,769**	$ 7,076

[1] Derivative assets, at fair value include $2.8 million and $4.3 million in current assets in the consolidated balance sheet at December 31, 2022 and 2021, respectively, with the remainder of the balance classified as long-term.

	Derivative Liabilities		
		Fair Value as of	
(in thousands)	**Balance Sheet Location**	**December 31, 2022**	**December 31, 2021**
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative liabilities, at fair value [1]	**$ 1,810**	$ 743
Interest rate swap agreements	Derivative liabilities, at fair value [1]	**405**	—
Total Derivative Liabilities		**$ 2,215**	$ 743

[1] Derivative liabilities, at fair value include $0.6 million and $0.7 million in current liabilities in the consolidated balance sheet at December 31, 2022 and 2021, respectively, with the remainder of the balance classified as long-term.

The effects of gains and losses from derivative instruments are as follows:

		Amount of Gain (Loss) on Derivatives:		
		For the Year Ended December 31,		
(in thousands)	Location of Gain (Loss) on Derivatives	2022	2021	2020
Derivatives not designated as hedging instruments				
Propane swap agreements	Propane and natural gas costs	**$ 56**	$ (1)	$ —
Derivatives designated as fair value hedges				
Put/Call option	Propane and natural gas costs	**—**	(24)	(12)
Put/Call option	Propane inventory	**—**	—	34
Derivatives designated as cash flow hedges				
Propane swap agreements	Revenues	**(373)**	(536)	—
Propane swap agreements	Propane and natural gas costs	**3,881**	7,187	2,428
Propane swap agreements	Other comprehensive income (loss)	**(1,303)**	9,777	7,463
Interest rate swap agreements	Interest expense	**(47)**	(40)	60
Interest rate swap agreements	Other comprehensive income (loss)	**—**	—	20
Total		**$ 2,214**	$ 16,363	$ 9,993

9. Fair Value of Financial Instruments

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The three levels of the fair value hierarchy are the following:

Fair Value Hierarchy	Description of Fair Value Level	Fair Value Technique Utilized
Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities	*Investments - equity securities* - The fair values of these trading securities are recorded at fair value based on unadjusted quoted prices in active markets for identical securities. *Investments - mutual funds and other* - The fair values of these investments, comprised of money market and mutual funds, are recorded at fair value based on quoted net asset values of the shares.
Level 2	Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability	*Derivative assets and liabilities* - The fair value of the propane put/call options, propane and interest rate swap agreements are measured using market transactions for similar assets and liabilities in either the listed or over-the-counter markets.
Level 3	Prices or valuation techniques requiring inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity)	*Investments - guaranteed income fund* - The fair values of these investments are recorded at the contract value, which approximates their fair value.

Financial Assets and Liabilities Measured at Fair Value

The following tables summarize our financial assets and liabilities that are measured at fair value on a recurring basis and the fair value measurements, by level, within the fair value hierarchy as of December 31, 2022 and 2021, respectively:

		Fair Value Measurements Using:		
As of December 31, 2022	**Fair Value**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
(in thousands)				
Assets:				
Investments—equity securities	**$ 24**	**$ 24**	**$ —**	**$ —**
Investments—guaranteed income fund	**1,853**	**—**	**—**	**1,853**
Investments—mutual funds and other	**8,699**	**8,699**	**—**	**—**
Total investments	**10,576**	**8,723**	**—**	**1,853**
Derivative assets	**3,769**	**—**	**3,769**	**—**
Total assets	**$ 14,345**	**$ 8,723**	**$ 3,769**	**$ 1,853**
Liabilities:				
Derivative liabilities	**$ 2,215**	**$ —**	**$ 2,215**	**$ —**

		Fair Value Measurements Using:		
As of December 31, 2021	**Fair Value**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
(in thousands)				
Assets:				
Investments—equity securities	$ 26	$ 26	$ —	$ —
Investments—guaranteed income fund	2,036	—	—	2,036
Investments—mutual funds and other	10,033	10,033	—	—
Total investments	12,095	10,059	—	2,036
Derivative assets	7,076	—	7,076	—
Total assets	$ 19,171	$ 10,059	$ 7,076	$ 2,036
Liabilities:				
Derivative liabilities	$ 743	$ —	$ 743	$ —

The following table sets forth the summary of the changes in the fair value of Level 3 investments for the years ended December 31, 2022 and 2021:

	For the Year Ended December 31,	
	2022	**2021**
(in thousands)		
Beginning Balance	**$ 2,036**	$ 2,156
Purchases and adjustments	**132**	88
Transfers/disbursements	**(347)**	(241)
Investment income	**32**	33
Ending Balance	**$ 1,853**	$ 2,036

Investment income from the Level 3 investments is reflected in other income (expense), net in the consolidated statements of income.

At December 31, 2022 and 2021, there were no non-financial assets or liabilities required to be reported at fair value. We review our non-financial assets for impairment at least on an annual basis, as required.

Other Financial Assets and Liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable, other accrued liabilities and short-term debt. The fair value of cash and cash equivalents is measured using the comparable value in the active market and approximates its carrying value (Level 1 measurement). The fair value of short-term debt approximates the carrying value due to its near-term maturities and because interest rates approximate current market rates (Level 2 measurement).

At December 31, 2022, long-term debt, which includes the current maturities but excludes debt issuance cost, had a carrying value of $600.8 million, compared to the estimated fair value of $505.0 million. At December 31, 2021, long-term debt, which includes the current maturities and excludes debt issuance costs, had a carrying value of $568.8 million, compared to a fair value of $597.2 million. The fair value was calculated using a discounted cash flow methodology that incorporates a market interest rate based on published corporate borrowing rates for debt instruments with similar terms and average maturities, and with adjustments for duration, optionality, and risk profile. The valuation technique used to estimate the fair value of long-term debt would be considered a Level 2 measurement.

See Note 16, *Employee Benefit Plans,* for fair value measurement information related to our pension plan assets.

10. Goodwill and Other Intangible Assets

The carrying value of goodwill as of December 31, 2022 and 2021 was as follows:

(in thousands)	Regulated Energy	Unregulated Energy	Total Goodwill
Balance at December 31, 2021	$ 7,689	$ 37,019	$ 44,708
Additions [1]	—	1,505	1,505
Balance at December 31, 2022	**$ 7,689**	**$ 38,524**	**$ 46,213**

[1]Includes goodwill from the purchase of operating assets of Planet Found in the fourth quarter of 2022.

The annual impairment testing for the years 2022 and 2021 indicated no impairment of goodwill.

The carrying value and accumulated amortization of intangible assets subject to amortization as of December 31, 2022 and 2021 are as follows:

	As of December 31,			
	2022		2021	
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships [1]	**$ 16,965**	**$ 6,131**	$ 16,814	$ 5,125
Non-Compete agreements	**3,105**	**1,411**	2,431	1,078
Patents [2][3]	**5,819**	**533**	452	354
Other	**270**	**225**	270	218
Total	**$ 26,159**	**$ 8,300**	$ 19,967	$ 6,775

[1] The customer relationship amounts include $6.1 million as a result of the purchase of Diversified Energy in December 2021.
[2] The patents amount include $3.7 million as a result of the purchase of the operating assets of Planet Found in October 2022.
[3] Includes amounts related to patented technology developed by Marlin Gas Services and the acquisition of Planet Found.

The customer relationships, non-compete agreements, patents and other intangible assets acquired in the purchases of the operating assets of several companies are being amortized over a weighted average of 14 years. Amortization expense of intangible assets for the year ended December 31, 2022, 2021 and 2020 was $1.5 million, $1.3 million and $1.2 million, respectively. Amortization expense of intangible assets is expected to be $1.8 million for the years 2023 through 2025, $1.5 million for 2026 and $1.4 million for 2027.

11. INCOME TAXES

We file a consolidated federal income tax return. Income tax expense allocated to our subsidiaries is based upon their respective taxable incomes and tax credits. State income tax returns are filed on a separate company basis in most states where we have operations and/or are required to file. Our state returns for tax years after 2016 are subject to examination. At December 31, 2022, the 2015 through 2019 federal income tax returns are under examination, and no report has been issued at this time.

During 2022, the Company settled its Internal Revenue Service examination relating to the 2015-2019 tax years. As a result, we had federal NOLs totaling $6.3 million and $12.2 million in 2019 and 2018, respectively. Under the CARES Act, discussed below, we elected to carry the losses back to 2015 and 2013. The company recovered $12.8 million of tax and received interest income of $0.8 million as a result of carrying back the NOLs referred to above. For state income tax purposes, we had NOL in various states of $67.7 million and $14.6 million as of December 31, 2022 and 2021, respectively, almost all of which will expire in 2040. Excluding NOLs from discontinued operations, we have recorded deferred tax assets of $1.5 million related to state NOL carry-forwards at both December 31, 2022 and 2021, respectively. We have not recorded a valuation allowance to reduce the future benefit of the tax NOL because we believe they will be fully utilized.

Tax Law Changes

In March 2020, the CARES Act was signed into law and included several significant changes to the Internal Revenue Code. The CARES Act includes certain tax relief provisions including the ability to carryback five years net operating losses arising in a tax year beginning in 2018, 2019, or 2020. This provision allows a taxpayer to recover taxes previously paid at a 35 percent federal income tax rate during tax years prior to 2018. In addition, the CARES Act removed the taxable income limitation to allow a tax NOL to fully offset taxable income for tax years beginning before January 1, 2021. Tax benefits associated with this legislation were not available for the year ended December 31, 2022. As a result, our income tax expense for the years ended December 31, 2021 included a tax benefit $0.9 million, attributable to the tax NOL carryback provided under the CARES Act for losses generated in 2018 and 2019. This NOL carryback was applied to our 2013 and 2015 tax years in which we paid federal income taxes at a 35 percent tax rate.

On December 22, 2017, President Trump signed into law the TCJA. Substantially all of the provisions of the TCJA were effective for taxable years beginning on or after January 1, 2018. The provisions that significantly impacted us include the reduction of the corporate federal income tax rate from 35 percent to 21 percent. Our federal income tax expense for periods beginning on January 1, 2018 and thereafter are based on the new federal corporate income tax rate. The TCJA included changes to the Internal Revenue Code, which materially impacted our 2017 financial statements. ASC 740, *Income Taxes,* requires recognition of the effects of changes in tax laws in the period in which the law is enacted. ASC 740 requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. During 2018, we completed the assessment of the impact of accounting for certain effects of the TCJA. At the date of enactment in 2017, we re-measured deferred income taxes based upon the new corporate tax rate. See Note 18, *Rates and Other Regulatory Activities,* for further discussion of the TCJA's impact on our regulated businesses.

The following tables provide: (a) the components of income tax expense in 2022, 2021, and 2020; (b) the reconciliation between the statutory federal income tax rate and the effective income tax rate for 2022, 2021, and 2020 from continuing operations; and (c) the components of accumulated deferred income tax assets and liabilities at December 31, 2022 and 2021.

	For the Year Ended December 31,		
	2022	**2021**	**2020**
(in thousands)			
Current Income Tax Expense			
Federal	**$ 8,284**	$ 2,775	$ (2,777)
State	**1,948**	(96)	2,162
Other	**(47)**	(47)	(47)
Total current income tax expense (benefit)	**10,185**	2,632	(662)
Deferred Income Tax Expense [(1)]			
Property, plant and equipment	**14,968**	24,074	23,224
Deferred gas costs	**8,923**	1,857	(714)
Pensions and other employee benefits	**1,109**	(655)	(75)
FPU merger-related premium cost and deferred gain	**(351)**	(351)	156
Net operating loss carryforwards	**2**	97	5,107
Other	**(1,004)**	1,577	(3,498)
Total deferred income tax expense	**23,647**	26,599	24,200
Income Tax Expense from Continuing Operations	**33,832**	29,231	23,538
Income Tax Expense from Discontinued Operations	**—**	—	153
Total Income Tax	**$ 33,832**	$ 29,231	$ 23,691

[(1)] Includes $7.8 million, $8.2 million, and $4.9 million of deferred state income taxes for the years 2022, 2021 and 2020, respectively.

	For the Year Ended December 31,		
	2022	**2021**	**2020**
(in thousands)			
Reconciliation of Effective Income Tax Rates from Continuing Operations			
Federal income tax expense [(1)]	**$ 25,982**	$ 23,666	$ 19,778
State income taxes, net of federal benefit	**7,714**	6,371	5,051
ESOP dividend deduction	**(177)**	(180)	(218)
CARES Act Tax Benefit	**—**	(919)	(1,841)
Other	**313**	293	768
Total Income Tax Expense from Continuing Operations	**$ 33,832**	$ 29,231	$ 23,538
Effective Income Tax Rate from Continuing Operations	**27.34 %**	25.94 %	24.99 %

[(1)] Federal income taxes were calculated at 21 percent for 2022, 2021, and 2020.

(in thousands)	As of December 31, 2022	2021
Deferred Income Taxes		
Deferred income tax liabilities:		
Property, plant and equipment	**$ 238,687**	$ 224,034
Acquisition adjustment	**5,915**	6,266
Loss on reacquired debt	**164**	183
Deferred gas costs	**11,288**	2,366
Natural gas conversion costs	**5,026**	5,529
Storm reserve liability	**5,791**	5,783
Other	**8,236**	6,301
Total deferred income tax liabilities	**$ 275,107**	$ 250,462
Deferred income tax assets:		
Pension and other employee benefits	**$ 3,985**	$ 5,354
Environmental costs	**1,052**	996
Net operating loss carryforwards	**1,488**	1,490
Storm reserve liability	**453**	448
Accrued expenses	**9,007**	4,843
Other	**2,955**	3,781
Total deferred income tax assets	**$ 18,940**	$ 16,912
Deferred Income Taxes Per Consolidated Balance Sheets	**$ 256,167**	$ 233,550

12. Long-term Debt

Our outstanding long-term debt is shown below:

	As of December 31,	
(in thousands)	**2022**	**2021**
Uncollateralized Senior Notes:		
5.93% note, due October 31, 2023	**$ 3,000**	$ 6,000
5.68% note, due June 30, 2026	**11,600**	14,500
6.43% note, due May 2, 2028	**4,200**	4,900
3.73% note, due December 16, 2028	**12,000**	14,000
3.88% note, due May 15, 2029	**35,000**	40,000
3.25% note, due April 30, 2032	**66,500**	70,000
3.48% note, due May 31, 2038	**50,000**	50,000
3.58% note, due November 30, 2038	**50,000**	50,000
3.98% note, due August 20, 2039	**100,000**	100,000
2.98% note, due December 20, 2034	**70,000**	70,000
3.00% note, due July 15, 2035	**50,000**	50,000
2.96% note, due August 15, 2035	**40,000**	40,000
2.49% notes Due January 25, 2037	**50,000**	50,000
2.95% notes Due March 15, 2042	**50,000**	—
Equipment security note		
2.46% note, due September 24, 2031	**8,517**	9,378
Less: debt issuance costs	**(946)**	(913)
Total long-term debt	**599,871**	567,865
Less: current maturities	**(21,483)**	(17,962)
Total long-term debt, net of current maturities	**$ 578,388**	$ 549,903

Notes Purchase Agreement

On March 15, 2022, we issued 2.95 percent Senior Notes due March 15, 2042 to MetLife in the aggregate principal amount of $50.0 million. We used the proceeds received from the issuances of the Senior Notes to reduce short-term borrowings under the Revolver and to fund capital expenditures. These Senior Notes have similar covenants and default provisions as our other Senior Notes, and have an annual principal payment beginning in the eleventh year after the issuance.

On September 28, 2022, we agreed to issue and Prudential agreed to purchase 5.43 percent Senior Notes due March 14, 2038 in the aggregate principal amount of $80.0 million. We expect to issue the Notes on or before March 14, 2023. We anticipate using the proceeds received from the issuance of the Notes to reduce short-term borrowings under our revolving credit facility and to fund capital expenditures. These Senior Notes have similar covenants and default provisions as our other Senior Notes, and have an annual principal payment beginning in the sixth year after the issuance.

Equipment Security Note

On September 24, 2021, we entered into an Equipment Financing Agreement with Banc of America Leasing & Capital, LLC to issue $9.6 million in sustainable financing associated with the purchase of qualifying equipment by our subsidiary, Marlin Gas Services. The equipment security note bears a 2.46 percent interest rate and has a term of 10 years. Under the terms of the agreement, we granted a security interest in the equipment to the lender, to serve as collateral.

Annual maturities

Annual maturities and principal repayments of long-term debt are as follows:

Year	2023	2024	2025	2026	2027	Thereafter	Total
(in thousands)							
Payments	$ 21,483	$ 18,505	$ 25,528	$ 34,551	$ 31,674	$ 469,076	$ 600,817

Shelf Agreements

We have entered into Shelf Agreements with Prudential and MetLife, whom are under no obligation to purchase any unsecured debt. The following table summarizes our shelf agreements at December 31, 2022:

(in thousands)	Total Borrowing Capacity	Less Amount of Debt Issued	Less Unfunded Commitments	Remaining Borrowing Capacity
Shelf Agreements [(1)]				
Prudential Shelf Agreement [(2)]	$ 370,000	$ (220,000)	$ (80,000)	$ 70,000
MetLife Shelf Agreement	150,000	(50,000)	—	100,000
Total	$ 520,000	$ (270,000)	$ (80,000)	$ 170,000

[(1)] The amended Prudential and MetLife Shelf Agreements both expire in February 2026.
[(2)] Unfunded commitments of $80.0 million reflects Senior Notes expected to be issued on or before March 14, 2023.

In February 2023, we amended our Shelf Agreements with Prudential and MetLife. The amended agreements now provide for total borrowing capacity of up to $405.0 million under the Prudential Shelf Agreement and $200.0 million under the MetLife Shelf Agreement. Additionally, the amendments extend the term of the agreements for an additional three years from the effective dates.

The Uncollateralized Senior Notes, Shelf Agreements or Shelf Notes set forth certain business covenants to which we are subject when any note is outstanding, including covenants that limit or restrict our ability, and the ability of our subsidiaries, to incur indebtedness, or place or permit liens and encumbrances on any of our property or the property of our subsidiaries.

Uncollateralized Senior Notes

All of our Uncollateralized Senior Notes require periodic principal and interest payments as specified in each note. They also contain various restrictions. The most stringent restrictions state that we must maintain equity of at least 40.0 percent of total capitalization (including short-term borrowings), and the fixed charge coverage ratio must be at least 1.2 times. The most recent Senior Notes issued since September 2013 also contain a restriction that we must maintain an aggregate net book value in our regulated business assets of at least 50.0 percent of our consolidated total assets. Failure to comply with those covenants could result in accelerated due dates and/or termination of the Senior Note agreements.

Certain Uncollateralized Senior Notes contain a "restricted payments" covenant as defined in the respective note agreements. The most restrictive covenants of this type are included within the 5.93 percent Senior Note, due October 31, 2023. The covenant provides that we cannot pay or declare any dividends or make any other restricted payments in excess of the sum of $10.0 million, plus our consolidated net income accrued on and after January 1, 2003. As of December 31, 2022, the cumulative consolidated net income base was $754.2 million, offset by restricted payments of $326.4 million, leaving $427.8 million of cumulative net income free of restrictions. As of December 31, 2022, we were in compliance with all of our debt covenants.

13. SHORT-TERM BORROWINGS

We are authorized by our Board of Directors to borrow up to $400.0 million of short-term debt, as required. At December 31, 2022 and 2021, we had $202.2 million and $221.6 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 5.04 percent and 0.83 percent, respectively.

In August 2021, we amended and restated our Revolver into a multi-tranche facility totaling $400.0 million with multiple participating lenders. The two tranches of the facility consist of a $200.0 million 364-day short-term debt tranche and a $200.0 million five-year tranche, both of which have three (3) one-year extension options, which can be authorized by our Chief Financial Officer. We are eligible to establish the repayment term for individual borrowings under the five year tranche of the Revolver and to the extent that an individual loan under the Revolver exceeded 12 months, the outstanding balance would be classified as a component of long-term debt.

In August 2022, we amended both tranches of the Revolver, which now bear interest using SOFR as the benchmark interest rate, plus a 10-basis point SOFR adjustment, in lieu of LIBOR which is being retired by financial institutions. In addition, the 364-day tranche was extended for the upcoming year, expiring in August 2023. As part of these amendments, the parties agreed to eliminate the previous covenant capping the aggregate investments limit at $150.0 million where we maintain an ownership interest less than 50 percent. Additionally, the 364-day tranche of the facility now offers a reduced interest margin similar to the five-year tranche for amounts borrowed in connection with new sustainable investments. All other terms and conditions remained unchanged. Borrowings outstanding under the sustainable investment sublimit of the 364-day tranche amounted to $9.4 million at December 31, 2022.

The availability of funds under the Revolver is subject to conditions specified in the credit agreement, all of which we currently satisfy. These conditions include our compliance with financial covenants and the continued accuracy of representations and warranties contained in the Revolver's loan documents. We are required by the financial covenants in the Revolver to maintain, at the end of each fiscal year, a funded indebtedness ratio of no greater than 65 percent. As of December 31, 2022, we are in compliance with this covenant.

The 364-day tranche of the Revolver expires in August 2023 and the five-year tranche expires in August 2026, both of which are available to fund our short-term cash needs to meet seasonal working capital requirements and to temporarily fund portions of our capital expenditures. Borrowings under both tranches of the Revolver are subject to a pricing grid, including the commitment fee and the interest rate charged based upon our total indebtedness to total capitalization ratio for the prior quarter. As of December 31, 2022, the pricing under the 364-day tranche of the Revolver does not include an unused commitment fee and maintains an interest rate of 70 basis points over SOFR plus a 10 basis point SOFR adjustment. As of December 31, 2022, the pricing under the five-year tranche of the Revolver included an unused commitment fee of 9 basis points and an interest rate of 95 basis points over SOFR plus a 10 basis point SOFR adjustment.

Our total available credit under the Revolver at December 31, 2022 was $192.0 million. As of December 31, 2022, we had issued $5.8 million in letters of credit to various counterparties under the Revolver. These letters of credit are not included in the outstanding short-term borrowings and we do not anticipate that they will be drawn upon by the counterparties. The letters of credit reduce the available borrowings under the Revolver.

For additional information on interest rate swaps related to our short-term borrowings, see Note 8*, Derivative Instruments*.

14. Leases

We have entered into lease arrangements for office space, land, equipment, pipeline facilities and warehouses. These lease arrangements enable us to better conduct business operations in the regions in which we operate. Office space is leased to provide adequate workspace for our employees in several locations throughout our service territories. We lease land at various locations throughout our service territories to enable us to inject natural gas into underground storage and distribution systems, for bulk storage capacity, for our propane operations and for storage of equipment used in repairs and maintenance of our infrastructure. We lease natural gas compressors to ensure timely and reliable transportation of natural gas to our customers. Additionally, we lease a pipeline to deliver natural gas to an industrial customer in Polk County, Florida. We also lease warehouses to store equipment and materials used in repairs and maintenance for our businesses.

Some of our leases are subject to annual changes in the Consumer Price Index (“CPI”). While lease liabilities are not re-measured as a result of changes to the CPI, changes to the CPI are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred. A 100-basis-point increase in CPI would not have resulted in material additional annual lease costs during 2022. Most of our leases include options to renew, with renewal terms that can extend the lease term from one to 25 years or more. The exercise of lease renewal options is at our sole discretion. The amounts disclosed in our consolidated balance sheet at December 31, 2022, pertaining to the right-of-use assets and lease liabilities, are measured based on our current expectations of exercising our available renewal options. Our existing leases are not subject to any restrictions or covenants that would preclude our ability to pay dividends, obtain financing or enter into additional leases. As of December 31, 2022, we have not entered into any leases, which have not yet commenced, that would entitle us to significant rights or create additional obligations. The following table presents information related to our total lease cost included in our consolidated statements of income:

		Year Ended December 31,	
(in thousands)	**Classification**	**2022**	**2021**
Operating lease cost [(1)]	Operations expense	**$ 2,883**	$ 2,064

[(1)] Includes short-term leases and variable lease costs, which are immaterial.

The following table presents the balance and classifications of our right-of-use assets and lease liabilities included in our consolidated balance sheet at December 31, 2022 and 2021:

(in thousands)	Balance sheet classification	December 31, 2022	December 31, 2021
Assets			
Operating lease assets	Operating lease right-of-use assets	**$ 14,421**	$ 10,139
Liabilities			
Current			
Operating lease liabilities	Other accrued liabilities	**$ 2,552**	$ 1,996
Noncurrent			
Operating lease liabilities	Operating lease - liabilities	**12,392**	8,571
Total lease liabilities		**$ 14,944**	$ 10,567

The following table presents our weighted-average remaining lease term and weighted-average discount rate for our operating leases at December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Weighted-average remaining lease term (*in years*)		
Operating leases	**8.54**	8.10
Weighted-average discount rate		
Operating leases	**3.4 %**	3.6 %

The following table presents additional information related to cash paid for amounts included in the measurement of lease liabilities included in our consolidated statements of cash flows at December 31, 2022 and 2021:

	Year Ended December 31,	
(in thousands)	2022	2021
Operating cash flows from operating leases	**$ 2,931**	$ 1,996

The following table presents the future undiscounted maturities of our operating leases at December 31, 2022 and for each of the next five years and thereafter:

(in thousands)	Operating Leases [(1)]
2023	**$ 2,871**
2024	**2,546**
2025	**2,161**
2026	**1,684**
2027	**1,529**
Thereafter	**6,192**
Total lease payments	**16,983**
Less: Interest	**(2,039)**
Present value of lease liabilities	**$ 14,944**

(1) Operating lease payments include $2.1 million related to options to extend lease terms that are reasonably certain of being exercised.

15. Stockholders' Equity

Common Stock Issuances

In June 2020, we filed a shelf registration statement with the SEC to facilitate the issuance of our common stock. In August 2020, we filed a prospectus supplement under the shelf registration statement for an ATM equity program under which we may issue and sell shares of our common stock up to an aggregate offering price of $75.0 million through June of 2023.

We maintain an effective shelf registration statement with the SEC for the issuance of shares under our DRIP. Depending on our capital needs and subject to market conditions, in addition to other possible debt and equity offerings, we may issue additional shares under the direct stock purchase component of the DRIP. In 2021, we issued approximately 0.1 million shares at an average price per share of $125.71 and received net proceeds of $15.2 million under the DRIP. In 2022, we issued less than 0.1 million shares at an average price per share of $136.26 and received net proceeds of $4.5 million under the DRIP.

We used the net proceeds from our share issuances, after fees, for general corporate purposes, including, but not limited to, financing of capital expenditures, repayment of short-term debt, financing acquisitions, investing in subsidiaries, and general working capital purposes.

Accumulated Other Comprehensive Income (Loss)

Defined benefit pension and postretirement plan items, unrealized gains (losses) of our propane swap agreements and natural gas swaps and futures contracts, designated as commodity contracts cash flow hedges, and the unrealized gains (losses) of our interest rate swap agreements, designated as cash flow hedges, are the components of our accumulated other comprehensive loss. The following table presents the changes in the balance of accumulated other comprehensive income (loss) for the years ended December 31, 2022 and 2021. All amounts in the following tables are presented net of tax.

(in thousands)	Defined Benefit Pension and Postretirement Plan Items	Commodity Contract Cash Flow Hedges	Interest Rate Swap Cash Flow Hedges	Total
As of December 31, 2020	**$ (5,146)**	**$ 2,309**	**$ (28)**	**$ (2,865)**
Other comprehensive income before reclassifications	262	7,075	—	7,337
Amounts reclassified from accumulated other comprehensive income (loss)	1,616	(4,813)	28	(3,169)
Net current-period other comprehensive income	1,878	2,262	28	4,168
As of December 31, 2021	**(3,268)**	**4,571**	**—**	**1,303**
Other comprehensive income (loss) before reclassifications	705	(934)	—	(229)
Amounts reclassified from accumulated other comprehensive income (loss)	57	(2,545)	35	(2,453)
Net current-period other comprehensive income	762	(3,479)	35	(2,682)
As of December 31, 2022	**$ (2,506)**	**$ 1,092**	**$ 35**	**$ (1,379)**

The following table presents amounts reclassified out of accumulated other comprehensive income (loss) for the years ended December 31, 2022, 2021 and 2020. Deferred gains and losses of our commodity contracts cash flow hedges are recognized in earnings upon settlement.

	For the Year Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Amortization of defined benefit pension and postretirement plan items:			
Prior service credit [1]	**$ 77**	$ 77	$ 77
Net actuarial loss [1]	**(152)**	(2,243)	(592)
Total before income taxes	**(75)**	(2,166)	(515)
Income tax benefit [3]	**18**	550	150
Net of tax	**$ (57)**	$ (1,616)	$ (365)
Gains on commodity contracts cash flow hedges			
Propane swap agreements [2]	**$ 3,508**	$ 6,651	$ 2,428
Total before income taxes	**3,508**	6,651	2,428
Income tax expense [3]	**(963)**	(1,838)	(671)
Net of tax	**$ 2,545**	$ 4,813	$ 1,757
Gains and (losses) on interest rate swap cash flow hedges:			
Interest rate swap agreements	**$ (47)**	$ (40)	$ 60
Total before income taxes	**(47)**	(40)	60
Income tax expense [3]	**12**	12	(16)
Net of tax	**$ (35)**	**$ (28)**	**$ 44**
Total reclassifications for the period	**$ 2,453**	**$ 3,169**	**$ 1,436**

[1] These amounts are included in the computation of net periodic benefits. See Note 16, *Employee Benefit Plans*, for additional details.
[2] These amounts are included in the effects of gains and losses from derivative instruments. See Note 8, *Derivative Instruments*, for additional details.
[3] The income tax benefit is included in income tax expense in the accompanying consolidated statements of income.

16. EMPLOYEE BENEFIT PLANS

We measure the assets and obligations of the defined benefit pension plans and other postretirement benefits plans to determine the plans' funded status as of the end of the year. We record as a component of other comprehensive income/loss or a regulatory asset the changes in funded status that occurred during the year that are not recognized as part of net periodic benefit costs.

Defined Benefit Pension Plans

At December 31, 2022 we sponsored two defined benefit pension plans: the FPU Pension Plan and the Chesapeake SERP.

During the fourth quarter of 2021, we formally terminated the Chesapeake Pension Plan. Accordingly, a portion of the pension settlement expense associated with the termination was allocated to our Regulated Energy operations and was recorded as regulatory assets, previously approved in all of the impacted jurisdictions. The remaining portion of the pension settlement expense totaling $0.6 million was recorded in other expense in our consolidated statement of income which reflected the amount allocated to our Unregulated Energy operations or was deemed not recoverable through the regulatory process.

The FPU Pension Plan, a qualified plan, covers eligible FPU non-union employees hired before January 1, 2005 and union employees hired before the respective union contract expiration dates in 2005 and 2006. Prior to the FPU merger, the FPU Pension Plan was frozen with respect to additional years of service and compensation, effective December 31, 2009.

The Chesapeake SERP, a nonqualified plan, is comprised of two sub-plans. The first sub-plan was frozen with respect to additional years of service and additional compensation as of December 31, 2004. The second sub-plan provides fixed payments for several executives who joined the Company as a result of an acquisition and whose agreements with the Company provided for this benefit.

The unfunded liability for all plans at both December 31, 2022 and 2021, is included in the other pension and benefit costs liability in our consolidated balance sheets.

The following schedules set forth the funded status at December 31, 2022 and 2021 and the net periodic cost for the years ended December 31, 2022, 2021 and 2020 for the Chesapeake and FPU Pension Plans as well as the Chesapeake SERP:

At December 31,	Chesapeake Pension Plan 2022	Chesapeake Pension Plan 2021	FPU Pension Plan 2022	FPU Pension Plan 2021	Chesapeake SERP 2022	Chesapeake SERP 2021
(in thousands)						
Change in benefit obligation:						
Benefit obligation — beginning of year	$ —	$ 6,146	**$ 67,030**	$ 70,366	**$ 2,096**	$ 2,212
Interest cost	—	141	**1,781**	1,714	**50**	48
Actuarial (gain) loss	—	(371)	**(15,713)**	(1,953)	**(335)**	(12)
Effect of settlement	—	(5,884)	**—**	—	**—**	—
Benefits paid	—	(32)	**(3,157)**	(3,097)	**(152)**	(152)
Benefit obligation — end of year	—	—	**49,941**	67,030	**1,659**	2,096
Change in plan assets:						
Fair value of plan assets — beginning of year	—	4,609	**58,712**	55,966	**—**	—
Actual return on plan assets	—	(237)	**(9,552)**	4,246	**—**	—
Employer contributions	—	1,544	**200**	1,597	**152**	152
Effect of settlement	—	(5,884)	**—**	—	**—**	—
Benefits paid	—	(32)	**(3,157)**	(3,097)	**(152)**	(152)
Fair value of plan assets — end of year	—	—	**46,203**	58,712	**—**	—
Accrued pension cost / funded status	$ —	$ —	**$ (3,738)**	$ (8,318)	**$ (1,659)**	$ (2,096)
Assumptions:						
Discount rate	— %	2.50 %	**5.25 %**	2.75 %	**5.00 %**	2.50 %
Expected return on plan assets	— %	3.50 %	**6.00 %**	6.00 %	**— %**	— %

For the Years Ended December 31,	Chesapeake Pension Plan 2022	Chesapeake Pension Plan 2021	Chesapeake Pension Plan 2020	FPU Pension Plan 2022	FPU Pension Plan 2021	FPU Pension Plan 2020	Chesapeake SERP 2022	Chesapeake SERP 2021	Chesapeake SERP 2020
(in thousands)									
Components of net periodic pension cost:									
Interest cost	$ —	$ 141	$ 176	**$ 1,781**	$ 1,714	$ 2,085	**$ 50**	$ 48	$ 63
Expected return on assets	—	(166)	(157)	**(3,430)**	(3,306)	(2,967)	**—**	—	—
Amortization of actuarial loss	—	257	243	**466**	612	552	**28**	28	20
Settlement expense	—	1,810	203	**—**	—	—	**—**	—	—
Net periodic pension cost	—	2,042	465	**(1,183)**	(980)	(330)	**78**	76	83
Amortization of pre-merger regulatory asset	—	—	—	**—**	—	—	**—**	—	—
Total periodic cost	$ —	$ 2,042	$ 465	**$(1,183)**	$ (980)	$ (330)	**$ 78**	$ 76	$ 83
Assumptions:									
Discount rate	— %	2.25 %	3.00 %	**2.75 %**	2.50 %	3.25 %	**2.50 %**	2.25 %	3.00 %
Expected return on plan assets	— %	3.50 %	3.50 %	**6.00 %**	6.00 %	6.00 %	**— %**	— %	— %

Our funding policy provides that payments to the trust of each qualified plan shall be equal to at least the minimum funding requirements of the Employee Retirement Income Security Act of 1974. The following schedule summarizes the assets of the FPU Pension Plan, by investment type, at December 31, 2022, 2021 and 2020:

At December 31,	FPU Pension Plan 2022	2021	2020
Asset Category			
Equity securities	**53 %**	52 %	54 %
Debt securities	**38 %**	38 %	37 %
Other	**9 %**	10 %	9 %
Total	**100 %**	100 %	100 %

The investment policy of the FPU Pension Plan is designed to provide the capital assets necessary to meet the financial obligations of the plan. The investment goals and objectives are to achieve investment returns that, together with contributions, will provide funds adequate to pay promised benefits to present and future beneficiaries of the plan, earn a competitive return to increasingly fund a large portion of the plan's retirement liabilities, minimize pension expense and cumulative contributions resulting from liability measurement and asset performance, and maintain the appropriate mix of investments to reduce the risk of large losses over the expected remaining life of the plan.

The following allocation range of asset classes is intended to produce a rate of return sufficient to meet the FPU Pension Plan's goals and objectives:

Asset Allocation Strategy

Asset Class	Minimum Allocation Percentage	Maximum Allocation Percentage
Domestic Equities (Large Cap, Mid Cap and Small Cap)	14 %	32 %
Foreign Equities (Developed and Emerging Markets)	13 %	25 %
Fixed Income (Inflation Bond and Taxable Fixed)	29 %	47 %
Alternative Strategies (Long/Short Equity and Hedge Fund of Funds)	4 %	10 %
Diversifying Assets (High Yield Fixed Income, Commodities, and Real Estate)	2 %	6 %
Cash	0 %	5 %

Due to periodic contributions and different asset classes producing varying returns, the actual asset values may temporarily move outside of the intended ranges. The investments are monitored on a quarterly basis, at a minimum, for asset allocation and performance. At December 31, 2022 and 2021, the assets of the FPU Pension Plan were comprised of the following investments:

For the Years Ended December 31, Asset Category (in thousands)	Fair Value Measurement Hierarchy 2022 Total	2021 Total
Mutual Funds - Equity securities		
U.S. Large Cap [(1)]	**$ 3,413**	$ 4,302
U.S. Mid Cap [(1)]	**1,425**	1,835
U.S. Small Cap [(1)]	**692**	954
International [(2)]	**9,352**	10,863
Alternative Strategies [(3)]	**4,824**	5,888
	19,706	23,842
Mutual Funds - Debt securities		
Fixed income [(4)]	**15,343**	19,551
High Yield [(4)]	**2,269**	3,014
	17,612	22,565
Mutual Funds - Other		
Commodities [(5)]	**1,832**	2,297
Real Estate [(6)]	**1,709**	2,729
Guaranteed deposit [(7)]	**398**	497
	3,939	5,523
Total Pension Plan Assets in fair value hierarchy [(8)]	**41,257**	51,930
Investments measured at net asset value [(9)]	**4,946**	6,782
Total Pension Plan Assets	**$ 46,203**	$ 58,712

(1) Includes funds that invest primarily in United States common stocks.
(2) Includes funds that invest primarily in foreign equities and emerging markets equities.
(3) Includes funds that actively invest in both equity and debt securities, funds that sell short securities and funds that provide long-term capital appreciation. The funds may invest in debt securities below investment grade.
(4) Includes funds that invest in investment grade and fixed income securities.
(5) Includes funds that invest primarily in commodity-linked derivative instruments and fixed income securities.
(6) Includes funds that invest primarily in real estate.
(7) Includes investment in a group annuity product issued by an insurance company.
(8) All investments in the FPU Pension Plan are classified as Level 1 within the Fair Value hierarchy exclusive of the Guaranteed Deposit Account which is classified as Level 3.
(9) Certain investments that were measured at net asset value per share have not been classified in the fair value hierarchy. These amounts are presented to reconcile to total pension plan assets.

At December 31, 2022 and 2021, our pension plan investments were classified under the same fair value measurement hierarchy (Level 1 through Level 3) described under Note 9, *Fair Value of Financial Instruments.* The Level 3 investments were recorded at fair value based on the contract value of annuity products underlying guaranteed deposit accounts, which was calculated using discounted cash flow models. The contract value of these products represented deposits made to the contract, plus earnings at guaranteed crediting rates, less withdrawals and fees. Certain investments that were measured at net asset value per share have not been classified in the fair value hierarchy and are presented in the table above to reconcile to total pension plan assets.

The following table sets forth the summary of the changes in the fair value of Level 3 investments for the years ended December 31, 2022 and 2021:

	For the Year Ended December 31,	
	2022	2021
(in thousands)		
Balance, beginning of year	**$ 497**	$ 1,019
Purchases	**208**	3,160
Transfers in	**3,270**	5,914
Disbursements	**(3,541)**	(9,587)
Investment income (loss)	**(36)**	(9)
Balance, end of year	**$ 398**	$ 497

Other Postretirement Benefits Plans

We sponsor two defined benefit postretirement health plans: the Chesapeake Utilities Postretirement Plan ("Chesapeake Postretirement Plan") and the FPU Medical Plan. At December 31, 2022 and 2021, the funded status of the Chesapeake Postretirement Plan was $0.6 million and $0.9 million, respectively. The funded status of the FPU Medical Plan was $0.7 million and $1.0 million as of December 31, 2022 and 2021, respectively.

Net periodic postretirement benefit costs for the Chesapeake Postretirement Plan and the FPU Medical Plan were not material for the years ended December 31, 2022, 2021, and 2020.

The following table presents the amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive loss or as a regulatory asset as of December 31, 2022:

(in thousands)	FPU Pension Plan	Chesapeake SERP	Chesapeake Postretirement Plan	FPU Medical Plan	Total
Prior service credit	$ —	$ —	$ (216)	$ —	$ (216)
Net loss (gain)	14,540	295	597	(401)	15,031
Total	$ 14,540	$ 295	$ 381	$ (401)	$ 14,815
Accumulated other comprehensive loss (gain) pre-tax[(1)]	$ 2,763	$ 295	$ 381	$ (76)	$ 3,363
Post-merger regulatory asset	11,777	—	—	(325)	11,452
Total unrecognized cost	$ 14,540	$ 295	$ 381	$ (401)	$ 14,815

[(1)] The total amount of accumulated other comprehensive loss recorded on our consolidated balance sheet as of December 31, 2022 is net of income tax benefits of $0.9 million.

Pursuant to a Florida PSC order, FPU continues to record as a regulatory asset a portion of the unrecognized pension and postretirement benefit costs after the merger with Chesapeake Utilities related to its regulated operations, which is included in the above table as a post-merger regulatory asset. As of December 31, 2022, the pre-merger regulatory asset related to the FPU Pension and FPU Medical Plan was fully amortized.

