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August 22, 2024

BY E-FILING

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

Re: **Docket No. 20240099-EI - Petition for rate increase by Florida Public Utilities Company**

Dear Mr. Teitzman:

Attached, for electronic filing, on behalf of Florida Public Utilities Company, please find the Company's MFR F Schedules.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

(Document 17 of 18)

Sincerely,

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

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: Provide a copy of the most recent Annual Report to Shareholders and all subsequent Quarterly Reports. The company shall file all Quarterly and Annual Reports as they become available during the proceeding.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Galtman

See Attachment F-1 2023 Annual Report. At this time there have been no subsequent quarterly reports filed.

Supporting Schedules:

Recap Schedules:

CHESAPEAKE UTILITIES CORPORATION

2023 ANNUAL REPORT

UNLOCKING OPPORTUNITIES

WITH STRATEGIC INTENTION

SAFETY FIRST:
Introducing Innovative Lone Worker Personal Monitors

Safety is our priority. In 2023, we introduced a comprehensive safety initiative incorporating lone worker personal monitors. These devices serve as a crucial lifeline, utilizing wearable technology to connect workers to immediate assistance, if necessary. The monitors continuously track gas concentrations in the surrounding environment and trigger notifications, including direct communication with the employee through a dedicated call center.

Key features of these devices include:

- GPS functionality enabled with satellite technology
- No-motion and fall detection capabilities
- Missed check-in notifications
- SOS latch with visible/audible alarm

"This device can be a true lifeline for our employees, ensuring constant communication, and is just one of the many ways in which we are committed to protecting our team."

KYLE MOORE, GENERAL MANAGER, OHIO, AND DIRECTOR OF OPERATIONS SAFETY AND DAMAGE PREVENTION

Dear Fellow Shareholders,

2023 was an extraordinary year of challenges and opportunities for Chesapeake Utilities. The year began with one of the mildest winters on record, resulting in several million dollars of reduced energy delivery margins. The unfavorable weather, in combination with rising interest rates, could have resulted in a negative impact of over $0.75 per share for the year. But, by the end of summer, we had effectively managed through a significant portion of the potential EPS impact and were working toward a 17th consecutive year of record earnings.*

17th consecutive year of record earnings*

Our regulated natural gas distribution businesses continued to gain customers at more than twice the national average, and we executed on several opportunities to expand our natural gas transmission systems. Even with unusually warm weather, our propane business was on target to, as usual, make its meaningful contribution to the Company's earnings, with returns well above authorized regulated levels. Capital investment for growth across the Company was tracking to exceed $200 million for the year. Looking to the future, we launched the largest technology improvement project in our history, with the first phase aimed at the conversion of two legacy customer information systems to a consolidated SAP platform. We also continued to make solid progress in our other business transformation initiatives focused on safety, employee engagement and the customer experience.

By any measure, 2023 was shaping up to be another successful and profitable year. However, as has been typical of Chesapeake Utilities over many years, we pushed ourselves to take advantage of additional opportunities as they arose. Late in the summer, we evaluated the opportunity to acquire Florida City Gas (FCG) from NextEra Energy. We announced a definitive Stock Purchase Agreement toward the end of September. In what had to be near record time, we were able to complete the financing, including a significant equity offering, and close a transformational $923 million transaction on Nov. 30, 2023. The acquisition more than doubled our regulated operations in Florida, a growing state with a constructive business climate where we have operated successfully for nearly 40 years.

JEFF HOUSEHOLDER, CHAIR OF THE BOARD, PRESIDENT AND CEO

"The acquisition of Florida City Gas, along with continued customer demand in our legacy businesses, puts us in position to achieve transformational growth over the next several years. Unlocking opportunities that make us a top performer has been a hallmark of the Chesapeake Utilities story."

In adjusted diluted EPS.

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BRINGING FCG INTO OUR FAMILY OF BUSINESSES ALLOWS US TO BETTER SERVE OUR CUSTOMERS AND PROVIDE NATURAL GAS TO A GROWING POPULATION.

Strategically, the FCG acquisition meshes well with our legacy businesses. It also provides an opportunity to drive incremental earnings growth by enlarging our total investment platform. In combination with growth opportunities in our traditional regulated and non-regulated businesses, the addition of FCG gives us confidence that we can sustain our history of top-quartile financial performance. We expect strong organic growth to meet growing customer demand for service at FCG, similar to that of our other regulated gas distribution utilities. Additionally, we see numerous opportunities to leverage our Peninsula Pipeline Company (PPC) intrastate transmission and Marlin compressed natural gas (CNG) transport businesses to support FCG customer growth and meet the increasing demand for gas in South Florida. We are projecting $500 million of capital investment associated with the FCG transaction over the next five years. The incremental FCG-related investment opportunity propels our total capital deployment forecast to $1.5 billion to $1.8 billion over the next five years.