Assumptions

The assumptions used for the discount rate to calculate the benefit obligations were based on the interest rates of high-quality bonds in 2022, considering the expected lives of each of the plans. In determining the average expected return on plan assets for the FPU Pension Plan, various factors, such as historical long-term return experience, investment policy and current and expected allocation, were considered. Since the FPU Pension Plan is frozen with respect to additional years of service and compensation, the rate of assumed compensation increases is not applicable.

The health care inflation rate for 2022 used to calculate the benefit obligation is 5 percent for medical and 6 percent for prescription drugs for the Chesapeake Postretirement Plan; and 5 percent for both medical and prescription drugs for the FPU Medical Plan.

Estimated Future Benefit Payments

In 2023, we do not anticipate contributing to the FPU Pension Plan and expect to contribute $0.2 million to the Chesapeake SERP. We also expect to contribute less than $0.1 million to both the Chesapeake Postretirement Plan and FPU Medical Plan, in 2023.

The schedule below shows the estimated future benefit payments for each of the plans previously described:

(in thousands)	FPU Pension Plan[1]	Chesapeake SERP[2]	Chesapeake Postretirement Plan[2]	FPU Medical Plan[2]
2023	$ 3,432	$ 151	$ 60	$ 57
2024	$ 3,503	$ 149	$ 58	$ 59
2025	$ 3,648	$ 162	$ 55	$ 59
2026	$ 3,680	$ 159	$ 50	$ 58
2027	$ 3,675	$ 156	$ 48	$ 59
Years 2028 through 2032	$ 18,368	$ 707	$ 200	$ 227

(1) The pension plan is funded; therefore, benefit payments are expected to be paid out of the plan assets.
(2) Benefit payments are expected to be paid out of our general funds.

Retirement Savings Plan

We sponsor a 401(k) Retirement Savings Plan which is offered to all eligible employees who have completed three months of service. We match 100 percent of eligible participants' pre-tax contributions to the Retirement Savings Plan up to a maximum of six percent of eligible compensation. The employer matching contribution is made in cash and is invested based on a participant's investment directions. In addition, we may make a discretionary supplemental contribution to participants in the plan, without regard to whether or not they make pre-tax contributions. Any supplemental employer contribution is generally made in our common stock. With respect to the employer match and supplemental employer contribution, employees are 100 percent vested after two years of service or upon reaching 55 years of age while still employed by us. New employees who do not make an election to contribute and do not opt out of the Retirement Savings Plan will be automatically enrolled at a deferral rate of three percent, and the automatic deferral rate will increase by one percent per year up to a maximum of ten percent. All contributions and matched funds can be invested among the mutual funds available for investment.

Employer contributions to our Retirement Savings Plan totaled $6.2 million, $5.9 million, and $5.9 million for the years ended December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, there were 798,586 shares of our common stock reserved to fund future contributions to the Retirement Savings Plan.

Non-Qualified Deferred Compensation Plan

Members of our Board of Directors and officers of the Company are eligible to participate in the Non-Qualified Deferred Compensation Plan. Directors can elect to defer any portion of their cash or stock compensation and officers can defer up to 80 percent of their base compensation, cash bonuses or any amount of their stock bonuses (net of required withholdings). Officers may receive a matching contribution on their cash compensation deferrals up to six percent of their compensation, provided it does not duplicate a match they receive in the Retirement Savings Plan. Stock bonuses are not eligible for matching contributions. Participants are able to elect the payment of deferred compensation to begin on a specified future date or upon separation from service. Additionally, participants can elect to receive payments upon the earlier or later of a fixed date or separation from service. The payments can be made in one lump sum or annual installments for up to 15 years.

All obligations arising under the Non-Qualified Deferred Compensation Plan are payable from our general assets, although we have established a Rabbi Trust to informally fund the plan. Deferrals of cash compensation may be invested by the participants in various mutual funds (the same options that are available in the Retirement Savings Plan). The participants are credited with gains or losses on those investments. Deferred stock compensation may not be diversified. The participants are credited with dividends on our common stock in the same amount that is received by all other stockholders. Such dividends are reinvested into our common stock. Assets held in the Rabbi Trust, recorded as Investments on the consolidated balance sheet, had a fair value of $10.6 million and $12.1 million at December 31, 2022 and 2021, respectively. The assets of the Rabbi Trust are at all times subject to the claims of our general creditors.

Deferrals of officer base compensation and cash bonuses and directors' cash retainers are paid in cash. All deferrals of executive performance shares, which represent deferred stock units, and directors' stock retainers are paid in shares of our common stock, except that cash is paid in lieu of fractional shares. The value of our stock held in the Rabbi Trust is classified within the stockholders' equity section of the consolidated balance sheets and has been accounted for in a manner similar to treasury stock. The amounts recorded under the Non-Qualified Deferred Compensation Plan totaled $7.1 million and $7.2 million at December 31, 2022 and 2021, respectively, which are also shown as a deduction against stockholders' equity in the consolidated balance sheet.

17. Share-Based Compensation Plans

Our non-employee directors and key employees have been granted share-based awards through our SICP. We record these share-based awards as compensation costs over the respective service period for which services are received in exchange for an award of equity or equity-based compensation. The compensation cost is based primarily on the fair value of the shares awarded, using the estimated fair value of each share on the date it was granted, and the number of shares to be issued at the end of the service period. We have 322,509 shares of common stock reserved for issuance under the SICP.

The table below presents the amounts included in net income related to share-based compensation expense for the awards granted under the SICP for the years ended December 31, 2022, 2021 and 2020:

	For the Year Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Awards to non-employee directors	**$ 959**	$ 782	$ 733
Awards to key employees	**5,479**	5,163	4,096
Total compensation expense	**6,438**	5,945	4,829
Less: tax benefit	**(1,663)**	(1,535)	(1,254)
Share-based compensation amounts included in net income	**$ 4,775**	$ 4,410	$ 3,575

Non-employee Directors

Shares granted to non-employee directors are issued in advance of the directors' service periods and are fully vested as of the grant date. We record a deferred expense equal to the fair value of the shares issued and amortize the expense equally over a service period of one year or less.

Our directors receive an annual retainer of shares of common stock under the SICP for services rendered through the subsequent Annual Meeting of Shareholders. Accordingly, our directors that served on the Board as of May 2022 and 2021 each received 652 and 683 shares of common stock, respectively, with a weighted average fair value of $130.36 and $117.11 per share, respectively.

In July 2022, we announced the appointment of two new non-employee directors to our Board. These newly appointed directors were each granted a pro-rated share-based award of 526 shares through the SICP in accordance with the beginning of their service period. The associated expense is being recognized consistent with the methodology described above.

At December 31, 2022, there was $0.3 million of unrecognized compensation expense related to shares granted to non-employee directors. This expense will be recognized over the remaining service period ending in May 2023.

Officers and Key Employees

Our Compensation Committee is authorized to grant our key employees the right to receive awards of shares of our common stock, contingent upon the achievement of established performance goals and subject to SEC transfer restrictions once awarded. Our President and CEO has the right to issue awards of shares of our common stock, to other officers of the Company, contingent upon various performance goals and subject to SEC transfer restrictions.

We currently have several outstanding multi-year performance plans, which are based upon the successful achievement of long-term goals, growth and financial results and comprise both market-based and performance-based conditions and targets. The fair value per share, tied to a performance-based condition or target, is equal to the market price per share on the grant date. For the market-based conditions, we used the Monte Carlo valuation to estimate the fair value of each share granted.

The table below presents the summary of the stock activity for awards to all officers:

	Number of Shares	Weighted Average Fair Value
Outstanding — December 31, 2020	**186,878**	**$ 87.06**
Granted	69,903	100.76
Vested	(53,147)	76.31
Expired	(852)	74.85
Forfeited [(1)]	(5,384)	93.39
Outstanding — December 31, 2021	**197,398**	**94.15**
Granted	69,620	117.61
Vested	(60,850)	90.60
Expired	(2,678)	91.42
Outstanding — December 31, 2022	**203,490**	**$ 103.06**

(1) In conjunction with the retirement of one key employee during 2020, these shares were forfeited for the remainder of the service periods associated with awards granted during their employment with the Company.

For the year ended December 31, 2022, we granted awards of 69,620 shares of common stock to officers under the SICP, including awards granted in February 2022 and to key employees thereafter appointed to officer positions. The shares granted are multi-year awards that will vest no later than the three-year service period ending December 31, 2024.

The intrinsic value of these awards was $24.0 million, $28.8 million, and $20.2 million at December 31, 2022, 2021 and 2020, respectively. At December 31, 2022, there was $4.7 million of unrecognized compensation cost related to these awards, which is expected to be recognized through 2024.

In 2022, 2021 and 2020, we withheld shares with a value at least equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities with the executives electing to receive the net shares. The below table presents the number of shares withheld /and amounts remitted to taxing authorities:

	For the Year Ended December 31,		
(amounts except shares, in thousands)	**2022**	**2021**	**2020**
Shares withheld to satisfy tax obligations	**21,832**	14,020	10,319
Amounts remitted to tax authorities to satisfy obligations	**$ 2,838**	$ 1,478	$ 977

18. Rates and Other Regulatory Activities

Our natural gas and electric distribution operations in Delaware, Maryland and Florida are subject to regulation by their respective PSC; Eastern Shore, our natural gas transmission subsidiary, is subject to regulation by the FERC; and Peninsula Pipeline and Aspire Energy Express, our intrastate pipeline subsidiaries, are subject to regulation (excluding cost of service) by the Florida PSC and Public Utilities Commission of Ohio, respectively.

Delaware

See the discussion below under *COVID-19 impact*.

Maryland

Customer Information System Regulatory Asset Petition: In July 2022, we filed a joint petition for our natural gas divisions in Maryland (Maryland Division, Sandpiper, and Elkton Gas) for the approval to establish a regulatory asset for non-capitalizable expenses related to the set-up and implementation of the Company's new Customer Information System ("CIS"). The petition was approved by the Maryland PSC in August 2022. A similar petition for our Florida Regulated Energy business units was filed during the same time frame and has not yet been scheduled on the Florida PSC Agenda. The Delaware Division has previously received approval for this accounting treatment. We have evaluated and selected the CIS with implementation anticipated to begin during the first quarter of 2023. The conversion is expected to be complete in the first quarter of 2025.

Ocean City Maryland Reinforcement: In March 2022, we filed a Section 7(f) - Request for Service Area Determination with the FERC regarding plans to extend our natural gas facilities across the Delaware/Maryland state line from Sussex County, Delaware, to Worcester County, Maryland, to provide a secondary feed to Sandpiper Energy. The FERC approved the Section 7(f) request on August 29, 2022. The project will increase the reliability of the existing distribution system in those areas while also expanding infrastructure to serve new customers. Construction has been initiated with estimated completion in early 2023.

Florida

Wildlight Expansion: In August 2022, Peninsula Pipeline and FPU filed a joint petition with the Florida PSC for approval of the Transportation Service Agreement between the parties associated with the Wildlight Expansion project. The Wildlight Expansion project will enable us to meet the significant growing demand for service in Yulee, Florida. The agreement and project have been structured to allow us to build the project alongside the construction and build-out of the development, and charge the reservation rate as each phase of the project goes into service. The agreement reflects the construction of pipeline facilities in two separate phases. Phase one will consist of three extensions with associated facilities, and a gas injection interconnect with associated facilities. Phase two will consist of two additional pipeline extensions. The various phases of the project are anticipated to be placed in service beginning in the first quarter of 2023, with construction on the overall project continuing through 2025. The petition was approved by the Florida PSC in November 2022.

Natural Gas Rate Case: In May 2022, our natural gas distribution businesses in Florida (FPU, FPU-Indiantown division, FPU-Fort Meade division and Chesapeake Utilities CFG division, collectively, "Florida natural gas distribution businesses") filed a consolidated natural gas rate case with the Florida PSC. The application included a request for the following: (i) permanent rate relief of approximately $24.1 million, effective January 1, 2023, (ii) a depreciation study also submitted with the filing; (iii) authorization to make certain changes to tariffs to include the consolidation of rates and rate structure across the businesses and to unify the Florida natural gas distribution businesses under FPU; (iv) authorization to retain the acquisition adjustment recorded at the time of the FPU merger in our revenue requirement; and (v) authorization to establish an environmental remediation surcharge for the purposes of addressing future expected remediation costs for FPU MGP sites. In August 2022, interim rates were approved by the Florida PSC in the amount of approximately $7.7 million on an annualized basis, effective for all meter readings in September 2022. The discovery process and subsequent hearings were concluded during the fourth quarter of 2022 and briefs were submitted during the same quarter of 2022. In January 2023, the Florida PSC approved the application for consolidation and permanent rate relief of approximately $17.2 million on an annual basis. Actual rates in connection with the rate relief were approved by the Florida PSC in February 2023 with an effective date of March 1, 2023.

Winter Haven Expansion Project: In May 2021, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with CFG for an incremental 6,800 Dts/d of firm service in the Winter Haven, Florida area. As part of this agreement, Peninsula Pipeline constructed a new interconnect with FGT and a new regulator station for CFG. This additional firm service is supporting new incremental load due to growth, including providing service to a new can manufacturing facility, as well as providing reliability and operational benefits to CFG's existing distribution system in the area. In connection with Peninsula Pipeline's new regulator station, CFG also extended its distribution system to connect to the new station. The Transportation Service Agreement was approved by the Florida PSC in September 2021 and the project was placed in service during the third quarter of 2022.

Beachside Pipeline Extension: In June 2021, Peninsula Pipeline and Florida City Gas entered into a Transportation Service Agreement for an incremental 10,176 Dts/d of firm service in Indian River County, Florida, to support Florida City Gas' growth along the Indian River's barrier island. As part of this agreement, Peninsula Pipeline will construct 11.3 miles of pipeline from its existing pipeline in the Sebastian, Florida area, which will travel east under the Intercoastal Waterway ("ICW") and southward on the barrier island. As required by Peninsula Pipeline's tariff and Florida Statutes, Peninsula Pipeline filed the required company and customer affidavits with the Florida PSC in June 2021 and the expected in-service date is during the first quarter of 2023.

St.Cloud / Twin Lakes Expansion: In July 2022, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with our Florida natural gas division, FPU, for an additional 2,400 Dt/d of firm service in the St. Cloud, Florida area. As part of this agreement, Peninsula Pipeline will construct a pipeline extension and regulator station for FPU. The extension will be used to support new incremental load due to growth in the area, including providing service, most immediately, to the residential development, Twin Lakes. The expansion will also improve reliability and provide operational benefits to FPU's existing distribution system in the area, supporting future growth. The petition was approved by the Florida PSC on October 4, 2022. We expect this expansion to be in service by the second quarter of 2023.

Storm Protection Plan: In 2020, the Florida PSC implemented the Storm Protection Plan ("SPP") and Storm Protection Plan Cost Recovery Clause ("SPPCRC") rules, which require electric utilities to petition the Florida PSC for approval of a Transmission and Distribution Storm Protection Plan that covers the utility's immediate 10-year planning period with updates to the plan at least every 3 years. The SPPCR rules allow the utility to file for recovery of associated costs related to its SPP. Our Florida electric distribution operations' SPP and SPPCRC were filed during the first quarter of 2022 and approved in the fourth quarter of 2022 with modifications, by the Florida PSC. Rates associated with this initiative were effective in January 2023.

Eastern Shore

Southern Expansion Project: In January 2022, Eastern Shore submitted a prior notice filing with the FERC pursuant to blanket certificate procedures, regarding its proposal to install an additional compressor unit and related facilities at Eastern Shore's existing compressor station in Bridgeville, Sussex County, Delaware. The project will enable Eastern Shore to provide additional firm natural gas transportation service to an existing shipper on Eastern Shore's pipeline system. The project obtained FERC approval in January 2023 and is currently estimated to go into service in the fourth quarter of 2023.

Capital Cost Surcharge: In December 2022, Eastern Shore submitted a filing with the FERC regarding a capital cost surcharge to recover capital costs associated with mandated highway relocate projects that required the replacement of existing Eastern Shore facilities and a Pipeline and Hazardous Materials Safety Administration ("PHMSA") compliance project. The capital cost surcharge is an approved item in the settlement of Eastern Shore's last rate case. In conjunction with the filing of this surcharge, pursuant to the settlement agreement, a cumulative adjustment to the existing surcharge to reflect additional depreciation was included in this filing. The FERC issued an order approving the surcharge as filed on December 19, 2022. The combined revised surcharge became effective January 1, 2023.

COVID-19 Impact

In March 2020, the CDC declared a national emergency due to the rapidly growing outbreak of COVID-19. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These restrictions significantly impacted economic conditions in the United States in 2020 and continued to impact economic conditions, to a lesser extent, through 2021 and 2022. Chesapeake Utilities is considered an "essential business," which allowed us to continue operational activities and construction projects with appropriate safety precautions and personal protective equipment, while being mindful of the social distancing restrictions that were in place.

In response to the COVID-19 pandemic and related restrictions, we experienced reduced consumption of energy largely in the commercial and industrial sectors, higher bad debt expenses and incremental expenses associated with COVID-19, including expenditures associated with personal protective equipment and premium pay for field personnel. The additional operating expenses we incurred support the ongoing delivery of our essential services during these unprecedented times. In April and May 2020, we were authorized by the Maryland and Delaware PSCs, respectively, to record regulatory assets for COVID-19 related costs which offered us the ability to seek recovery of those costs. In July 2021, the Florida PSC issued an order that approved incremental expenses we incurred due to COVID-19. The order allowed us to establish a regulatory asset in a total amount of $2.1 million as of June 30, 2021 for natural gas and electric distribution operations. The regulatory asset is being amortized over two years and is recovered through the Purchased Gas Adjustment and Swing Service mechanisms for our natural gas distribution businesses and through the Fuel Purchased Power Cost Recovery clause for our electric division. As of December 31, 2022 and 2021, our total COVID-19 regulatory asset balance was $1.2 million and $2.3 million, respectively.

In 2021 and 2022, restrictions were gradually lifted as vaccines became widely available in the United States. The various state of emergencies associated with the COVID-19 pandemic that were previously declared in our service territories have been terminated and we have adjusted our operating practices accordingly to ensure the safety of our operations and will take the necessary actions to comply with the CDC, and the Occupational Safety and Health Administration, as new developments occur.

Summary TCJA Table

Customer rates for our regulated business were adjusted as approved by the regulators, prior to 2020 except for Elkton Gas, which implemented a one-time bill credit in May 2020. The following table summarized the regulatory liabilities related to accumulated deferred taxes ("ADIT") associated with TCJA for our regulated businesses as of December 31, 2022 and 2021:

	Amount (in thousands)		
Operation and Regulatory Jurisdiction	**December 31, 2022**	**December 31, 2021**	**Status**
Eastern Shore (FERC)	$34,190	$34,190	Will be addressed in Eastern Shore's next rate case filing.
Chesapeake Delaware natural gas division (Delaware PSC)	$12,230	$12,591	PSC approved amortization of ADIT in January 2019.
Chesapeake Maryland natural gas division (Maryland PSC)	$3,703	$3,840	PSC approved amortization of ADIT in May 2018.
Sandpiper Energy (Maryland PSC)	$3,597	$3,656	PSC approved amortization of ADIT in May 2018.
Chesapeake Florida natural gas division/CFG (Florida PSC)	$7,846	$8,032	PSC issued order authorizing amortization and retention of net ADIT liability by the Company in February 2019.
FPU Natural Gas (excludes Fort Meade and Indiantown) (Florida PSC)	$19,074	$19,189	Same treatment on a net basis as Chesapeake Florida Gas Division (above).
FPU Fort Meade and Indiantown natural gas divisions (Florida PSC)	$259	$271	Same treatment on a net basis as Chesapeake Florida Gas Division (above).
FPU electric division (Florida PSC)	$4,993	$5,237	In January 2019, PSC issued order approving amortization of ADIT through purchased power cost recovery, storm reserve and rates.
Elkton Gas (Maryland PSC)	$1,059	$1,091	PSC approved amortization of ADIT in March 2018.

Regulatory Assets and Liabilities

At December 31, 2022 and 2021, our regulated utility operations recorded the following regulatory assets and liabilities included in our consolidated balance sheets. These assets and liabilities will be recognized as revenues and expenses in future periods as they are reflected in customers' rates.

	As of December 31,	
(in thousands)	**2022**	**2021**
Regulatory Assets		
Under-recovered purchased fuel, gas and conservation cost recovery [1][2]	**$ 43,583**	$ 9,199
Under-recovered GRIP revenue [3]	**1,705**	2,101
Deferred postretirement benefits [4]	**13,927**	16,749
Deferred conversion and development costs [1]	**23,653**	23,383
Acquisition adjustment [5]	**25,609**	27,182
Deferred costs associated with COVID-19 [6]	**1,233**	2,289
Deferred storm costs [7]	**27,687**	36,004
Other	**12,257**	7,060
Total Regulatory Assets	**$ 149,654**	$ 123,967
Regulatory Liabilities		
Self-insurance [8]	**$ 339**	$ 563
Over-recovered purchased fuel and conservation cost recovery [1]	**3,827**	1,073
Storm reserve [8]	**2,845**	2,829
Accrued asset removal cost [9]	**50,261**	47,887
Deferred income taxes due to rate change [10]	**87,690**	88,804
Interest related to storm recovery [7]	**1,207**	2,146
Other	**1,851**	1,498
Total Regulatory Liabilities	**$ 148,020**	$ 144,800

[1] We are allowed to recover the asset or are required to pay the liability in rates. We do not earn an overall rate of return on these assets.

[2] At December 31, 2022, includes $21.2 million being recovered over a three year period primarily concentrated in our electric division. Per Florida PSC approval, our electric division was allowed to recover these amounts over an extended period of time in an effort to reduce the impact of increased commodity prices to our customers. Recovery of these costs began in January 2023.

[3] The Florida PSC allowed us to recover through a surcharge, capital and other program-related-costs, inclusive of an appropriate return on investment, associated with accelerating the replacement of qualifying distribution mains and services (defined as any material other than coated steel or plastic) in FPU's natural gas distribution, Fort Meade division and Chesapeake Utilities' CFG division. We are allowed to recover the asset or are required to pay the liability in rates related to GRIP.

[4] The Florida PSC allowed FPU to treat as a regulatory asset the portion of the unrecognized costs pursuant to ASC Topic 715, *Compensation - Retirement Benefits*, related to its regulated operations. This balance also includes the portion of pension settlement expense associated with the termination of the Chesapeake Pension Plan pursuant to an order from the FERC and the respective PSCs that allowed us to defer Eastern Shore, Delaware and Maryland Divisions' portion. See Note 16, *Employee Benefit Plans,* for additional information.

[5] We are allowed to include the premiums paid in various natural gas utility acquisitions in Florida in our rate bases and recover them over a specific time period pursuant to the Florida PSC approvals. We paid $34.2 million of the premium in 2009, including a gross up for income tax, because it is not tax deductible, and $0.7 million of the premium paid by FPU in 2010.

[6] We deferred as regulatory assets the net incremental expense impact associated with the net expense impact of COVID-19 as authorized by the stated PSCs.

[7] The Florida PSC authorized us to recover regulatory assets (including interest) associated with the recovery of Hurricanes Michael and Dorian storm costs which will be amortized between 6 and 10 years. Recovery of these costs includes a component of an overall return on capital additions and regulatory assets.

[8] We have storm reserves in our Florida regulated energy operations and self-insurance for our regulated energy operations that allow us to collect through rates amounts to be used against general claims, storm restoration costs and other losses as they are incurred.

[9] See Note 1, *Summary of Significant Accounting Policies,* for additional information on our asset removal cost policies.

[10] We recorded a regulatory liability for our regulated businesses related to the revaluation of accumulated deferred tax assets/liabilities as a result of the TCJA. The liability will be amortized over a period between 5 to 80 years based on the remaining life of the associated property. Based upon the regulatory proceedings, we will pass back the respective portion of the excess accumulated deferred taxes to rate payers. See Note 11, *Income Taxes*, for additional information.

19. Environmental Commitments and Contingencies

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remediate, at current and former operating sites, the effect on the environment of the disposal or release of specified substances.

MGP Sites

We have participated in the investigation, assessment or remediation of, and have exposures at, seven former MGP sites. We have received approval for recovery of clean-up costs in rates for sites located in Salisbury, Maryland; Seaford, Delaware; and Winter Haven, Key West, Pensacola, Sanford and West Palm Beach, Florida.

As of December 31, 2022 and 2021, we had approximately $4.3 million and $5.2 million, respectively, in environmental liabilities, related to the former MGP sites. As of December 31, 2022 and 2021, we have cumulative regulatory assets of $0.8 million and $1.3 million, respectively, for future recovery of environmental costs for customers. Specific to FPU's four MGP sites in Key West, Pensacola, Sanford and West Palm Beach, FPU has approval to recover, from insurance and from customers through rates, up to $14.0 million of its environmental costs related to its MGP sites. As of December 31, 2022 and 2021, we have recovered approximately $13.3 million and $12.9 million, respectively, leaving approximately $0.7 million and $1.1 million, respectively, in regulatory assets for future recovery of environmental costs from FPU's customers.

Environmental liabilities for our MGP sites are recorded on an undiscounted basis based on the estimate of future costs provided by independent consultants. We continue to expect that all costs related to environmental remediation and related activities, including any potential future remediation costs for which we do not currently have approval for regulatory recovery, will be recoverable from customers through rates.

Remediation is ongoing for the MGP's in Winter Haven and Key West in Florida and in Seaford, Delaware and the remaining clean-up costs are estimated to be between $0.3 million to $0.9 million for these three sites. The Environmental Protection Agency has approved a "site-wide ready for anticipated use" status for the Sanford, Florida MGP site, which is the final step before delisting a site. The remaining remediation expenses for the Sanford MGP site are immaterial.

The remedial actions approved by the Florida Department of Environmental Protection have been implemented on the east parcel of our West Palm Beach Florida site. Similar remedial actions have been initiated on the site's west parcel, and construction of active remedial systems are expected to be completed in 2023. We expect the costs to clean-up the site to be between $3.3 million to $14.2 million, including any potential costs associated with future redevelopment of the properties.

20. Other Commitments and Contingencies

Natural Gas, Electric and Propane Supply

In March 2020, our Delmarva Peninsula natural gas distribution operations entered into asset management agreements with a third party to manage their natural gas transportation and storage capacity. The agreements were effective as of April 1, 2020 and expire in March 2023.

FPU natural gas distribution operations and Eight Flags have separate asset management agreements with Emera Energy Services, Inc. to manage their natural gas transportation capacity. These agreements commenced in November 2020 and expire in March 2029.

Chesapeake Utilities' Florida Division has firm transportation service contracts with FGT and Gulfstream. Pursuant to a capacity release program approved by the Florida PSC, all of the capacity under these agreements has been released to various third parties. Under the terms of these capacity release agreements, Chesapeake Utilities is contingently liable to FGT and Gulfstream should any party, that acquired the capacity through release, fail to pay the capacity charge. To date, Chesapeake Utilities has not been required to make a payment resulting from this contingency.

FPU's electric supply contracts require FPU to maintain an acceptable standard of creditworthiness based on specific financial ratios. FPU's agreement with Florida Power & Light Company requires FPU to meet or exceed a debt service coverage ratio of 1.25 times based on the results of the prior 12 months. If FPU fails to meet this ratio, it must provide an irrevocable letter of credit or pay all amounts outstanding under the agreement within five business days. FPU's electric supply agreement with Gulf Power requires FPU to meet the following ratios based on the average of the prior six quarters: (a) funds from operations interest coverage ratio (minimum of 2 times), and (b) total debt to total capital (maximum of 65 percent). If FPU fails to meet the requirements, it has to provide the supplier a written explanation of actions taken, or proposed to be taken, to become compliant. Failure to comply with the ratios specified in the Gulf Power agreement could also result in FPU having to provide an irrevocable letter of credit. As of December 31, 2022, FPU was in compliance with all of the requirements of its supply contracts.

Eight Flags provides electricity and steam generation services through its CHP plant located on Amelia Island, Florida. In June 2016, Eight Flags began selling power generated from the CHP plant to FPU pursuant to a 20-year power purchase agreement for distribution to our electric customers. In July 2016, Eight Flags also started selling steam pursuant to a separate 20-year contract, to the landowner on which the CHP plant is located. The CHP plant is powered by natural gas transported by FPU through its distribution system and Peninsula Pipeline through its intrastate pipeline.

The total purchase obligations for natural gas, electric and propane supplies are as follows:

Year	**2023**	**2024-2025**	**2026-2027**	**Beyond 2027**	**Total**
(in thousands)					
Purchase Obligations	$ 83,521	$ 82,815	$ 71,327	$ 144,768	$ 382,431

Corporate Guarantees

The Board of Directors has authorized us to issue corporate guarantees securing obligations of our subsidiaries and to obtain letters of credit securing our subsidiaries' obligations. The maximum authorized liability under such guarantees and letters of credit as of December 31, 2022 was $20.0 million. The aggregate amount guaranteed at December 31, 2022 was approximately $13.5 million with the guarantees expiring on various dates through November 30, 2023. In addition, the Board has authorized us to issue specific purpose corporate guarantees. The amount of specific purpose guarantees outstanding at December 31, 2022 was $11.1 million, including a guarantee issued in July 2022 in the amount of $7.1 million associated with the Florida natural gas rate case.

As of December 31, 2022, we have issued letters of credit totaling approximately $5.8 million related to the electric transmission services for FPU's electric division, the firm transportation service agreement between TETLP and our Delaware and Maryland divisions, the capacity agreement between NEXUS and Aspire, and our current and previous primary insurance carriers. These letters of credit have various expiration dates through October 25, 2023. There have been no draws on these letters of credit as of December 31, 2022. We do not anticipate that the counterparties will draw upon these letters of credit, and we expect that they will be renewed to the extent necessary in the future.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer, with the participation of other Company officials, have evaluated our “disclosure controls and procedures” (as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of December 31, 2022. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2022.

CHANGE IN INTERNAL CONTROLS

In response to the COVID-19 pandemic and social distancing restrictions that were initially established in our service territories, we implemented our pandemic response plan which included having office staff work remotely to promote social distancing in efforts to reduce the ongoing spread of COVID-19. As vaccines became widely available and states of emergency in all of our service territories expired, we adjusted our operating practices accordingly to ensure the safety of our operations and continue to take the necessary actions to comply with the CDC, and the Occupational and Safety and Health Administration, as new developments occur. During the quarter ended December 31, 2022, our modified pandemic response plan did not result in a change in the design or operations of our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. There has been no change in internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during the quarter ended December 31, 2022, that materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

CEO AND CFO CERTIFICATIONS

Our Chief Executive Officer and Chief Financial Officer have filed with the SEC the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. In addition, on June 2, 2022, our Chief Executive Officer certified to the NYSE that he was not aware of any violation by us of the NYSE corporate governance listing standards.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. A company’s internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records which in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of its internal control over financial reporting based on the criteria established in an updated report entitled “Internal Control - Integrated Framework,” issued in May 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management has evaluated and concluded that our internal control over financial reporting was effective as of December 31, 2022.

Our independent registered public accounting firm, Baker Tilly US, LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2022, as stated in its attestation report which appears under Part II, *Item 8. Financial Statements and Supplementary Data*.

Item 9B. Other Information.

None.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

None.

Part III

Item 10. Directors, Executive Officers of the Registrant and Corporate Governance.

We have adopted a Code of Ethics that applies to our Principal Executive Officer, President, Principal Financial Officer, Principal Accounting Officer, Treasurer, Assistant Treasurer, Corporate Controller and persons performing similar functions, which is a "code of ethics" as defined by applicable rules of the SEC. This Code of Ethics is publicly available on our website at https://www.chpk.com. If we make any amendments to this code other than technical, administrative or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of this code to our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, Corporate Controller, or persons performing similar functions, we intend to disclose the nature of the amendment or waiver, its effective date and to whom it applies by posting such information on our website at the address and location specified above.

The remaining information required by this Item is incorporated herein by reference to the sections of our Proxy Statement captioned "Election of Directors (Proposal 1)," "Governance Trends and Director Education," "Corporate Governance Practices," "Board of Directors and its Committees" and "Delinquent Section 16(a) Reports."

Item 11. Executive Compensation.

The information required by this Item is incorporated herein by reference to the sections of our Proxy Statement captioned "Director Compensation," "Executive Compensation" and "Compensation Discussion and Analysis".

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is incorporated herein by reference to the sections of our Proxy Statement captioned "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information."

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated herein by reference to the section of our Proxy Statement captioned "Corporate Governance Practices" and "Director Independence."

Item 14. Principal Accounting Fees and Services.

The information required by this Item is incorporated herein by reference to the portion of the Proxy Statement captioned "Fees and Services of Independent Registered Public Accounting Firm." The Company's independent registered public accounting firm is Baker Tilly US, LLP, PCAOB ID: (23)

Part IV

Item 15. Exhibits, Financial Statement Schedules.

The following documents are filed as part of this Annual Report:

(a)(1) All of the financial statements, reports and notes to the financial statements included in Item 8 of Part II of this Annual Report on Form 10-K.

(a)(2) Schedule II—Valuation and Qualifying Accounts.

(a)(3) The Exhibits below.

• Exhibit 1.1	Equity Distribution Agreement dated August 17, 2020, by and between Chesapeake Utilities Corporation and each of RBC Capital Markets, LLC, BofA Securities, Inc., Wells Fargo Securities, LLC, Janney Montgomery Scott LLC, Guggenheim Securities, LLC, Maxim Group LLC, Sidoti & Company, LLC, and Siebert Williams Shank & Co., LLC is incorporated herein by reference to Exhibit 1.1 of our Current Report on Form 8-K, filed August 17, 2020, File No. 001-11590.
• Exhibit 3.1	Amended and Restated Certificate of Incorporation of Chesapeake Utilities Corporation is incorporated herein by reference to Exhibit 3.1 of our Quarterly Report on Form 10-Q for the period ended June 30, 2010, File No. 001-11590.
• Exhibit 3.2	Amended and Restated Bylaws of Chesapeake Utilities Corporation, effective December 4, 2012, are incorporated herein by reference to Exhibit 3 of our Current Report on Form 8-K, filed December 7, 2012, File No. 001-11590.
• Exhibit 3.3	First Amendment to the Amended and Restated Bylaws of Chesapeake Utilities Corporation, effective December 3, 2014, is incorporated herein by reference to Exhibit 3.3 of our Annual Report on Form 10-K for the year ended December 31, 2014, File No. 001-11590.
• Exhibit 3.4	Second Amendment to the Amended and Restated Bylaws of Chesapeake Utilities Corporation, effective November 2, 2016, is incorporated herein by reference to Exhibit 3.3 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, File No. 001-11590.
• Exhibit 3.5	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Chesapeake Utilities Corporation, is incorporated herein by reference to Exhibit 3.1 of our Current Report on Form 8-K, filed May 9, 2017, File No. 001-11590.
• Exhibit 3.6	Certificate of Elimination of Series A Participating Cumulative Preferred Stock of Chesapeake Utilities Corporation, is incorporated herein by reference to Exhibit 3.6 to our Annual Report on Form 10-K for the year ended December 31, 2017, File No. 001-11590.
• Exhibit 3.7	Third Amendment to the Amended and Restated Bylaws of Chesapeake Utilities Corporation, effective May 8, 2019, is incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K, filed May 14, 2019, File No. 001-11590.
• Exhibit 4.1	Note Agreement dated October 31, 2008, among Chesapeake Utilities Corporation, as issuer, General American Life Insurance Company and New England Life Insurance Company, relating to the private placement of Chesapeake Utilities Corporation's 5.93% Senior Notes due 2023.†
• Exhibit 4.2	Note Agreement dated June 29, 2010, among Chesapeake Utilities Corporation, as issuer, Metropolitan Life Insurance Company and New England Life Insurance Company, relating to the private placement of Chesapeake Utilities Corporation's 5.68% Senior Notes due 2026 and Chesapeake Utilities Corporation's 6.43% Senior Notes due 2028.†
• Exhibit 4.3	Note Agreement dated September 5, 2013, among Chesapeake Utilities Corporation, as issuer, and certain note holders, relating to the private placement of Chesapeake Utilities Corporation's 3.73% Senior Notes due 2028 and Chesapeake Utilities Corporation's 3.88% Senior Notes due 2029.†
• Exhibit 4.4	Private Shelf Agreement dated October 8, 2015, between Chesapeake Utilities Corporation, as issuer, and Prudential Investment Management Inc., relating to the private placement of Chesapeake Utilities Corporation's 3.25% Senior Notes due 2032, 3.98% Senior Notes due 2039, 3.0% Senior Notes due 2035, and the sale of other Chesapeake Utilities Corporation unsecured Senior Notes from time to time, is incorporated herein by reference to Exhibit 4.1 of our Quarterly Report on Form 10-Q for the period ended September 30, 2015, File No. 001-11590.

- Exhibit 4.5 — First Amendment to Private Shelf Agreement dated September 14, 2018, between Chesapeake Utilities Corporation, as issuer, and PGIM, Inc. (formerly known as Prudential Investment Management, Inc.), and other purchasers that may become party thereto. †
- Exhibit 4.6 — Master Note Agreement dated March 2, 2017, among Chesapeake Utilities Corporation, as issuer, NYL Investors LLC, and other certain note holders that may become party thereto from time to time relating to the private placement of Chesapeake Utilities Corporation's 3.48% Senior Notes due 2038 and Chesapeake Utilities Corporation's 3.58% Senior Notes due 2038, and Chesapeake Utilities Corporation's 2.96% Senior Notes due 2035. †
- Exhibit 4.7 — Note Purchase Agreement, dated August 25, 2021, by and among Chesapeake Utilities Corporation, MetLife Insurance K.K., Thrivent Financial For Lutherans, CMFG Life Insurance Company, and American Memorial Life Insurance Company relating to the placement of Chesapeake Utilities Corporations's 2.49% Senior Notes due 2037. †
- Exhibit 4.8 — Private Shelf Agreement, dated March 2, 2017, by and among Chesapeake Utilities Corporation, Metropolitan Life Insurance Company, and MetLife Investment Management, LLC, relating to the private placement of Chesapeake Utilities Corporation's 2.95% Senior Notes due 2042.†
- Exhibit 4.9 — First Amendment to Private Shelf Agreement, dated May 14, 2020, by and among Chesapeake Utilities Corporation, Metropolitan Life Insurance Company, and MetLife Investment Management, LLC. †
- Exhibit 4.10 — Third Amendment to Private Shelf Agreement dated February 8, 2023, between Chesapeake Utilities Corporation, as issuer, and PGIM, Inc. (formerly known as Prudential Investment Management, Inc.), and other purchasers that may become party thereto is filed herewith.
- Exhibit 4.11 — Second Amendment to Private Shelf Agreement, dated February 21, 2023, by and among Chesapeake Utilities Corporation, Metropolitan Life Insurance Company, and MetLife Investment Management, LLC is filed herewith.
- Exhibit 4.12 — Description of Chesapeake Utilities Corporation's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, is incorporated by reference to Exhibit 4.10 of our Annual Report on Form 10-K for the year ended December 31, 2021, File No. 001-11590.
- Exhibit 10.1* — Chesapeake Utilities Corporation Cash Bonus Incentive Plan, effective January 1, 2015, is incorporated herein by reference to our Proxy Statement dated March 31, 2015, in connection with our Annual Meeting held on May 6, 2015, File No. 001-11590.
- Exhibit 10.2* — Chesapeake Utilities Corporation 2013 Stock and Incentive Compensation Plan, effective May 2, 2013 is incorporated herein by reference to our Proxy Statement dated March 29, 2013 in connection with our Annual Meeting held on May 2, 2013, File No. 001-11590.
- Exhibit 10.3* — Non-Qualified Deferred Compensation Plan, effective January 1, 2014, is incorporated herein by reference to Exhibit 10.8 of our Annual Report on Form 10-K for the year ended December 31, 2013, File No. 001-11590.
- Exhibit 10.4* — Chesapeake Utilities Corporation Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009, is incorporated herein by reference to Exhibit 10.27 of our Annual Report on Form 10-K for the year ended December 31, 2008, File No. 001-11590.
- Exhibit 10.5* — First Amendment to the Chesapeake Utilities Corporation Supplemental Executive Retirement Plan as amended and restated effective January 1, 2009, is incorporated herein by reference to Exhibit 10.30 of our Annual Report on Form 10-K for the year ended December 31, 2010, File No. 001-11590.
- Exhibit 10.6 — Revolving Credit Agreement dated October 8, 2015, between Chesapeake Utilities Corporation and PNC Bank, National Association, Bank of America, N.A., Citizens Bank N.A., Royal Bank of Canada and Wells Fargo Bank, National Association as lenders, is incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended September 30, 2015, File No. 001-11590.