Strategic Intent

At Chesapeake Utilities, we speak frequently about strategic intent, disciplined investment and an unwavering focus on the operational fundamentals that support long-term growth. We have a clear vision of who we are, what we are good at and where we are headed. Our ability to consistently deliver both internal expansion projects and select targeted acquisitions speaks to our robust strategic planning process and ability to successfully execute on opportunities aligned with our strategic objectives, financial discipline and operational capabilities.

When I became president five years ago, there were two things that were top of mind. First, I wanted to expand and refine our long-standing strategic planning process. If Chesapeake Utilities was going to continue to produce top-quartile financial performance, we needed to understand the growth trajectory inherent in our existing businesses and plan accordingly. That led to many interesting conversations. After all, our existing businesses were booming (and they still are). Over the past five years, we have invested approximately $1 billion in those businesses. The Company has produced a five-year EPS growth compound annual growth rate (CAGR) of 8.9% (based upon 2023 Adjusted Diluted EPS of $5.31).*

> *Our Total Shareholder Return over the same period was at the 100th percentile among our peer group.*

Of course, the fundamental growth question was straightforward. In a business designed to deploy capital to serve customers and generate earnings, could our existing businesses indefinitely sustain a level of capital investment that supported top-quartile earnings growth?

Our strategic planning projections indicated excellent growth prospects in our existing businesses. As mentioned above, those projections proved to be accurate over the past five years. In fact, given continued increases in customer demand, in 2023 we increased the investment projections for our legacy Chesapeake Utilities business units through 2028. However, when we looked out over a longer-term planning horizon, it became clear that to sustain our historic earnings performance we would eventually need to add another significant platform for growth.

The second thing on my mind back in 2019 was the need to evolve our business practices to keep pace with a rapidly growing company. Chesapeake Utilities had doubled in size twice in the 10 years since the 2009 acquisition of Florida Public Utilities (FPU). Our projections in 2019 indicated that we could double again by the end of 2023; and we did exactly that. Today, with the acquisition of FCG and the significant growth we continue to achieve in our legacy businesses, there is a distinct possibility of once again repeating that level of growth over the next several years.

**Amount excludes transaction-related expenses associated with the FCG acquisition.*

Major Growth Initiatives

Many opportunities for expansion exist within our established core distribution and transmission businesses. Below are several projects aimed at fostering growth in the years ahead:

120K+ customers added with FCG acquisition

- **Organic Natural Gas Growth:** Organic growth in our territories outpaced the national average. In 2023, we experienced residential customer growth of 5.4% in our Delmarva service territories and a 3.9% increase in our Florida service territories. Through the FCG acquisition, we added more than 120,000 customers.
- **Largest-Ever Technology-Based Capital Improvement Project:** 1CX, with an expected total investment of more than $50 million, launched in 2023 to improve billing service platforms for our regulated utility customers and employees. Go-live is expected by the end of 2024.
- **Florida Rate Cases:** FCG and FPU both completed rate cases in 2023. The anticipated collective impact is a $31.3 million increase in adjusted gross margin. 2024 is the first full year rates are in effect.
- **Infrastructure Safety and Reliability Programs:** FPU's GUARD program, coupled with FCG's SAFE program, are projected to reach $410 million in capital investment over the next decade. Eastern Shore Natural Gas' (ESNG) capital surcharge program provides a rate recovery mechanism for certain pipeline replacement expenditures and does not include a specific limit on capital investment or time frame. Additionally, our electric storm protection plan and associated cost recovery mechanisms, approved by the Florida Public Service Commission (FPSC) in Q4 2022, resulted in approximately $8 million in capital investment in 2023.