• Exhibit 10.7	First Amendment dated February 25, 2016 to the Revolving Credit Agreement dated October 8, 2015, between Chesapeake Utilities Corporation and PNC Bank, National Association, Bank of America, N.A., Citizens Bank N.A., Royal Bank of Canada and Wells Fargo Bank, National Association as lenders, is incorporated herein by reference to Exhibit 10.24 of our Annual Report on Form 10-K for the year ended December 31, 2015, File No. 001-11590.
• Exhibit 10.8	Credit Agreement, dated November 28, 2017, by and between Chesapeake Utilities Corporation and Branch Banking and Trust Company is incorporated herein by reference to Exhibit 10.20 of our Annual Report on Form 10-K for the year ended December 31, 2018, File No. 001-11590.
• Exhibit 10.9*	Form of Performance Share Agreement, effective February 25, 2019 for the period January 1, 2019 to December 31, 2021, pursuant to Chesapeake Utilities Corporation 2013 Stock and Incentive Compensation Plan by and between Chesapeake Utilities Corporation and Jeffry M. Householder is incorporated herein by reference to Exhibit 10.24 of our Annual Report on Form 10-K for the year ended December 31, 2018, File No. 001-11590.
• Exhibit 10.10*	Note Agreement dated September 28, 2022, among Chesapeake Utilities Corporation, as issuer, PGIM, Inc. (formerly known as Prudential Investment Management, Inc.) and each of its affiliates relating to the private placement of Chesapeake Utilities Corporation's 5.43% Senior Notes due 2038.†
• Exhibit 10.11	Term Note dated January 31, 2019 issued by Chesapeake Utilities Corporation in favor of Branch Banking & Trust Company is incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the quarter ended March 30, 2019, File No. 001-11590.
• Exhibit 10.12	Term Loan Credit Agreement, dated January 31, 2019, by and between Chesapeake Utilities Corporation and Branch Banking and Trust Company is incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarter ended March 30, 2019, File No. 001-11590.
• Exhibit 10.13*	Executive Retirement Agreement dated October 9, 2019, between Chesapeake Utilities Corporation and Stephen C. Thompson is incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, File No. 001-11590.
• Exhibit 10.14	Note Purchase Agreement dated November 19, 2019, between Chesapeake Utilities Corporation, The Guardian Life Insurance Company of America, The Guardian Insurance & Annuity Company, Inc., Berkshire Life Insurance Company of America, Thrivent Financial for Lutherans, United of Omaha Life Insurance Company, and CMFG Life Insurance Company is incorporated herein by reference to our Current Report on Form 8-K filed on November 20, 2019, File No. 001-11590.
• Exhibit 10.15*	Form of Performance Share Agreement, effective December 3, 2019 for the period 2019 to 2021, pursuant to Chesapeake Utilities Corporation 2013 Stock and Incentive Compensation Plan by and between Chesapeake Utilities Corporation and each of Jeffry M. Householder, Beth W. Cooper, James F. Moriarty and Kevin Webber is incorporated herein by reference to Exhibit 10.26 to our Annual Report on Form 10-K for the year ended December 31, 2019, File No. 001-11590.
• Exhibit 10.16*	Form of Performance Share Agreement dated February 22, 2023 for the period 2023-2025, pursuant to Chesapeake Utilities Corporation 2013 Stock and Incentive Compensation Plan by and between Chesapeake Utilities Corporation and each of Jeffry M. Householder, Beth W. Cooper, James F. Moriarty, Kevin Webber and Jeffrey S. Sylvester is filed herewith.
• Exhibit 10.17*	Form of Performance Share Agreement, effective February 25, 2020 for the period 2020 to 2022, pursuant to Chesapeake Utilities Corporation 2013 Stock and Incentive Compensation Plan by and between Chesapeake Utilities Corporation and each of Jeffry M. Householder, Beth W. Cooper, James F. Moriarty and Kevin Webber is incorporated herein by reference to Exhibit 10.28 to our Annual Report on Form 10-K for the year ended December 31, 2019, File No. 001-11590.

• Exhibit 10.18*	Form of Performance Share Agreement, effective February 24, 2021, for the period 2021 to 2023, pursuant to the Chesapeake Utilities Corporation 2013 Stock and Incentive Compensation Plan by and between Chesapeake Utilities Corporation and each of Jeffry M. Householder, Beth W. Cooper, James F. Moriarty, Kevin Webber, and Jeffrey S. Sylvester is incorporated herein by reference to Exhibit 10.18 to our Annual Report on Form 10-K for the year ended December31, 2021, File No. 001-11590.
• Exhibit 10.19	Loan Agreement dated April 24, 2020, between Chesapeake Utilities Corporation and PNC Bank, National Association is incorporated herein by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, File No. 001-11590.
• Exhibit 10.20	Loan Agreement dated April 27, 2020, between Chesapeake Utilities Corporation and Bank of America, N.A. is incorporated herein by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, File No. 001-11590.
• Exhibit 10.21	Revolving Line of Credit Note dated April 24, 2020 issued by Chesapeake Utilities Corporation in favor of PNC Bank, National Association is incorporated herein by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, File No. 001-11590.
• Exhibit 10.22	Promissory Note dated April 22, 2020, issued by Chesapeake Utilities Corporation and in favor of Bank of America, N.A. is incorporated herein by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, File No. 001-11590.
• Exhibit 10.23	Credit Agreement dated May 29, 2020, between Chesapeake Utilities Corporation and Citizens Bank National Association is incorporated herein by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, File No. 001-11590.
• Exhibit 10.24	Loan Agreement dated May 6, 2020 between Chesapeake Utilities Corporation and Royal bank of Canada is incorporated herein by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, File No. 001-11590.
• Exhibit 10.25	Form of Revolving Loan Note in favor of Citizens Bank National Association is incorporated herein by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, File No. 001-11590.
• Exhibit 10.26	Form of Revolving Credit Note in favor of Royal Bank of Canada is incorporated herein by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, File No. 001-11590.
• Exhibit 10.27	Credit Agreement, dated September 30, 2020, by and between Chesapeake Utilities Corporation, PNC Bank, National Association, and several other financial institutions named therein is incorporated herein by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, File No. 001-11590.
• Exhibit 10.28	Amended and Restated Credit Agreement, dated August 12, 2021, by and between Chesapeake Utilities Corporation, PNC Bank, National Association, and several other financial institutions named therein is incorporated herein by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, File No. 001-11590
• Exhibit 10.29*	Executive Employment Agreement, dated December 16, 2021, by and between Chesapeake Utilities Corporation and Jeffrey S. Sylvester is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on December 20, 2021, File No. 001-11590
• Exhibit 10.30*	Executive Employment Agreement, dated December 16, 2021, by and between Chesapeake Utilities Corporation and Jeffry M. Householder is incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on December 20, 2021, File No. 001-11590
• Exhibit 10.31*	Executive Employment Agreement, dated December 16, 2021, by and between Chesapeake Utilities Corporation and Beth W. Cooper is incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on December 20, 2021, File No. 001-11590
• Exhibit 10.32*	Executive Employment Agreement, dated December 16, 2021, by and between Chesapeake Utilities Corporation and James F. Moriarty is incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed on December 20, 2021, File No. 001-11590

• Exhibit 10.33*	Executive Employment Agreement, dated December 16, 2021, by and between Chesapeake Utilities Corporation and Kevin J. Webber is incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed on December 20, 2021, File No. 001-11590
• Exhibit 10.34*	Form of Performance Share Agreement, effective February 23, 2022, for the period 2022 to 2024, pursuant to the Chesapeake Utilities Corporation 2013 Stock and Incentive Compensation Plan by and between Chesapeake Utilities Corporation and each of Jeffry M. Householder, Beth W. Cooper, James F. Moriarty, Kevin J. Webber, and Jeffrey S. Sylvester is incorporated herein by reference to Exhibit 10.34 to our Annual Report on Form 10-K for the year ended December 31, 2021, File No. 001-11590.
• Exhibit 21	Subsidiaries of the Registrant is filed herewith.
• Exhibit 23.1	Consent of Independent Registered Public Accounting Firm is filed herewith.
• Exhibit 31.1	Certificate of Chief Executive Officer of Chesapeake Utilities Corporation pursuant to Exchange Act Rule 13a-14(a) and 15d – 14(a), is filed herewith.
• Exhibit 31.2	Certificate of Chief Financial Officer of Chesapeake Utilities Corporation pursuant to Exchange Act Rule 13a-14(a) and 15d – 14(a), is filed herewith.
• Exhibit 32.1	Certificate of Chief Executive Officer of Chesapeake Utilities Corporation pursuant to 18 U.S.C. Section 1350, is filed herewith.
• Exhibit 32.2	Certificate of Chief Financial Officer of Chesapeake Utilities Corporation pursuant to 18 U.S.C. Section 1350, is filed herewith.

- Exhibit 101.INS XBRL Instance Document is filed herewith.
- Exhibit 101.SCH XBRL Taxonomy Extension Schema Document is filed herewith.
- Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document is filed herewith.
- Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase Document is filed herewith.
- Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document is filed herewith.
- Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document is filed herewith.

• Exhibit 104	Cover Page Interactive Data File - formatted in Inline XBRL and contained in Exhibit 101.

* Management contract or compensatory plan or agreement.

† These agreements have not been filed herewith pursuant to Item 601(b)(4)(v) of Regulation S-K under the Securities Act of 1933, as amended. We hereby agree to furnish copies to the SEC upon request.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, Chesapeake Utilities Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHESAPEAKE UTILITIES CORPORATION

By: /s/ JEFFRY M. HOUSEHOLDER
Jeffry M. Householder
President, Chief Executive Officer and Director
February 22, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ JEFFRY M. HOUSEHOLDER Jeffry M. Householder President, Chief Executive Officer and Director February 22, 2023	/s/ BETH W. COOPER Beth W. Cooper, Executive Vice President, Chief Financial Officer, Treasurer and Assistant Corporate Secretary (Principal Financial and Accounting Officer) February 22, 2023
/S/ JOHN R. SCHIMKAITIS John R. Schimkaitis Chair of the Board and Director February 22, 2023	/S/ DENNIS S. HUDSON, III Dennis S. Hudson, III, Director February 22, 2023
/S/ LISA G. BISACCIA Lisa G. Bisaccia, Director February 22, 2023	/S/ LILA A. JABER Lila A. Jaber, Director February 22, 2023
/S/ THOMAS J. BRESNAN Thomas J. Bresnan, Director February 22, 2023	/S/ PAUL L. MADDOCK, JR. Paul L. Maddock, Jr., Director February 22, 2023
/S/ RONALD G. FORSYTHE, JR. Dr. Ronald G. Forsythe, Jr., Director February 22, 2023	/S/ CALVERT A. MORGAN, JR. Calvert A. Morgan, Jr., Director February 22, 2023
/S/ STEPHANIE N. GARY Stephanie N. Gary, Director February 22, 2023	/S/ DIANNA F. MORGAN Dianna F. Morgan, Director February 22, 2023
/S/ THOMAS P. HILL, JR. Thomas P. Hill, Jr., Director February 22, 2023	/S/ SHEREE M. PETRONE Sheree M. Petrone, Director February 22, 2023

Chesapeake Utilities Corporation and Subsidiaries
Schedule II
Valuation and Qualifying Accounts

For the Year Ended December 31,	Balance at Beginning of Year	Additions: Charged to Income	Additions: Other Accounts [1]	Deductions [2]	Balance at End of Year
(In thousands)					
Reserve Deducted From Related Assets					
Reserve for Uncollectible Accounts					
2022	$ 3,141	$ 1,550	$ 172	$ (1,986)	$ 2,877
2021	$ 4,785	$ 134	$ (125)	$ (1,653)	$ 3,141
2020	$ 1,337	$ 3,827	$ 613	$ (992)	$ 4,785

[1] Recoveries and other allowance adjustments.
[2] Uncollectible accounts charged off.

Exhibit 4.10

EXECUTION VERSION

February 8, 2023

Chesapeake Utilities Corporation 500 Energy Lane, Suite 400
Dover, Delaware 19901

Re: Amendment No. 3 to Private Shelf Agreement

Ladies and Gentlemen:

Reference is made to the Private Shelf Agreement, dated as of October 8, 2015, as amended by (a) Amendment No. 1 to Private Shelf Agreement dated September 14, 2018 and (b) Amendment No. 2 to Private Shelf Agreement dated April 15, 2020 (as amended, the "**Note Agreement**") among Chesapeake Utilities Corporation, a Delaware corporation (the "**Company**"), and PGIM, Inc. (formerly known as Prudential Investment Management, Inc.) and each Prudential Affiliate which may become a party thereto in accordance with the terms thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Note Agreement.

The Company has requested that Prudential and the Required Holders agree to certain amendments to the Note Agreement, in each case, as set forth below. Pursuant to the request of the Company and in accordance with the provisions of Section 17.1 of the Note Agreement, the parties hereto agree as follows:

SECTION 1. <u>Amendments</u>. Effective on the Effective Date (as defined in Section 4 hereof), the Note Agreement is amended as follows:

a. The Note Agreement is hereby amended by deleting each reference to "$370,000,000" contained therein and inserting "$405,000,000" in lieu thereof.

a. The Note Agreement is hereby amended by deleting the reference to "909 Silver Lake Boulevard, Dover, Delaware 19904" contained therein and inserting "500 Energy Lane, Suite 400, Dover, Delaware 19901" in lieu thereof.

a. Section 2(b) of the Note Agreement is hereby amended by deleting clause
(1) thereof in its entirety and inserting "(1) February 8, 2026 (or if such date is not a Business Day, the Business Day next preceding such date) and".

a. Section 7.1(i) of the Note Agreement is hereby amended and restated in its entirety to read as follows:

   i. *Resignation or Replacement of Auditors* — within 10 days following the date on which the Company's independent auditors resign or the Company elects to change independent auditors, as the case may be, notification thereof, together with such supporting information as the Required Holders may request;

provided, that delivery of a copy of a Current Report on Form 8-K (or applicable successor form), reporting such resignation or change of independent auditors, prepared in accordance with the SEC's requirements therefor and filed with the SEC, shall be deemed to satisfy the requirements of this Section 7.1(i); and

a. Section 7.4 of the Note Agreement is hereby amended and restated in its entirety to read as follows:

Section 7.4 Electronic Delivery. Financial statements, opinions of independent certified public accountants, other information and Officers' Certificates that are required to be delivered by the Company pursuant to Sections 7.1(a), (b), (d) or

i. and Section 7.2 shall be deemed to have been delivered if the Company satisfies any of the following requirements with respect thereto:

1. such financial statements satisfying the requirements of Section 7.1(a) or (b) and related Officer's Certificate satisfying the requirements of Section 7.2 are delivered to each holder of a Note by e-mail;

1. the Company shall have timely filed such Form 10–Q or Form 10–K, satisfying the requirements of Section 7.1(a) or Section 7.1(b), as the case may be, with the SEC on EDGAR and shall have made such form and the related Officer's Certificate satisfying the requirements of Section 7.2 available on its home page on the internet, which is located at http://chpk.com as of the date of this Agreement;

1. such financial statements satisfying the requirements of Section 7.1(a) or Section 7.1(b) and related Officer's Certificate satisfying the requirements of Section 7.2 are timely posted by or on behalf of the Company on IntraLinks or on any other similar website to which each holder of Notes has free access; or

1. the Company shall have filed any of the items referred to in Section 7.1(d) or Section 7.1(i) with the SEC on EDGAR and shall have made such items available on its home page on the internet or on IntraLinks or on any other similar website to

which each Purchaser and each holder of Notes has free access;

provided however, that in the case of any of clauses (b), (c) or (d), upon the request of any holder of a Note that is an Institutional Investor to receive written notice of posting and/or paper copies of such forms, financial statements and Officer's Certificates, (1) the Company shall give such holder of a Note prior written notice, which may be by e-mail or in accordance with Section 18, of such posting or filing in connection with each delivery, and (2) the Company will promptly e-mail such documents or deliver such paper copies, as the case may be, to such holder. Each holder of Notes that is an Institutional Investor shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

a. Section 10.3(b) of the Note Agreement is hereby amended and restated in its entirety to read as follows:

(b) The Company will not, at any time, permit the aggregate principal amount of (1) outstanding Purchase Money Indebtedness of the Company and its Subsidiaries, *plus* (2) outstanding Indebtedness secured by Liens permitted pursuant to Sections 10.4(i) and (j) and (3) outstanding unsecured Current or Funded Indebtedness of Subsidiaries (excluding Current or Funded Indebtedness owed by a Subsidiary to the Company or a Wholly-Owned Subsidiary) to exceed 20% of Total Capitalization.

a. Section 10.5 of the Note Agreement is hereby amended and restated in its entirety to read as follows:

Section 10.5 Sale of Property and Subsidiary Stock.

a. The Company will not, and will not permit any Subsidiary to, except in the ordinary course of business, sell, lease, transfer or otherwise dispose of any of its assets (not including Excluded Assets); *provided* that the foregoing restriction does not apply to the sale of assets for a cash consideration to a Person other than an Affiliate, if all of the following conditions are met:

   i. the amount of such assets (valued at net book value), together with all other assets of the Company and Subsidiaries previously disposed of (other than in the ordinary course of business) as

permitted by this Section 10.5(a) and the assets of any Subsidiary disposed of as permitted by clauses

a. and (4) of Section 10.5(b) during the fiscal year in which the disposition occurs does not exceed 10% of Consolidated Total Assets as of the end of the fiscal year then most recently ended; *provided* that assets, as so valued, may be sold in excess of 10% of Consolidated Total Assets in any fiscal year if either (i) within one year of such sale, the proceeds from the sale of such assets are used, or committed by the Company's Board of Directors to be used, to acquire other assets of at least equivalent value and earning power, or (ii) with the written consent of the holders of the Notes, the proceeds from sale of such assets are used immediately upon receipt to prepay pro rata the Notes of all Series under Section 8.2 and other senior Funded Indebtedness of the Company; and

i. in the opinion of the Company's Board of Directors, the sale is for fair value and is in the best interest of the Company; and

i. immediately before and immediately after the consummation of the sale, and after giving effect thereto, no Default or Event of Default would exist.

For the purpose of this paragraph (a), any transfer by the Company of any assets of its Florida division and the propane assets of Sharp Energy and Sharpgas located in Florida to FPU at a time when FPU is a Wholly-Owned Subsidiary shall be deemed to be in the ordinary course of business.

a. The Company will not, and will not permit any Subsidiary to, dispose of its investment in any Subsidiary, and the Company will not, and will not permit any Subsidiary to, issue or transfer any shares of a Subsidiary's capital stock, equity interests or any other Securities exchangeable or convertible into such Subsidiary's capital stock, equity interests or other Securities (such capital stock, equity interests and other Securities being called the **"Subsidiary Stock"**), if the effect would be to reduce the direct or indirect proportionate interest of the Company in the outstanding Subsidiary Stock of the Subsidiary whose shares are the subject of the transaction, *provided* that these restrictions do not apply to (1) the issue of directors' qualifying shares, (2) the

sale or other transfer to a Person other than an Affiliate of the Company and its other Subsidiaries of all or any portion of an investment in any Excluded Assets, (3) the sale or other transfer to a Person other than an Affiliate of the Company and its other Subsidiaries of all or any portion of an investment in any Renewable Subsidiary or (4) the sale for cash consideration of the entire investment of the Company and its other Subsidiaries in any other Subsidiary, *provided* that in the case of clauses (3) and

i. of this Section 10.5(b), the Company would be permitted to dispose of all or such proportionate amount of the assets of such Subsidiary at the time in compliance with the conditions specified in clauses (1), (2) and (3) of Section 10.5(a).

For the purpose of this paragraph (b), references to "any portion" of an investment shall include, without limitation, any sale or transfer that results in (1) the Subsidiary ceasing to qualify as a Subsidiary in accordance with this Agreement or (2) the Subsidiary ceasing to be controlled by the Company or any other Subsidiary of the Company.

a. Clause (a) of the definition of "Excluded Assets" in Schedule A to the Note Agreement is hereby amended and restated in its entirety to read as follows:

(a) each of the following Subsidiaries or the assets of any of the following Subsidiaries (including, without limitation, any Subsidiary Stock owned directly or indirectly by such Subsidiaries): Skipjack, Inc.; Eastern Shore Real Estate, Inc.; Peninsula

Pipeline Company, Inc.; Peninsula Energy Services Company, Inc.; Chesapeake OnSight Services, LLC; and Eight Flags Energy, LLC and

a. The definition of "FPU Indebtedness" in Schedule A to the Note Agreement is hereby deleted in its entirety.

a. Schedule A to the Note Agreement is hereby amended by inserting a new definition of "Renewable Subsidiary" in the appropriate alphabetical order to read as follows:

"Renewable Subsidiary" means any Subsidiary primarily engaged in the development, research or production of renewable energy or renewable energy sources.

a. Schedule B of the Note Agreement is hereby amended and restated in its entirety as set forth on Exhibit A attached hereto.

SECTION 2. Available Facility Amount. The Company and Prudential expressly agree and acknowledge that as of the Effective Date, after giving effect to the amendments in Section 1 hereof, the Available Facility Amount is $105,000,000. For purposes of calculating the Available Facility Amount, as of the Effective Date, the Company's 5.43% Series D Senior Notes due March 14, 2038 (the **"Series D Notes"**) to be in the original aggregate principal amount of $80,000,000 with respect to which the Company, Prudential and the Purchasers of the Series D Notes entered into a Confirmation of Acceptance dated September 28, 2022 do not reduce the Available Facility Amount described in the preceding sentence. **NOTWITHSTANDING THE FOREGOING, THIS AMENDMENT AND THE NOTE AGREEMENT HAVE BEEN ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PRUDENTIAL NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE SHELF NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PRUDENTIAL OR ANY PRUDENTIAL AFFILIATE.** Notwithstanding the foregoing, the obligation of Prudential to cause the Purchasers of the Series D Notes to purchase such Series D Notes remains governed by Section 2(f) of the Note Agreement.

SECTION 3. Representations and Warranties. The Company represents and warrants that (a) the execution and delivery of this amendment has been duly authorized by all necessary corporate action on behalf of each of the Company and this amendment has been executed and delivered by a duly authorized officer of each of the Company, and all necessary or required consents to this amendment (other than any consents required to be obtained solely by a holder) have been obtained and are in full force and effect; (b) each representation and warranty set forth in Section 5 of the Note Agreement is true and correct as of the date of execution and delivery of this amendment by the Company with the same effect as if made on such date; *provided* that for purposes of the representations in Section 5.4 and Section 5.15 of the Note Agreement, the schedules attached as Exhibit B hereto shall replace Schedule 5.4 and Schedule

a. of the Note Agreement and (c) after giving effect to the amendments set forth in Section 1 hereof, no Event of Default or Default exists or has occurred and is continuing on the date hereof.

SECTION 4. Effectiveness. This amendment shall become effective as of the date first written above (the **"Effective Date"**) provided that Prudential and each holder receives original counterparts or, if satisfactory to Prudential and such holder, certified or other copies of this amendment, duly executed and delivered by the parties hereto.

SECTION 5. Reference to and Effect on Note Agreement. Upon the effectiveness of this amendment, each reference to the Note Agreement in any other document, instrument or agreement shall mean and be a reference to the Note Agreement as modified by this amendment. Except as specifically set forth in Section 1 hereof, the Note Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. The execution, delivery and effectiveness of this amendment shall not be construed as a course of dealing or other implication that any holder of the Notes has agreed to or is prepared to grant any consents or

agree to any waiver to the Note Agreement in the future, whether or not under similar circumstances.

SECTION 6. Expenses. The Company hereby confirms its obligations under the Note Agreement, whether or not the transactions hereby contemplated are consummated, to pay, promptly after request by Prudential, all reasonable out-of-pocket costs and expenses, including attorneys' fees and expenses, incurred by Prudential in connection with this amendment or the transactions contemplated hereby, in enforcing any rights under this amendment, or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this amendment or the transactions contemplated hereby. The obligations of the Company under this Section 6 shall survive transfer by any Purchaser or holder of any Shelf Note and payment of any Shelf Note.

SECTION 7. Governing Law. THIS AMENDMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK (EXCLUDING ANY CONFLICTS OF LAW RULES WHICH WOULD OTHERWISE CAUSE THIS AMENDMENT TO BE CONSTRUED OR ENFORCED IN ACCORDANCE WITH, OR THE RIGHTS OF THE PARTIES TO BE GOVERNED BY, THE LAWS OF ANY OTHER JURISDICTION).

SECTION 8. Counterparts; Section Titles. This amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this amendment by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of this amendment. The section titles contained in this amendment are and shall be without substance, meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

[Signature Pages Follow]

Very truly yours,

PGIM, INC.

By:_Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

PGIM, Inc., as investment manager

By:_Vice President

THE GIBRALTAR LIFE INSURANCE CO., LTD.

By: Prudential Investment Management Japan Co., Ltd., as Investment Manager

By: PGIM, Inc., as Sub-Adviser

By:_Vice President

PRUDENTIAL ANNUITIES LIFE ASSURANCE CORPORATION

By: Pruco Life Insurance Company (as Grantor) By: PGIM, Inc. (as Investment Manager)

By:_Vice President

[Signature Page to Amendment No. 3]

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

By: Prudential Private Placement Investors, L.P., as Investment Advisor

By: Prudential Private Placement Investors, Inc., as General Partner

By: Vice President

THE PRUDENTIAL LIFE INSURANCE COMPANY, LTD.

By: Prudential Investment Management Japan Co., Ltd., as Investment Manager

By: PGIM, Inc., as Sub-Adviser

By: Vice President

PRUDENTIAL TERM REINSURANCE COMPANY

By: PGIM, Inc., as Investment Manager

By: Vice President

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

By: PGIM, Inc., as Investment Manager

By: Vice President

[Signature Page to Amendment No. 3]

Agreed and accepted:

CHESAPEAKE UTILITIES CORPORATION

By:

Name: Beth W. Cooper
Title: Executive Vice President and Chief Financial Officer

EXHIBIT A

INFORMATION SCHEDULE

PGIM, INC.

i. All payments to Prudential shall be made by wire transfer of immediately available funds for credit to:

JPMorgan Chase Bank New York, NY
ABA No.: [redacted]
Account No. [redacted] Account Name: PIM Inc. – PCG

i. Address for all notices relating to payments: PGIM, Inc.

c/o The Prudential Insurance Company of America 2200 Ross Ave
Suite 4300W Dallas, TX 75201

Attention: Managing Director – Real Assets – Energy cc. Vice President and Corporate Counsel
pcg.efg.oilgas@prudential.com brian.lemons@prudential.com

and for all notices relating solely to scheduled principal and interest payments to:

PGIM, Inc.
c/o Prudential Private Capital Prudential Tower
655 Broad Street
16th Floor – South Tower Newark, NJ 07102

Attention: PIM Private Accounting Processing Team
Email: Pim.Private.Accounting.Processing.Team@prudential.com

i. Address for Delivery of Notes:

1. Send physical security by nationwide overnight delivery service to: PGIM, Inc.

655 Broad Street
16th Floor - South Tower Newark, NJ 07102

Attention: Trade Management Manager

1. Send copy by email to: Ignacio Hirigoyen

Ignacio.hirigoyen@prudential.com and

Private.Disbursements@Prudential.com

i. Tax Identification No.: 22-2540245

i. External audit confirmations of loan balances for transactions closed by PPC should be sent to the address(es) outlined below.

Via e-mail (preferred):
PPCauditconfirms@prudential.com

By U.S. Mail:
PGIM Private Placement Operations 655 Broad Street, 14th Floor South Mail Stop # NJ 08-14-75
Newark, New Jersey 07102-5096
Attn: PPC Audit Confirmation Coordinator

For any questions or assistance with audit confirmations, please contact our centralized audit confirmation telephone number, (973) 367-7561.

i. Authorized Officers

Prudential Private Capital 2200 Ross Avenue
Suite 4300
Dallas, TX 75201
(214) 720-6200

Brian N. Thomas Wendy A. Carlson
Managing Director Managing Director
Brian.thomas@prudential.com wendy.carlson@prudential.com
Brittany D. Braden Ty Bowman
Vice President Vice President
Brittany.braden@prudential.com ty.bowman@prudential.com
Brian E. Lemons Ingrida Soldatova
Vice President Vice President
Brian.lemons@prudential.com ingrida.soldatova@prudential.com
Callie A. Hamilton Lauren Soulis
Vice President Vice President
Callie.hamilton@prudential.com lauren.soulis@prudential.com

Matt Baker Chris Halloran
Vice President Vice President
Matt.baker@pgim.com chris.halloran@pgim.com

Authorized Officers for Company

Noah T. Russell
Assistant Vice President & Assistant Treasurer Chesapeake Utilities Corporation
500 Energy Lane, Suite 400
Dover, Delaware 19901

Telephone: 302-736-7656
Facsimile: 302-734-6750

Beth W. Cooper
Executive Vice President & Chief Financial Officer
Chesapeake Utilities Corporation 500 Energy Lane, Suite 400
Dover, Delaware 19901

Telephone: 302-734-6022
Facsimile: 302-734-6750

EXHIBIT B

[See Attached]

SUBSIDIARIES OF THE COMPANY AND OWNERSHIP OF SUBSIDIARY STOCK

Name	Jurisdiction of Organization	Owner	Ownership Percentage
Eastern Shore Natural Gas Company	Delaware	Chesapeake Utilities Corporation	100%
Sharp Energy, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Sharpgas, Inc.	Delaware	Sharp Energy, Inc.	100%
Peninsula Energy Services Company, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Peninsula Pipeline Company, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Florida Public Utilities Company	Florida	Chesapeake Utilities Corporation	100%
FPU Renewables, LLC	Florida	Florida Public Utilities Company	100%
Flo-Gas Corporation	Florida	Florida Public Utilities Company	100%
Chesapeake Service Company	Delaware	Chesapeake Utilities Corporation	100%
Skipjack, Inc.	Delaware	Chesapeake Service Company	100%
Chesapeake Investment Company	Delaware	Chesapeake Service Company	100%

Eastern Shore Real Estate, Inc.	Delaware	Chesapeake Service Company	100%
Chesapeake OnSight Services, LLC	Delaware	Chesapeake Utilities Corporation	100%
Sandpiper Energy, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Eight Flags Energy, LLC	Delaware	Chesapeake OnSight Services, LLC	100%
Aspire Energy Express, LLC	Delaware	Chesapeake Utilities Corporation	100%
Marlin Gas Services, LLC	Delaware	Chesapeake Utilities Corporation	100%
Aspire Energy of Ohio, LLC	Delaware	Chesapeake Utilities Corporation	100%
Chesapeake Elkton, LLC	Delaware	Chesapeake Utilities Corporation	100%
Elkton Gas Company	Maryland	Chesapeake Utilities Corporation	100%
OnSight Renewables, LLC	Delaware	Chesapeake Utilities Corporation	100%
Amelia Island Energy, LLC	Delaware	Chesapeake OnSight Services, LLC	100%
Amelia Renewables, LLC	Delaware	OnSight Renewables, LLC	100%
Blue Peake LNG, LLC	Delaware	OnSight Renewables, LLC	100%
Marlin Compression, LLC	Delaware	OnSight Renewables, LLC	100%

EXISTING INDEBTEDNESS

The existing principal amount of Indebtedness of the Company and its Subsidiaries as of September 30, 2022, is as follows:

Agreement	Current Outstanding Principal as of September 30, 2022	
Note Agreement, dated October 31, 2008, as amended, regarding 5.93% Senior Unsecured Notes, due October 31, 2023.	$4,500,000	
Note Agreement, dated June 29, 2010, as amended by First Amendment June 20, 2011: a. 5.68% Series A, Senior Unsecured Notes, due June 30, 2026 b. 6.43% Series B, Senior Unsecured Notes, due May 2, 2028.	i. ii.	$11,600,000 $4,200,000
Note Purchase Agreement, dated September 5, 2013:		

a. 3.73% Series A, Senior Unsecured Notes, due December 16 b. 3.88% Series B, Senior Unsecured Notes, due May 15, 202	i. ii.	$14,000,000 $35,000,000
Private Shelf Facility, dated October 8, 2015 (as amended, restated, extended, supplemented or otherwise modified from time to time), by and between Chesapeake Utilities Corporation and PGIM, Inc. (formerly known as Prudential Investment Management, Inc.): i. 3.25% Senior Unsecured Notes, due April 30, 203 ii. 3.98% Senior Unsecured Notes, Series B, du 20, 2039. iii. 3.00% Senior Unsecured Notes, Series C, due July 1 2035. iv. 5.43% Senior Unsecured Notes, Series D, due Mar 14, 2038	i. ii. iii. iv.	$68,250,000 $100,000,000 $50,000,000 $80,000,000 funding is expected to occur in March 2023
Master Note Agreement, dated March 2, 2017 (as amended, restated, extended, supplemented or otherwise modified from time to time), by and between Chesapeake Utilities Cor		

and NYL Investors LLC: a. 3.48% Senior Unsecured Notes due May 31, 2038 b. 3.58% Senior Unsecured Notes due November 30, 2038. c. 2.96% Senior Unsecured Notes due August 15, 2035	i. $50,000,000 ii. $50,000,000 iii. $40,000,0
Note Purchase Agreement, dated November 19, 2019, by and among Chesapeake Utilities Corporation, The Guardian Life Insurance Company of America and the other purchasers party thereto regarding 2.98% Senior Unsecured Notes, due December 20, 2034.	$70,000,000

Private Shelf Agreement, dated March 2, 2017 (as amended, restated, extended, supplemented or otherwise modified from time to time), by and among Chesapeake Utilities Corporation, Metropolitan Life Insurance Company and MetLife Investment Advisors, LLC (now known as MetLife Investment Management, LLC). i. 2.95% Senior Unsecured Notes due March 15, 204	i. $50,000,00
Amended and Restated Credit Agreement, dated August 12, 2021 (as amended, restated, extended, supplemented or otherwise modified from time to time), by and among Chesapeake Utilities Corporation, a Delaware corporation, PNC Bank, National Association, as administrative agent, swing loan lender and issuing lender, and the other lenders party thereto, providing for (i) a $200,000,000 5-year revolving facility expiring on August 12, 2026, and (ii) a $200,000,000 364-day revolving facility expiring on August 11, 2022.	$166,319,525.75
Equipment Security Note dated September 29, 2021, by and among Chesapeake Utilities Corporation and Banc of America Leasing & Capital, LLC regarding 2.46% Equipment Security Note, due September 29, 2031.	$8,734,006
Note Purchase Agreement, dated August 25, 2021, by and among Chesapeake Utilities Corporation, MetLife Insurance K.K. and the other purchase party thereto regarding 2.49% Senior Unsecured Notes, due January 25, 2037	$50,000,000

Exhibit 4.11

EXECUTION VERSION

February 21, 2023

Chesapeake Utilities Corporation 500 Energy Lane, Suite 400
Dover, Delaware 19901

Re: Amendment No. 2 to Private Shelf Agreement

Ladies and Gentlemen:

Reference is made to the Private Shelf Agreement, dated as of March 2, 2017 (as amended by Amendment No. 1 to Private Shelf Agreement dated as of May 14, 2020, the "**Shelf Agreement**") originally among Chesapeake Utilities Corporation, a Delaware corporation (the "**Company**"), Metropolitan Life Insurance Company and MetLife Investment Advisors, LLC (now known as MetLife Investment Management, LLC) and each MetLife Affiliate which may become a party thereto in accordance with the terms thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Shelf Agreement.

The Company has requested that MetLife and the Required Holders (i) agree to extend the Issuance Period for three years from the Effective Date (as defined in Section 4 hereof) and
(ii) make certain other amendments to the Shelf Agreement as more particularly described herein. Pursuant to such requests, and in accordance with the provisions of Section 17.1 of the Shelf Agreement, the parties hereto agree as follows:

SECTION 1. Amendments. Effective on the Effective Date (as defined in Section 4 hereof), the Shelf Agreement is amended as follows:

a. The Shelf Agreement is hereby amended by deleting each reference to "$150,000,000" contained therein and inserting "$200,000,000" in lieu thereof.

a. The Shelf Agreement is hereby amended by deleting the reference to "909 Silver Lake Boulevard, Dover, Delaware 19904" contained therein and inserting "500 Energy Lane, Suite 400, Dover, Delaware 19901" in lieu thereof.

a. Section 1 of the Shelf Agreement is hereby amended by deleting the words "to mature, in the case of each Note so issued, no more than 20 years after the date of original issuance thereof" and inserting "to mature, in the case of each Note so issued, no more than 30 years after the date of original issuance thereof" in lieu thereof.

a. Section 2(b) of the Shelf Agreement is hereby amended by deleting clause (1) thereof in its entirety and inserting "(1) February 21, 2026 (or if such date is not a Business Day, the Business Day next preceding such date) and".

a. Section 7.1(i) of the Shelf Agreement is hereby amended and restated in its entirety to read as follows:

i. *Resignation or Replacement of Auditors* — within 10 days following the date on which the Company's independent auditors resign or the Company elects to change independent auditors, as the case may be, notification thereof, together with such supporting information as the Required Holders may request; *provided,* that delivery of a copy of a Current Report on Form 8-K (or applicable successor form), reporting such resignation or change of independent auditors, prepared in accordance with the SEC's requirements therefor and filed with the SEC, shall be deemed to satisfy the requirements of this Section 7.1(i); and

a. Section 7.4 of the Shelf Agreement is hereby amended and restated in its entirety to read as follows:

Section 7.4 Electronic Delivery. Financial statements, opinions of independent certified public accountants, other information and Officers' Certificates that are required to be delivered by the Company pursuant to Sections 7.1(a), (b), (d) or

i. and Section 7.2 shall be deemed to have been delivered if the Company satisfies any of the following requirements with respect thereto:

1. such financial statements satisfying the requirements of Section 7.1(a) or (b) and related Officer's Certificate satisfying the requirements of Section 7.2 are delivered to each holder of a Note by e-mail;

1. the Company shall have timely filed such Form 10–Q or Form 10–K, satisfying the requirements of Section 7.1(a) or Section 7.1(b), as the case may be, with the SEC on EDGAR and shall have made such form and the related Officer's Certificate satisfying the requirements of Section 7.2 available on its home page on the internet, which is located at http://chpk.com as of the date of this Agreement;

1. such financial statements satisfying the requirements of Section 7.1(a) or Section 7.1(b) and related Officer's Certificate satisfying the

requirements of Section 7.2 are timely posted by or on behalf of the Company on IntraLinks or on any other similar website to which each holder of Notes has free access; or

1. the Company shall have filed any of the items referred to in Section 7.1(d) or Section 7.1(i) with the SEC on EDGAR and shall

have made such items available on its home page on the internet or on IntraLinks or on any other similar website to which each Purchaser and each holder of Notes has free access;

provided however, that in the case of any of clauses (b), (c) or (d), upon the request of any holder of a Note that is an Institutional Investor to receive written notice of posting and/or paper copies of such forms, financial statements and Officer's Certificates, (1) the Company shall give such holder of a Note prior written notice, which may be by e- mail or in accordance with Section 18, of such posting or filing in connection with each delivery, and (2) the Company will promptly e-mail such documents or deliver such paper copies, as the case may be, to such holder. Each holder of Notes that is an Institutional Investor shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

a. Section 10.3(b) of the Shelf Agreement is hereby amended and restated in its entirety to read as follows:

(b) The Company will not, at any time, permit the aggregate principal amount of (1) outstanding Purchase Money Indebtedness of the Company and its Subsidiaries, *plus* (2) outstanding Indebtedness secured by Liens permitted pursuant to Sections 10.4(i) and (j) and (3) outstanding unsecured Current or Funded Indebtedness of Subsidiaries (excluding Current or Funded Indebtedness owed by a Subsidiary to the Company or a Wholly-Owned Subsidiary) to exceed 20% of Total Capitalization.

a. Section 10.5 of the Shelf Agreement is hereby amended and restated in its entirety to read as follows:

Section 10.5 Sale of Property and Subsidiary Stock.

a. The Company will not, and will not permit any Subsidiary to, except in the ordinary course of business, sell, lease,

transfer or otherwise dispose of any of its assets (not including Excluded Assets); *provided* that the foregoing restriction does not apply to the sale of assets for a cash consideration to a Person other than an Affiliate, if all of the following conditions are met:

i. the amount of such assets (valued at net book value), together with all other assets of the Company and Subsidiaries previously disposed of (other than in the ordinary course of business) as permitted by this Section 10.5(a) and the assets of any Subsidiary disposed of as permitted by clauses

a. and (4) of Section 10.5(b) during the fiscal year in which the disposition occurs does not exceed 10% of Consolidated Total Assets as of the end of the fiscal year then most recently ended; *provided* that assets, as so valued, may be sold in excess of 10% of Consolidated Total Assets in any fiscal year if either (i) within one year of such sale, the proceeds from the sale of such assets are used, or committed by the Company's Board of Directors to be used, to acquire other assets of at least equivalent value and earning power, or (ii) with the written consent of the holders of the Notes, the proceeds from sale of such assets are used immediately upon receipt to prepay pro rata the Notes of all Series under Section 8.2 and other senior Funded Indebtedness of the Company; and

i. in the opinion of the Company's Board of Directors, the sale is for fair value and is in the best interest of the Company; and

i. immediately before and immediately after the consummation of the sale, and after giving effect thereto, no Default or Event of Default would exist.

For the purpose of this paragraph (a), any transfer by the Company of any assets of its Florida division and the propane assets of Sharp Energy and Sharpgas located in Florida to FPU at a time when FPU is a Wholly-Owned Subsidiary shall be deemed to be in the ordinary course of business.

a. The Company will not, and will not permit any Subsidiary to, dispose of its investment in any Subsidiary, and the Company will not, and will not permit any Subsidiary to, issue or

transfer any shares of a Subsidiary's capital stock, equity interests or any other Securities exchangeable or convertible into such Subsidiary's capital stock, equity interests or other Securities (such capital stock, equity interests and other Securities being called the **"Subsidiary Stock"**), if the effect would be to reduce the direct or indirect proportionate interest of the Company in the outstanding Subsidiary Stock of the Subsidiary whose shares are the subject of the transaction, *provided* that these restrictions do not apply to (1) the issue of directors' qualifying shares, (2) the sale or other transfer to a Person other than an Affiliate of the Company and its other Subsidiaries of all or any portion of an investment in any Excluded Assets, (3) the sale or other transfer to a Person other than an Affiliate of the Company and its other Subsidiaries of all or any portion of an investment in any Renewable Subsidiary or (4) the sale for cash consideration of the entire investment of the Company and its other Subsidiaries in any other Subsidiary, *provided* that in the case of clauses (3) and (4) of this Section 10.5(b), the Company would be permitted to dispose of all or such proportionate amount of the assets of such Subsidiary at the time in compliance with the conditions specified in clauses (1), (2) and (3) of Section 10.5(a).

For the purpose of this paragraph (b), references to "any portion" of an investment shall include, without limitation, any sale or transfer that results in (1) the Subsidiary ceasing to qualify as a Subsidiary in accordance with this Agreement or (2) the Subsidiary ceasing to be controlled by the Company or any other Subsidiary of the Company.

a. Clause (a) of the definition of "Excluded Assets" in Schedule A to the Shelf Agreement is hereby amended and restated in its entirety to read as follows:

(a) each of the following Subsidiaries or the assets of any of the following Subsidiaries (including, without limitation, any Subsidiary Stock owned directly or indirectly by such Subsidiaries): Skipjack, Inc.; Eastern Shore Real Estate, Inc.; Peninsula Pipeline Company, Inc.; Peninsula Energy Services Company, Inc.; Chesapeake OnSight Services, LLC; and Eight Flags Energy, LLC and

a. The definition of “FPU Indebtedness” in Schedule A to the Shelf Agreement is hereby deleted in its entirety.

a. Schedule A to the Shelf Agreement is hereby amended by inserting a new definition of “Renewable Subsidiary” in the appropriate alphabetical order to read as follows:

“Renewable Subsidiary” means any Subsidiary primarily engaged in the development, research or production of renewable energy or renewable energy sources.

a. Schedule B of the Shelf Agreement is hereby amended and restated in its entirety as set forth on Exhibit A attached hereto.

SECTION 2. Available Facility Amount. The Company and MetLife expressly agree and acknowledge that as of the Effective Date after giving effect to the amendments in Section 1 hereof the Available Facility Amount is $150,000,000. NOTWITHSTANDING THE FOREGOING, THIS AMENDMENT AND THE SHELF AGREEMENT HAVE BEEN ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER METLIFE NOR ANY METLIFE AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY METLIFE OR ANY METLIFE AFFILIATE.

SECTION 3. Representations and Warranties. The Company represents and warrants that (a) the execution and delivery of this amendment has been duly authorized by all necessary corporate action on behalf of each of the Company and this amendment has been executed and delivered by a duly authorized officer of each of the Company, and all necessary or required consents to this amendment (other than any consents required to be obtained solely by a holder) have been obtained and are in full force and effect; (b) each representation and warranty set forth in Section 5 of the Shelf Agreement is true and correct as of the date of execution and delivery of this amendment by the Company with the same effect as if made on such date; *provided* that for purposes of the representations in Section 5.4 and Section 5.15 of the Shelf Agreement, the schedules attached as Exhibit B hereto shall replace Schedule 5.4 and Schedule 5.15 of the Shelf Agreement and (c) after giving effect to the amendments set forth in Section 1 hereof, no Event of Default or Default exists or has occurred and is continuing on the date hereof.

SECTION 4. Effectiveness. This amendment shall become effective as of the date first written above (the “**Effective Date**”) provided that MetLife and each holder of a Note receive original counterparts or, if satisfactory to MetLife or such Holder, certified or other copies of this amendment, duly executed and delivered by the parties hereto.

SECTION 5. Reference to and Effect on Shelf Agreement. Upon the effectiveness of this amendment, each reference to the Shelf Agreement in any other document, instrument or agreement shall mean and be a reference to the Shelf Agreement as modified by this amendment.

Except as specifically set forth in Section 1 hereof, the Shelf Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. The execution, delivery and effectiveness of this amendment shall not be construed as a course of dealing or other implication that any holder of the Notes has agreed to or is prepared to grant any consents or agree to any waiver to the Shelf Agreement in the future, whether or not under similar circumstances.

SECTION 6. Expenses. The Company hereby confirms its obligations under the Shelf Agreement, whether or not the transactions hereby contemplated are consummated, to pay, promptly after request by MetLife, all reasonable out-of-pocket costs and expenses, including attorneys' fees and expenses, incurred by MetLife in connection with this amendment or the transactions contemplated hereby, in enforcing any rights under this amendment, or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this amendment or the transactions contemplated hereby. The obligations of the Company under this Section 6 shall survive transfer by any Purchaser or holder of any Note and payment of any Note.

SECTION 7. Governing Law. THIS AMENDMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK (EXCLUDING ANY CONFLICTS OF LAW RULES WHICH WOULD OTHERWISE CAUSE THIS AMENDMENT TO BE CONSTRUED OR ENFORCED IN ACCORDANCE WITH, OR THE RIGHTS OF THE PARTIES TO BE GOVERNED BY, THE LAWS OF ANY OTHER JURISDICTION).

SECTION 8. Counterparts; Section Titles. This amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this amendment by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of this amendment. The section titles contained in this amendment are and shall be without substance, meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

[Signature Pages Follow]

Very truly yours,

METLIFE INVESTMENT MANAGEMENT, LLC (FKA METLIFE INVESTMENT ADVISORS, LLC)

By:

Name: Frederic Spoier
Title: Authorized Signatory

METLIFE INSURANCE K.K.

By: MetLife Investment Management , LLC, its investment manager

By
Name: Frederic Spoth Title: Authorized Signatory

MISSOURI REINSURANCE, IN C.

By: MetLife Investment Management, LLC, its investment manager

By

Name: Frederic Sporel
Title: Authorized Signatory

Agreed and accepted:

CHESAPEAKE UTILITIES CORPORATION

By:

Name: Beth W. Cooper
Title: Executive Vice President and Chief Financial Officer

[Signature Page to Amendment No. 2]

EXHIBIT A

INFORMATION SCHEDULE

Shaun Oliver Associate Director Private Fixed Income
MetLife Investment Management
One MetLife Way, Whippany, NJ, 07981 P: 973-355-4492
soliver@metlife.com

Fred Sporer Director
Private Fixed Income
MetLife Investment Management
One MetLife Way, Whippany, NJ 07981 P: 917-596-3524
fsporer@metlife.com

Trevor Shields Associate
MetLife Private Capital
MetLife Investment Management
One MetLife Way, Whippany, NJ, 07981 P: 973-307-7238
trevor.shields@metlife.com

Authorized Officers for Company

Noah T. Russell
Assistant Vice President & Assistant Treasurer
Chesapeake Utilities Corporation 500 Energy Lane, Suite 400
Dover, Delaware 19901
Telephone: 302-387-9147
Facsimile: 302-734-6750

Beth W. Cooper
Executive Vice President & Chief Financial Officer Chesapeake Utilities Corporation 500 Energy Lane, Suite 400
Dover, Delaware 19901
Telephone: 302-734-6022
Facsimile: 302-734-6750

EXHIBIT B

[See Attached]

SUBSIDIARIES OF THE COMPANY AND OWNERSHIP OF SUBSIDIARY STOCK

Name	Jurisdiction of Organization	Owner	Ownership Percentage
Eastern Shore Natural Gas Company	Delaware	Chesapeake Utilities Corporation	100%
Sharp Energy, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Sharpgas, Inc.	Delaware	Sharp Energy, Inc.	100%
Peninsula Energy Services Company, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Peninsula Pipeline Company, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Florida Public Utilities Company	Florida	Chesapeake Utilities Corporation	100%
FPU Renewables, LLC	Florida	Florida Public Utilities Company	100%
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Marlin Gas Services, LLC	Delaware	Chesapeake Utilities Corporation	100%
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and NYL Investors LLC: a. 3.48% Senior Unsecured Notes due May 31, 2038 b. 3.58% Senior Unsecured Notes due November 30, 2038. c. 2.96% Senior Unsecured Notes due August 15, 2035	i. $50,000,000 ii. $50,000,000 iii. $40,000,0
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Note Purchase Agreement, dated August 25, 2021, by and among Chesapeake Utilities Corporation, MetLife Insurance K.K. and the other purchase party thereto regarding 2.49% Senior Unsecured Notes, due January 25, 2037	$50,000,000

PERFORMANCE STOCK AWARD AGREEMENT

pursuant to the

CHESAPEAKE UTILITIES CORPORATION
2013 STOCK AND INCENTIVE COMPENSATION PLAN

On February 22, 2023 (the “Grant Date”), Chesapeake Utilities Corporation, a Delaware corporation (the “Company”), has granted to __________ (the “Grantee”), who resides at ______________, a Performance Stock Award on the terms and subject to the conditions of this Performance Stock Award Agreement.

Recitals

WHEREAS, the Chesapeake Utilities Corporation 2013 Stock and Incentive Compensation Plan (the “Plan”) has been duly adopted by action of the Company's Board of Directors (the “Board”) on March 6, 2013, and approved by the Shareholders of the Company at a meeting held on May 2, 2013, and amended by the Compensation Committee of the Board, as administrator of the Plan, in January 2017 to align the Plan with a change in accounting standards; and

WHEREAS, the Committee of the Board of Directors of the Company referred to in the Plan (the “Committee”) has determined that it is in the best interests of the Company to grant the Performance Stock Award described herein pursuant to the Plan; and

WHEREAS, the shares of the Common Stock of the Company (“Shares”) that are subject to this Agreement, when added to the other shares of Common Stock that are subject to awards granted under the Plan, do not exceed the total number of shares of Common Stock with respect to which awards are authorized to be granted under the Plan or the total number of shares of Common Stock that may be granted to an individual in a single calendar year.

Agreement

It is hereby covenanted and agreed by and between the Company and the Grantee as follows:

Section 1. Performance Stock Award and Performance Period

The Company hereby grants to the Grantee a Performance Stock Award as of the Grant Date. As more fully described herein, the Grantee may earn up to ______ Shares upon the Company's achievement of the performance criteria set forth in Section 2 (the “Performance Shares”) over the performance period from January 1, 2023 to December 31, 2025 (the “Performance Period”). This Award has been granted pursuant to the Plan; capitalized terms used in this agreement which are not specifically defined herein shall have the meanings ascribed to such terms in the Plan.

Section 2. Performance Criteria and Terms of Stock Award

(a) The Committee selected and established in writing performance criteria for the Performance Period, which, if met, may entitle the Grantee to some or all of the Performance Shares under this Award. As soon as practicable after the Company's independent auditors have certified the Company's financial statements for each fiscal year of the Company in the Performance Period, the Committee shall determine for purposes of this Agreement the Company's (1) total shareholder return, defined as the cumulative total return to stockholders ("Stockholder Value"), (2) growth in long-term earnings, defined as the growth in total capital expenditures as a percentage of total capitalization ("Growth"), and (3) earnings performance, defined as average return on equity ("RoE"), in accordance with procedures established by the Committee. The Stockholder Value, Growth and RoE (each a "Performance Metric" and collectively, the "Performance Metrics") shall be determined by the Committee in accordance with the terms of the Plan and this Agreement based on financial results reported to stockholders in the Company's annual reports and may be subject to adjustment by the Committee for extraordinary events during the Performance Period, as applicable. Both the Stockholder Value and the Growth Performance Metrics will be compared to the performance of the **2023-2025** Performance Peer Group, Attachment A hereto and to the **2023-2025** Long-Term Award Resolution (collectively referred to as the "Peer Group"), for the Performance Period and Awards will be determined according to the schedule in subsection (b) below. For Stockholder Value, the calculation of total stockholder return will utilize the average closing stock price from November 1 through December 31 immediately preceding the beginning and at the end of the performance period. For the average RoE Performance Metric, the Company's performance will be compared to pre-determined RoE thresholds established by the Committee. At the end of the Performance Period, the Committee shall certify the extent to which the Performance Goals were met during the Performance Period. If the Performance Goals for the Performance Period are met, the Grantee shall be entitled to the Award, subject, however, to the Committee's exercise of discretion to adjust any Award to a grantee (either up or down) based on business outcomes and objectives established for that grantee or any other factors, all as determined by the Committee in its sole discretion. The Committee shall promptly notify the Grantee of its determination.

(b) The Grantee may earn 50% percent or more of the target award of _________ Performance Shares (the "Target Award") up to a maximum number of Performance Shares set forth in Section 1 above (the "Maximum Award") based upon achievement of threshold and target levels of performance against the Performance Metrics established for the Performance Period. The Committee shall confirm the level of Award attained for the Performance Period after the Company's independent auditors have certified the Company's financial statements for each fiscal year of the Company in the Performance Period.

(c) Once established, the performance criteria identified above normally shall not be changed during the Performance Period. However, if any of the companies in the Peer Group cease to be publicly traded, they will automatically be deleted from the Peer Group. In addition, the Committee may, in its discretion, approve adjustments to (i) the number of Shares, Options or other benefit granted, issued and/or vested under an Award, (ii) applicable performance criteria, and/or (iii) applicable financial or other results achieved or the manner in which applicable financial or other results are calculated or evaluated for purposes of determining whether performance criteria were satisfied during or with respect to the Performance Period, all as provided in the Plan.

(d) Performance Shares that are awarded to the Grantee pursuant to this Section 2 shall be issued promptly, without payment of consideration by the Grantee, within 2½ months of the end of the Performance Period. The Grantee shall have the right to vote the Performance

Shares and to receive the dividends distributable with respect to such Shares on and after, but not before, the date on which the Grantee is recorded on the Company's ledger as holder of record of the Performance Shares (the "Issue Date"). If, however, the Grantee receives Shares as part of any dividend or other distribution with respect to the Performance Shares, such Shares shall be treated as if they are Performance Shares, and such Shares shall be subject to all of the terms and conditions imposed by this Section 2. Notwithstanding the foregoing, the Grantee shall be entitled to receive an amount in cash, equivalent to the dividends that would have been paid on the awarded Performance Shares from the Grant Date to the Issue Date for those Performance Shares actually earned by the Grantee during the applicable Performance Period. Such dividend equivalents shall be payable at the time such Performance Shares are issued.

(e) The Performance Shares will not be registered for resale under the Securities Act of 1933 or the laws of any state except when and to the extent determined by the Board pursuant to a resolution. Until a registration statement is filed and becomes effective, however, transfer of the Performance Shares shall require the availability of an exemption from such registration, and prior to the issuance of new certificates, the Company shall be entitled to take such measures as it deems appropriate (including but not limited to obtaining from the Grantee an investment representation letter and/or further legending the new certificates) to ensure that the Performance Shares are not transferred in the absence of such exemption.

(f) In the event of a Change in Contro[[1], as defined in the Plan, during the Performance Period, the Grantee shall earn the Target Award of Performance Shares set forth in this Section 2, as if all performance criteria were satisfied, without any pro ration based on the portion of the Performance Period that has expired as of the date of such Change in Control.

(g) If, during the Performance Period, the Grantee has a Termination of Employment, Performance Shares shall be deemed earned or forfeited as follows:

(1) Except as provided in Section (2), below, upon voluntary Termination of Employment by the Grantee or termination by the Company for any reason, all unearned Performance Shares shall be forfeited immediately; and

(2) If the Grantee has a Termination of Employment by reason of death or Disability or Retirement (as such terms are defined in the Plan), the number of Performance Shares that would otherwise have been earned at the end of the Performance Period shall be reduced by pro rating such Performance Shares based on the proportion of the Performance Period during which the Grantee was employed by the Company (based upon the full months of the Performance Period elapsed as of the end of the month in which the Termination of Employment occurred over the total number of months in the Performance Period), unless the Committee determines that the Performance Shares shall not be so reduced.

[1] Note: The Company is continuing to monitor the development of the SEC's recently issued Clawback rules.

a. The Grantee shall be solely responsible for any federal, state and local taxes of any kind imposed in connection with the vesting or delivery of the Performance Shares. Prior to the transfer of any Performance Shares to the Grantee, the Grantee shall remit to the

Company an amount sufficient to satisfy any federal, state, local and other withholding tax requirements. The Grantee may elect to have all or part of any withholding tax obligation satisfied by having the Company withhold Shares otherwise deliverable to the Grantee as Performance Shares, unless the Committee determines otherwise by resolution. If the Grantee fails to make such payments or election, the Company and its subsidiaries shall, to the extent permitted by law, have the right to deduct from any payments of any kind otherwise due to the Grantee any taxes required by law to be withheld with respect to the Performance Shares. In the case of any amounts withheld for taxes pursuant to this provision in the form of Shares, the amount withheld shall not exceed the maximum required by applicable law and regulations.

(i) Notwithstanding any other provision of this Agreement, if any payment or distribution (a "Payment") by the Company or any other person or entity to or for the benefit of the Grantee is determined to be an "excess parachute payment" (within the meaning of Code Section 280G(b)(1) or any successor provision of similar effect), whether paid or payable or distributed or distributable pursuant to this Agreement or otherwise, then the Grantee’s benefits under this Agreement may, unless the Grantee elects otherwise pursuant to Grantee’s employment agreement, be reduced by the amount necessary so that the Grantee’s total "parachute payment" as defined in Code Section 280G(b)(2)(A) under this and all other agreements will be $1.00 less than the amount that would be a "parachute payment". The payment of any “excess parachute payment” pursuant to this paragraph shall also comply with the terms of the Grantee’s employment agreement, if any.

Section 3. Additional Conditions to Issuance of Shares

Each transfer of Performance Shares shall be subject to the condition that if at any time the Committee shall determine, in its sole discretion, that it is necessary or desirable as a condition of, or in connection with, the transfer of Performance Shares (i) to satisfy withholding tax or other withholding liabilities, (ii) to effect the listing, registration or qualification on any securities exchange or under any state or federal law of any Shares deliverable in connection with such exercise, or (iii) to obtain the consent or approval of any regulatory body, then in any such event such transfer shall not be effective unless such withholding, listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

Section 4. Adjustment of Shares

(a) If the Company shall become involved in a merger, consolidation or other reorganization, whether or not the Company is the surviving corporation, any right to earn Performance Shares shall be deemed a right to earn or to elect to receive the consideration into which the Shares represented by the Performance Shares would have been converted under the terms of the merger, consolidation or other reorganization. If the Company is not the surviving corporation, the surviving corporation (the “Successor”) shall succeed to the rights and obligations of the Company under this Agreement.

(b) If any subdivision or combination of Shares or any stock dividend, capital reorganization or recapitalization occurs after the adoption of the Plan, the Committee shall make such proportionate adjustments as are appropriate to the number of Performance Shares to be earned in order to prevent the dilution or enlargement of the rights of the Grantee.

Section 5. <u>No Right to Employment</u>

Nothing contained in this Agreement shall be deemed by implication or otherwise to confer upon the Grantee any right to continued employment by the Company or any affiliate of the Company or to limit the right of the Company to terminate the Grantee's employment for any reason or for no reason.

Section 6. <u>Notice</u>

Any notice to be given hereunder by the Grantee shall be sent by mail addressed to Chesapeake Utilities Corporation, 500 Energy Lane, Dover, Delaware 19901, for the attention of the Committee, c/o the Corporate Secretary, and any notice by the Company to the Grantee shall be sent by mail addressed to the Grantee at the address of the Grantee shown on the first page hereof. Either party may, by notice given to the other in accordance with the provisions of this Section, change the address to which subsequent notices shall be sent.

Section 7. <u>Beneficiary Designation</u>

Grantee may designate a beneficiary to receive any Performance Shares to which Grantee is entitled which vest as a result of Grantee's death. Grantee acknowledges that the Company may exercise all rights under this Agreement and the Plan against Grantee and Grantee's estate, heirs, lineal descendants and personal representatives and shall not be limited to exercising its rights against Grantee's beneficiary.

Section 8. <u>Assumption of Risk</u>

It is expressly understood and agreed that the Grantee assumes all risks incident to any change hereafter in the applicable laws or regulations or incident to any change in the market value of the Performance Shares.

Section 9. <u>Terms of Plan and Employment Agreement</u>

This Agreement is entered into pursuant to the Plan (a summary of which has been delivered to the Grantee). This Agreement is subject to all of the terms and provisions of the Plan, which are incorporated into this Agreement by reference, and the actions taken by the Committee pursuant to the Plan. In the event of a conflict between this Agreement and the Plan, the provisions of the Plan shall govern. In addition, this Award is subject to applicable provisions of the Grantee's employment agreement, including provisions requiring the Company to recover some or all of the Performance Shares awarded hereunder in the circumstances described in such agreement or as otherwise required by applicable law. All determinations by the Committee shall be in its sole discretion and shall be binding on the Company and the Grantee.

Section 10. <u>Governing Law; Amendment</u>

This Agreement shall be governed by, and shall be construed and administered in accordance with, the laws of the State of Delaware (without regard to its choice of law rules) and the requirements of any applicable federal law. This Agreement may be modified or amended only by a writing signed by the parties hereto.

Section 11. <u>Action by the Committee</u>

The parties agree that the interpretation of this Agreement shall rest exclusively and completely within the sole discretion of the Committee. The parties agree to be bound by the decisions of the Committee with regard to the interpretation of this Agreement and with regard to any and all matters set forth in this Agreement. The Committee may delegate its functions under this Agreement to an officer of the Company designated by the Committee (hereinafter the “Designee”). In fulfilling its responsibilities hereunder, the Committee or its Designee may rely upon documents, written statements of the parties or such other material as the Committee or its Designee deems appropriate. The parties agree that there is no right to be heard or to appear before the Committee or its Designee and that any decision of the Committee or its Designee relating to this Agreement shall be final and binding unless such decision is arbitrary and capricious.

Section 12. Terms of Agreement

This Agreement shall remain in full force and effect and shall be binding on the parties hereto for so long as any Performance Shares issued to the Grantee under this Agreement continue to be held by the Grantee.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its corporate name, and the Grantee has executed the same in evidence of the Grantee's acceptance hereof, upon the terms and conditions herein set forth, as of the day and year first above written.

CHESAPEAKE UTILITIES CORPORATION

By:

Printed Name:

Its:

Grantee:

Printed Name:

Attachment A

2023-2025 Performance Peer Group

The 2023-2025 Performance Peer Group consists of the following gas utility companies:

1. Atmos Energy Corporation
2. Black Hills Corporation
3. New Jersey Resources Corporation
4. NiSource Inc.
5. NW Natural (a subsidiary of Northwest Natural Holding Co.)
6. Northwestern Corporation
7. ONE Gas, Inc.
8. RGC Resources, Inc.
9. Spire Inc.
10. Unitil Corporation

PERFORMANCE STOCK AWARD AGREEMENT

pursuant to the

CHESAPEAKE UTILITIES CORPORATION
2013 STOCK AND INCENTIVE COMPENSATION PLAN

On February 23, 2022 (the "Grant Date"), Chesapeake Utilities Corporation, a Delaware corporation (the "Company"), has granted to __________ (the "Grantee"), who resides at ______________, a Performance Stock Award on the terms and subject to the conditions of this Performance Stock Award Agreement.

Recitals

WHEREAS, the Chesapeake Utilities Corporation 2013 Stock and Incentive Compensation Plan (the "Plan") has been duly adopted by action of the Company's Board of Directors (the "Board") on March 6, 2013, approved by the Shareholders of the Company at a meeting held on May 2, 2013, and amended by the Compensation Committee of the Board, as administrator of the Plan, in January 2017 to align the Plan with a change in accounting standards; and

WHEREAS, the President of the Company after consultation with the Compensation Committee of the Board of Directors of the Company referred to in the Plan (the "Committee") has determined that it is in the best interests of the Company to grant the Performance Stock Award described herein pursuant to the Plan; and

WHEREAS, the shares of the Common Stock of the Company ("Shares") that are subject to this Agreement, when added to the other shares of Common Stock that are subject to awards granted under the Plan, do not exceed the total number of shares of Common Stock with respect to which awards are authorized to be granted under the Plan or the total number of shares of Common Stock that may be granted to an individual in a single calendar year.

Agreement

It is hereby covenanted and agreed by and between the Company and the Grantee as follows:

Section 1. Performance Stock Award and Performance Period

The Company hereby grants to the Grantee a Performance Stock Award as of the Grant Date. As more fully described herein, the Grantee may earn up to ______ Shares upon the Company's achievement of the performance criteria set forth in Section 2 (the "Performance Shares") over the performance period from January 1, 2022 to December 31, 2024 (the "Performance Period"). This Award has been granted pursuant to the Plan; capitalized terms used in this agreement which are not specifically defined herein shall have the meanings ascribed to such terms in the Plan.

Section 2. Performance Criteria and Terms of Stock Award

a. The President selected and established in writing performance criteria for the Performance Period, which, if met, may entitle the Grantee to some or all of the Performance Shares under this Award. As soon as practicable after the Company's independent auditors have certified the Company's financial statements for each fiscal year of the Company in the Performance Period, the President in consultation with the Chief Financial Officer shall determine for purposes of this Agreement the Company's (1) total shareholder return, defined as the cumulative total return to shareholders ("Shareholder Value"), (2) growth in long-term earnings, defined as the growth in total capital expenditures as a percentage of total capitalization ("Growth"), and (3) earnings performance, defined as average return on equity ("RoE"), in accordance with procedures established by the President. The Shareholder Value, Growth and RoE (each a "Performance Metric" and collectively, the "Performance Metrics") shall be determined by the President and Chief Financial Officer in accordance with the terms of the Plan and this Agreement based on financial results reported to shareholders in the Company's annual reports and may be subject to adjustment by the President for extraordinary events during the Performance Period, as applicable. Both the Shareholder Value and the Growth Performance Metrics will be compared to the performance of the **2022-2024** Performance Peer Group, Attachment A hereto and to the **2022-2024** Long-Term Award Resolution (collectively referred to as the "Peer Group"), for the Performance Period and Awards will be determined according to the schedule in subsection (b) below. For Shareholder Value, the calculation of total shareholder return will utilize the average closing stock price from November 1 through December 31 immediately preceding the beginning and at the end of the performance period. For the average RoE Performance Metric, the Company's performance will be compared to pre-determined RoE thresholds established by the President. At the end of the Performance Period, the President shall certify the extent to which the Performance Goals were met during the Performance Period. If the Performance Goals for the Performance Period are met, the Grantee shall be entitled to the Award, subject, however, to the President's exercise of discretion to adjust any Award to a grantee (either up or down) based on business objectives established for that grantee or any other factors, all as determined by the President in his sole discretion. The President shall promptly notify the Grantee of his determination.

a. The Grantee may earn 50% percent or more of the target award of _________ Performance Shares (the "Target Award") up to a maximum number of Performance Shares set forth in Section 1 above (the "Maximum Award") based upon achievement of threshold and target levels of performance against the Performance Metrics established for the Performance Period. The Committee shall confirm the level of Award attained for the Performance Period after the Company's independent auditors have certified the Company's financial statements for each fiscal year of the Company in the Performance Period.

(c) Once established, the performance criteria identified above normally shall not be changed during the Performance Period. However, if any of the companies in the Peer Group cease to be publically traded, they will automatically be deleted from the Peer Group. In addition, if the President determines that external changes or other unanticipated business conditions have materially affected the fairness of the goals, or that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or acquisitions or divestitures of subsidiaries or business units, or other events or circumstances materially affect the performance criteria or render the performance criteria unsuitable, then the President may approve appropriate adjustments to the performance criteria (either up or down) during the Performance Period, in his discretion.

(d) Performance Shares that are awarded to the Grantee pursuant to this Section 2 shall be issued promptly, without payment of consideration by the Grantee, within 2½ months of the end of the Performance Period. The Grantee shall have the right to vote the Performance Shares and to receive the dividends distributable with respect to such Shares on and after, but not before, the date on which the Grantee is recorded on the Company's ledger as holder of record of the Performance Shares (the “Issue Date”). If, however, the Grantee receives Shares as part of any dividend or other distribution with respect to the Performance Shares, such Shares shall be treated as if they are Performance Shares, and such Shares shall be subject to all of the terms and conditions imposed by this Section 2. Notwithstanding the foregoing, the Grantee shall be entitled to receive an amount in cash, equivalent to the dividends that would have been paid on the awarded Performance Shares from the Grant Date to the Issue Date for those Performance Shares actually earned by the Grantee during the applicable Performance Period. Such dividend equivalents shall be payable at the time such Performance Shares are issued.

(e) The Performance Shares will not be registered for resale under the Securities Act of 1933 or the laws of any state except when and to the extent determined by the Board pursuant to a resolution. Until a registration statement is filed and becomes effective, however, transfer of the Performance Shares shall require the availability of an exemption from such registration, and prior to the issuance of new certificates, the Company shall be entitled to take such measures as it deems appropriate (including but not limited to obtaining from the Grantee an investment representation letter and/or further legending the new certificates) to ensure that the Performance Shares are not transferred in the absence of such exemption.

(f) In the event of a Change in Control, as defined in the Plan, during the Performance Period, the Grantee shall earn the Target Award of Performance Shares set forth in this Section 2, as if all performance criteria were satisfied, without any pro ration based on the portion of the Performance Period that has expired as of the date of such Change in Control.

(g) If, during the Performance Period, the Grantee has a Termination of Employment, Performance Shares shall be deemed earned or forfeited as follows:

(1) Except as provided in Section (2), below, upon voluntary Termination of Employment by the Grantee or termination by the Company for any reason, all unearned Performance Shares shall be forfeited immediately; and

(2) If the Grantee has a Termination of Employment by reason of death or Disability or Retirement (as such terms are defined in the Plan), the number of Performance Shares that would otherwise have been earned at the end of the Performance Period shall be reduced by pro rating such Performance Shares based on the proportion of the Performance Period during which the Grantee was employed by the Company (based upon the full months of the Performance Period elapsed as of the end of the month in which the Termination of Employment occurred over the total number of months in the Performance Period), unless the President determines that the Performance Shares shall not be so reduced.

a. The Grantee shall be solely responsible for any federal, state and local taxes of any kind imposed in connection with the vesting or delivery of the Performance Shares. Prior to the transfer of any Performance Shares to the Grantee, the Grantee shall remit to the Company an amount sufficient to satisfy any federal, state, local and other withholding tax requirements. The Grantee may elect to have all or part of any withholding tax obligation satisfied by having the Company withhold Shares otherwise deliverable to the Grantee as Performance Shares, unless the President determines otherwise by resolution. If the Grantee fails to make such payments or election, the Company and its subsidiaries shall, to the extent permitted by law, have the right to deduct from any payments of any kind otherwise due to the Grantee any taxes required by law to be withheld with respect to the Performance Shares. In the case of any amounts withheld for taxes pursuant to this provision in the form of Shares, the amount withheld shall not exceed the maximum required by applicable law and regulations.

(i) Notwithstanding any other provision of this Agreement, if any payment or distribution (a "Payment") by the Company or any other person or entity to or for the benefit of the Grantee is determined to be an "excess parachute payment" (within the meaning of Code Section 280G(b)(1) or any successor provision of similar effect), whether paid or payable or distributed or distributable pursuant to this Agreement or otherwise, then the Grantee’s benefits under this Agreement may be reduced by the amount necessary so that the Grantee’s total "parachute payment" as defined in Code Section 280G(b)(2)(A) under this and all other agreements will be $1.00 less than the amount that would be a "parachute payment".

Section 3. <u>Additional Conditions to Issuance of Shares</u>

Each transfer of Performance Shares shall be subject to the condition that if at any time the President shall determine, in his sole discretion, that it is necessary or desirable as a condition of, or in connection with, the transfer of Performance Shares (i) to satisfy withholding tax or other withholding liabilities, (ii) to effect the listing, registration or qualification on any securities exchange or under any state or federal law of any Shares deliverable in connection with such exercise, or (iii) to obtain the consent or approval of any regulatory body, then in any such event such transfer shall not be effective unless such withholding, listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

Section 4. <u>Adjustment of Shares</u>

(a) If the Company shall become involved in a merger, consolidation or other reorganization, whether or not the Company is the surviving corporation, any right to earn Performance Shares shall be deemed a right to earn or to elect to receive the consideration into which the Shares represented by the Performance Shares would have been converted under the terms of the merger, consolidation or other reorganization. If the Company is not the surviving corporation, the surviving corporation (the “Successor”) shall succeed to the rights and obligations of the Company under this Agreement.

(b) If any subdivision or combination of Shares or any stock dividend, capital reorganization or recapitalization occurs after the adoption of the Plan, the President shall make such proportionate adjustments as are appropriate to the number of Performance Shares to be earned in order to prevent the dilution or enlargement of the rights of the Grantee.

Section 5. No Right to Employment

Nothing contained in this Agreement shall be deemed by implication or otherwise to confer upon the Grantee any right to continued employment by the Company or any affiliate of the Company or to limit the right of the Company to terminate the Grantee's employment for any reason or for no reason.

Section 6. Notice

Any notice to be given hereunder by the Grantee shall be sent by mail addressed to Chesapeake Utilities Corporation, 500 Energy Lane, Dover, Delaware 19901, for the attention of the President, c/o the Corporate Secretary, and any notice by the Company to the Grantee shall be sent by mail addressed to the Grantee at the address of the Grantee shown on the first page hereof. Either party may, by notice given to the other in accordance with the provisions of this Section, change the address to which subsequent notices shall be sent.

Section 7. Beneficiary Designation

Grantee may designate a beneficiary to receive any Performance Shares to which Grantee is entitled which vest as a result of Grantee's death. Grantee acknowledges that the Company may exercise all rights under this Agreement and the Plan against Grantee and Grantee's estate, heirs, lineal descendants and personal representatives and shall not be limited to exercising its rights against Grantee's beneficiary.

Section 8. Assumption of Risk

It is expressly understood and agreed that the Grantee assumes all risks incident to any change hereafter in the applicable laws or regulations or incident to any change in the market value of the Performance Shares.

Section 9. Terms of Plan

This Agreement is entered into pursuant to the Plan (a summary of which has been delivered to the Grantee). This Agreement is subject to all of the terms and provisions of the Plan, which are incorporated into this Agreement by reference, and the actions taken by the President pursuant to the Plan. In the event of a conflict between this Agreement and the Plan, the provisions of the Plan shall govern. All determinations by the President shall be in his sole discretion and shall be binding on the Company and the Grantee.

Section 10. Governing Law; Amendment

This Agreement shall be governed by, and shall be construed and administered in accordance with, the laws of the State of Delaware (without regard to its choice of law rules) and the requirements of any applicable federal law. This Agreement may be modified or amended only by a writing signed by the parties hereto.

Section 11. Action by the President

The parties agree that the interpretation of this Agreement shall rest exclusively and completely within the sole discretion of the President. The parties agree to be bound by the decisions of the President with regard to the interpretation of this Agreement and with regard to any and all matters set forth in this Agreement. The President may delegate his functions under this Agreement to an officer of the Company designated by the President (hereinafter the “Designee”). In fulfilling his responsibilities hereunder, the President or his Designee may rely upon documents, written statements of the parties or such other material as the President or his Designee deems appropriate. The parties agree that there is no right to be heard or to appear before the President or his Designee and that any decision of the President or his Designee relating to this Agreement shall be final and binding unless such decision is arbitrary and capricious.

Section 12. Terms of Agreement

This Agreement shall remain in full force and effect and shall be binding on the parties hereto for so long as any Performance Shares issued to the Grantee under this Agreement continue to be held by the Grantee.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its corporate name, and the Grantee has executed the same in evidence of the Grantee's acceptance hereof, upon the terms and conditions herein set forth, as of the day and year first above written.

CHESAPEAKE UTILITIES CORPORATION

By:

Its:

Grantee:

Printed Name: ____________________

Attachment A

2022-2024 Performance Peer Group

The 2022-2024 Performance Peer Group consists of the following gas utility companies:

1. Atmos Energy Corporation
2. Black Hills Corporation
3. New Jersey Resources Corporation
4. NiSource Inc.
5. NW Natural (a subsidiary of Northwest Natural Holding Co.)
6. Northwestern Corporation
7. ONE Gas, Inc.
8. RGC Resources, Inc.
9. South Jersey Industries, Inc.
10. Spire Inc.
11. Unitil Corporation

Chesapeake Utilities Corporation
Subsidiaries of the Registrant

Subsidiaries	**State Incorporated**
Eastern Shore Natural Gas Company	Delaware
Sharp Energy, Inc.	Delaware
Chesapeake Service Company	Delaware
Chesapeake OnSight Services LLC	Delaware
Peninsula Energy Services Company, Inc.	Delaware
Peninsula Pipeline Company, Inc.	Delaware
Florida Public Utilities Company	Florida
Sandpiper Energy, Inc.	Delaware
Aspire Energy of Ohio, LLC	Delaware
Aspire Energy Express, LLC	Delaware
Marlin Gas Services, LLC	Delaware
CPK Elkton, LLC	Delaware
Elkton Gas Company	Maryland
OnSight Renewables, LLC	Delaware
CUC Shared Services, Inc.	Delaware

Subsidiary of Sharp Energy, Inc.	**State Incorporated**
Sharpgas, Inc.	Delaware

Subsidiary of Florida Public Utilities Company	**State Incorporated**
Flo-Gas Corporation	Florida
FPU Renewables, LLC	Delaware

Subsidiaries of Chesapeake Service Company	**State Incorporated**
Skipjack, Inc.	Delaware
Chesapeake Investment Company	Delaware
Eastern Shore Real Estate, Inc.	Delaware

Subsidiaries of Chesapeake OnSight Services LLC	**State Incorporated**
Eight Flags Energy, LLC	Delaware
Amelia Island Energy, LLC	Delaware

Subsidiaries of OnSight Renewables, LLC	**State Incorporated**
Amelia Renewables, LLC	Delaware
Blue Peake LNG, LLC	Delaware
Marlin Compression, LLC	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3ASR (Nos. 333-213729, 333-239569, and 333-250803), Form S-8 (No. 333-192198) and Form S-4 (No. 333-201992) of Chesapeake Utilities Corporation of our report dated February 22, 2023, relating to the consolidated financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K for the year ended December 31, 2022.

/s/ Baker Tilly US, LLP

Philadelphia, Pennsylvania
February 22, 2023

Exhibit 31.1

CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Jeffry M. Householder, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2022 of Chesapeake Utilities Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2023

/s/ Jeffry M. Householder

Jeffry M. Householder
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Beth W. Cooper, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2022 of Chesapeake Utilities Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2023

/s/ Beth W. Cooper

Beth W. Cooper
Executive Vice President, Chief Financial Officer,Treasurer, and Assistant Corporate Secretary

EXHIBIT 32.1

Certificate of Chief Executive Officer

of

Chesapeake Utilities Corporation

(pursuant to 18 U.S.C. Section 1350)

I, Jeffry M. Householder, President and Chief Executive Officer of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Annual Report on Form 10-K of Chesapeake Utilities Corporation for the year ended December 31, 2022, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake Utilities Corporation.

/s/ JEFFRY M. HOUSEHOLDER
Jeffry M. Householder
February 22, 2023

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certificate of Chief Financial Officer

of

Chesapeake Utilities Corporation

(pursuant to 18 U.S.C. Section 1350)

I, Beth W. Cooper, Executive Vice President, Chief Financial Officer, Treasurer and Assistant Corporate Secretary of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Annual Report on Form 10-K of Chesapeake Utilities Corporation for the year ended December 31, 2022, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake Utilities Corporation.

/S/ BETH W. COOPER

Beth W. Cooper
February 22, 2023

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: June 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-11590

CHESAPEAKE UTILITIES CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**51-0064146**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

500 Energy Lane, Dover, Delaware 19901
(Address of principal executive offices, including Zip Code)

(302) 734-6799
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock - par value per share $0.4867	CPK	New York Stock Exchange, Inc.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Common Stock, par value $0.4867 — 17,796,741 shares outstanding as of July 28, 2023.

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GLOSSARY OF DEFINITIONS

Adjusted Gross Margin: A non-GAAP measure calculated by deducting the purchased cost of natural gas, propane and electricity and the cost of labor spent on direct revenue-producing activities from operating revenues. The costs included in Adjusted Gross Margin exclude depreciation and amortization and certain costs presented in operations and maintenance expenses in accordance with regulatory requirements

Aspire Energy: Aspire Energy of Ohio, LLC, a wholly-owned subsidiary of Chesapeake Utilities

Aspire Energy Express: Aspire Energy Express, LLC, a wholly-owned subsidiary of Chesapeake Utilities

ASU: Accounting Standards Update issued by the FASB

ATM: At-the-market

CARES Act: Coronavirus Aid, Relief, and Economic Security Act

CDC: U.S. Centers for Disease Control and Prevention

CDD: Cooling Degree-Day

CFG: Central Florida Gas Company, a division of Chesapeake Utilities

Chesapeake or Chesapeake Utilities: Chesapeake Utilities Corporation, its divisions and subsidiaries, as appropriate in the context of the disclosure

CHP: Combined Heat and Power Plant

Company: Chesapeake Utilities Corporation, its divisions and subsidiaries, as appropriate in the context of the disclosure

COVID-19: An infectious disease caused by a coronavirus

CNG: Compressed natural gas

Davenport Energy: An entity from whom we acquired certain propane operating assets in North Carolina.