TRANSMISSION PROJECTS

- **Liquefied Natural Gas (LNG) Storage and Peaking Facility:** ESNG filed an application with the Federal Energy Regulatory Commission (FERC) for its $80 million Worcester Resiliency Upgrade in Bishopville, Maryland, to enhance capacity for delivering essential energy services during peak winter heating seasons.
- **PPC Wildlight Community Expansion, Yulee, Florida:** Various phases of this projected $13.4 million capital investment commenced in Q1 2023 and will continue through 2025, with a projected adjusted gross margin of $2.6 million in 2025.
- **ESNG Southern Expansion, Bridgeville, Delaware:** This $14 million capital investment will generate adjusted gross margin of $2.3 million in 2024 and thereafter.
- **PPC Newberry Pipeline Expansion, Newberry, Florida:** This $18.1 million expansion project will bring gas service to the city of Newberry with a projected adjusted gross margin of $0.9 million in 2024 and $2.6 million in 2025.
- **PPC St. Cloud/Twin Lakes Expansion:** This $3.5 million project will expand service in Osceola County, Florida, and support the existing distribution system. Projected adjusted gross margin is $0.6 million in 2024 and beyond.
- **PPC Winter Haven Expansion:** This $3.5 million expansion project is anticipated to generate $0.6 million adjusted gross margin in 2024 and beyond.

OUR REGULATED NATURAL GAS DISTRIBUTION BUSINESSES CONTINUED TO GAIN CUSTOMERS AT MORE THAN TWICE THE NATIONAL AVERAGE, CONTINUALLY EXPANDING OUR SERVICE TERRITORIES.

Transformational growth requires transformational capabilities. Successfully managing and operating a company with the dramatic growth we have experienced at Chesapeake Utilities requires an investment in people, processes and technology, along with realignments in organizational structure. At the end of the day, in any organization, it's all about people. If you have a great team, you can do great things. Our growth over the years, and certainly our accomplishments in 2023, reflect a commitment to excellence and the demonstrated capability of Chesapeake Utilities team members throughout our Company. 2023 wasn't an easy year. Coming off two-plus years of COVID pandemic impacts, we were focused on overcoming a warm winter, solving lingering supply chain issues, working through regulatory and commodity pricing uncertainty that impacted the timing of growth projects, navigating a tumultuous economic environment and implementing substantive technology initiatives. When we asked the team to add on the FCG acquisition, it was an opportunity met with enthusiasm and purpose.

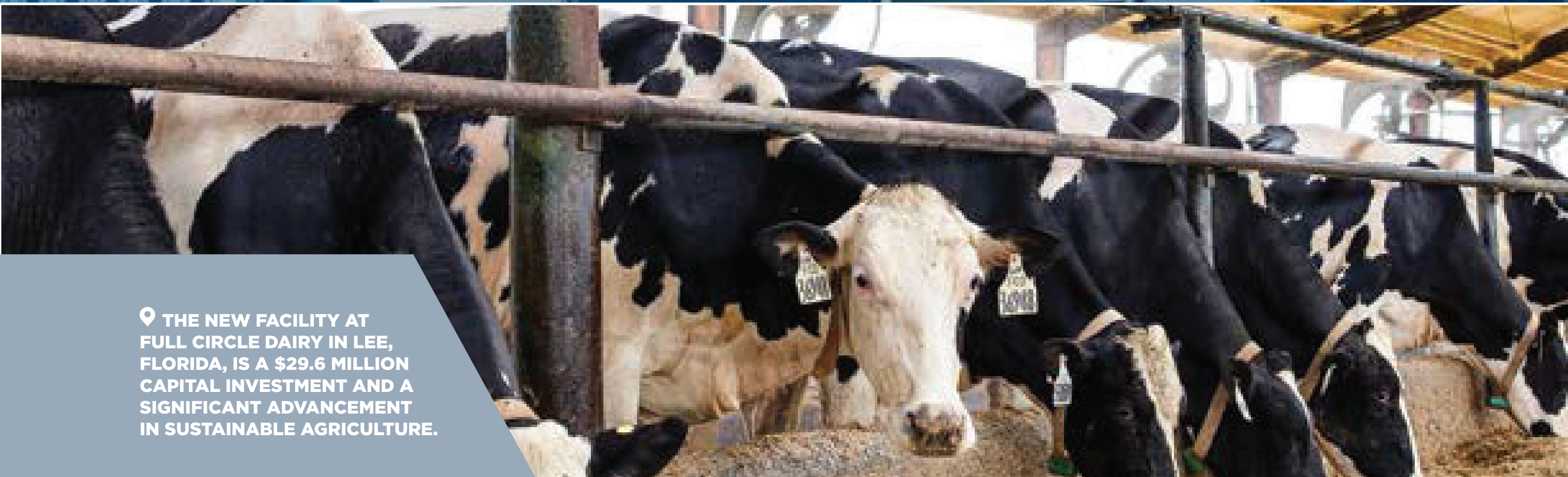
We've been intentional about building a strong team. Our focus has been on developing an increasingly engaged group of employees committed to Chesapeake Utilities' strategic objectives and willing to take the actions necessary to drive success. We have worked to eliminate operational silos by simplifying our organizational structure, moving toward greater standardization of our processes, improving technology and increasing collaboration across our businesses. We've brought additional talent and skill sets into the Company, enhanced operational controls and rallied around issues such as safety, inclusion and a customer-centric view of our energy delivery mission.