Degree-day: Measure of the variation in the weather based on the extent to which the average daily temperature (from 10:00 am to 10:00 am) falls above (CDD) or below (HDD) 65 degrees Fahrenheit

Delmarva Peninsula: A peninsula on the east coast of the U.S. occupied by Delaware and portions of Maryland and Virginia

DRIP: Dividend Reinvestment and Direct Stock Purchase Plan

Dt(s): Dekatherm(s), which is a natural gas unit of measurement that includes a standard measure for heating value

Dts/d: Dekatherms per day

Eastern Shore: Eastern Shore Natural Gas Company, a wholly-owned subsidiary of Chesapeake Utilities

Eight Flags: Eight Flags Energy, LLC, a wholly-owned subsidiary of Chesapeake Utilities

Elkton Gas: Elkton Gas Company, a wholly-owned subsidiary of Chesapeake Utilities

ESG: Environmental, Social and Governance

FASB: Financial Accounting Standards Board

FERC: Federal Energy Regulatory Commission

FGT: Florida Gas Transmission Company

Florida OPC: The Office of Public Counsel, an agency established by the Florida legislature who advocates on behalf of Florida's utility consumers prior to actions or rule changes

FPU: Florida Public Utilities Company, a wholly-owned subsidiary of Chesapeake Utilities

GAAP: Generally Accepted Accounting Principles

Gross Margin: a term under U.S. GAAP which is the excess of sales over costs of goods sold

GUARD: Gas Utility Access and Replacement Directive a program to enhance the safety, reliability and accessibility of portions of the Company’s natural gas distribution system in Florida

Guernsey Power Station: Guernsey Power Station, LLC, a power generation facility in Guernsey County Ohio

Gulfstream: Gulfstream Natural Gas System, LLC, an unaffiliated pipeline network that supplies natural gas to FPU

HDD: Heating Degree-Day

LNG: Liquefied Natural Gas

Marlin Gas Services: Marlin Gas Services, LLC, a wholly-owned subsidiary of Chesapeake Utilities

MetLife: MetLife Investment Advisors, an institutional debt investment management firm, with which we have previously issued Senior Notes and which is a party to the current MetLife Shelf Agreement, as amended

MGP: Manufactured gas plant, which is a site where coal was previously used to manufacture gaseous fuel for industrial, commercial and residential use

Peninsula Pipeline: Peninsula Pipeline Company, Inc., a wholly-owned subsidiary of Chesapeake Utilities

Peoples Gas: Peoples Gas System, an Emera Incorporated subsidiary

Prudential: Prudential Investment Management Inc., an institutional investment management firm, with which Chesapeake Utilities entered into a previous Shelf Agreement and issued Shelf Notes

PSC: Public Service Commission, which is the state agency that regulates utility rates and/or services in certain of our jurisdictions

Revolver: Our $400.0 million unsecured revolving credit facility with certain lenders

RNG: Renewable natural gas

Sandpiper Energy: Sandpiper Energy, Inc., a wholly-owned subsidiary of Chesapeake Utilities

SEC: Securities and Exchange Commission

Senior Notes: Our unsecured long-term debt issued primarily to insurance companies on various dates

Sharp: Sharp Energy, Inc., a wholly-owned subsidiary of Chesapeake Utilities

Shelf Agreement: An agreement entered into by Chesapeake Utilities and a counterparty pursuant to which Chesapeake Utilities may request that the counterparty purchase our unsecured senior debt with a fixed interest rate and a maturity date not to exceed 20 years from the date of issuance

Shelf Notes: Unsecured senior promissory notes issuable under the Shelf Agreement executed with various counterparties

SICP: the 2013 and 2023 Stock and Incentive Compensation Plans

SOFR: Secured Overnight Financing Rate, a secured interbank overnight interest rate established as an alternative to LIBOR

TCJA: Tax Cuts and Jobs Act enacted on December 22, 2017

TETLP: Texas Eastern Transmission, LP, an interstate pipeline interconnected with Eastern Shore's pipeline

Uncollateralized Senior Notes: Our unsecured long-term debt issued primarily to insurance companies on various dates

U.S.: The United States of America

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
(in thousands, except shares and per share data)				
Operating Revenues				
Regulated Energy	**$ 101,141**	$ 92,193	**$ 243,411**	$ 220,084
Unregulated Energy and other	**34,452**	47,277	**110,311**	142,266
Total Operating Revenues	**135,593**	139,470	**353,722**	362,350
Operating Expenses				
Natural gas and electric costs	**23,886**	21,573	**79,174**	67,016
Propane and natural gas costs	**11,907**	25,543	**45,208**	77,279
Operations	**42,163**	38,002	**86,930**	80,796
Maintenance	**5,258**	4,507	**10,362**	8,772
Depreciation and amortization	**17,303**	17,216	**34,486**	34,193
Other taxes	**6,730**	6,160	**14,301**	12,960
Total Operating Expenses	**107,247**	113,001	**270,461**	281,016
Operating Income	**28,346**	26,469	**83,261**	81,334
Other income, net	**831**	2,584	**1,107**	3,498
Interest charges	**6,964**	5,825	**14,196**	11,164
Income Before Income Taxes	**22,213**	23,228	**70,172**	73,668
Income Taxes	**6,080**	6,177	**17,695**	19,683
Net Income	**$ 16,133**	$ 17,051	**$ 52,477**	$ 53,985
Weighted Average Common Shares Outstanding:				
Basic	**17,794,320**	17,730,833	**17,777,203**	17,704,592
Diluted	**17,852,024**	17,809,871	**17,841,954**	17,785,629
Earnings Per Share of Common Stock:				
Basic	**$ 0.91**	$ 0.96	**$ 2.95**	$ 3.05
Diluted	**$ 0.90**	$ 0.96	**$ 2.94**	$ 3.04

The accompanying notes are an integral part of these condensed consolidated financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Net Income	**$ 16,133**	$ 17,051	**$ 52,477**	$ 53,985
Other Comprehensive Income (Loss), net of tax:				
Employee Benefits, net of tax:				
Reclassifications of amortization of prior service credit and actuarial loss, net of tax of $3 and $6, $5 and $13, respectively	**12**	18	**21**	35
Cash Flow Hedges, net of tax:				
Net (loss) gain on commodity contract cash flow hedges, net of tax of $(784), $(110), $(775) and $826, respectively	**(2,065)**	(293)	**(2,045)**	2,206
Reclassifications of net loss (gain) on commodity contract cash flow hedges, net of tax $119, $(78), $(48) and $(830), respectively	**313**	(205)	**(126)**	(2,174)
Net gain on interest rate swap cash flow hedges, net of tax of $267, $0, $213 and $0, respectively	**758**	—	**612**	—
Reclassifications of net (gain) on interest rate swap cash flow hedges, net of tax of $(33), $0, $(50) and $0, respectively	**(94)**	—	**(142)**	—
Total Other Comprehensive Income (Loss), net of tax	**(1,076)**	(480)	**(1,680)**	67
Comprehensive Income	**$ 15,057**	$ 16,571	**$ 50,797**	$ 54,052

The accompanying notes are an integral part of these condensed consolidated financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

Assets *(in thousands, except shares and per share data)*	**June 30, 2023**	December 31, 2022
Property, Plant and Equipment		
Regulated Energy	**$ 1,868,763**	$ 1,802,999
Unregulated Energy	**402,352**	393,215
Other businesses and eliminations	**29,213**	29,890
Total property, plant and equipment	**2,300,328**	2,226,104
Less: Accumulated depreciation and amortization	**(489,724)**	(462,926)
Plus: Construction work in progress	**60,578**	47,295
Net property, plant and equipment	**1,871,182**	1,810,473
Current Assets		
Cash and cash equivalents	**4,169**	6,204
Trade and other receivables	**48,091**	65,758
Less: Allowance for credit losses	**(2,692)**	(2,877)
Trade and other receivables, net	**45,399**	62,881
Accrued revenue	**15,875**	29,206
Propane inventory, at average cost	**6,492**	9,365
Other inventory, at average cost	**17,873**	16,896
Regulatory assets	**26,343**	41,439
Storage gas prepayments	**3,208**	6,364
Income taxes receivable	**1,276**	2,541
Prepaid expenses	**12,496**	15,865
Derivative assets, at fair value	**1,704**	2,787
Other current assets	**1,934**	428
Total current assets	**136,769**	193,976
Deferred Charges and Other Assets		
Goodwill	**46,213**	46,213
Other intangible assets, net	**16,965**	17,859
Investments, at fair value	**11,693**	10,576
Derivative assets, at fair value	**140**	982
Operating lease right-of-use assets	**13,432**	14,421
Regulatory assets	**95,985**	108,214
Receivables and other deferred charges	**12,111**	12,323
Total deferred charges and other assets	**196,539**	210,588
Total Assets	**$ 2,204,490**	$ 2,215,037

The accompanying notes are an integral part of these condensed consolidated financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

Capitalization and Liabilities *(in thousands, except shares and per share data)*	**June 30, 2023**	**December 31, 2022**
Capitalization		
Stockholders' equity		
Preferred stock, par value $0.01 per share (authorized 2,000,000 shares), no shares issued and outstanding	**$ —**	$ —
Common stock, par value $0.4867 per share (authorized 50,000,000 shares)	**8,662**	8,635
Additional paid-in capital	**380,830**	380,036
Retained earnings	**477,795**	445,509
Accumulated other comprehensive income (loss)	**(3,059)**	(1,379)
Deferred compensation obligation	**9,001**	7,060
Treasury stock	**(9,001)**	(7,060)
Total stockholders' equity	**864,228**	832,801
Long-term debt, net of current maturities	**645,742**	578,388
Total capitalization	**1,509,970**	1,411,189
Current Liabilities		
Current portion of long-term debt	**19,994**	21,483
Short-term borrowing	**95,807**	202,157
Accounts payable	**44,173**	61,496
Customer deposits and refunds	**38,468**	37,152
Accrued interest	**3,429**	3,349
Dividends payable	**10,500**	9,492
Accrued compensation	**9,772**	14,660
Regulatory liabilities	**12,894**	5,031
Derivative liabilities, at fair value	**2,178**	585
Other accrued liabilities	**17,942**	13,618
Total current liabilities	**255,157**	369,023
Deferred Credits and Other Liabilities		
Deferred income taxes	**261,215**	256,167
Regulatory liabilities	**144,275**	142,989
Environmental liabilities	**2,512**	3,272
Other pension and benefit costs	**17,890**	16,965
Derivative liabilities, at fair value	**474**	1,630
Operating lease - liabilities	**11,585**	12,392
Deferred investment tax credits and other liabilities	**1,412**	1,410
Total deferred credits and other liabilities	**439,363**	434,825
Environmental and other commitments and contingencies (Notes 6 and 7)		
Total Capitalization and Liabilities	**$ 2,204,490**	$ 2,215,037

The accompanying notes are an integral part of these condensed consolidated financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
(in thousands)	**2023**	**2022**
Operating Activities		
Net income	**$ 52,477**	$ 53,985
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**34,486**	34,193
Depreciation and accretion included in other costs	**5,714**	5,781
Deferred income taxes	**5,695**	11,434
Realized gain on commodity contracts and sale of assets	**(1,032)**	(6,980)
Unrealized (gain) loss on investments/commodity contracts	**(1,131)**	1,956
Employee benefits and compensation	**218**	(520)
Share-based compensation	**2,919**	3,555
Changes in assets and liabilities:		
Accounts receivable and accrued revenue	**30,812**	24,766
Propane inventory, storage gas and other inventory	**5,052**	270
Regulatory assets/liabilities, net	**28,796**	(6,405)
Prepaid expenses and other current assets	**2,953**	10,326
Accounts payable and other accrued liabilities	**(18,273)**	(2,274)
Income taxes receivable/payable	**1,265**	5,107
Customer deposits and refunds	**1,316**	(1,999)
Accrued compensation	**(5,061)**	(6,266)
Other assets and liabilities, net	**2,777**	(3,134)
Net cash provided by operating activities	**148,983**	123,795
Investing Activities		
Property, plant and equipment expenditures	**(90,265)**	(65,087)
Proceeds from sale of assets	**2,034**	3,367
Acquisitions, net of cash acquired	**—**	(2,006)
Environmental expenditures	**(760)**	(441)
Net cash used in investing activities	**(88,991)**	(64,167)
Financing Activities		
Common stock dividends	**(19,009)**	(16,575)
Issuance of stock under the Dividend Reinvestment Plan, net of offering fees	**(14)**	4,259
Tax withholding payments related to net settled stock compensation	**(2,455)**	(2,838)
Change in cash overdrafts due to outstanding checks	**(2,157)**	(1,202)
Net repayments under line of credit agreements	**(104,194)**	(83,424)
Proceeds from long-term debt, net of offering fees	**79,840**	49,890
Repayment of long-term debt	**(14,038)**	(10,528)
Net cash used in financing activities	**(62,027)**	(60,418)
Net Increase (Decrease) in Cash and Cash Equivalents	**(2,035)**	(790)
Cash and Cash Equivalents—Beginning of Period	**6,204**	4,976
Cash and Cash Equivalents—End of Period	**$ 4,169**	$ 4,186

The accompanying notes are an integral part of these condensed consolidated financial statements.

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

	Common Stock [1]							
(in thousands, except shares and per share data)	Number of Shares[2]	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Treasury Stock	Total
Balance at March 31, 2022	**17,719,388**	**$ 8,624**	**$ 373,694**	**$ 421,344**	**$ 1,850**	**$ 6,477**	**$ (6,477)**	**$ 805,512**
Net income	—	—	—	17,051	—	—	—	17,051
Other comprehensive loss	—	—	—	—	(480)	—	—	(480)
Dividend declared ($0.535 per share)	—	—	—	(9,562)	—	—	—	(9,562)
Issuance under various plans [3]	8,886	5	1,203	—	—	—	—	1,208
Share-based compensation and tax benefit [4] [5]	6,520	3	1,969	—	—	—	—	1,972
Treasury stock activities	—	—	—	—	—	541	(541)	—
Balance at June 30, 2022	**17,734,794**	**$ 8,632**	**$ 376,866**	**$ 428,833**	**$ 1,370**	**$ 7,018**	**$ (7,018)**	**$ 815,701**
Balance at December 31, 2021	**17,655,410**	**$ 8,593**	**$ 371,162**	**$ 393,072**	**$ 1,303**	**$ 7,240**	**$ (7,240)**	**$ 774,130**
Net income	—	—	—	53,985	—	—	—	53,985
Other comprehensive income	—	—	—	—	67	—	—	67
Dividends declared ($1.015 per share)	—	—	—	(18,224)	—	—	—	(18,224)
Issuance under various plans [3]	33,846	17	4,613	—	—	—	—	4,630
Share-based compensation and tax benefit [4] [5]	45,538	22	1,091	—	—	—	—	1,113
Treasury stock activities	—	—	—	—	—	(222)	222	—
Balance at June 30, 2022	**17,734,794**	**$ 8,632**	**$ 376,866**	**$ 428,833**	**$ 1,370**	**$ 7,018**	**$ (7,018)**	**$ 815,701**
Balance at March 31, 2023	**17,789,856**	**$ 8,659**	**$ 379,703**	**$ 472,209**	**$ (1,983)**	**$ 8,816**	**$ (8,816)**	**$ 858,588**
Net income	—	—	—	16,133	—	—	—	16,133
Other comprehensive loss	—	—	—	—	(1,076)	—	—	(1,076)
Dividend declared ($0.590 per share)	—	—	—	(10,547)	—	—	—	(10,547)
Issuance under various plans [3]	—	—	(8)	—	—	—	—	(8)
Share-based compensation and tax benefit [4] [5]	6,885	3	1,135	—	—	—	—	1,138
Treasury stock activities	—	—	—	—	—	185	(185)	—
Balance at June 30, 2023	**17,796,741**	**$ 8,662**	**$ 380,830**	**$ 477,795**	**$ (3,059)**	**$ 9,001**	**$ (9,001)**	**$ 864,228**
Balance at December 31, 2022	**17,741,418**	**$ 8,635**	**$ 380,036**	**$ 445,509**	**$ (1,379)**	**$ 7,060**	**$ (7,060)**	**$ 832,801**
Net income	—	—	—	52,477	—	—	—	**52,477**
Other comprehensive loss	—	—	—	—	(1,680)	—	—	**(1,680)**
Dividends declared ($1.125 per share)	—	—	—	(20,191)	—	—	—	**(20,191)**
Issuance under various plans [3]	—	—	(19)	—	—	—	—	**(19)**
Share-based compensation and tax benefit [4] [5]	55,323	27	813	—	—	—	—	**840**
Treasury stock activities	—	—	—	—	—	1,941	(1,941)	**—**
Balance at June 30, 2023	**17,796,741**	**$ 8,662**	**$ 380,830**	**$ 477,795**	**$ (3,059)**	**$ 9,001**	**$ (9,001)**	**$ 864,228**

(1) 2,000,000 shares of preferred stock at $0.01 par value have been authorized. No shares have been issued or are outstanding; accordingly, no information has been included in the statements of stockholders' equity.

(2) Includes 110,277, 108,143, 110,835, and 116,238 shares at June 30, 2023, December 31, 2022, June 30, 2022 and December 31, 2021, respectively, held in a Rabbi Trust related to our Non-Qualified Deferred Compensation Plan.

(3) Can include shares issued under the Retirement Savings Plan, DRIP and ATM equity issuances.

(4) Includes amounts for shares issued for directors' compensation.

(5) The shares issued under the SICP are net of shares withheld for employee taxes. For the six months ended June 30, 2023 and 2022, we withheld 19,859 and 21,832 shares, respectively, for employee taxes.

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Summary of Accounting Policies

Basis of Presentation

References in this document to the "Company," "Chesapeake Utilities," "we," "us" and "our" are intended to mean Chesapeake Utilities Corporation, its divisions and/or its subsidiaries, as appropriate in the context of the disclosure.

The accompanying unaudited condensed consolidated financial statements have been prepared in compliance with the rules and regulations of the SEC and GAAP. In accordance with these rules and regulations, certain information and disclosures normally required for audited financial statements have been condensed or omitted. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto, included in our latest Annual Report on Form 10-K for the year ended December 31, 2022. In the opinion of management, these financial statements reflect all adjustments that are necessary for a fair presentation of our results of operations, financial position and cash flows for the interim periods presented.

Where necessary to improve comparability, prior period amounts have been changed to conform to current period presentation.

Due to the seasonality of our business, results for interim periods are not necessarily indicative of results for the entire fiscal year. Revenue and earnings are typically greater during the first and fourth quarters, when consumption of energy is highest due to colder temperatures.

FASB Statements and Other Authoritative Pronouncements

There are no pending or recently effective accounting standards which have had, or are expected to have, a material impact to our consolidated financial statements or disclosures.

2. Calculation of Earnings Per Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
(in thousands, except shares and per share data)				
Calculation of Basic Earnings Per Share:				
Net Income	**$ 16,133**	$ 17,051	**$ 52,477**	$ 53,985
Weighted average shares outstanding	**17,794,320**	17,730,833	**17,777,203**	17,704,592
Basic Earnings Per Share	**$ 0.91**	$ 0.96	**$ 2.95**	$ 3.05
Calculation of Diluted Earnings Per Share:				
Net Income	**$ 16,133**	$ 17,051	**$ 52,477**	$ 53,985
Reconciliation of Denominator:				
Weighted shares outstanding—Basic	**17,794,320**	17,730,833	**17,777,203**	17,704,592
Effect of dilutive securities—Share-based compensation	**57,704**	79,038	**64,751**	81,037
Adjusted denominator—Diluted	**17,852,024**	17,809,871	**17,841,954**	17,785,629
Diluted Earnings Per Share	**$ 0.90**	**$ 0.96**	**$ 2.94**	**$ 3.04**

3. Acquisitions

Acquisition of Davenport Energy

In June 2022, Sharp acquired the propane operating assets of Davenport Energy's Siler City, North Carolina propane division for approximately $2.0 million. Through this acquisition, we expanded our operating footprint further into

North Carolina, where customers are served by Sharp Energy’s Diversified Energy division. Sharp added approximately 850 customers, along with distribution of approximately 0.4 million gallons of propane annually. We recorded $1.5 million in property plant and equipment, $0.5 million in goodwill, and immaterial amounts associated with customer relationships and non-compete agreements, all of which are deductible for income tax purposes. All amounts initially recorded in connection with this acquisition are now final as a result of the conclusion of the measurement period; no further adjustments were necessary. The financial results associated with this acquisition are included within our propane distribution operations within our Unregulated Energy segment.

Acquisition of Planet Found Energy Development

In October 2022, we acquired Planet Found Energy Development, LLC ("Planet Found") for $9.5 million. In connection with this acquisition, we recorded a $0.9 million liability which is subject to the seller's adherence to various provisions contained in the purchase agreement through the first anniversary of the transaction closing. We accounted for this acquisition as a business combination within our Unregulated Energy segment beginning in the fourth quarter of 2022. Planet Found's farm scale anaerobic digestion pilot system and technology produces biogas from 1,200 tons of poultry litter annually, which can be used to create renewable energy in the form of electricity or upgraded to renewable natural gas. The transaction will accelerate our efforts in converting poultry waste to renewable, sustainable energy while simultaneously improving the local environments in our service territories. The operating revenues and operating income of Planet Found were not material to our consolidated results for the three and six months ended June 30, 2023.

In connection with this acquisition, we recorded $4.4 million in intangible assets associated primarily with intellectual property and non-compete agreements, $4.0 million in property plant and equipment, $1.1 million in goodwill, and less than $0.1 million in working capital, all of which are deductible for income tax purposes. The amounts recorded in conjunction with the acquisition are preliminary, and subject to adjustment based on contractual provisions and finalization prior to the first anniversary of the transaction closing.

4. Revenue Recognition

We recognize revenue when our performance obligations under contracts with customers have been satisfied, which generally occurs when our businesses have delivered or transported natural gas, electricity or propane to customers. We exclude sales taxes and other similar taxes from the transaction price. Typically, our customers pay for the goods and/or services we provide in the month following the satisfaction of our performance obligation. The following table displays our revenue by major source based on product and service type for the three months ended June 30, 2023 and 2022:

	Three Months Ended June 30, 2023				Three Months Ended June 30, 2022			
(in thousands)	Regulated Energy	Unregulated Energy	Other and Eliminations	Total	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution								
Delaware natural gas division	**$ 14,109**	**$ —**	**$ —**	**$ 14,109**	$ 13,086	$ —	$ —	$ 13,086
Florida natural gas distribution [(1)]	**40,766**	**—**	**—**	**40,766**	35,436	—	—	35,436
FPU electric distribution	**23,034**	**—**	**—**	**23,034**	20,305	—	—	20,305
Maryland natural gas division	**4,622**	**—**	**—**	**4,622**	4,372	—	—	4,372
Sandpiper natural gas/propane operations	**4,079**	**—**	**—**	**4,079**	4,248	—	—	4,248
Elkton Gas	**1,303**	**—**	**—**	**1,303**	1,705	—	—	1,705
Total energy distribution	**87,913**	**—**	**—**	**87,913**	79,152	—	—	79,152
Energy transmission								
Aspire Energy	**—**	**5,726**	**—**	**5,726**	—	10,808	—	10,808
Aspire Energy Express	**369**	**—**	**—**	**369**	369	—	—	369
Eastern Shore	**19,632**	**—**	**—**	**19,632**	18,875	—	—	18,875
Peninsula Pipeline	**7,593**	**—**	**—**	**7,593**	6,777	—	—	6,777
Total energy transmission	**27,594**	**5,726**	**—**	**33,320**	26,021	10,808	—	36,829
Energy generation								
Eight Flags	**—**	**4,532**	**—**	**4,532**	—	5,916	—	5,916
Propane operations								
Propane delivery operations	**—**	**27,315**	**—**	**27,315**	—	34,469	—	34,469
Compressed Natural Gas Services								
Marlin Gas Services	**—**	**3,238**	**—**	**3,238**	—	2,380	—	2,380
Other and eliminations								
Eliminations	**(14,366)**	**(60)**	**(6,344)**	**(20,770)**	(12,980)	(110)	(6,271)	(19,361)
Other	**—**	**—**	**45**	**45**	—	—	85	85
Total other and eliminations	**(14,366)**	**(60)**	**(6,299)**	**(20,725)**	(12,980)	(110)	(6,186)	(19,276)
Total operating revenues [(2)]	**$ 101,141**	**$ 40,751**	**$ (6,299)**	**$ 135,593**	$ 92,193	$ 53,463	$ (6,186)	$ 139,470

[(1)] In accordance with the Florida PSC approval of our natural gas base rate proceeding, effective March 1, 2023, our natural gas distribution businesses in Florida (FPU, FPU-Indiantown division, FPU-Fort Meade division and Chesapeake Utilities' CFG division, collectively, "Florida natural gas distribution businesses") have been consolidated for rate-making purposes and amounts above are now being presented on a consolidated basis consistent with the final rate order.

[(2)] Total operating revenues for the three months ended June 30, 2023 include other revenue (revenues from sources other than contracts with customers) of $0.2 million and $0.1 million for our Regulated and Unregulated Energy segments, respectively and $(0.1) million and $0.1 million for our Regulated and Unregulated Energy segments, respectively, for the three months ended June 30, 2022. The sources of other revenues include revenue from alternative revenue programs related to revenue normalization for the Maryland division and Sandpiper Energy and late fees.

The following table displays our revenue by major source based on product and service type for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30, 2023				Six Months Ended June 30, 2022			
(in thousands)	Regulated Energy	Unregulated Energy	Other and Eliminations	Total	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution								
Delaware natural gas division	**$ 51,016**	**$ —**	**$ —**	**$ 51,016**	$ 47,568	$ —	$ —	$ 47,568
Florida natural gas distribution [(1)]	**87,124**	**—**	**—**	**87,124**	75,722	—	—	75,722
FPU electric distribution	**45,771**	**—**	**—**	**45,771**	39,394	—	—	39,394
Maryland natural gas division	**16,884**	**—**	**—**	**16,884**	14,836	—	—	14,836
Sandpiper natural gas/propane operations	**11,161**	**—**	**—**	**11,161**	11,885	—	—	11,885
Elkton Gas	**5,444**	**—**	**—**	**5,444**	5,071	—	—	5,071
Total energy distribution	**217,400**	**—**	**—**	**217,400**	194,476	—	—	194,476
Energy transmission								
Aspire Energy	**—**	**19,680**	**—**	**19,680**	—	28,844	—	28,844
Aspire Energy Express	**733**	**—**	**—**	**733**	632	—	—	632
Eastern Shore	**40,302**	**—**	**—**	**40,302**	39,196	—	—	39,196
Peninsula Pipeline	**14,504**	**—**	**—**	**14,504**	13,549	—	—	13,549
Total energy transmission	**55,539**	**19,680**	**—**	**75,219**	53,377	28,844	—	82,221
Energy generation								
Eight Flags	**—**	**9,832**	**—**	**9,832**	—	11,455	—	11,455
Propane operations								
Propane delivery operations	**—**	**87,295**	**—**	**87,295**	—	110,075	—	110,075
Compressed Natural Gas Services								
Marlin Gas Services	**—**	**7,238**	**—**	**7,238**	—	4,589	—	4,589
Other and eliminations								
Eliminations	**(29,528)**	**(129)**	**(13,696)**	**(43,353)**	(27,769)	(207)	(12,706)	(40,682)
Other	**—**	**—**	**91**	**91**	—	—	216	216
Total other and eliminations	**(29,528)**	**(129)**	**(13,605)**	**(43,262)**	(27,769)	(207)	(12,490)	(40,466)
Total operating revenues [(2)]	**$ 243,411**	**$ 123,916**	**$ (13,605)**	**$ 353,722**	$ 220,084	$ 154,756	$ (12,490)	$ 362,350

[(1)] In accordance with the Florida PSC approval of our natural gas base rate proceeding, effective March 1, 2023, our natural gas distribution businesses in Florida (FPU, FPU-Indiantown division, FPU-Fort Meade division and Chesapeake Utilities' CFG division, collectively, “Florida natural gas distribution businesses”) have been consolidated for rate-making purposes and amounts above are now being presented on a consolidated basis consistent with the final rate order.

[(2)] Total operating revenues for the six months ended June 30, 2023 include other revenue (revenues from sources other than contracts with customers) of $0.8 million and $0.2 million for our Regulated and Unregulated Energy segments, respectively and $0.1 million and $0.2 million for our Regulated and Unregulated Energy segments, respectively, for the six months ended June 30, 2022. The sources of other revenues include revenue from alternative revenue programs related to revenue normalization for the Maryland division and Sandpiper Energy and late fees.

Contract Balances

The timing of revenue recognition, customer billings and cash collections results in trade receivables, unbilled receivables (contract assets), and customer advances (contract liabilities) in our condensed consolidated balance sheets. The balances of our trade receivables, contract assets, and contract liabilities as of June 30, 2023 and December 31, 2022 were as follows:

(in thousands)	Trade Receivables	Contract Assets (Current)	Contract Assets (Non-current)	Contract Liabilities (Current)
Balance at 12/31/2022	$ 61,687	$ 18	$ 4,321	$ 983
Balance at 6/30/2023	**41,140**	**18**	**3,787**	**594**
Decrease	$ (20,547)	$ —	$ (534)	$ (389)

Our trade receivables are included in trade and other receivables in the condensed consolidated balance sheets. Our current contract assets are included in other current assets in the condensed consolidated balance sheet. Our non-current contract assets are included in other assets in the condensed consolidated balance sheet and primarily relate to operations and maintenance costs incurred by Eight Flags that have not yet been recovered through rates for the sale of electricity to our electric distribution operation pursuant to a long-term service agreement.

At times, we receive advances or deposits from our customers before we satisfy our performance obligation, resulting in contract liabilities. Contract liabilities are included in other accrued liabilities in the condensed consolidated balance sheets and relate to non-refundable prepaid fixed fees for our Mid-Atlantic and North Carolina propane delivery operation's retail offerings. Our performance obligation is satisfied over the term of the respective customer retail program on a ratable basis. For the three months ended June 30, 2023 and 2022, we recognized revenue of $0.2 million and $0.3 million, respectively. For the six months ended June 30, 2023 and 2022, we recognized revenue of $0.4 million and $0.7 million, respectively.

Remaining Performance Obligations

Our businesses have long-term fixed fee contracts with customers in which revenues are recognized when performance obligations are satisfied over the contract term. Revenue for these businesses for the remaining performance obligations, at June 30, 2023, are expected to be recognized as follows:

(in thousands)	2023	2024	2025	2026	2027	2028	2029 and thereafter
Eastern Shore and Peninsula Pipeline	$ 19,613	$ 37,006	$ 30,613	$ 27,138	$ 24,163	$ 23,398	$ 188,498
Natural gas distribution operations	3,967	7,744	7,297	7,066	6,470	5,154	28,371
FPU electric distribution	326	652	275	275	275	275	—
Total revenue contracts with remaining performance obligations	$ 23,906	$ 45,402	$ 38,185	$ 34,479	$ 30,908	$ 28,827	$ 216,869

5. Rates and Other Regulatory Activities

Our natural gas and electric distribution operations in Delaware, Maryland and Florida are subject to regulation by their respective PSC; Eastern Shore, our natural gas transmission subsidiary, is subject to regulation by the FERC; and Peninsula Pipeline and Aspire Energy Express, our intrastate pipeline subsidiaries, are subject to regulation (excluding cost of service) by the Florida PSC and Public Utilities Commission of Ohio, respectively.

Delaware

Refer to the additional details below pertaining to the Customer Information System Regulatory Asset Petition and COVID-19 impact.

Maryland

Ocean City Maryland Reinforcement: In March 2022, we filed a Section 7(f) - Request for Service Area Determination with the FERC regarding plans to extend our natural gas facilities across the Delaware/Maryland state line from Sussex County, Delaware, to Worcester County, Maryland, to provide a secondary feed to Sandpiper Energy. The FERC approved the Section 7(f) request on August 29, 2022. The project will increase the reliability of the existing distribution system in those areas while also expanding infrastructure to serve new customers. Construction was completed during the second quarter of 2023.

Florida

Wildlight Expansion: In August 2022, Peninsula Pipeline and FPU filed a joint petition with the Florida PSC for approval of its Transportation Service Agreement associated with the Wildlight planned community located in Nassau County, Florida. The project enables us to meet the significant growing demand for service in Yulee, Florida. The agreement will enable us to construct the project during the build-out of the community, and charge the reservation rate as each phase of the project goes into service. Construction of the pipeline facilities will occur in two separate phases. Phase one consists of three extensions with associated facilities, and a gas injection interconnect with associated facilities. Phase two will consist of two additional pipeline extensions. The various phases of the project commenced in the first quarter of 2023, with construction on the overall project continuing through 2025. The petition was approved by the Florida PSC in November 2022.

Natural Gas Rate Case: In May 2022, our natural gas distribution businesses in Florida filed a consolidated natural gas rate case with the Florida PSC. The application included a request for the following: (i) permanent rate relief of approximately $24.1 million, effective January 1, 2023, (ii) a depreciation study also submitted with filing; (iii) authorization to make certain changes to tariffs to include the consolidation of rates and rate structure across the businesses and to unify the Florida natural gas distribution businesses under FPU; (iv) authorization to retain the acquisition adjustment recorded at the time of the FPU merger in our revenue requirement; and (v) authorization to establish an environmental remediation surcharge for the purposes of addressing future expected remediation costs for FPU MGP sites. In August 2022, interim rates were approved by the Florida PSC in the amount of approximately $7.7 million on an annualized basis, effective for all meter readings in September 2022. The discovery process and subsequent hearings were concluded during the fourth quarter of 2022 and briefs were submitted during the same quarter of 2022. In January 2023, the Florida PSC approved the application for consolidation and permanent rate relief of approximately $17.2 million on an annual basis. Actual rates in connection with the rate relief were approved by the Florida PSC in February 2023 with an effective date of March 1, 2023.

Beachside Pipeline Extension: In June 2021, Peninsula Pipeline and Florida City Gas entered into a Transportation Service Agreement for an incremental 10,176 Dts/d of firm service in Indian River County, Florida, to support Florida City Gas' growth along the Indian River's barrier island. As part of this agreement, Peninsula Pipeline constructed 11.3 miles of pipeline from its existing pipeline in the Sebastian, Florida area, traveling east under the Intercoastal Waterway and southward on the barrier island. The project was placed in-service during April 2023.

St.Cloud / Twin Lakes Expansion: In July 2022, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with FPU, for an additional 2,400 Dt/d of firm service in the St. Cloud, Florida area. As part of this agreement, Peninsula Pipeline will construct a pipeline extension and regulator station for FPU. The extension will be used to support new incremental load due to growth in the area, including providing service, most immediately, to the residential development, Twin Lakes. The expansion will also improve reliability and provide operational benefits to FPU's existing distribution system in the area, supporting future growth. The petition was approved by the Florida PSC in October 2022. We expect this expansion to be placed into service during the third quarter of 2023.

Storm Protection Plan: In 2020, the Florida PSC implemented the Storm Protection Plan ("SPP") and Storm Protection Plan Cost Recovery Clause ("SPPCRC") rules, which require electric utilities to petition the Florida PSC for approval of a Transmission and Distribution Storm Protection Plan that covers the utility's immediate 10-year planning period with updates to the plan at least every 3 years. The SPPCRC rules allow the utility to file for recovery of associated costs for the SPP. Our Florida electric distribution operation's SPP plan was filed during the first quarter of 2022 and approved in the fourth quarter of 2022 with modifications, by the Florida PSC. Rates associated with this initiative were effective in January 2023.

Lake Wales Pipeline Acquisition: In February 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with FPU for an additional 9,000 Dt/d of firm service in the Lake Wales, Florida area. The Commission approved the petition in April 2023. Approval of the agreement allowed Peninsula Pipeline to complete the acquisition of the existing pipeline in May 2023 which is being utilized to serve our current natural gas customers as well as enable us to serve new customers.

GUARD: In February 2023, FPU filed a petition with the Florida PSC for approval of the GUARD program. GUARD is a ten-year program to enhance the safety, reliability, and accessibility of portions of our natural gas distribution system. We have identified various categories of projects to be included in GUARD, which include the relocation of mains and service lines located in rear easements and other difficult to access areas to the front of the street, the replacement of problematic distribution mains, service lines, and M&R equipment and system reliability projects. In August 2023, the Florida PSC approved the GUARD program, with the exception of reliability projects with an approximate value of $10 million. The remainder of the program was approved as filed, which included $205 million of capital expenditures projected to be spent over a 10-year period.

Newberry Expansion: In April 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with FPU for an additional 8,000 Dt/d of firm service in the Newberry, Florida area. In July 2023, the Florida PSC approved the company's recommendation to proceed with this project. Peninsula Pipeline will construct a pipeline extension which will be used by FPU to support the development of a natural gas distribution system to provide gas service to the City of Newberry.

Amendment to Escambia County Agreement: In April of 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of an amendment to an existing contract with FPU. This amendment will allow Peninsula Pipeline to construct an additional delivery point on a pipeline located in Escambia County. The additional delivery point comes at the request of an FPU customer and will be used to enhance natural gas service in the area. Currently, the petition is under review by the Florida PSC. A decision is expected in the third quarter of 2023.

Florida Electric Depreciation Study: The Florida PSC requires electric utilities to file a depreciation study every four years to reevaluate and set depreciation rates for the utility's plant assets. In June 2023, FPU filed a petition with the Florida PSC for approval of it's proposed depreciation rates. If approved, new rates will become effective retroactively on January 1, 2023.

Eastern Shore

Southern Expansion Project: In January 2022, Eastern Shore submitted a prior notice filing with the FERC pursuant to blanket certificate procedures, regarding its proposal to install an additional compressor unit and related facilities at Eastern Shore's compressor station in Bridgeville, Sussex County, Delaware. The project will enable Eastern Shore to provide additional firm natural gas transportation service to an existing shipper on its pipeline system. The project obtained FERC approval in December 2022, and is under construction, estimated to go into service in the fourth quarter of 2023.

Capital Cost Surcharge: In December 2022, Eastern Shore submitted a filing with the FERC regarding a capital cost surcharge to recover capital costs associated with the replacement of existing Eastern Shore facilities as a result of mandated highway relocation projects as well as compliance with a Pipeline and Hazardous Materials Safety Administration ("PHMSA") regulation. The capital cost surcharge mechanism was approved in Eastern Shore's last rate case. In conjunction with the filing of this surcharge, a cumulative adjustment to the existing surcharge to reflect additional depreciation was included. The FERC issued an order approving the surcharge as filed on December 19, 2022. The combined revised surcharge became effective January 1, 2023.

Various Jurisdictional Activity Related to the Joint Customer Information System Project

In July 2022, we filed a joint petition for our natural gas divisions in Maryland (Maryland Division, Sandpiper, and Elkton Gas) for the approval to establish a regulatory asset for non-capitalizable expenses related to the initial development and implementation of our new Customer Information System ("CIS") system. The petition was approved by the Maryland PSC in August 2022. A similar petition for our Florida Regulated Energy businesses was filed during the same time frame and was initially denied. The Florida PSC subsequently approved capitalization of these expenses. Additionally, our Delaware Division has the ability to defer these costs as a regulatory asset. We have completed the system selection process and the CIS implementation began during the first quarter of 2023.

COVID-19 Impact

In March 2020, the CDC declared a national emergency due to the rapidly growing outbreak of COVID-19. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These restrictions significantly impacted economic conditions in the United States in 2020 and continued to impact economic conditions, to a lesser extent, through 2021 and 2022. Chesapeake Utilities is considered an "essential business," which allowed us to continue operational activities and construction projects with appropriate safety precautions and personal protective equipment, while being mindful of the social distancing restrictions that were in place.

In response to the COVID-19 pandemic and related restrictions, we experienced reduced consumption of energy largely in the commercial and industrial sectors, higher bad debt expenses and incremental expenses associated with COVID-19, including expenditures associated with personal protective equipment and premium pay for field personnel. The additional operating expenses we incurred supported the ongoing delivery of our essential services during the height of the pandemic. In April and May 2020, we were authorized by the Maryland and Delaware PSCs, respectively, to record regulatory assets for COVID-19 related costs which offered us the ability to seek recovery of those costs. In July 2021, the Florida PSC issued an order that approved incremental expenses we incurred due to COVID-19. The order allowed us to establish a regulatory asset in a total amount of $2.1 million as of June 30, 2021 for natural gas and electric distribution operations. The regulatory asset is being amortized over two years and is recovered through the Purchased Gas Adjustment and Swing Service mechanisms for our natural gas distribution businesses and through the Fuel Purchased Power Cost Recovery clause for our electric division. As of June 30, 2023 and December 31, 2022, our total COVID-19 regulatory asset balance was $0.7 million and $1.2 million, respectively.

Summary TCJA Table

Customer rates for our regulated businesses were adjusted, as approved by the regulators, prior to 2020 with the exception of Elkton Gas, which implemented a one-time bill credit in May 2020. The following table summarizes the regulatory liabilities related to accumulated deferred taxes ("ADIT") associated with TCJA for our regulated businesses as of June 30, 2023 and December 31, 2022:

	Amount (in thousands)		
Operation and Regulatory Jurisdiction	**June 30, 2023**	**December 31, 2022**	**Status**
Eastern Shore (FERC)	$34,190	$34,190	Will be addressed in Eastern Shore's next rate case filing.
Chesapeake Delaware natural gas division (Delaware PSC)	$12,134	$12,230	PSC approved amortization of ADIT in January 2019.
Chesapeake Maryland natural gas division (Maryland PSC)	$3,644	$3,703	PSC approved amortization of ADIT in May 2018.
Sandpiper Energy (Maryland PSC)	$3,542	$3,597	PSC approved amortization of ADIT in May 2018.
Florida natural gas distribution (Florida PSC) [1]	$26,894	$27,179	PSC issued order authorizing amortization and retention of net ADIT liability by the Company in February 2019.
FPU electric division (Florida PSC)	$4,876	$4,993	In January 2019, PSC issued order approving amortization of ADIT through purchased power cost recovery, storm reserve and rates.
Elkton Gas (Maryland PSC)	$1,043	$1,059	PSC approved amortization of ADIT in March 2018.

[1] In accordance with the Florida PSC approval of our natural gas base rate proceeding, effective March 1, 2023, our natural gas distribution businesses in Florida have been consolidated for rate-making purposes and amounts above are now being presented on a consolidated basis consistent with the final rate order.

6. Environmental Commitments and Contingencies

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remediate, at current and former operating sites, the effect on the environment of the disposal or release of specified substances.

MGP Sites

We have participated in the investigation, assessment or remediation of, and have exposures at, seven former MGP sites. We have received approval for recovery of clean-up costs in rates for sites located in Salisbury, Maryland; Seaford, Delaware; and Winter Haven, Key West, Pensacola, Sanford and West Palm Beach, Florida.

As of June 30, 2023 and December 31, 2022, we had approximately $3.4 million and $4.3 million, respectively, in environmental liabilities related to the former MGP sites. As of June 30, 2023 and December 31, 2022, we have cumulative regulatory assets of $0.5 million and $0.8 million, respectively, for future recovery of environmental costs for customers. Specific to FPU’s four MGP sites in Key West, Pensacola, Sanford and West Palm Beach, FPU has approval for and has recovered, through a combination of insurance and customer rates, $14.0 million of its environmental costs related to its MGP sites as of June 30, 2023.

Environmental liabilities for our MGP sites are recorded on an undiscounted basis based on the estimate of future costs provided by independent consultants. We continue to expect that all costs related to environmental remediation and related activities, including any potential future remediation costs for which we do not currently have approval for regulatory recovery, will be recoverable from customers through rates.

Remediation is ongoing for the MGPs in Winter Haven and Key West in Florida and in Seaford, Delaware and the remaining clean-up costs are estimated to be between $0.3 million to $0.9 million for these three sites. The Environmental Protection Agency has approved a "site-wide ready for anticipated use" status for the Sanford, Florida MGP site, which is the final step before delisting a site. The remaining remediation expenses for the Sanford MGP site are immaterial.

The remedial actions approved by the Florida Department of Environmental Protection have been implemented on the east parcel of our West Palm Beach Florida site. Similar remedial actions have been initiated on the site's west parcel, and construction of active remedial systems are expected to be completed later in 2023.

7. Other Commitments and Contingencies

Natural Gas, Electric and Propane Supply

In March 2023, our Delmarva Peninsula natural gas distribution operations entered into asset management agreements with a third party to manage their natural gas transportation and storage capacity. The agreements were effective as of April 1, 2023 and expire in March 2026.

Our Florida natural gas distribution operations and Eight Flags generation facility have separate asset management agreements with Emera Energy Services, Inc. to manage their natural gas transportation capacity. These agreements are for a 10-year term that commenced in November 2020 and expire in October 2030.

Additionally, our Florida natural gas distribution operations have firm transportation service contracts with FGT and Gulfstream. Pursuant to a capacity release program approved by the Florida PSC, all of the capacity under these agreements has been released to various third parties. Under the terms of these capacity release agreements, Chesapeake Utilities is contingently liable to FGT and Gulfstream should any party, that acquired the capacity through release, fail to pay the capacity charge. To date, Chesapeake Utilities has not been required to make a payment resulting from this contingency.

FPU’s electric supply contracts require FPU to maintain an acceptable standard of creditworthiness based on specific financial ratios. FPU’s agreement with Florida Power & Light Company requires FPU to meet or exceed a debt service coverage ratio of 1.25 times based on the results of the prior 12 months. If FPU fails to meet this ratio, it must provide an irrevocable letter of credit or pay all amounts outstanding under the agreement within five business days. FPU’s electric supply agreement with Gulf Power requires FPU to meet the following ratios based on the average of the prior six quarters: (a) funds from operations interest coverage ratio (minimum of two times), and (b) total debt to total capital (maximum of 65 percent). If FPU fails to meet the requirements, it has to provide the supplier a written explanation of actions taken, or proposed to be taken, to become compliant. Failure to comply with the ratios specified in the Gulf Power agreement could also result in FPU having to provide an irrevocable letter of credit. As of June 30, 2023, FPU was in compliance with all of the requirements of its fuel supply contracts.

Eight Flags provides electricity and steam generation services through its CHP plant located on Amelia Island, Florida. In June 2016, Eight Flags began selling power generated from the CHP plant to FPU pursuant to a 20-year power purchase agreement for distribution to our electric customers. In July 2016, Eight Flags also started selling steam, pursuant to a separate 20-year contract, to the landowner on which the CHP plant is located. The CHP plant is powered by natural gas transported by FPU through its distribution system and Peninsula Pipeline through its intrastate pipeline.

Corporate Guarantees

The Board of Directors has authorized us to issue corporate guarantees securing obligations of our subsidiaries and to obtain letters of credit securing our subsidiaries' obligations. The maximum authorized liability under such guarantees and letters of credit as of June 30, 2023 was $20.0 million. The aggregate amount guaranteed related to our subsidiaries at June 30, 2023 was approximately $14.2 million with the guarantees expiring on various dates through May 2024. In addition, the Board has authorized us to issue specific purpose corporate guarantees. The amount of specific purpose guarantees outstanding at June 30, 2023 was $4.0 million.

As of June 30, 2023, we have issued letters of credit totaling approximately $5.9 million related to the electric transmission services for FPU's electric division, the firm transportation service agreement between TETLP and our Delaware and Maryland divisions, the capacity agreement between NEXUS and Aspire, and our current and previous primary insurance carriers. These letters of credit have various expiration dates through April 2024 and to date, none have been used. We do not anticipate that the counterparties will draw upon these letters of credit, and we expect that they will be renewed to the extent necessary in the future.

8. Segment Information

We use the management approach to identify operating segments. We organize our business around differences in regulatory environment and the operating results of each segment are regularly reviewed by the chief operating decision maker, our Chief Executive Officer, in order to make decisions about resources and to assess performance.

Our operations are entirely domestic and are comprised of two reportable segments:

- *Regulated Energy*. Includes energy distribution and transmission services (natural gas distribution, natural gas transmission and electric distribution operations). All operations in this segment are regulated, as to their rates and services, by the PSC having jurisdiction in each operating territory or by the FERC in the case of Eastern Shore.
- *Unregulated Energy.* Includes energy transmission, energy generation (the operations of our Eight Flags' CHP plant), propane distribution operations, mobile compressed natural gas distribution and pipeline solutions operations, and project development activities related to our sustainable energy initiatives. Also included in this segment are other unregulated energy services, such as energy-related merchandise sales and heating, ventilation and air conditioning, plumbing and electrical services. These operations are unregulated as to their rates and services.

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

The following table presents financial information about our reportable segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Operating Revenues, Unaffiliated Customers				
Regulated Energy	**$ 100,657**	$ 91,830	**$ 242,279**	$ 215,888
Unregulated Energy	**34,936**	47,640	**111,443**	146,462
Total operating revenues, unaffiliated customers	**$ 135,593**	$ 139,470	**$ 353,722**	$ 362,350
Intersegment Revenues [1]				
Regulated Energy	**$ 484**	$ 363	**$ 1,132**	$ 4,196
Unregulated Energy	**5,816**	5,823	**12,473**	7,819
Other businesses	**45**	85	**91**	691
Total intersegment revenues	**$ 6,345**	$ 6,271	**$ 13,696**	$ 12,706
Operating Income				
Regulated Energy	**$ 29,291**	$ 25,841	**$ 66,916**	$ 60,539
Unregulated Energy	**(993)**	560	**16,252**	20,613
Other businesses and eliminations	**48**	68	**93**	182
Operating income	**28,346**	26,469	**83,261**	81,334
Other income, net	**831**	2,584	**1,107**	3,498
Interest charges	**6,964**	5,825	**14,196**	11,164
Income Before Income Taxes	**22,213**	23,228	**70,172**	73,668
Income Taxes	**6,080**	6,177	**17,695**	19,683
Net Income	**$ 16,133**	$ 17,051	**$ 52,477**	$ 53,985

[1] All significant intersegment revenues are billed at market rates and have been eliminated from consolidated operating revenues.

(in thousands)	**June 30, 2023**	**December 31, 2022**
Identifiable Assets		
Regulated Energy segment	**$ 1,707,605**	$ 1,716,255
Unregulated Energy segment	**448,217**	463,239
Other businesses and eliminations	**48,668**	35,543
Total Identifiable Assets	**$ 2,204,490**	$ 2,215,037

9. Stockholders' Equity

Common Stock Issuances

We maintain an effective shelf registration statement with the SEC for the issuance of shares under our DRIP and ATM programs. Depending on our capital needs and subject to market conditions, in addition to other possible debt and equity offerings, we may issue additional shares under the direct stock purchase component of the DRIP. In 2022, we issued less than 0.1 million shares at an average price per share of $136.26 and received net proceeds of $4.5 million under the DRIP. In the first six months of 2023, there were no issuances under the DRIP. Our most recent ATM equity program, which allowed us to issue and sell shares of our common stock up to an aggregate offering price of $75.0 million, expired in June 2023. We expect to execute a new ATM during the third quarter of 2023.

We use the net proceeds from our share issuances, after fees, for general corporate purposes, including, but not limited to, financing of capital expenditures, repayment of short-term debt, financing acquisitions, investing in subsidiaries, and general working capital purposes.

Accumulated Other Comprehensive Income (Loss)

Defined benefit pension and postretirement plan items, unrealized gains (losses) of our propane swap agreements designated as commodity contracts cash flow hedges, and the unrealized gains (losses) of our interest rate swap agreements designated as cash flow hedges are the components of our accumulated other comprehensive income (loss). The following tables present the changes in the balance of accumulated other comprehensive income (loss) components as of June 30, 2023 and 2022. All amounts in the following tables are presented net of tax.

(in thousands)	Defined Benefit Pension and Postretirement Plan Items	Commodity Contracts Cash Flow Hedges	Interest Rate Swap Cash Flow Hedges	Total
As of December 31, 2022	**$ (2,506)**	**$ 1,092**	**$ 35**	**$ (1,379)**
Other comprehensive income (loss) before reclassifications	**—**	**(2,045)**	**612**	**(1,433)**
Amounts reclassified from accumulated other comprehensive income (loss)	**21**	**(126)**	**(142)**	**(247)**
Net current-period other comprehensive income (loss)	**21**	**(2,171)**	**470**	**(1,680)**
As of June 30, 2023	**$ (2,485)**	**$ (1,079)**	**$ 505**	**$ (3,059)**
As of December 31, 2021	$ (3,268)	$ 4,571	$ —	$ 1,303
Other comprehensive income before reclassifications	—	2,206	—	2,206
Amounts reclassified from accumulated other comprehensive income (loss)	35	(2,174)	—	(2,139)
Net prior-period other comprehensive income	35	32	—	67
As of June 30, 2022	$ (3,233)	$ 4,603	$ —	$ 1,370

Deferred gains or losses for our commodity contracts and interest rate swap cash flow hedges are recognized in earnings upon settlement. Amortization of the net loss related to the defined benefit pension plan and postretirement plans is included in the computation of net periodic costs (benefits). See Note 10, *Employee Benefit Plans*, for additional details. Gains on commodity contracts classified as cash flow hedges related to our propane swaps are included in the effects of gains and losses from derivative instruments. See Note 12, *Derivative Instruments*, for additional details.

Amortization of defined benefit pension and postretirement plan items are included in other expense, net, gains and losses on propane swap agreement contracts are included in revenue and unregulated propane and natural gas costs, and the realized gain or loss on interest rate swap agreements is recognized as a component of interest charges in the accompanying condensed consolidated statements of income. The income tax benefit is included in income tax expense in the accompanying condensed consolidated statements of income.

10. Employee Benefit Plans

Net periodic benefit costs for the FPU Pension Plan for the three and six months ended June 30, 2023 and 2022 is set forth in the following table:

FPU Pension Plan	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2023	**2022**	**2023**	**2022**
(in thousands)				
Interest cost	**$ 633**	$ 449	**$ 1,266**	$ 898
Expected return on plan assets	**(668)**	(857)	**(1,336)**	(1,714)
Amortization of net (gain) loss	**110**	124	**220**	248
Total periodic cost (benefit)	**$ 75**	$ (284)	**$ 150**	$ (568)

The following table presents the amounts included in the regulatory asset and accumulated other comprehensive income (loss) that were recognized as components of the FPU Pension Plan's net periodic benefit cost during the three and six months ended June 30, 2023 and 2022:

FPU Pension Plan	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2023	**2022**	**2023**	**2022**
(in thousands)				
Recognized from accumulated other comprehensive (income) loss [1]	**$ 21**	$ 24	**$ 42**	$ 48
Recognized from regulatory asset	**89**	100	**178**	200
Total net loss in net periodic benefit cost	**$ 110**	$ 124	**$ 220**	$ 248

[1] See Note 9, *Stockholders' Equity*.

Net periodic benefit cost for our other pension and post-retirement benefit plans were not material for the three and six months ended June 30, 2023 and 2022.

The components of our net periodic costs have been recorded or reclassified to other expense, net in the condensed consolidated statements of income. Pursuant to their respective regulatory orders, FPU and Chesapeake Utilities continue to record, as a regulatory asset, a portion of their unrecognized postretirement benefit costs related to their regulated operations. The portion of the unrecognized pension and postretirement benefit costs related to FPU's unregulated operations and Chesapeake Utilities' operations is recorded to accumulated other comprehensive income (loss).

During the three and six months ended June 30, 2023, there were no contributions to the FPU Pension Plan and we do not expect to contribute to the FPU Pension Plan during 2023. The Chesapeake SERP, the Chesapeake Postretirement Plan and the FPU Medical Plan are unfunded and are expected to be paid out of our general funds. Cash benefits paid under these other post retirement benefit plans for the three and six months ended June 30, 2023 were approximately $0.2 million and $0.3 million, respectively. We expect to pay total cash benefits of approximately $0.4 million for these other post retirement benefit plans in 2023.

Non-Qualified Deferred Compensation Plan

Members of our Board of Directors and officers of the Company are eligible to participate in the Non-Qualified Deferred Compensation Plan. Directors can elect to defer any portion of their cash or stock compensation and officers can defer up to 80 percent of their base compensation, cash bonuses or any amount of their stock bonuses (net of required withholdings). Officers may receive a matching contribution on their cash compensation deferrals up to 6 percent of their compensation, provided it does not duplicate a match they receive in the Retirement Savings Plan.

All obligations arising under the Non-Qualified Deferred Compensation Plan are payable from our general assets, although we have established a Rabbi Trust to informally fund the plan. Deferrals of cash compensation may be invested by the participants in various mutual funds (the same options that are available in the Retirement Savings Plan). The participants are credited with gains or losses on those investments. Assets held in the Rabbi Trust, recorded as Investments on the condensed consolidated balance sheet, had a fair value of $11.7 million at June 30, 2023 and $10.6 million at December 31, 2022. The assets of the Rabbi Trust are at all times subject to the claims of our general creditors.

11. Share-Based Compensation

Our key employees and non-employee directors have been granted share-based awards through our SICP. We record these share-based awards as compensation costs over the respective service period for which services are received in exchange for an award of equity or equity-based compensation. The compensation cost is based primarily on the fair value of the shares awarded, using the estimated fair value of each share on the date it was granted, and the number of shares to be issued at the end of the service period.

The table below presents the amounts included in net income related to share-based compensation expense for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
(in thousands)				
Awards to key employees	**$ 284**	$ 1,122	**$ 2,440**	$ 3,101
Awards to non-employee directors	**227**	220	**479**	454
Total compensation expense	**511**	1,342	**2,919**	3,555
Less: tax benefit	**(132)**	(346)	**(754)**	(917)
Share-based compensation amounts included in net income	**$ 379**	$ 996	**$ 2,165**	$ 2,638

Officers and Key Employees

Our Compensation Committee is authorized to grant our key employees the right to receive awards of shares of our common stock, contingent upon the achievement of established performance goals and subject to SEC transfer restrictions once awarded. Our President and CEO has the right to issue awards of shares of our common stock, to other officers of the Company, contingent upon various performance goals and subject to SEC transfer restrictions.

We currently have several outstanding multi-year performance plans, which are based upon the successful achievement of long-term goals, growth and financial results and comprise both market-based and performance-based conditions and targets. The fair value per share, tied to a performance-based condition or target, is equal to the market price per share on the grant date. For the market-based conditions, we used the Monte Carlo valuation to estimate the fair value of each share granted.

The table below presents the summary of the stock activity for awards to key employees for the six months ended June 30, 2023:

	Number of Shares		Weighted Average Fair Value
Outstanding—December 31, 2022	204,149	$	103.17
Granted	80,752	$	128.01
Vested	(68,302)	$	91.59
Expired	(2,053)	$	94.64
Outstanding—June 30, 2023	214,546	$	116.04

During the six months ended June 30, 2023, we granted awards of 80,752 shares of common stock to key employees under the SICP, including awards granted in February 2023 to key employees appointed in officer positions. The shares granted are multi-year awards that will vest no later than the three-year service period ending December 31, 2025. All of these stock awards are earned based upon the successful achievement of long-term financial results, which are comprised of market-based and performance-based conditions or targets. The fair value of each performance-based condition or target is equal to the market price of our common stock on the grant date of each award. For the market-based conditions, we used the Monte Carlo valuation to estimate the fair value of each market-based award granted.

In March 2023, upon the election by certain of our executive officers, we withheld shares with a value at least equivalent to each such executive officer's minimum statutory obligation for applicable income and other employment taxes related to shares that vested and were paid in March 2023 for the performance period ended December 31, 2022. We paid the balance of such awarded shares to each such executive officer and remitted cash equivalent to the withheld shares to the appropriate taxing authorities. We withheld 19,859 shares, based on the value of the shares on their award date. Total combined payments for the employees' tax obligations to the taxing authorities were approximately $2.5 million.

At June 30, 2023, the aggregate intrinsic value of the SICP awards granted to key employees was approximately $25.5 million. At June 30, 2023, there was approximately $8.7 million of unrecognized compensation cost related to these awards, which will be recognized through 2025.

Non-employee Directors

Shares granted to non-employee directors are issued in advance of the directors' service periods and are fully vested as of the grant date. We record a deferred expense equal to the fair value of the shares issued and amortize the expense equally over a service period of one year or less.

Our directors receive an annual retainer of shares of common stock under the SICP for services rendered through the subsequent Annual Meeting of Shareholders. Accordingly, our directors that served on the Board as of May 2023 each received 765 shares of common stock, respectively, with a weighted average fair value of $124.12 per share.

At June 30, 2023, there was approximately $0.8 million of unrecognized compensation expense related to shares granted to non-employee directors. This expense will be recognized over the remaining service period ending in May 2024.

12. Derivative Instruments

We use derivative and non-derivative contracts to manage risks related to obtaining adequate supplies and the price fluctuations of natural gas, electricity and propane and to mitigate interest rate risk. Our natural gas, electric and propane distribution operations have entered into agreements with suppliers to purchase natural gas, electricity and propane for resale to our customers. Our natural gas gathering and transmission company has entered into contracts with producers to secure natural gas to meet its obligations. Purchases under these contracts typically either do not meet the definition of derivatives or are considered "normal purchases and normal sales" and are accounted for on an accrual basis. Our propane distribution operations may also enter into fair value hedges of their inventory or cash flow hedges of their future purchase commitments in order to mitigate the impact of wholesale price fluctuations. Occasionally, we may enter into interest rate swap agreements to mitigate risk associated with changes in short-term borrowing rates. As of June 30, 2023, our natural gas and electric distribution operations did not have any outstanding derivative contracts.

Volume of Derivative Activity

As of June 30, 2023, the volume of our commodity derivative contracts were as follows:

Business unit	Commodity	Contract Type	Quantity hedged (in millions)	Designation	Longest Expiration date of hedge
Sharp	Propane (gallons)	Purchases	21.3	Cash flow hedges	June 2026
Sharp	Propane (gallons)	Sales	3.2	Cash flow hedges	December 2023

Sharp entered into futures and swap agreements to mitigate the risk of fluctuations in wholesale propane index prices associated with the propane volumes that are expected to be purchased and/or sold during the heating season. Under the futures and swap agreements, Sharp will receive the difference between (i) the index prices (Mont Belvieu prices in June 2023 through June 2026) and (ii) the per gallon propane swap prices, to the extent the index prices exceed the contracted prices. If the index prices are lower than the contract prices, Sharp will pay the difference. We designated and accounted for the propane swaps as cash flow hedges. The change in the fair value of the swap agreements is recorded as unrealized gain (loss) in other comprehensive income (loss) and later recognized in the statement of income in the same period and in the same line item as the hedged transaction. We expect to reclassify unrealized losses of approximately $1.1 million from accumulated other comprehensive income (loss) related to our commodity cash flow hedges to earnings during the next 12-month period ended June 30, 2024.

Interest Rate Swap Activities

We manage interest rate risk by entering into derivative contracts to hedge the variability in cash flows attributable to changes in the short-term borrowing rates. In September 2022, we entered into an interest rate swap with a notional amount of $50.0 million through September 2025, with pricing of 3.98 percent.

Prior to August 2022, our short-term borrowing was based on the 30-day LIBOR rate. In August 2022, we amended and restated our revolver and transitioned the benchmark interest rate to the 30-day SOFR as a result of the expiration of LIBOR. Our prior interest rate swaps were cash settled monthly as the counter-party paid us the 30-day LIBOR rate less the fixed rate. Our interest rate swap is cash settled monthly as the counter-party pays us the 30-day SOFR rate less the fixed rate.

We designate and account for interest rate swaps as cash flow hedges. Accordingly, unrealized gains and losses associated with the interest rate swap are recorded as a component of accumulated other comprehensive income (loss). When the interest rate swap settles, the realized gain or loss is recorded in the income statement and is recognized as a component of interest charges.

Broker Margin

Futures exchanges have contract specific margin requirements that require the posting of cash or cash equivalents relating to traded contracts. Margin requirements consist of initial margin that is posted upon the initiation of a position, maintenance margin that is usually expressed as a percent of initial margin, and variation margin that fluctuates based on the daily mark-to-market relative to maintenance margin requirements. We currently maintain a broker margin account for Sharp which was classified within our Other Current Assets on the consolidated balance sheet with a balance of $1.4 million as of June 30, 2023. At December 31, 2022, $0.1 million was classified in Other Current Liabilities on the consolidated balance sheet.

Financial Statements Presentation

The following tables present information about the fair value and related gains and losses of our derivative contracts. We did not have any derivative contracts with a credit-risk-related contingency. Fair values of the derivative contracts recorded in the consolidated balance sheets as of June 30, 2023 and December 31, 2022, are as follows:

	Derivative Assets		
		Fair Value As Of	
(in thousands)	**Balance Sheet Location**	**June 30, 2023**	**December 31, 2022**
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative assets, at fair value	**$ 1,068**	$ 3,317
Interest rate swap agreements	Derivative assets, at fair value	**776**	452
Total Derivative Assets [1]		**$ 1,844**	$ 3,769

[1] Derivative assets, at fair value include $1.7 million and $2.8 million in current assets in the condensed consolidated balance sheet at June 30, 2023 and December 31, 2022, respectively, with the remainder of the balance classified as long-term.

	Derivative Liabilities		
		Fair Value As Of	
(in thousands)	**Balance Sheet Location**	**June 30, 2023**	**December 31, 2022**
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative liabilities, at fair value	**$ 2,556**	$ 1,810
Interest rate swap agreements	Derivative liabilities, at fair value	**96**	405
Total Derivative Liabilities [1]		**$ 2,652**	$ 2,215

[1] Derivative liabilities, at fair value include $2.2 million and $0.6 million in current liabilities in the condensed consolidated balance sheet at June 30, 2023 and December 31, 2022, respectively, with the remainder of the balance classified as long-term.

The effects of gains and losses from derivative instruments on the condensed consolidated financial statements are as follows:

		Amount of Gain (Loss) on Derivatives			
		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	**Location of Gain (Loss) on Derivatives**	**2023**	**2022**	**2023**	**2022**
Derivatives not designated as hedging instruments					
Propane swap agreements	Unregulated propane and natural gas costs	**$ —**	$ —	**$ —**	$ 56
Derivatives designated as cash flow hedges					
Propane swap agreements	Revenues	**—**	—	**733**	(826)
Propane swap agreements	Unregulated propane and natural gas costs	**(432)**	283	**(559)**	3,830
Propane swap agreements	Other comprehensive income (loss)	**(2,417)**	(686)	**(2,994)**	28
Interest rate swap agreements	Interest expense	**127**	—	**192**	—
Interest rate swap agreements	Other comprehensive income (loss)	**898**	—	**633**	—
Total		**$ (1,824)**	$ (403)	**$ (1,995)**	$ 3,088

13. Fair Value of Financial Instruments

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The three levels of the fair value hierarchy are the following:

Fair Value Hierarchy	Description of Fair Value Level	Fair Value Technique Utilized
Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities	*Investments - equity securities* - The fair values of these trading securities are recorded at fair value based on unadjusted quoted prices in active markets for identical securities. *Investments - mutual funds and other* - The fair values of these investments, comprised of money market and mutual funds, are recorded at fair value based on quoted net asset values of the shares.
Level 2	Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability	*Derivative assets and liabilities* - The fair value of the propane put/call options, propane and interest rate swap agreements are measured using market transactions for similar assets and liabilities in either the listed or over-the-counter markets.
Level 3	Prices or valuation techniques requiring inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity)	*Investments - guaranteed income fund* - The fair values of these investments are recorded at the contract value, which approximates their fair value.

Financial Assets and Liabilities Measured at Fair Value

The following tables summarize our financial assets and liabilities that are measured at fair value on a recurring basis and the fair value measurements, by level, within the fair value hierarchy as of June 30, 2023 and December 31, 2022:

		Fair Value Measurements Using:		
As of June 30, 2023	**Fair Value**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
(in thousands)				
Assets:				
Investments—equity securities	$ 23	$ 23	$ —	$ —
Investments—guaranteed income fund	1,756	—	—	1,756
Investments—mutual funds and other	9,914	9,914	—	—
Total investments	11,693	9,937	—	1,756
Derivative assets	1,844	—	1,844	—
Total assets	$ 13,537	$ 9,937	$ 1,844	$ 1,756
Liabilities:				
Derivative liabilities	$ 2,652	$ —	$ 2,652	$ —

As of December 31, 2022	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in thousands)				
Assets:				
Investments—equity securities	$ 24	$ 24	$ —	$ —
Investments—guaranteed income fund	1,853	—	—	1,853
Investments—mutual funds and other	8,699	8,699	—	—
Total investments	10,576	8,723	—	1,853
Derivative assets	3,769	—	3,769	—
Total assets	$ 14,345	$ 8,723	$ 3,769	$ 1,853
Liabilities:				
Derivative liabilities	$ 2,215	$ —	$ 2,215	$ —

The following table sets forth the summary of the changes in the fair value of Level 3 investments for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023	**2022**
(in thousands)		
Beginning Balance	**$ 1,853**	$ 2,036
Purchases and adjustments	**—**	132
Transfers	**—**	—
Distribution	**(114)**	(83)
Investment income	**17**	17
Ending Balance	**$ 1,756**	$ 2,102

Investment income from the Level 3 investments is reflected in other income, net in the condensed consolidated statements of income.

At June 30, 2023, there were no non-financial assets or liabilities required to be reported at fair value. We review our non-financial assets for impairment at least on an annual basis, as required.

Other Financial Assets and Liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable and other accrued liabilities and short-term debt. The fair value of cash and cash equivalents is measured using the comparable value in the active market and approximates its carrying value (Level 1 measurement). The fair value of short-term debt approximates the carrying value due to its near-term maturities and because interest rates approximate current market rates (Level 2 measurement).

At June 30, 2023, long-term debt, which includes current maturities but excludes debt issuance costs, had a carrying value of approximately $666.8 million, compared to the estimated fair value of $573.3 million. At December 31, 2022, long-term debt, which includes the current maturities but excludes debt issuance costs, had a carrying value of approximately $600.8 million, compared to a fair value of approximately $505.0 million. The fair value was calculated using a discounted cash flow methodology that incorporates a market interest rate based on published corporate borrowing rates for debt instruments with similar terms and average maturities, and with adjustments for duration, optionality, and risk profile. The valuation technique used to estimate the fair value of long-term debt would be considered a Level 2 measurement.

14. Long-Term Debt

Our outstanding long-term debt is shown below:

(in thousands)	June 30, 2023	December 31, 2022
Uncollateralized senior notes:		
5.93% note, due October 31, 2023	**$ 1,500**	$ 3,000
5.68% note, due June 30, 2026	**8,700**	11,600
6.43% note, due May 2, 2028	**3,500**	4,200
3.73% note, due December 16, 2028	**12,000**	12,000
3.88% note, due May 15, 2029	**30,000**	35,000
3.25% note, due April 30, 2032	**63,000**	66,500
3.48% note, due May 31, 2038	**50,000**	50,000
3.58% note, due November 30, 2038	**50,000**	50,000
3.98% note, due August 20, 2039	**100,000**	100,000
2.98% note, due December 20, 2034	**70,000**	70,000
3.00% note, due July 15, 2035	**50,000**	50,000
2.96% note, due August 15, 2035	**40,000**	40,000
2.49% notes Due January 25, 2037	**50,000**	50,000
2.95% notes Due March 15, 2042	**50,000**	50,000
5.43% notes Due March 14, 2038	**80,000**	—
Equipment security note		
2.46% note, due September 24, 2031	**8,078**	8,517
Less: debt issuance costs	**(1,042)**	(946)
Total long-term debt	**665,736**	599,871
Less: current maturities	**(19,994)**	(21,483)
Total long-term debt, net of current maturities	**$ 645,742**	$ 578,388

Note Purchase Agreements

On March 14, 2023 we issued 5.43 percent Senior Notes due March 14, 2038 in the aggregate principal amount of $80.0 million and used the proceeds received from the issuances of the Senior Notes to reduce short-term borrowings under our Revolver credit facility and to fund capital expenditures. These Senior Notes have similar covenants and default provisions as our other Senior Notes, and have an annual principal payment beginning in the sixth year after the issuance.

Shelf Agreements

We have entered into Shelf Agreements with Prudential and MetLife, whom are under no obligation to purchase any unsecured debt. In February 2023, we amended our Shelf Agreements with Prudential and MetLife. The amended agreements expand the total borrowing capacity and extend the term of the agreements for an additional three years from the effective dates. The following table summarizes the current available capacity under our Shelf Agreements at June 30, 2023:

(in thousands)	Total Borrowing Capacity	Less: Amount of Debt Issued	Less: Unfunded Commitments	Remaining Borrowing Capacity
Shelf Agreements [(1)]				
Prudential Shelf Agreement	$ 405,000	$ (300,000)	$ —	$ 105,000
MetLife Shelf Agreement	200,000	(50,000)	—	150,000
Total Shelf Agreements as of June 30, 2023	$ 605,000	$ (350,000)	$ —	$ 255,000

[(1)] The Prudential and MetLife Shelf Agreements both expire in February 2026.

The Uncollateralized Senior Notes set forth certain business covenants to which we are subject when any note is outstanding, including covenants that limit or restrict our ability, and the ability of our subsidiaries, to incur indebtedness, or place or permit liens and encumbrances on any of our property or the property of our subsidiaries.

15. Short-Term Borrowings

We are authorized by our Board of Directors to borrow up to $400.0 million of short-term debt, as required. At June 30, 2023 and December 31, 2022, we had $95.8 million and $202.2 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 5.33 percent and 5.04 percent, respectively.

In August 2022, we amended both tranches of our Revolver, which now bear interest using SOFR as the benchmark interest rate, plus a 10-basis point SOFR adjustment. In addition, the 364-day tranche was extended through August 2023. We expect to renew the 364-day tranche of the Revolver upon its current expiration. As part of these amendments, the parties agreed to eliminate the previous covenant capping the aggregate investments limit at $150.0 million where we maintain an ownership interest less than 50 percent. Additionally the 364-day tranche of the facility now offers a reduced interest margin similar to the five-year tranche for amounts borrowed in connection with new sustainable investments. All other terms and conditions remain unchanged. Borrowings outstanding under the sustainable investment sublimit of the 364-day tranche amounted to $9.4 million at June 30, 2023.

The availability of funds under the Revolver is subject to conditions specified in the credit agreement, all of which we currently satisfy. These conditions include our compliance with financial covenants and the continued accuracy of representations and warranties contained in the Revolver's loan documents. We are required by the financial covenants in the Revolver to maintain, at the end of each fiscal year, a funded indebtedness ratio of no greater than 65 percent. As of June 30, 2023, we are in compliance with this covenant.

The 364-day tranche of the Revolver expires in August 2023 and the five-year tranche expires in August 2026, both of which are available to fund our short-term cash needs to meet seasonal working capital requirements and to temporarily fund portions of our capital expenditures. Borrowings under both tranches of the Revolver are subject to a pricing grid, including the commitment fee and the interest rate charged based upon our total indebtedness to total capitalization ratio for the prior quarter. As of June 30, 2023, the pricing under the 364-day tranche of the Revolver included an unused commitment fee of 9 basis points and maintains an interest rate of 70 basis points over SOFR plus a 10 basis point SOFR adjustment. As of June 30, 2023, the pricing under the five-year tranche of the Revolver included an unused commitment fee of 9 basis points and an interest rate of 95 basis points over SOFR plus a 10 basis point SOFR adjustment.

Our total available credit under the Revolver at June 30, 2023 was $298.3 million. As of June 30, 2023, we had issued $5.9 million in letters of credit to various counterparties under the Revolver. These letters of credit are not included in the outstanding short-term borrowings and we do not anticipate that they will be drawn upon by the counterparties. The letters of credit reduce the available borrowings under the Revolver.

For additional information on interest rate swaps related to our short-term borrowings, see Note 12, *Derivative Instruments*.

16. Leases

We have entered into lease arrangements for office space, land, equipment, pipeline facilities and warehouses. These lease arrangements enable us to better conduct business operations in the regions in which we operate. Office space is leased to provide adequate workspace for our employees in several locations throughout our service territories. We lease land at various locations throughout our service territories to enable us to inject natural gas into underground storage and distribution systems, for bulk storage capacity, for our propane operations and for storage of equipment used in repairs and maintenance of our infrastructure. We lease natural gas compressors to ensure timely and reliable transportation of natural gas to our customers. We also lease warehouses to store equipment and materials used in repairs and maintenance for our businesses.

Some of our leases are subject to annual changes in the Consumer Price Index (“CPI”). While lease liabilities are not re-measured as a result of changes to the CPI, changes to the CPI are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred. A 100-basis-point increase in CPI would not have resulted in material additional annual lease costs. Most of our leases include options to renew, with renewal terms that can extend the lease term from one to 25 years or more. The exercise of lease renewal options is at our sole discretion. The amounts disclosed in our consolidated balance sheet at June 30, 2023, pertaining to the right-of-use assets and lease liabilities, are measured based on our current expectations of exercising our available renewal options. Our existing leases are not subject to any restrictions or covenants that would preclude our ability to pay dividends, obtain financing or enter into additional leases. As of June 30, 2023, we have not entered into any leases, which have not yet commenced, that would entitle us to significant rights or create additional obligations. The following table presents information related to our total lease cost included in our consolidated statements of income:

		Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**Classification**	**2023**	**2022**	**2023**	**2022**
Operating lease cost [(1)]	Operations expense	**$780**	$726	**$1,568**	$1,377

[(1)] Includes short-term leases and variable lease costs, which are immaterial.

The following table presents the balance and classifications of our right of use assets and lease liabilities included in our condensed consolidated balance sheet at June 30, 2023 and December 31, 2022:

(in thousands)	**Balance sheet classification**	**June 30, 2023**	**December 31, 2022**
Assets			
Operating lease assets	Operating lease right-of-use assets	**$ 13,432**	$ 14,421
Liabilities			
Current			
Operating lease liabilities	Other accrued liabilities	**$ 2,373**	$ 2,552
Noncurrent			
Operating lease liabilities	Operating lease - liabilities	**11,585**	12,392
Total lease liabilities		**$ 13,958**	$ 14,944

The following table presents our weighted-average remaining lease terms and weighted-average discount rates for our operating leases at June 30, 2023 and December 31, 2022:

	June 30, 2023	**December 31, 2022**
Weighted-average remaining lease term (*in years*)		
Operating leases	**8.37**	8.54
Weighted-average discount rate		
Operating leases	**3.5 %**	3.4 %

The following table presents additional information related to cash paid for amounts included in the measurement of lease liabilities included in our condensed consolidated statements of cash flows as of June 30, 2023 and 2022:

	Six Months Ended June 30,	
(in thousands)	**2023**	**2022**
Operating cash flows from operating leases	**$ 1,465**	$ 1,428

The following table presents the future undiscounted maturities of our operating and financing leases at June 30, 2023 and for each of the next five years and thereafter:

(in thousands)	Operating Leases [1]
Remainder of 2023	$ **1,419**
2024	**2,629**
2025	**2,263**
2026	**1,734**
2027	**1,571**
2028	**1,192**
Thereafter	**5,243**
Total lease payments	**16,051**
Less: Interest	**(2,093)**
Present value of lease liabilities	$ **13,958**

[1] Operating lease payments include $2.1 million related to options to extend lease terms that are reasonably certain of being exercised.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations is designed to provide a reader of the financial statements with a narrative report on our financial condition, results of operations and liquidity. This discussion and analysis should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2022, including the audited consolidated financial statements and notes thereto.

Safe Harbor for Forward-Looking Statements

We make statements in this Quarterly Report on Form 10-Q (this "Quarterly Report") that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. One can typically identify forward-looking statements by the use of forward-looking words, such as "project," "believe," "expect," "anticipate," "intend," "plan," "estimate," "continue," "potential," "forecast" or other similar words, or future or conditional verbs such as "may," "will," "should," "would" or "could." These statements represent our intentions, plans, expectations, assumptions and beliefs about future financial performance, business strategy, projected plans and objectives of the Company. Forward-looking statements speak only as of the date they are made or as of the date indicated and we do not undertake any obligation to update forward-looking statements as a result of new information, future events or otherwise. These statements are subject to many risks and uncertainties. In addition to the risk factors described under Item 1A, Risk Factors in our 2022 Annual Report on Form 10-K, the following important factors, among others, could cause actual future results to differ materially from those expressed in the forward-looking statements:

- state and federal legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures, and affect the speed and the degree to which competition enters the electric and natural gas industries;
- the outcomes of regulatory, environmental and legal matters, including whether pending matters are resolved within current estimates and whether the related costs are adequately covered by insurance or recoverable in rates;
- the impact of climate change, including the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change;
- the impact of significant changes to current tax regulations and rates;
- the timing of certification authorizations associated with new capital projects and the ability to construct facilities at or below estimated costs;
- changes in environmental and other laws and regulations to which we are subject and environmental conditions of property that we now, or may in the future, own or operate;
- possible increased federal, state and local regulation of the safety of our operations;
- the availability and reliability of adequate technology, including our ability to adapt to technological advances, effectively implement new technologies and manage the related costs;
- the inherent hazards and risks involved in transporting and distributing natural gas, electricity and propane;
- the economy in our service territories or markets, the nation, and worldwide, including the impact of economic conditions (which we do not control) on demand for natural gas, electricity, propane or other fuels;
- risks related to cyber-attacks or cyber-terrorism that could disrupt our business operations or result in failure of information technology systems or result in the loss or exposure of confidential or sensitive customer, employee or Company information;
- adverse weather conditions, including the effects of hurricanes, ice storms and other damaging weather events;
- customers' preferred energy sources;
- industrial, commercial and residential growth or contraction in our markets or service territories;
- the effect of competition on our businesses from other energy suppliers and alternative forms of energy;
- the timing and extent of changes in commodity prices and interest rates;
- the effect of spot, forward and future market prices on our various energy businesses;
- the extent of our success in connecting natural gas and electric supplies to our transmission systems, establishing and maintaining key supply sources, and expanding natural gas and electric markets;
- the creditworthiness of counterparties with which we are engaged in transactions;
- the capital-intensive nature of our regulated energy businesses;
- our ability to access the credit and capital markets to execute our business strategy, including our ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general economic conditions;
- the ability to successfully execute, manage and integrate a merger, acquisition or divestiture of assets or businesses and the related regulatory or other conditions associated with the merger, acquisition or divestiture;
- the impact on our costs and funding obligations, under our pension and other post-retirement benefit plans, of potential downturns in the financial markets, lower discount rates, and costs associated with health care legislation and regulation;

- the ability to continue to hire, train and retain appropriately qualified personnel;
- the availability of, and competition for, qualified personnel supporting our natural gas, electricity and propane businesses;
- the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; and
- the impacts associated with a pandemic, including the duration and scope of the pandemic the corresponding impact on our supply chains, our personnel, our contract counterparties, general economic conditions and growth, the financial markets and any costs to comply with governmental mandates.

Introduction

We are an energy delivery company engaged in the distribution of natural gas, electricity and propane; the transmission of natural gas; the generation of electricity and steam, and in providing related services to our customers.

Our strategy is focused on growing earnings from a stable regulated energy delivery foundation and investing in related businesses and services that provide opportunities for returns greater than traditional utility returns. We seek to identify and develop opportunities across the energy value chain, with emphasis on midstream and downstream investments that are accretive to earnings per share, consistent with our long-term growth strategy and create opportunities to continue our record of top tier returns on equity relative to our peer group. Our growth strategy includes the continued investment and expansion of our regulated operations that provide a stable base of earnings, as well as investments in other related non-regulated businesses and services including sustainable energy initiatives. By investing in these related business and services, we create opportunities to sustain our track record of higher returns, as compared to a traditional utility.

Currently, our growth strategy is focused on the following platforms, including:

- Optimizing the earnings growth in our existing businesses, which includes organic growth, territory expansions, and new products and services as well as increased opportunities to transform the Company with a focus on people, process, technology and organizational structure.
- Identification and pursuit of additional pipeline expansions, including new interstate and intrastate transmission projects.
- Growth of Marlin Gas Services' CNG transport business and expansion into LNG and RNG transport services as well as methane capture.
- Identifying and undertaking additional strategic propane acquisitions that provide a larger foundation in current markets and expand our brand and presence into new strategic growth markets.
- Pursuit of growth opportunities that enable us to utilize our integrated set of energy delivery businesses to participate in sustainable energy opportunities.

Due to the seasonality of our business, results for interim periods are not necessarily indicative of results for the entire fiscal year. Revenue and earnings are typically greater during the first and fourth quarters, when consumption of energy is normally highest due to colder temperatures.

Earnings per share information is presented on a diluted basis, unless otherwise noted.

The following discussions and those later in the document on operating income and segment results include the use of the term Adjusted Gross Margin which is a non-GAAP measure throughout our discussion on operating results. Adjusted Gross Margin is calculated by deducting the purchased cost of natural gas, propane and electricity and the cost of labor spent on direct revenue-producing activities from operating revenues. The costs included in Adjusted Gross Margin exclude depreciation and amortization and certain costs presented in operations and maintenance expenses in accordance with regulatory requirements. Adjusted Gross Margin should not be considered an alternative to Gross Margin under U.S. GAAP which is defined as the excess of sales over cost of goods sold. We believe that Adjusted Gross Margin, although a non-GAAP measure, is useful and meaningful to investors as a basis for making investment decisions. It provides investors with information that demonstrates the profitability achieved by us under our allowed rates for regulated energy operations and under our competitive pricing structures for our unregulated energy operations. Our management uses Adjusted Gross Margin as one of the financial measures in assessing our business units' performance. Other companies may calculate Adjusted Gross Margin in a different manner.

The below tables reconcile Gross Margin as defined under GAAP to our non-GAAP measure of Adjusted Gross Margin for the three and six months ended June 30, 2023 and 2022:

(in thousands)	For the Three Months Ended June 30, 2023			
	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Operating Revenues	**$ 101,141**	**$ 40,751**	**$ (6,299)**	**$ 135,593**
Cost of Sales:				
Natural gas, propane and electric costs	(23,886)	(18,116)	6,209	(35,793)
Depreciation & amortization	(13,035)	(4,269)	1	(17,303)
Operations & maintenance expense (1)	(9,240)	(7,520)	(2)	(16,762)
Gross Margin (GAAP)	**54,980**	**10,846**	**(91)**	**65,735**
Operations & maintenance expense (1)	9,240	7,520	2	16,762
Depreciation & amortization	13,035	4,269	(1)	17,303
Adjusted Gross Margin (Non-GAAP)	**$ 77,255**	**$ 22,635**	**$ (90)**	**$ 99,800**

(in thousands)	For the Three Months Ended June 30, 2022			
	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Operating Revenues	**$ 92,193**	**$ 53,463**	**$ (6,186)**	**$ 139,470**
Cost of Sales:				
Natural gas, propane and electric costs	(21,573)	(31,701)	6,158	(47,116)
Depreciation & amortization	(13,140)	(4,074)	(2)	(17,216)
Operations & maintenance expense (1)	(8,324)	(6,699)	(521)	(15,544)
Gross Margin (GAAP)	**49,156**	**10,989**	**(551)**	**59,594**
Operations & maintenance expense (1)	8,324	6,699	521	15,544
Depreciation & amortization	13,140	4,074	2	17,216
Adjusted Gross Margin (Non-GAAP)	**$ 70,620**	**$ 21,762**	**$ (28)**	**$ 92,354**

(in thousands)	For the Six months ended June 30, 2023			
	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Operating Revenues	**$ 243,411**	**$ 123,916**	**$ (13,605)**	**$ 353,722**
Cost of Sales:				
Natural gas, propane and electric costs	(79,174)	(58,687)	13,479	(124,382)
Depreciation & amortization	(25,987)	(8,503)	4	(34,486)
Operations & maintenance expense (1)	(18,527)	(15,996)	3	(34,520)
Gross Margin (GAAP)	**119,723**	**40,730**	**(119)**	**160,334**
Operations & maintenance expense (1)	18,527	15,996	(3)	34,520
Depreciation & amortization	25,987	8,503	(4)	34,486
Adjusted Gross Margin (Non-GAAP)	**$ 164,237**	**$ 65,229**	**$ (126)**	**$ 229,340**

(in thousands)	For the Six months ended June 30, 2022			
	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Operating Revenues	**$ 220,084**	**$ 154,754**	**$ (12,488)**	**$ 362,350**
Cost of Sales:				
Natural gas, propane and electric costs	(67,016)	(89,708)	12,427	(144,297)
Depreciation & amortization	(26,225)	(7,954)	(14)	(34,193)
Operations & maintenance expense [1]	(16,485)	(13,756)	(944)	(31,185)
Gross Margin (GAAP)	**110,358**	**43,336**	**(1,019)**	**152,675**
Operations & maintenance expense [1]	16,485	13,756	944	31,185
Depreciation & amortization	26,225	7,954	14	34,193
Adjusted Gross Margin (Non-GAAP)	**$ 153,068**	**$ 65,046**	**$ (61)**	**$ 218,053**

[1] Operations & maintenance expenses within the Consolidated Statements of Income are presented in accordance with regulatory requirements and to provide comparability within the industry. Operations & maintenance expenses which are deemed to be directly attributable to revenue producing activities have been separately presented above in order to calculate Gross Margin as defined under U.S. GAAP.

2023 to 2022 Gross Margin (GAAP) Variance – Regulated Energy

Gross Margin (GAAP) for the Regulated Energy segment for the quarter ended June 30, 2023 was $55.0 million, an increase of $5.8 million, or 11.8 percent, compared to the same period in 2022. Higher gross margin reflects contributions from our Florida natural gas base rate proceeding, organic growth in our natural gas distribution businesses, continued pipeline expansion projects and incremental contributions associated with regulated infrastructure programs. These increases were partially offset by changes in customer consumption largely related to continued warmer weather during the quarter, increased employee costs driven by growth initiatives, the ongoing competitive labor market and higher benefits costs compared to the prior-year period, higher property taxes, and increased facilities, maintenance and outside services costs.

Gross Margin (GAAP) for the Regulated Energy segment for the six months ended June 30, 2023 was $119.7 million, an increase of $9.4 million, or 8.5 percent, compared to the same period in 2022. The increase in gross margin for the period reflects contributions from our Florida natural gas base rate proceeding, organic growth in our natural gas distribution businesses, continued pipeline expansion projects and incremental contributions associated with regulated infrastructure programs. These increases were partially offset by changes in customer consumption due to significantly warmer weather experienced in the first half of 2023. Higher operating expenses also contributed to the offset driven by increased employee costs driven by growth initiatives, the ongoing competitive labor market and higher benefits costs, increased facilities, maintenance and outside services costs, and higher property taxes compared to the prior-year period.

2023 to 2022 Gross Margin (GAAP) Variance – Unregulated Energy

Gross Margin (GAAP) for the Unregulated Energy segment for the quarter ended June 30, 2023 was $10.8 million, compared to $11.0 million for the same period in 2022. Gross margin was impacted by reduced customer consumption due in part to the conversion of propane customers to our natural gas distribution service and to a lesser extent, continued warmer weather in our Mid-Atlantic service territories. Additionally, we experienced increased operating expenses associated with employee costs driven by the ongoing competitive labor market and higher benefits costs, increased property taxes and higher facilities, maintenance and outside services costs. These factors were partially offset by higher propane margins and fees and increased demand for CNG, RNG and LNG services.

Gross Margin (GAAP) for the Unregulated Energy segment for the six months ended June 30, 2023 was $40.7 million, compared to $43.3 million for the same period in 2022. Gross margin during the first half of 2023 was impacted by changes in customer consumption due to significantly warmer weather in our Mid-Atlantic service territories primarily during the first quarter, as well as the ongoing conversion of propane customers to our natural gas distribution service. Additionally, we experienced increased operating expenses associated with employee costs driven by the ongoing competitive labor market and higher benefits costs, increased property taxes and higher facilities, maintenance and outside services costs. These factors were partially offset by expanded propane margins and fees and increased demand for CNG, RNG and LNG services.

Results of Operations for the Three and Six Months Ended June 30, 2023

Overview

Chesapeake Utilities is a Delaware corporation formed in 1947. We are a diversified energy company engaged, through our operating divisions and subsidiaries, in regulated energy, unregulated energy and other businesses. We operate primarily on the east coast of the United States and provide natural gas distribution and transmission; electric distribution and generation; propane gas distribution; mobile compressed natural gas services; steam generation; and other energy-related services.

Sustainability Initiatives

In May 2023, we published our most recent annual sustainability report, and continue to remain steadfast in regards to our commitments, including the following:

- Maintaining a leading role in the journey to a lower carbon future in our service areas.
- Continuing to promote a diverse and inclusive workplace and further the sustainability of the communities we serve.
- Operating our businesses with integrity and the highest ethical standards.

These commitments guide our mission to deliver energy that makes life better for the people and communities we serve. They impact every aspect of the relationships we have with our stakeholders. We encourage our investors to review the report, which can be accessed on our website, and welcome feedback as we continue to enhance our sustainability disclosures.

Operational Highlights

Our net income for the three months ended June 30, 2023 was $16.1 million, or $0.90 per share, compared to $17.1 million, or $0.96 per share, for the same quarter of 2022. Net income for the second quarter of 2022 included a non-recurring after-tax gain of $1.4 million related to a building sale. Operating income for the second quarter of 2023 was $28.3 million, an increase of $1.9 million or 7.1 percent compared to the same period in 2022. Adjusted gross margin in the second quarter of 2023 was positively impacted by contributions from the Florida natural gas base rate proceeding, organic growth in our natural gas distribution businesses, increased propane margins and fees, continued pipeline expansion projects, increased demand for CNG, RNG and LNG services and incremental contributions associated with regulated infrastructure programs. These increases in adjusted gross margin were partially offset by reduced consumption, including the continued effects of warmer temperatures experienced during the second quarter of 2023, and higher operating expenses which were largely associated with increased employee costs driven by growth initiatives, the ongoing competitive labor market and higher benefits costs compared to the prior-year period. Operating income was also impacted by higher property taxes during the second quarter of 2023.

	Three Months Ended June 30,		Increase
(in thousands, except per share data)	**2023**	**2022**	**(Decrease)**
Adjusted Gross Margin			
Regulated Energy segment	**$ 77,255**	$ 70,620	$ 6,635
Unregulated Energy segment	**22,635**	21,762	873
Other businesses and eliminations	**(90)**	(28)	(62)
Total Adjusted Gross Margin	**$ 99,800**	$ 92,354	$ 7,446
Operating Income (Loss)			
Regulated Energy segment	**$ 29,291**	$ 25,841	$ 3,450
Unregulated Energy segment	**(993)**	560	(1,553)
Other businesses and eliminations	**48**	68	(20)
Total Operating Income	**28,346**	26,469	1,877
Other income, net	**831**	2,584	(1,753)
Interest charges	**6,964**	5,825	1,139
Income from Before Income Taxes	**22,213**	23,228	(1,015)
Income Taxes	**6,080**	6,177	(97)
Net Income	**$ 16,133**	$ 17,051	$ (918)
Basic Earnings Per Share of Common Stock	**$ 0.91**	$ 0.96	$ (0.05)
Diluted Earnings Per Share of Common Stock	**$ 0.90**	$ 0.96	$ (0.06)

Key variances between the second quarter of 2022 and the second quarter of 2023 included:

(in thousands, except per share data)	Pre-tax Income	Net Income	Earnings Per Share
Second Quarter of 2022 Reported Results	**$ 23,228**	**$ 17,051**	**$ 0.96**
Adjusting for Non-recurring Items:			
Absence of gain from sales of assets	(1,902)	(1,382)	(0.08)
	(1,902)	(1,382)	(0.08)
Increased (Decreased) Adjusted Gross Margins:			
Contribution from rates associated with Florida natural gas base rate proceeding*	3,873	2,813	0.16
Natural gas growth including conversions (excluding service expansions)	1,844	1,339	0.08
Increased propane margins and service fees	1,512	1,098	0.06
Natural gas transmission service expansions*	1,113	809	0.05
Increased adjusted gross margin from off-system natural gas capacity sales	637	463	0.03
Increased margins related to demand for CNG/RNG/LNG services*	478	347	0.02
Contributions from regulated infrastructure programs*	395	287	0.02
Customer consumption - primarily resulting from weather	(2,165)	(1,572)	(0.09)
	7,687	5,584	0.33
Increased Operating Expenses (Excluding Natural Gas, Propane, and Electric Costs):			
Increased payroll, benefits and other employee-related expenses	(3,124)	(2,269)	(0.13)
Increased facilities expenses, maintenance costs and outside services	(1,008)	(732)	(0.04)
Depreciation, amortization and property taxes	(774)	(562)	(0.03)
	(4,906)	(3,563)	(0.20)
Interest charges	(1,139)	(827)	(0.05)
Net other changes	(755)	(730)	(0.06)
	(1,894)	(1,557)	(0.11)
Second Quarter of 2023 Reported Results	**$ 22,213**	**$ 16,133**	**$ 0.90**

*See the Major Projects and Initiatives table.

Our net income for the six months ended June 30, 2023 was $52.5 million, or $2.94 per share, compared to $54.0 million, or $3.04 per share, for the same period of 2022. Net income for the six months ended June 30, 2023 included a one-time tax benefit of $1.3 million associated with a reduction in state tax rate, while the prior-year included a non-recurring after-tax gain of $1.4 million related to a building sale. Operating income for the six months ended June 30, 2023 was $83.3 million, an increase of $1.9 million or 2.4 percent compared to the same period in 2022, despite significantly warmer temperatures in our northern service territories during the first half of 2023. Adjusted gross margin for the first half of 2023 was positively impacted by contributions from the Florida natural gas base rate proceeding, increased propane margins and fees, organic growth in our natural gas distribution businesses, increased demand for CNG, RNG and LNG services, continued pipeline expansion projects and incremental contributions associated with regulated infrastructure programs. These increases in adjusted gross margin were significantly offset by reduced consumption experienced during the first half of 2023 from warmer weather in our northern service territories. We recorded higher employee costs driven by growth initiatives, the ongoing competitive labor market and higher benefits costs compared to the prior-year period, increased costs related to our facilities, maintenance and outside services, and higher property taxes.

	Six Months Ended June 30,		Increase
(in thousands, except per share data)	**2023**	**2022**	**(Decrease)**
Adjusted Gross Margin			
Regulated Energy segment	**$ 164,237**	$ 153,068	$ 11,169
Unregulated Energy segment	**65,229**	65,046	183
Other businesses and eliminations	**(126)**	(61)	(65)
Total Adjusted Gross Margin	**$ 229,340**	$ 218,053	$ 11,287
Operating Income			
Regulated Energy segment	**$ 66,916**	$ 60,539	$ 6,377
Unregulated Energy segment	**16,252**	20,613	(4,361)
Other businesses and eliminations	**93**	182	(89)
Total Operating Income	**83,261**	81,334	1,927
Other income, net	**1,107**	3,498	(2,391)
Interest charges	**14,196**	11,164	3,032
Income from Before Income Taxes	**70,172**	73,668	(3,496)
Income Taxes	**17,695**	19,683	(1,988)
Net Income	**$ 52,477**	$ 53,985	$ (1,508)
Basic Earnings Per Share of Common Stock	**$ 2.95**	$ 3.05	$ (0.10)
Diluted Earnings Per Share of Common Stock	**$ 2.94**	$ 3.04	$ (0.10)

Key variances between the six months ended June 30, 2022 and the six months ended June 30, 2023 included:

(in thousands, except per share data)	Pre-tax Income	Net Income	Earnings Per Share
Six months ended June 30, 2022 Reported Results	**$ 73,668**	**$ 53,985**	**$ 3.04**
Adjusting for Non-recurring Items:			
Absence of gain from sales of assets	(1,902)	(1,423)	(0.08)
One-time benefit associated with reduction in state tax rate	—	1,284	0.07
	(1,902)	(139)	(0.01)
Increased (Decreased) Adjusted Gross Margins:			
Customer consumption - primarily resulting from weather	(9,081)	(6,792)	(0.38)
Contribution from rates associated with Florida natural gas base rate proceeding*	7,970	5,962	0.33
Increased propane margins and service fees	4,576	3,423	0.19
Natural gas growth including conversions (excluding service expansions)	3,366	2,518	0.14
Increased margins related to demand for CNG/RNG/LNG services*	1,766	1,321	0.07
Natural gas transmission service expansions*	1,594	1,192	0.07
Contributions from regulated infrastructure programs*	1,193	892	0.05
Eastern Shore contracted rate adjustments	(285)	(213)	(0.01)
	11,099	8,303	0.46
Increased Operating Expenses (Excluding Natural Gas, Propane, and Electric Costs):			
Increased payroll, benefits and other employee-related expenses	(4,267)	(3,191)	(0.18)
Increased facilities expenses, maintenance costs and outside services	(2,069)	(1,548)	(0.09)
Depreciation, amortization and property taxes	(1,700)	(1,272)	(0.07)
	(8,036)	(6,011)	(0.34)
Interest charges	(3,032)	(2,268)	(0.13)
Changes in Other income, net	(489)	(366)	(0.02)
Net other changes	(1,136)	(1,027)	(0.06)
	(4,657)	(3,661)	(0.21)
Six months ended June 30, 2023 Reported Results	**$ 70,172**	**$ 52,477**	**$ 2.94**

*****See the Major Projects and Initiatives table.

Summary of Key Factors

Recently Completed and Ongoing Major Projects and Initiatives

We constantly pursue and develop additional projects and initiatives to serve existing and new customers, further grow our businesses and earnings, and increase shareholder value. The following table includes the major projects/initiatives recently completed and currently underway. Major projects and initiatives that have generated consistent year-over-year adjusted gross margin contributions are removed from the table at the beginning of the next calendar year. Our practice is to add new projects and initiatives to this table once negotiations or details are substantially final and/or the associated earnings can be estimated.

	Adjusted Gross Margin						
	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,	Estimate for Fiscal	
(in thousands)	2023	2022	2023	2022	2022	2023	2024
Pipeline Expansions:							
Guernsey Power Station	**$ 369**	$ 368	**$ 734**	$ 631	$ 1,377	$ 1,486	$ 1,482
Southern Expansion	**—**	—	**—**	—	—	586	2,344
Winter Haven Expansion	**163**	28	**302**	61	260	576	626
Beachside Pipeline Expansion	**603**	—	**603**	—	—	1,825	2,451
North Ocean City Connector	**—**	—	**—**	—	—	—	200
St. Cloud / Twin Lakes Expansion	**—**	—	**—**	—	—	268	584
Clean Energy [1]	**269**	—	**516**	—	126	1,009	1,009
Wildlight	**67**	—	**93**	—	—	528	2,000
Lake Wales	**38**	—	**38**	—	—	265	454
Newberry	**—**	—	**—**	—	—	TBD	TBD
Total Pipeline Expansions	**1,509**	396	**2,286**	692	1,763	6,543	11,150
CNG/RNG/LNG Transportation and Infrastructure	**2,905**	2,427	**6,426**	4,660	11,100	12,558	12,280
Regulatory Initiatives:							
Florida GUARD program	**—**	—	**—**	—	—	37	1,412
Capital Cost Surcharge Programs	**703**	497	**1,423**	1,014	2,001	2,811	3,558
Florida Rate Case Proceeding [2]	**3,873**	—	**7,970**	—	2,474	16,289	17,153
Electric Storm Protection Plan	**436**	—	**642**	—	486	960	2,433
Total Regulatory Initiatives	**5,012**	497	**10,035**	1,014	4,961	20,097	24,556
Total	**$ 9,426**	**$ 3,320**	**$ 18,747**	$ 6,366	**$ 17,824**	**$ 39,198**	**$ 47,986**

[1] Includes adjusted gross margin generated from interim services.
[2] Includes adjusted gross margin during 2023 comprised of both interim rates and permanent base rates which became effective in March 2023.

Detailed Discussion of Major Projects and Initiatives

Pipeline Expansions

Guernsey Power Station

Guernsey Power Station and our affiliate, Aspire Energy Express, are engaged in a firm transportation capacity agreement whereby Guernsey Power Station has constructed a power generation facility and Aspire Energy Express provides firm natural gas transportation service to this facility. Guernsey Power Station commenced construction of the project in October 2019, Aspire Energy Express completed construction of the gas transmission facilities in the fourth quarter of 2021, and the facility went into service during the first quarter of 2023. The project generated additional adjusted gross margin of $0.1 million for the six months ended June 30, 2023, and is expected to produce adjusted gross margin of approximately $1.5 million in 2023 and beyond.

Southern Expansion
Eastern Shore plans to install a new natural gas driven compressor skid unit at its existing Bridgeville, Delaware compressor station that will provide 7,300 Dts of incremental firm transportation pipeline capacity. The project obtained FERC approval in December 2022 and is currently estimated to go into service in the fourth quarter of 2023. Eastern Shore expects the Southern Expansion project to generate annual adjusted gross margin of $0.6 million in 2023 and $2.3 million in 2024 and thereafter.

Winter Haven Expansion
In May 2021, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with Florida Natural Gas Distribution for an incremental 6,800 Dts/d of firm service in the Winter Haven, Florida area. As part of this agreement, Peninsula Pipeline constructed a new interconnect with FGT and a new regulator station for Florida Natural Gas Distribution. Florida Natural Gas Distribution is using the additional firm service to support new incremental load due to growth in the area, including providing service, most immediately, to a new can manufacturing facility, as well as reliability and operational benefits to Florida Natural Gas Distribution's existing distribution system in the area. In connection with Peninsula Pipeline's new regulator station, Florida Natural Gas Distribution also extended its distribution system to connect to the new station. This expansion was placed in service in the third quarter of 2022. The project generated additional adjusted gross margin of $0.1 million and $0.2 million for the three and six months ended June 30, 2023, respectively, and is expected to produce adjusted gross margin of approximately $0.6 million in 2023 and thereafter.

Beachside Pipeline Expansion
In June 2021, Peninsula Pipeline and Florida City Gas entered into a Transportation Service Agreement for an incremental 10,176 Dts/d of firm service in Indian River County, Florida, to support Florida City Gas' growth along the Indian River's barrier island. As part of this agreement, Peninsula Pipeline constructed approximately 11.3 miles of pipeline from its existing pipeline in the Sebastian, Florida, area east under the Intercoastal Waterway and southward on the barrier island. Construction was completed and the project went into service in April 2023. The project generated additional adjusted gross margin of $0.6 million for the three and six months ended June 30, 2023. We expect this extension to generate additional annual adjusted gross margin of $1.8 million in 2023 and $2.5 million thereafter.

North Ocean City Connector
During the second quarter of 2022, we began construction of an extension of service into North Ocean City, Maryland. Our Delaware natural gas division and Sandpiper installed approximately 5.7 miles of pipeline across southern Sussex County, Delaware to Fenwick Island, Delaware and Worcester County, Maryland. The project reinforces our existing system in Ocean City, Maryland and enables incremental growth along the pipeline. Construction of this project was completed in the second quarter 2023. Adjusted gross margin in connection with this project is expected to be recognized contingent upon the completion and approval of our next rate case in Maryland. As a result, we expect this expansion to generate annual adjusted gross margin of approximately $0.2 million beginning in 2024, with additional margin opportunities from incremental growth.

St.Cloud / Twin Lakes Expansion
In July 2022, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with FPU for an additional 2,400 Dt/day of firm service in the St. Cloud, Florida area. As part of this agreement, Peninsula Pipeline will construct a pipeline extension and regulator station for FPU. The extension will be used to support new incremental load due to growth in the area, including providing service, most immediately, to the residential development, Twin Lakes. The expansion will also improve reliability and provide operational benefits to FPU's existing distribution system in the area, supporting future growth. We expect this expansion to be placed in service during the third quarter of 2023 and generate adjusted gross margin of $0.3 million in 2023 and $0.6 million thereafter.

Clean Energy Expansion
During the fourth quarter of 2022, Clean Energy Fuels ("Clean Energy") and Florida Natural Gas Distribution entered into a precedent agreement for firm transportation services associated with a CNG fueling station Clean Energy is constructing. We plan to install approximately 2.2 miles of main extension in Davenport, Florida to support the filling station. Construction is underway and is expected to be complete in the third quarter of 2023. Our subsidiary, Marlin Gas Services, is providing interim services to Clean Energy during the construction phase of the project. The project generated additional adjusted gross margin of $0.3 million and $0.5 million for the three and six months ended June 30, 2023, respectively, and is expected to produce adjusted gross margin of approximately $1.0 million in 2023 and beyond.

Wildlight Expansion
In August 2022, Peninsula Pipeline and FPU filed a joint petition with the Florida PSC for approval of its Transportation Service Agreement associated with the Wildlight planned community located in Nassau County, Florida. The project enables us

to meet the significant growing demand for service in Yulee, Florida. The agreement will enable us to build the project during the construction and build-out of the community, and charge the reservation rate as each phase of the project goes into service. Construction of the pipeline facilities will occur in two separate phases. Phase one consists of three extensions with associated facilities, and a gas injection interconnect with associated facilities. Phase two will consist of two additional pipeline extensions. Various phases of the project commenced in the first quarter of 2023, with construction on the overall project continuing through 2025. The project generated adjusted gross margin of less than $0.1 million for both the three and six months ended June 30, 2023. We expect this project to contribute adjusted gross margin of approximately $0.5 million in 2023 and $2.0 million in 2024 and beyond.

Lake Wales Expansion
In February 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with our Florida natural gas division, FPU for an additional 9,000 Dt/d of firm service in the Lake Wales, Florida area. The PSC approved the petition in April 2023. Approval of the agreement enabled Peninsula Pipeline to complete the acquisition of an existing pipeline in May 2023 that is being utilized to serve our current natural gas customers as well as enable us to serve new customers. During the three and six months ended June 30, 2023 the project generated adjusted gross margin of less than $0.1 million. The project is expected to contribute adjusted gross margin of approximately $0.3 million in 2023 and $0.5 million in 2024 and beyond.

Newberry Expansion
In April 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with FPU for an additional 8,000 Dt/d of firm service in the Newberry, Florida area. In July 2023, the Florida PSC approved the Company's recommendation to proceed with this project. Peninsula Pipeline will construct a pipeline extension which will be used by FPU to support the development of a natural gas distribution system to provide gas service to the City of Newberry.

<u>CNG/RNG/LNG Transportation and Infrastructure</u>

We have made a commitment to meet customer demand for CNG, RNG and LNG in the markets we serve. This has included making investments within Marlin Gas Services to be able to transport these products through its virtual pipeline fleet to customers. To date, we have also made an infrastructure investment in Ohio, enabling RNG to fuel a third party landfill fleet and to transport RNG to end use customers off our pipeline system. Similarly, we announced in March 2022, the opening of a high-capacity CNG truck and tube trailer fueling station in Port Wentworth, Georgia. As one of the largest public access CNG stations on the East Coast, it will offer a RNG option to customers in the near future. We constructed the station in partnership with Atlanta Gas Light, a subsidiary of Southern Company Gas.

We are also involved in various other projects, all at various stages and all with different opportunities to participate across the energy value chain. In many of these projects, Marlin will play a key role in ensuring the RNG is transported to one of our many pipeline systems where it will be injected. We include our RNG transportation services and infrastructure related adjusted gross margin from across the organization in combination with our CNG and LNG projects.

For the three and six months ended June 30, 2023, we generated $0.5 million and $1.8 million, respectively, in additional adjusted gross margin associated with the transportation of CNG and RNG by Marlin’s virtual pipeline and Aspire Energy’s Noble Road RNG pipeline. We estimate annual adjusted gross margin of approximately $12.6 million in 2023, and $12.3 million in 2024 for these transportation related services, with potential for additional growth in future years.

Full Circle Dairy
In February 2023, we announced plans to construct, own and operate a dairy manure RNG facility at Full Circle Dairy in Madison County, Florida. The project consists of a facility converting dairy manure to RNG and transportation assets to bring the gas to market. The first injection of RNG is projected to occur in the first half of 2024.

Planet Found Development
In late October 2022, we consummated the acquisition of Planet Found. Planet Found's farm scale anaerobic digestion pilot system and technology produces biogas from 1,200 tons of poultry litter annually, which can be used to create renewable energy in the form of electricity or upgraded to renewable natural gas. In addition to generating biogas, Planet Found’s nutrient capture system converts digestate into a nutrient-rich soil conditioner, which is distributed to bulk and retail markets under the brand Element Soil. The transaction accelerated our access to renewable, sustainable energy generated from poultry waste while continuing to enhance the local environments in our service territories.

Noble Road Landfill RNG Project
In October 2021, Aspire Energy completed construction of its Noble Road Landfill RNG pipeline project, a 33.1-mile pipeline, which transports RNG generated from the Noble Road landfill to Aspire Energy's pipeline system, displacing conventionally produced natural gas. In conjunction with this expansion, Aspire Energy also upgraded an existing compressor station and installed two new metering and regulation sites. The RNG volume is expected to represent nearly 10 percent of Aspire Energy's gas gathering volumes.

Regulatory Initiatives

Florida GUARD Program
In February 2023, FPU filed a petition with the Florida PSC for approval of the GUARD program. GUARD is a ten-year program to enhance the safety, reliability, and accessibility of portions of our natural gas distribution system. We have identified various categories of projects to be included in GUARD, which include the relocation of mains and service lines located in rear easements and other difficult to access areas to the front of the street, the replacement of problematic distribution mains, service lines, and M&R equipment and system reliability projects. In August 2023, the Florida PSC approved the GUARD program, with the exception of reliability projects with an approximate value of $10 million. The remainder of the program was approved as filed, which included $205 million of capital expenditures projected to be spent over a 10-year period. The program is expected to generate less than $0.1 million of additional adjusted gross margin in 2023 and $1.4 million in 2024.

Capital Cost Surcharge Programs
In December 2019, the FERC approved Eastern Shore's capital cost surcharge to become effective January 1, 2020. The surcharge, an approved item in the settlement of Eastern Shore's last general rate case, allows Eastern Shore to recover capital costs associated with mandated highway or railroad relocation projects that required the replacement of existing Eastern Shore facilities. For the three and six months ended June 30, 2023, there was $0.2 million and $0.4 million, respectively, of incremental adjusted gross margin generated pursuant to the program. Eastern Shore expects to produce adjusted gross margin of approximately $2.8 million in 2023 and $3.6 million in 2024 from relocation projects, which is ultimately dependent upon the timing of filings and the completion of construction.

Florida Natural Gas Base Rate Proceeding
In May 2022, our natural gas distribution businesses in Florida filed a consolidated natural gas rate case with the Florida PSC. The application included a request for the following: (i) permanent rate relief of approximately $24.1 million, effective January 1, 2023, (ii) a depreciation study also submitted with the filing; (iii) authorization to make certain changes to tariffs to include the consolidation of rates and rate structure across the businesses and to unify the Florida natural gas distribution businesses under FPU; (iv) authorization to retain the acquisition adjustment recorded at the time of the FPU merger in our revenue requirement; and (v) authorization to establish an environmental remediation surcharge for the purposes of addressing future expected remediation costs for FPU MGP sites. In August 2022, interim rates were approved by the Florida PSC in the amount of approximately $7.7 million on an annualized basis, effective for all meter readings in September 2022. The discovery process and related hearings were concluded during the fourth quarter of 2022 and briefs were submitted in the same quarter of 2022. In January 2023, the Florida PSC approved the application for consolidation and permanent rate relief of approximately $17.2 million on an annual basis. Actual rates in connection with the rate relief were approved by the Florida PSC in February 2023 with an effective date of March 1, 2023. For the three and six months ended June 30, 2023, this proceeding generated adjusted gross margin of approximately $3.9 million and $8.0 million, respectively, and is expected to generate $16.3 million of additional adjusted gross margin in 2023 and $17.2 million in 2024.

Storm Protection Plan
In 2020, the Florida PSC implemented the SPP and SPPCR rules, which require electric utilities to petition the Florida PSC for approval of a Transmission and Distribution Storm Protection Plan that covers the utility's immediate 10-year planning period with updates to the plan at least every 3 years. The SPPCR rules allow the utility to file for recovery of associated costs related to its SPP. Our Florida electric distribution operation's SPP and SPPCRC were filed during the first quarter of 2022 and approved in the fourth quarter of 2022 with modifications, by the Florida PSC. For the three and six months ended June 30, 2023, this initiative generated adjusted gross margin of approximately $0.4 million and $0.6 million and is expected to generate $1.0 million of additional adjusted gross margin in 2023 and $2.4 million in 2024. We expect continued investment under the SPP going forward.

COVID-19 Regulatory Proceeding
In October 2020, the Florida PSC approved a joint petition of our natural gas and electric distribution utilities in Florida to establish a regulatory asset to record incremental expenses incurred due to COVID-19. The regulatory asset allows us to obtain recovery of these costs in the next base rate proceedings. Our Florida regulated business units reached a settlement with the

Florida OPC in June 2021, enabling the business units to establish a regulatory asset of $2.1 million. This amount includes COVID-19 related incremental expenses for bad debt write-offs, personnel protective equipment, cleaning and business information services for remote work. Our Florida regulated business units are currently amortizing the amount over two years effective January 1, 2022 and recovering the regulatory asset through the Purchased Gas Adjustment and Swing Service mechanisms for the natural gas business units and through the Fuel Purchased Power Cost Recovery clause for the electric division. This results in additional adjusted gross margin of $1.0 million annually that is being offset by a corresponding amortization of regulatory asset expense, for both 2022 and 2023.

Other Major Factors Influencing Adjusted Gross Margin

Weather Impact

For the first half of 2023, lower consumption driven by weather experienced primarily during the first quarter resulted in a $9.1 million decrease in adjusted gross margin compared to the same period in 2022. The impact to adjusted gross margin was largely the result of unprecedented temperatures in the Company's northern service territories that were more than 20 percent higher than historical averages. Assuming normal temperatures, as detailed below, adjusted gross margin would have been higher by $10.3 million. The following table summarizes HDD and CDD variances from the 10-year average HDD/CDD ("Normal") for the three and six months ended June 30, 2023 and 2022.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	**2022**	**Variance**	**2023**	**2022**	**Variance**
Delmarva Peninsula						
Actual HDD	**276**	394	(118)	**2,050**	2,575	(525)
10-Year Average HDD ("Normal")	**408**	412	(4)	**2,693**	2,667	26
Variance from Normal	**(132)**	(18)		**(643)**	(92)	
Florida						
Actual HDD	**26**	37	(11)	**370**	534	(164)
10-Year Average HDD ("Normal")	**44**	45	(1)	**549**	542	7
Variance from Normal	**(18)**	(8)		**(179)**	(8)	
Ohio						
Actual HDD	**678**	604	74	**3,062**	3,530	(468)
10-Year Average HDD ("Normal")	**631**	630	1	**3,596**	3,542	54
Variance from Normal	**47**	(26)		**(534)**	(12)	
Florida						
Actual CDD	**937**	988	(51)	**1,260**	1,183	77
10-Year Average CDD ("Normal")	**952**	945	7	**1,144**	1,142	2
Variance from Normal	**(15)**	43		**116**	41	

Natural Gas Distribution Adjusted Gross Margin Growth

The average number of residential customers served on the Delmarva Peninsula increased by approximately 5.5 percent and 5.7 percent, respectively, for the three and six months ended June 30, 2023, while Florida customers increased by 4.0 percent and 4.2 percent, respectively, for the three and six month periods. On the Delmarva Peninsula, a larger percentage of the adjusted gross margin growth was generated from residential growth given the expansion of gas into new housing communities and conversions to natural gas as our distribution infrastructure continues to build out. In Florida, as new communities continue to build out due to population growth and infrastructure is added to support the growth, there is increased load from both residential customers as well as new commercial and industrial customers. The details are provided in the following table:

(in thousands)	Three Months Ended June 30, 2023 Delmarva Peninsula		Three Months Ended June 30, 2023 Florida		Six Months Ended June 30, 2023 Delmarva Peninsula		Six Months Ended June 30, 2023 Florida	
Customer Growth:								
Residential	$	476	$	347	$	1,086	$	663
Commercial and industrial		241		780		453		1,164
Total Customer Growth [(1)]	$	717	$	1,127	$	1,539	$	1,827

[(1)] Customer growth amounts for Florida include the effects of revised rates associated with our natural gas base rate proceeding.

Regulated Energy Segment

For the quarter ended June 30, 2023, compared to the quarter ended June 30, 2022:

(in thousands)	Three Months Ended June 30, 2023		2022		Increase (Decrease)	
Revenue	**$**	**101,141**	$	92,193	$	8,948
Regulated natural gas and electric costs		**23,886**		21,573		2,313
Adjusted gross margin [(1)]		**77,255**		70,620		6,635
Operations & maintenance		**29,362**		26,489		2,873
Depreciation & amortization		**13,035**		13,140		(105)
Other taxes		**5,567**		5,150		417
Total operating expenses		**47,964**		44,779		3,185
Operating income	**$**	**29,291**	$	25,841	$	3,450

[(1)] Adjusted Gross Margin is a non-GAAP measure utilized by Management to review business unit performance. For a more detailed discussion on the differences between Gross Margin (GAAP) and Adjusted Gross Margin, see the Reconciliation of GAAP to Non-GAAP Measures presented above.

Operating income for the Regulated Energy segment for the second quarter of 2023 was $29.3 million, an increase of $3.5 million, or 13.4 percent, over the same period in 2022. Higher operating income reflects contributions from our Florida natural gas base rate proceeding, organic growth in our natural gas distribution businesses, incremental contributions associated with regulated infrastructure programs, and continued pipeline expansion projects. These increases were partially offset by changes in customer consumption due to the continued effects of warmer weather during the quarter. Operating expenses increased by $3.2 million compared to the prior year quarter related to employee costs driven by growth initiatives, the ongoing competitive labor market and higher benefits costs, higher facilities, maintenance and outside services costs and increased property taxes.

Items contributing to the quarter-over-quarter increase in adjusted gross margin are listed in the following table:

(in thousands)		
Rate changes associated with the Florida natural gas base rate proceeding [1]	$	3,873
Natural gas growth including conversions (excluding service expansions)		1,844
Natural gas transmission service expansions		1,113
Increased adjusted gross margin from off-system natural gas capacity sales		637
Contributions from regulated infrastructure programs		395
Changes in customer consumption - primarily related to weather		(1,148)
Other variances		(79)
Quarter-over-quarter increase in adjusted gross margin**	**$**	**6,635**

[1] Includes adjusted gross margin contributions from permanent base rates that became effective in March 2023.

The following narrative discussion provides further detail and analysis of the significant items in the foregoing table.

Rate Changes Associated with the Florida Natural Gas Base Rate Proceeding
In March 2023, we obtained a final rate order in connection with the Florida natural gas base rate proceeding with permanent rates effective on March 1, 2023. These permanent rates contributed additional adjusted gross margin of $3.9 million for the three months ended June 30, 2023. Please refer to Note 5, *Rates and Other Regulatory Activities*, in the condensed consolidated financial statements for additional information.

Natural Gas Distribution Customer Growth
We generated additional adjusted gross margin of $1.8 million from natural gas customer growth. Adjusted gross margin increased by $1.1 million in Florida and $0.7 million on the Delmarva Peninsula for the three months ended June 30, 2023, as compared to the same period in 2022, due primarily to residential customer growth of 4.0 percent and 5.5 percent in Florida and on the Delmarva Peninsula, respectively.

Natural Gas Transmission Service Expansions
We generated increased adjusted gross margin of $1.1 million for the three months ended June 30, 2023 from natural gas transmission service expansions including, Peninsula Pipeline's Wildlight, Lake Wales, Winter Haven, and Beachside projects, FPU natural gas' Clean Energy project and Aspire Energy Express' Guernsey pipeline expansion.

Contributions from Off-System Natural Gas Sales
We generated additional adjusted gross margin of $0.6 million related to off-system natural gas capacity sales for the three months ended June 30, 2023.

Contributions from Regulated Infrastructure Programs
Contributions from regulated infrastructure programs generated incremental adjusted gross margin of $0.4 million in the second quarter of 2023. The increase in adjusted gross margin was primarily related to continued investment in the Eastern Shore's capital surcharge program and FPU Electric's storm protection plan. Refer to Note 5, *Rates and Other Regulatory Activities*, in the condensed consolidated financial statements for additional information.

Changes in Customer Consumption
The continued effects of warmer weather in the second quarter of 2023 contributed to changes in weather-related consumption resulting in reduced adjusted gross margin of $1.1 million.

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Operating Expenses

Items contributing to the quarter-over-quarter increase in operating expenses are listed in the following table:

(in thousands)		
Increased payroll, benefits and other employee-related expenses	$	1,305
Increased facilities expenses, maintenance costs and outside services		682
Depreciation, amortization and property taxes		474
Increased costs related to credit and collections		345
Other variances		379
Quarter-over-quarter increase in operating expenses	**$**	**3,185**

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022:

	Six Months Ended June 30,				**Increase**	
(in thousands)	**2023**		**2022**		**(Decrease)**	
Revenue	**$**	**243,411**	$	220,084	$	23,327
Regulated natural gas and electric costs		**79,174**		67,016		12,158
Adjusted gross margin [1]		**164,237**		153,068		11,169
Operations & maintenance		**59,698**		55,621		4,077
Depreciation & amortization		**25,987**		26,225		(238)
Other taxes		**11,636**		10,683		953
Total operating expenses		**97,321**		92,529		4,792
Operating income	**$**	**66,916**	$	60,539	$	6,377

[1] Adjusted Gross Margin is a non-GAAP measure utilized by Management to review business unit performance. For a more detailed discussion on the differences between Gross Margin (GAAP) and Adjusted Gross Margin, see the Reconciliation of GAAP to Non-GAAP Measures presented above.

Operating income for the Regulated Energy segment for the six months ended June 30, 2023 was $66.9 million, an increase of $6.4 million, or 10.5 percent, over the same period in 2022. Higher operating income reflects contributions from our Florida natural gas base rate proceeding, organic growth in our natural gas distribution businesses, continued pipeline expansion projects and incremental contributions associated with regulated infrastructure programs. These increases were partially offset by changes in customer consumption due to significantly warmer weather during the first half of 2023. Operating expenses increased by $4.8 million compared to the prior year related to employee costs driven by growth initiatives, the ongoing competitive labor market and higher benefits costs, higher facilities, maintenance and outside services costs and increased property taxes.

Items contributing to the period-over-period increase in adjusted gross margin are listed in the following table:

(in thousands)		
Rate changes associated with the Florida natural gas base rate proceeding [1]	$	7,970
Natural gas growth including conversions (excluding service expansions)		3,366
Natural gas transmission service expansions		1,594
Contributions from regulated infrastructure programs		1,193
Changes in customer consumption - primarily related to weather		(3,013)
Eastern Shore contracted rate adjustments		(285)
Other variances		344
Period-over-period increase in adjusted gross margin**	**$**	**11,169**

[1] Includes adjusted gross margin comprised of both interim rates and permanent base rates that became effective in March 2023.

The following narrative discussion provides further detail and analysis of the significant items in the foregoing table.

Rate Changes Associated with the Florida Natural Gas Base Rate Proceeding
In August 2022, the Florida PSC approved interim rates starting in September 2022. In March 2023, we obtained a final rate order in connection with the Florida natural gas base rate proceeding with permanent rates effective on March 1, 2023. These interim and permanent rates contributed additional adjusted gross margin of $8.0 million. Please refer to Note 5, *Rates and Other Regulatory Activities*, in the condensed consolidated financial statements for additional information.

Natural Gas Distribution Customer Growth
We generated additional adjusted gross margin of $3.4 million from natural gas customer growth. Adjusted gross margin increased by $1.8 million in Florida and $1.6 million on the Delmarva Peninsula for the six months ended June 30, 2023, as compared to the same period in 2022, due primarily to residential customer growth of 4.2 percent and 5.7 percent in Florida and on the Delmarva Peninsula, respectively.

Natural Gas Transmission Service Expansions
We generated increased adjusted gross margin of $1.6 million for the six months ended June 30, 2023 from natural gas transmission service expansions including, Peninsula Pipeline's Wildlight, Lake Wales, Winter Haven, and Beachside projects, FPU natural gas' Clean Energy project and Aspire Energy Express' Guernsey pipeline expansion.

Contributions from Regulated Infrastructure Programs
Contributions from regulated infrastructure programs generated incremental adjusted gross margin of $1.2 million for the six months ended June 30, 2023. The increase in adjusted gross margin was primarily related to Eastern Shore's capital surcharge program, and FPU Electric's storm protection plan. Refer to Note 5, *Rates and Other Regulatory Activities*, in the condensed consolidated financial statements for additional information.

Changes in Customer Consumption
Significantly warmer weather experienced during the first half of 2023 contributed to changes in weather-related consumption resulting in reduced adjusted gross margin of $3.0 million for the six months ended June 30, 2023. The Delmarva Peninsula and Florida were warmer by approximately 20 percent and 31 percent, respectively, for the six months ended June 30, 2023 compared to the same period in 2022.

Eastern Shore Contracted Rate Adjustments
Adjustments to contracted rates charged to various Eastern Shore customers resulted in reduced adjusted gross margin of $0.3 million for the six months ended June 30, 2023 compared to the same period in 2022.

Operating Expenses
Items contributing to the period-over-period increase in operating expenses are listed in the following table:

(in thousands)		
Payroll, benefits and other employee-related expenses	$	1,598
Increased facilities expenses, maintenance costs and outside services		1,064
Depreciation, amortization and property tax costs due to new capital investments		893
Increased costs related to credit and collections		426
Other variances		811
Period-over-period increase in operating expenses	**$**	**4,792**

Unregulated Energy Segment

For the quarter ended June 30, 2023, compared to the quarter ended June 30, 2022:

	Three Months Ended June 30,		
(in thousands)	**2023**	**2022**	**Increase (Decrease)**
Revenue	**$ 40,751**	$ 53,463	$ (12,712)
Unregulated propane and natural gas costs	**18,116**	31,701	(13,585)
Adjusted gross margin [1]	**22,635**	21,762	873
Operations & maintenance	**18,196**	16,127	2,069
Depreciation & amortization	**4,269**	4,074	195
Other taxes	**1,163**	1,001	162
Total operating expenses	**23,628**	21,202	2,426
Operating Income (Loss)	**$ (993)**	$ 560	$ (1,553)

[1] Adjusted Gross Margin is a non-GAAP measure utilized by Management to review business unit performance. For a more detailed discussion on the differences between Gross Margin (GAAP) and Adjusted Gross Margin, see the Reconciliation of GAAP to Non-GAAP Measures presented above.

Operating results for the Unregulated Energy segment for the second quarter of 2023 experienced a reduction of $1.6 million compared to the same period in 2022. Adjusted gross margin in the Unregulated Energy segment during the second quarter was impacted by changes in customer consumption due to continued warmer weather in our Mid-Atlantic service territories and the conversion of propane customers to our natural gas distribution service. Additionally, we experienced increased operating expenses associated with higher employee costs driven by the continued competition in the current labor market and increased benefit costs, increased property taxes and higher costs related to facilities, maintenance, and outside services. These factors were partially offset by increased propane margins and fees and continued demand for CNG, RNG and LNG services.

Items contributing to the quarter-over-quarter increase in adjusted gross margin are listed in the following table:

(in thousands)	
Propane Operations	
Increased propane margins and service fees	$ 1,512
Reduced customer consumption due to conversion of customers to our natural gas system	(591)
Propane customer consumption - primarily weather related	(381)
CNG/RNG/LNG Transportation and Infrastructure	
Increased demand for CNG/RNG/LNG Services	478
Aspire Energy	
Reduced customer consumption - primarily weather related	(45)
Other variances	(100)
Quarter-over-quarter increase in adjusted gross margin	**$ 873**

The following narrative discussion provides further detail and analysis of the significant items in the foregoing table.

Propane Operations

- *Increased Propane Margins and Service Fees* - Adjusted gross margin increased by $1.5 million for the three months ended June 30, 2023, mainly due to increased margins and customer service fees. These market conditions, which include market pricing and competition with other propane suppliers, as well as the availability and price of alternative energy sources, may fluctuate based on changes in demand, supply and other energy commodity prices.

- *Reduced customer consumption due to conversion of customers to our natural gas system* - Adjusted gross margin decreased by $0.6 million as more customers converted from propane to our natural gas distribution service.

- *Propane customer consumption* - Adjusted gross margin decreased by $0.4 million due to reduced customer consumption as weather mainly on the Delmarva Peninsula continued to remain significantly warmer relative to the prior year.

CNG/RNG/LNG Transportation and Infrastructure

- *Increased demand for CNG/RNG/LNG services* - Adjusted gross margin increased by $0.5 million during the second quarter of 2023 as compared to the same period in the prior year due to higher demand for CNG hold services and contributions from the Aspire Noble Road RNG project .

Aspire Energy

- *Reduced Customer Consumption* - Adjusted gross margin was reduced by less than $0.1 million due to reduced demand as weather in Ohio remained warmer compared to the same period in the prior year.

Operating Expenses

Items contributing to the quarter-over-quarter increase in operating expenses are listed in the following table:

(in thousands)		
Increased payroll, benefits and other employee-related expenses	$	1,908
Increased depreciation, amortization and property tax costs		311
Increased facilities expenses, maintenance costs and outside services		291
Other variances		(84)
Quarter-over-quarter increase in operating expenses	**$**	**2,426**

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022:

	Six Months Ended June 30,		
(in thousands)	**2023**	**2022**	**Increase (Decrease)**
Revenue	**$ 123,916**	$ 154,754	$ (30,838)
Unregulated propane and natural gas costs	**58,687**	89,708	(31,021)
Adjusted gross margin [1]	**65,229**	65,046	183
Operations & maintenance	**37,810**	34,211	3,599
Depreciation & amortization	**8,503**	7,954	549
Other taxes	**2,664**	2,268	396
Total operating expenses	**48,977**	44,433	4,544
Operating Income	**$ 16,252**	$ 20,613	$ (4,361)

Operating results for the Unregulated Energy segment for the six months ended June 30, 2023 decreased by $4.4 million compared to the same period in 2022. Operating results during the first half of 2023 were impacted by changes in customer consumption due to significantly warmer weather in our Mid-Atlantic service territories as well as the conversion of propane customers to our natural gas distribution service. Additionally, we experienced increased operating expenses associated with higher employee related expenses driven by the continued competition in the current labor market and higher benefit costs, increased costs for facilities, maintenance, and outside services and higher property taxes. These factors were partially offset by increased propane margins and fees and continued demand for CNG, RNG and LNG services.

Items contributing to the period-over-period increase in adjusted gross margin are listed in the following table:

(in thousands)	
Propane Operations	
Propane customer consumption - primarily weather related	$ (4,924)
Increased propane margins and service fees	4,576
Decreased customer consumption due to conversion of customers to our natural gas system	(591)
CNG/RNG/LNG Transportation and Infrastructure	
Increased demand for CNG/RNG/LNG Services	1,766
Aspire Energy	
Reduced customer consumption - primarily weather related	(553)
Other variances	(91)
Period-over-period increase in adjusted gross margin	**$ 183**

The following narrative discussion provides further detail and analysis of the significant items in the foregoing table.

Propane Operations

- *Propane customer consumption* - Adjusted gross margin fell by $4.9 million as a result of reduced customer consumption driven by significantly warmer weather in our Mid-Atlantic and North Carolina service areas experienced primarily during the first quarter which continued to a lesser extent through the second quarter.
- *Increased Propane Margins and Service Fees* - Adjusted gross margin increased by $4.6 million for the six months ended June 30, 2023, mainly due to increased margins and customer service fees. Propane margins also increased due to gains associated with our SWAP agreements. These market conditions, which include market pricing and competition with other propane suppliers, as well as the availability and price of alternative energy sources, may fluctuate based on changes in demand, supply and other energy commodity prices.
- *Reduced customer consumption due to conversion of customers to our natural gas system* - Adjusted gross margin fell by $0.6 million as more customers converted from propane to our natural gas distribution service.

CNG/RNG/LNG Transportation and Infrastructure

- *Increased demand for CNG/RNG/LNG services* - Adjusted gross margin increased by $1.8 million during the first half of the year as compared to the same period in the prior year due to higher demand for CNG hold services and contributions from the Aspire Noble Road RNG project.

Aspire Energy

- *Reduced Customer Consumption* - Adjusted gross margin was reduced by $0.6 million due to reduced demand as weather in Ohio was approximately 13 percent warmer over the same period in the prior year.

<u>*Operating Expenses*</u>

Items contributing to the quarter-over-quarter increase in operating expenses are listed in the following table:

(in thousands)		
Increased payroll, benefits and other employee-related expenses	$	2,733
Increased facilities expenses, maintenance costs and outside services		889
Increased depreciation, amortization and property tax costs		836
Other variances		86
Period-over-period increase in operating expenses	**$**	**4,544**

OTHER INCOME, NET

For the quarter ended June 30, 2023 compared to the quarter ended June 30, 2022

Other income, net, which includes non-operating investment income, interest income, late fees charged to customers, gains or losses from the sale of assets and pension and other benefits expense, decreased by $1.8 million in the second quarter of 2023. This was primarily attributable to lower gains on asset sales, including the absence of a one-time gain of $1.9 million related to a building sale during the second quarter of 2022, and higher pension related expenses compared to the same period in 2022.

For the six months ended June 30, 2023 compared to the six months ended June 30, 2022

Other income, net, which includes non-operating investment income, interest income, late fees charged to customers, gains or losses from the sale of assets and pension and other benefits expense, decreased by $2.4 million in the six months ended June 30, 2023. This was primarily attributable to lower gains on asset sales, including the absence of a one-time gain referred to above, and higher pension related expenses compared to the same period in 2022.

INTEREST CHARGES

For the quarter ended June 30, 2023 compared to the quarter ended June 30, 2022

Interest charges for the three months ended June 30, 2023 increased by $1.1 million, compared to the same period in 2022, attributable primarily to $0.9 million in interest expense as a result of a long-term debt placement in 2023 and $0.7 million in higher interest rates on outstanding borrowings under our Revolver. These factors were partially offset by higher capitalized interest of $0.4 million associated with growth projects. The weighted-average interest rate on our Revolver borrowings was 5.25 percent during the second quarter of 2023 compared to 1.52 percent during the prior-year period as a result of the Federal Reserve raising interest rates throughout 2022 and through the second quarter of 2023. Any additional increases in interest rates by the Federal Reserve would have a corresponding increase in the interest rates charged under our Revolver.

For the six months ended June 30, 2023 compared to the six months ended June 30, 2022

Interest charges for the six months ended June 30, 2023 increased by $3.0 million, compared to the same period in 2022, attributable to $2.6 million primarily related to higher interest rates on outstanding borrowings under our Revolver and $1.1 million in interest expense as a result of a long-term debt placement in 2022 and 2023. These factors were partially offset by higher capitalized interest of $0.8 million associated with growth projects. The weighted-average interest rate on our Revolver borrowings was 5.18 percent during the six months ended June 30, 2023 compared to 1.12 percent during the prior-year period as a result of the Federal Reserve raising interest rates throughout 2022 and during the six months ended June 30, 2023. Any additional increases in interest rates by the Federal Reserve would have a corresponding increase in the interest rates charged under our Revolver.

INCOME TAXES

For the quarter ended June 30, 2023 compared to the quarter ended June 30, 2022

Income tax expense was $6.1 million for the quarter ended June 30, 2023, compared to $6.2 million for the quarter ended June 30, 2022. Our effective income tax rate was 27.4 percent and 26.6 percent, for the three months ended June 30, 2023 and 2022, respectively.

For the six months ended June 30, 2023 compared to the six months ended June 30, 2022

Income tax expense was $17.7 million for the six months ended June 30, 2023, compared to $19.7 million for the six months ended June 30, 2022. Our effective income tax rate was 25.2 percent and 26.7 percent, for the six months ended June 30, 2023 and 2022, respectively. Income tax expense for the six months ended June 30, 2023 includes a $1.3 million benefit in deferred tax expense resulting from a reduction in the Pennsylvania state income tax rate. Excluding this change, our effective income tax rate was 27.0 percent for the six months ended June 30, 2023.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Our capital requirements reflect the capital-intensive and seasonal nature of our business and are principally attributable to investment in new plant and equipment, retirement of outstanding debt and seasonal variability in working capital. We rely on cash generated from operations, short-term borrowings, and other sources to meet normal working capital requirements and to temporarily finance capital expenditures. We may also issue long-term debt and equity to fund capital expenditures and to maintain our capital structure within our target capital structure range. We maintain an effective shelf registration statement with the SEC for the issuance of shares of common stock in various types of equity offerings, including shares of common stock under an ATM equity program, as well as an effective registration statement with respect to the DRIP. Depending on our capital needs and subject to market conditions, in addition to other possible debt and equity offerings, we may consider issuing additional shares under the direct share purchase component of the DRIP and/or under an ATM equity program.

Our energy businesses are weather-sensitive and seasonal. We normally generate a large portion of our annual net income and subsequent increases in our accounts receivable in the first and fourth quarters of each year due to significant volumes of natural gas, electricity, and propane delivered by our distribution operations, and our natural gas transmission operations to customers during the peak-heating season. In addition, our natural gas and propane inventories, which usually peak in the fall months, are largely drawn down in the heating season and provide a source of cash as the inventory is used to satisfy winter sales demand.

Capital expenditures for investments in new or acquired plant and equipment are our largest capital requirements. Our capital expenditures were $91.9 million for the six months ended June 30, 2023. In the table below, we have provided the range of our forecasted capital expenditures for 2023:

	2023	
(in thousands)	**Low**	**High**
Regulated Energy:		
Natural gas distribution	$ 89,000	$ 100,000
Natural gas transmission	50,000	60,000
Electric distribution	13,000	15,000
Total Regulated Energy	152,000	175,000
Unregulated Energy:		
Propane distribution	15,000	16,000
Energy transmission	8,000	9,000
Other unregulated energy	23,000	27,000
Total Unregulated Energy	46,000	52,000
Other:		
Corporate and other businesses	2,000	3,000
Total Other	2,000	3,000
Total 2023 Forecasted Capital Expenditures	**$ 200,000**	**$ 230,000**

The 2023 forecast, excluding acquisitions, includes capital expenditures associated with the following: Pipeline expansions related to the Eastern Shore Southern Expansion project, the Florida Beachside Pipeline, the Wildlight pipeline expansion, other small pipeline expansion opportunities and continued distribution system expansions including the Wildlight development in Florida. Furthermore, the 2023 forecast includes continued expenditures under, the capital cost surcharge program as well as information technology system enhancements, and other strategic initiatives and investments.

The capital expenditure projection is subject to continuous review and modification. Actual capital requirements may vary from the above estimates due to a number of factors, including changing economic conditions, supply chain disruptions, capital delays that are greater than currently anticipated, customer growth in existing areas, regulation, new growth or acquisition opportunities and availability of capital and other factors discussed in Item 1A. Risk Factors in our 2022 Annual Report on Form 10-K. Historically, actual capital expenditures have typically lagged behind the budgeted amounts. The timing of capital expenditures can vary based on delays in regulatory approvals, securing environmental approvals and other permits. The regulatory application and approval process has lengthened in the past few years, and we expect this trend to continue.

Capital Structure

We are committed to maintaining a sound capital structure and strong credit ratings. This commitment, along with adequate and timely rate relief for our regulated energy operations, is intended to ensure our ability to attract capital from outside sources at a reasonable cost, which will benefit our customers, creditors, employees and stockholders.

The following table presents our capitalization, excluding and including short-term borrowings, as of June 30, 2023 and December 31, 2022:

(in thousands)	June 30, 2023		December 31, 2022	
Long-term debt, net of current maturities	**$ 645,742**	**43 %**	$ 578,388	41 %
Stockholders' equity	**864,228**	**57 %**	832,801	59 %
Total capitalization, excluding short-term debt	**$ 1,509,970**	**100 %**	$ 1,411,189	100 %

(in thousands)	June 30, 2023		December 31, 2022	
Short-term debt	**$ 95,807**	**6 %**	$ 202,157	12 %
Long-term debt, including current maturities	**665,736**	**41 %**	599,871	37 %
Stockholders' equity	**864,228**	**53 %**	832,801	51 %
Total capitalization, including short-term debt	**$ 1,625,771**	**100 %**	$ 1,634,829	100 %

Our target ratio of equity to total capitalization, including short-term borrowings, is between 50 and 60 percent. Our equity to total capitalization ratio, including short-term borrowings, was 53 percent as of June 30, 2023. We seek to align permanent financing with the in-service dates of our capital projects. We may utilize more temporary short-term debt when the financing cost is attractive as a bridge to the permanent long-term financing or if the equity markets are volatile.

During the first half of 2023, there were no issuances under the DRIP. In 2022, we issued less than 0.1 million shares at an average price per share of $136.26 and received net proceeds of $4.5 million under the DRIP. See Note 9, *Stockholders' Equity*, in the condensed consolidated financial statements for additional information on commissions and fees paid in connection with these issuances.

Shelf Agreements

We have entered into Shelf Agreements with Prudential and MetLife, whom are under no obligation to purchase any unsecured debt. In February 2023, we amended our Shelf Agreements with Prudential and MetLife. The amended agreements expanded the total borrowing capacity and extended the term of the agreements for an additional three years from the effective date. The following table summarizes our Shelf Agreements at June 30, 2023:

(in thousands)	Total Borrowing Capacity	Less: Amount of Debt Issued	Less: Unfunded Commitments	Remaining Borrowing Capacity
Shelf Agreement [(1)]				
Prudential Shelf Agreement	$ 405,000	$ (300,000)	$ —	$ 105,000
MetLife Shelf Agreement	200,000	(50,000)	—	150,000
Total Shelf Agreements as of June 30, 2023	$ 605,000	$ (350,000)	$ —	$ 255,000

(1) The Prudential and MetLife Shelf Agreements both expire in February 2026.

The Uncollateralized Senior Notes set forth certain business covenants to which we are subject when any note is outstanding, including covenants that limit or restrict our ability, and the ability of our subsidiaries, to incur indebtedness, or place or permit liens and encumbrances on any of our property or the property of our subsidiaries.

Short-term Borrowings

We are authorized by our Board of Directors to borrow up to $400.0 million of short-term debt, as required. At June 30, 2023 and December 31, 2022, we had $95.8 million and $202.2 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 5.33 percent and 5.04 percent respectively.

In August 2022, we amended both tranches of the Revolver, which now bear interest using SOFR as the benchmark interest rate, plus a 10-basis point SOFR adjustment. In addition, the 364-day tranche was extended through August 2023. We expect to renew the 364-day tranche of the Revolver upon its current expiration. As part of these amendments, the parties agreed to eliminate the previous covenant capping the aggregate investments limit at $150.0 million where we maintain an ownership interest less than 50 percent. Additionally, the 364 day tranche of the facility now offers a reduced interest margin similar to the five-year tranche for amounts borrowed in connection with new sustainable investments. All other terms and conditions remained unchanged. Borrowings outstanding under the sustainable investment sublimit of the 364-day tranche amounted to $9.4 million at June 30, 2023.

The availability of funds under the Revolver is subject to conditions specified in the credit agreement, all of which we currently satisfy. These conditions include our compliance with financial covenants and the continued accuracy of representations and warranties contained in the Revolver's loan documents. We are required by the financial covenants in the Revolver to maintain, at the end of each fiscal year, a funded indebtedness ratio of no greater than 65 percent. As of June 30, 2023, we are in compliance with this covenant.

The 364-day tranche of the Revolver expires in August 2023 and the five-year tranche expires in August 2026, both of which are available to fund our short-term cash needs to meet seasonal working capital requirements and to temporarily fund portions of our capital expenditures. Borrowings under both tranches of the Revolver are subject to a pricing grid, including the commitment fee and the interest rate charged based upon our total indebtedness to total capitalization ratio for the prior quarter. As of June 30, 2023, the pricing under the 364-day tranche of the Revolver included an unused commitment fee of 9 basis points and maintains an interest rate of 70 basis points over SOFR plus a 10 basis point SOFR adjustment. As of June 30, 2023, the pricing under the five-year tranche of the Revolver included an unused commitment fee of 9 basis points and an interest rate of 95 basis points over SOFR plus a 10 basis point SOFR adjustment.

Our total available credit under the Revolver at June 30, 2023 was $298.3 million. As of June 30, 2023, we had issued $5.9 million in letters of credit to various counterparties under the Revolver. These letters of credit are not included in the outstanding short-term borrowings and we do not anticipate that they will be drawn upon by the counterparties. The letters of credit reduce the available borrowings under the Revolver.

For additional information on interest rate swaps related to our short-term borrowings, see Note 12, *Derivative Instruments*.

Long-Term Debt

On March 14, 2023 we issued 5.43 percent Senior Notes due March 14, 2038 in the aggregate principal amount of $80.0 million. We used the proceeds received from the issuances of the Senior Notes to reduce short-term borrowings under our Revolver credit facility and to fund capital expenditures. These Senior Notes have similar covenants and default provisions as our other Senior Notes, and have an annual principal payment beginning in the sixth year after the issuance.

Cash Flows

The following table provides a summary of our operating, investing and financing cash flows for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,	
(in thousands)	**2023**	**2022**
Net cash provided by (used in):		
Operating activities	**$ 148,983**	$ 123,795
Investing activities	**(88,991)**	(64,167)
Financing activities	**(62,027)**	(60,418)
Net (decrease) increase in cash and cash equivalents	**(2,035)**	(790)
Cash and cash equivalents—beginning of period	**6,204**	4,976
Cash and cash equivalents—end of period	**$ 4,169**	$ 4,186

Cash Flows Provided by Operating Activities

Changes in our cash flows from operating activities are attributable primarily to changes in net income, adjusted for non-cash items such as depreciation and amortization, changes in deferred income taxes, share-based compensation expense and working capital. Working capital requirements are determined by a variety of factors, including weather, the prices of natural gas, electricity and propane, the timing of customer collections, payments for purchases of natural gas, electricity and propane, and deferred fuel cost recoveries.

During the six months ended June 30, 2023, net cash provided by operating activities was $149.0 million. Operating cash flows were primarily impacted by the following:

- Net income, adjusted for non-cash adjustments, provided a $93.7 million source of cash;
- Changes in net regulatory assets and liabilities due primarily to the change in fuel costs collected through the various cost recovery mechanisms resulted in a $28.8 million source of cash;
- Other working capital changes, impacted primarily by a reduction in net receivables and propane inventory levels, resulted in a $19.6 million source of cash; and
- An increased level of deferred taxes associated with incremental tax depreciation from growth investments resulted in a source of cash of $5.7 million.

Cash Flows Used in Investing Activities

Net cash used in investing activities totaled $89.0 million during the six months ended June 30, 2023, largely driven by $90.3 million for new capital expenditures.

Cash Flows Used in Financing Activities

Net cash used in financing activities totaled $62.0 million during the six months ended June 30, 2023 and included the following:

- Net repayments under the Revolver of $104.2 million;
- A use of cash of $19.0 million for dividend payments in 2023; partially offset by
- A net increase in long-term debt borrowings of $65.8 million to permanently finance investment in growth initiatives.

Off-Balance Sheet Arrangements

The Board of Directors has authorized us to issue corporate guarantees securing obligations of our subsidiaries and to obtain letters of credit securing our subsidiaries' obligations. The maximum authorized liability under such guarantees and letters of credit as of June 30, 2023 was $20.0 million. The aggregate amount guaranteed related to our subsidiaries at June 30, 2023 was $14.2 million, with the guarantees expiring on various dates through May 2024. In addition, the Board has authorized us to issue specific purpose corporate guarantees. The amount of specific purpose guarantees outstanding at June 30, 2023 was $4.0 million.

As of June 30, 2023, we have issued letters of credit totaling approximately $5.9 million related to the electric transmission services for FPU's electric division, the firm transportation service agreement between TETLP and our Delaware and Maryland divisions, to our current and previous primary insurance carriers. These letters of credit have various expiration dates through April

2024. We have not drawn upon these letters of credit as of June 30, 2023 and do not anticipate that the counterparties will draw upon these letters of credit. We expect that they will be renewed to the extent necessary in the future. Additional information is presented in Note 7, *Other Commitments and Contingencies*, in the condensed consolidated financial statements.

Contractual Obligations

There has been no material change in the contractual obligations presented in our 2022 Annual Report on Form 10-K, except for commodity purchase obligations entered into in the ordinary course of our business. The following table summarizes commodity purchase contract obligations at June 30, 2023:

	Payments Due by Period				
	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
(in thousands)					
Purchase obligations - Commodity [1]	$ 47,157	$ —	$ —	$ —	**$ 47,157**
Total	**$ 47,157**	**$ —**	**$ —**	**$ —**	**$ 47,157**

[1] In addition to the obligations noted above, we have agreements with commodity suppliers that have provisions with no minimum purchase requirements. There are no monetary penalties for reducing the amounts purchased; however, the propane contracts allow the suppliers to reduce the amounts available in the winter season if we do not purchase specified amounts during the summer season. Under these contracts, the commodity prices will fluctuate as market prices fluctuate.

Rates and Regulatory Matters

Our natural gas distribution operations in Delaware, Maryland and Florida and electric distribution operation in Florida are subject to regulation by the respective state PSC; Eastern Shore is subject to regulation by the FERC; and Peninsula Pipeline and Aspire Energy Express, our intrastate pipeline subsidiaries, are subject to regulation (excluding cost of service) by the Florida PSC and Public Utilities Commission of Ohio, respectively. We regularly are involved in regulatory matters in each of the jurisdictions in which we operate. Our significant regulatory matters are fully described in Note 5, *Rates and Other Regulatory Activities*, to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Recent Authoritative Pronouncements on Financial Reporting and Accounting

Recent accounting developments, applicable to us, and their impact on our financial position, results of operations and cash flows are described in Note 1, *Summary of Accounting Policies*, to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

INTEREST RATE RISK

Long-term debt is subject to potential losses based on changes in interest rates. We evaluate whether to refinance existing debt or permanently refinance existing short-term borrowings based in part on the fluctuation in interest rates. Increases in interest rates expose us to potential increased costs we could incur when we (i) issue new debt instruments or (ii) provide financing and liquidity for our business activities. We utilize interest rate swap agreements to mitigate short-term borrowing rate risk. Additional information about our long-term debt and short-term borrowing is disclosed in Note 14, *Long-Term Debt,* and Note 15, *Short-Term Borrowings*, respectively, in the condensed consolidated financial statements.

COMMODITY PRICE RISK

Regulated Energy Segment

We have entered into agreements with various wholesale suppliers to purchase natural gas and electricity for resale to our customers. Our regulated energy distribution businesses that sell natural gas or electricity to end-use customers have fuel cost recovery mechanisms authorized by the respective PSCs that allow us to recover all of the costs prudently incurred in purchasing natural gas and electricity for our customers. Therefore, our regulated energy distribution operations have limited commodity price risk exposure.

Unregulated Energy Segment

Our propane operations are exposed to commodity price risk as a result of the competitive nature of retail pricing offered to our customers. In order to mitigate this risk, we utilize propane storage activities and forward contracts for supply.

We can store up to approximately 8.7 million gallons of propane (including leased storage and rail cars) during the winter season to meet our customers' peak requirements and to serve metered customers. Decreases in the wholesale price of propane may cause the value of stored propane to decline, particularly if we utilize fixed price forward contracts for supply. To mitigate the risk of propane commodity price fluctuations on the inventory valuation, we have adopted a Risk Management Policy that allows our propane distribution operation to enter into fair value hedges, cash flow hedges or other economic hedges of our inventory.

Aspire Energy is exposed to commodity price risk, primarily during the winter season, to the extent we are not successful in balancing our natural gas purchases and sales and have to secure natural gas from alternative sources at higher spot prices. In order to mitigate this risk, we procure firm capacity that meets our estimated volume requirements and we continue to seek out new producers in order to fulfill our natural gas purchase requirements.

The following table reflects the changes in the fair market value of financial derivatives contracts related to propane purchases and sales from December 31, 2022 to June 30, 2023:

(in thousands)	Balance at December 31, 2022	(Decrease) in Fair Market Value	Less Amounts Settled	Balance at June 30, 2023
Sharp	$ 1,507	$ (3,169)	$ 174	**$ (1,488)**

There were no changes in methods of valuations during the six months ended June 30, 2023.

The following is a summary of fair market value of financial derivatives as of June 30, 2023, by method of valuation and by maturity for each fiscal year period.

(in thousands)	2023	2024	2025	2026	Total Fair Value
Price based on Mont Belvieu - Sharp	$ (491)	$ (847)	$ (133)	$ (17)	$ (1,488)

WHOLESALE CREDIT RISK

The Risk Management Committee reviews credit risks associated with counterparties to commodity derivative contracts prior to such contracts being approved.

Additional information about our derivative instruments is disclosed in Note 12, *Derivative Instruments*, in the condensed consolidated financial statements.

INFLATION

Inflation affects the cost of supply, labor, products and services required for operations, maintenance and capital improvements. To help cope with the effects of inflation on our capital investments and returns, we periodically seek rate increases from regulatory commissions for our regulated operations and closely monitor the returns of our unregulated energy business operations. To compensate for fluctuations in propane gas prices, we adjust propane sales prices to the extent allowed by the market.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of Chesapeake Utilities, with the participation of other Company officials, have evaluated our "disclosure controls and procedures" (as such term is defined under Rules 13a-15(e) and 15d-15(e), promulgated under the Securities Exchange Act of 1934, as amended) as of June 30, 2023. Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2023.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2023, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

As disclosed in Note 7, *Other Commitments and Contingencies*, of the condensed consolidated financial statements in this Quarterly Report on Form 10-Q, we are involved in certain legal actions and claims arising in the normal course of business. We are also involved in certain legal and administrative proceedings before various governmental or regulatory agencies concerning rates and other regulatory actions. In the opinion of management, the ultimate disposition of these proceedings and claims will not have a material effect on our condensed consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

Our business, operations, and financial condition are subject to various risks and uncertainties. The risk factors described in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K, for the year ended December 31, 2022, should be carefully considered, together with the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and in our other filings with the SEC in connection with evaluating Chesapeake Utilities, our business and the forward-looking statements contained in this Quarterly Report on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Company Purchases of Equity Securities

Share repurchases during the three months ended June 30, 2023 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs [2]
April 1, 2023 through April 30, 2023 [1]	**450**	**$ 130.12**	—	—
May 1, 2023 through May 31, 2023	—	—	—	—
June 1, 2023 through June 30, 2023	—	—	—	—
Total	**450**	**$ 130.12**	—	—

[1] Chesapeake Utilities purchased shares of common stock on the open market for the purpose of reinvesting the dividend on shares held in the Rabbi Trust accounts for certain directors and senior executives under the Non-Qualified Deferred Compensation Plan. The Non-Qualified Deferred Compensation Plan is discussed in detail in Item 8 under the heading "Notes to the Consolidated Financial Statements—Note 16, *Employee Benefit Plans*," in our latest Annual Report on Form 10-K for the year ended December 31, 2022.

[2] Except for the purposes described in Footnote (1), Chesapeake Utilities has no publicly announced plans or programs to repurchase its shares.

Item 3. Defaults upon Senior Securities

None.

Item 5. Other Information

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

3.1	Amended and Restated Bylaws of Chesapeake Utilities Corporation, effective May 3, 2023, are incorporated herein by reference to Exhibit 3.1 of our Current Report on Form 8-K, filed May 3, 2023, File No. 001-11590.
31.1*	Certificate of Chief Executive Officer of Chesapeake Utilities Corporation pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2*	Certificate of Chief Financial Officer of Chesapeake Utilities Corporation pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1*	Certificate of Chief Executive Officer of Chesapeake Utilities Corporation pursuant to 18 U.S.C. Section 1350.
32.2*	Certificate of Chief Financial Officer of Chesapeake Utilities Corporation pursuant to 18 U.S.C. Section 1350.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - formatted in Inline XBRL and contained in Exhibit 101

*Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHESAPEAKE UTILITIES CORPORATION

/S/ BETH W. COOPER

Beth W. Cooper
Executive Vice President, Chief Financial Officer, Treasurer and
Assistant Corporate Secretary

Date: August 3, 2023

Exhibit 31.1

CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Jeffry M. Householder, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2023 of Chesapeake Utilities Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 3, 2023

/s/ Jeffry M. Householder

Jeffry M. Householder
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Beth W. Cooper, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2023 of Chesapeake Utilities Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2023

/S/ BETH W. COOPER

Beth W. Cooper
Executive Vice President, Chief Financial Officer, Treasurer
and Assistant Corporate Secretary

EXHIBIT 32.1

Certificate of Chief Executive Officer

of

Chesapeake Utilities Corporation

(pursuant to 18 U.S.C. Section 1350)

I, Jeffry M. Householder, President and Chief Executive Officer of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Chesapeake Utilities Corporation ("Chesapeake") for the period ended June 30, 2023, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake.

/s/ JEFFRY M. HOUSEHOLDER
Jeffry M. Householder
August 3, 2023

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certificate of Chief Financial Officer

of

Chesapeake Utilities Corporation

(pursuant to 18 U.S.C. Section 1350)

I, Beth W. Cooper, Executive Vice President, Chief Financial Officer, Treasurer and Assistant Corporate Secretary of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Chesapeake Utilities Corporation ("Chesapeake") for the period ended June 30, 2023, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake.

/S/ BETH W. COOPER

Beth W. Cooper
August 3, 2023

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Chesapeake Utilities Corporation
Florida PSC Financing Application
Expected Capital Expenditures Request
2024 Application

(in millions)	**Forecasted**	
	2023	**2024**
Expected Capital Expenditures for Florida Division	103	146 (1)
Percentage of Chesapeake Total	45%	52% (1)

(1) Does not incudle any potential capital expenditures associated with anticipated acquisiton of Florida City Gas.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF CHESAPEAKE UTILITIES CORPORATION FOR APPROVAL OF THE ISSUANCE OF COMMON STOCK AND LONG-TERM DEBT (FILED OCTOBER 2, 2023)	))))))	PSC DOCKET NO. 23-1306

ORDER NO. 10319

AND NOW, this 25th day of October 2023, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, on October 2, 2023, Chesapeake Utilities Corporation ("Chesapeake" or the "Company") filed an application (the "Application") pursuant to 26 *Del. C.* § 215(a)(2) requesting the Commission's approval of: (1) $680,000,000 of long-term debt securities; (2) up to $237,476,739 of Chesapeake's common stock; (3) an additional 842,088 shares of common stock to manage the Company's Dividend Reinvestment and Stock Purchase Plan (the "DRP") and other equity needs; and (4) and an additional 300,814 shares of common stock to manage the Company's Stock and Incentive Compensation Plan (the "SICP"); and

WHEREAS, the Application states that the proceeds from the issuance may be used to satisfy existing long-term debt obligations; and

WHEREAS, according to the Application, the secured long-term debt financing is consistent with the Company's five-year strategic plan and financing goals; and

WHEREAS, 26 *Del. Admin. C.* § 1002D-3.1.9 requires a third-party legal opinion letter ("Opinion of Counsel"); and

WHEREAS, the Application included a proposed Opinion of Counsel from James D. Nutter, Esq. of Parkowski, Guerke & Swayze, P.A.; and

WHEREAS, pursuant to 26 *Del. C.* §§ 215(a)(1) and (a)(2), no public utility, without having first obtained the approval of the Commission, shall issue any stocks, stock certificates, or notes, bonds or other evidence of indebtedness payable in more than one (1) year from the date thereof nor encumber any essential part of its franchises, plant, equipment or other property, necessary or useful in the performance of its duty to the public. Pursuant to 26 *Del. C.* § 215(d) the Commission must approve any such transactions when it finds the same to be made in accordance with law, for a proper purpose, and is consistent with the public interest; and

WHEREAS, Commission Staff ("Staff") has examined the Application and financial statements, including its schedules and exhibits, and concludes that the Company has complied with the requirements of 26 *Del. C.* § 215(d) in that the issuance will be made in accordance with law, for a proper purpose, and consistent with the public interest for the reasons set forth above; and

WHEREAS, Staff has submitted a memorandum dated October 18, 2023, which the Commission incorporates herein by reference, recommending that the Commission approve the Application, subject to the following conditions: (1) this approval shall not be construed as approving any particular ratemaking treatment of this debt in future filings; (2) the Company shall obtain any necessary approval by Chesapeake's board of directors as to the actual amount of stock to be issued and the terms and conditions of any issuance; and (3) the Company shall comply with all applicable state and federal securities laws;

NOW, THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:

1. Chesapeake's Application seeking Commission approval, under 26 *Del. C.* § 215(a)(2) for Chesapeake's issuance of (1) $680,000,000 of long-term debt securities, (2) up to $237,476,739 of Chesapeake's common stock, (3) an additional 842,088 shares of common stock

to manage the DRP and other equity needs, and (4) and an additional 300,814 shares of common stock to manage the Company's SICP, is approved subject to the following conditions:

a. This approval shall not be construed as approving any particular ratemaking treatment of this debt in future filings;

b. Chesapeake shall obtain any necessary approval by Chesapeake's board of directors as to the actual amount of stock to be issued and the terms and conditions of any issuance;

c. Chesapeake shall comply with all applicable state and federal securities laws associated with the issuance of common stock; and

d. Not later than thirty (30) days after closing of the issuance of $680 million of long-term debt, Chesapeake must file with the Commission copies of the fully executed note agreement(s) and any other schedules and information required by Part D, § 4.0 of the Commission's Minimum Filing Requirements. 26 *Del. Admin. C.* 1002, Part D, §4.0.

2. Nothing in this Order shall be construed as a guarantee, warranty, or representation by the State of Delaware or by any agency, commission, or department thereof with respect to the indebtedness of Chesapeake that may be issued or incurred under the Application which is approved by this Order.

3. Chesapeake is hereby notified that it will be assessed the costs of the proceeding pursuant to 26 *Del. C.* § 114(b)(1).

4. The Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

____
Dallas Winslow, Chairman

____
Joann Conaway, Commissioner

____
Harold B. Gray, Commissioner

____
Manubhai Karia, Commissioner

____
K. F. Drexler, Commissioner

ATTEST:

____
Crystal Beenick, Secretary

THE DELAWARE PUBLIC SERVICE COMMISSION ★ 1949