We also significantly strengthened our balance sheet over the past five years, anticipating that future growth would likely involve financing a substantial acquisition or other major investment. Our equity ratio (equity/total capitalization including short-term debt) moved from 45% at the end of 2018 to 53% at the time we committed to the FCG acquisition. Our performance track record and balance sheet positioned us to take advantage of the FCG opportunity when it became available. The timing wasn't perfect. Interest rates went up and valuations in the utility market were resetting.

Sustainability in Action

Our renewable natural gas (RNG) projects have led to pioneering advancements. Here are some of our RNG projects that demonstrate ingenuity and financial viability:

- **Full Circle Dairy RNG Facility, Lee, Florida,** is a $29.6 million capital investment, which includes a 1MW solar array and a 1.5-mile pipeline for gas distribution. Construction of the facility involved pioneering the creation and deployment of a CNG/RNG-fueled, self-contained irrigation and waste pump directly on the farm. Powered by RNG derived from dairy waste generated on-site, the groundbreaking system not only marks a significant advancement in sustainable agriculture, but also lays the groundwork for future conversions of irrigation and waste pump machinery to RNG/CNG fuel sources. The first injection of RNG from this facility is projected to occur in the first half of 2024.
- **Peninsula Pipeline Company (PPC) Injection Point, Yulee, Florida,** accepts RNG, CNG and liquefied natural gas (LNG) and is our first enhancement of a gate system in Florida that allows for alternative fuels to be injected into the pipeline delivery system. This helps FPU expand service to meet the growing demand in the Wildlight community and surrounding areas.
- **Planet Found Energy Development, LLC (PFED)**, purchased in 2022, is undergoing improvements to manufacture RNG that aligns with market standards.
- **ESNG Injection Points** - In December 2023, ESNG received FERC approval for a tariff service enabling the expansion of facilities to inject RNG and/or CNG into specific injection points and create a market for RNG produced at the PFED facility.



THE NEW FACILITY AT FULL CIRCLE DAIRY IN LEE, FLORIDA, IS A $29.6 MILLION CAPITAL INVESTMENT AND A SIGNIFICANT ADVANCEMENT IN SUSTAINABLE AGRICULTURE.

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But we have evolved into an organization strong enough to overcome the margin deficits from an abnormally warm 2023 winter, rising interest rates, a significant downturn in utility industry stock prices and the initiation of a large technology project to successfully conclude a transformational acquisition. Excluding the one-time costs related to the FCG acquisition, our 2023 adjusted diluted EPS was $5.31, another record year of earnings.

Through all the growth, the changes in the work environment and our internal business transformation efforts, we have been able to retain the special culture that has marked Chesapeake Utilities' success over the years. Our employee engagement metrics have continued to reach higher levels. We've focused on the things our team has identified as most important: recognition for great work, communication about strategy and the connection of individual jobs to Company objectives and developing employees to succeed in a changing work environment. I'll say it again:

"We have a great team. We all embrace and foster the unique Chesapeake Utilities culture. Our culture is grounded in a solid foundation of regulated businesses, but enhanced by an entrepreneurial, innovative and competitive market mindset applied to everything we do. It's been a successful combination – an intentional strategy."

Unlocking Opportunities

Going into the FCG acquisition, we clearly understood the economics of the deal. We knew that overcoming the premium paid to acquire this business was going to require a combination of prudent capital investment, operational synergies, cost management across our entire enterprise and proactive regulatory initiatives. We were prepared to manage the Company to achieve 2024 EPS above our 2023 adjusted earnings. We were also targeting to achieve our previously issued EPS guidance level of $6.15 to $6.35 per share for 2025.

The market shift for utilities that occurred at the end of September 2023 posed additional challenges to reaching our guidance range in 2025. Utility stock prices declined at exactly the wrong time for us, although it was great timing for investors who acquired Chesapeake Utilities shares at what turned out to be a significant discount. However, that event did not shake our belief that the FCG transaction continued to be the right set of assets in the right place to help us sustain our top-quartile performance record into the future. The acquisition was consistent with our long-term capital deployment growth strategy. We were confident that the incremental investment opportunities associated with FCG would make a significant contribution to achieving our long-term earnings objectives.

So, we did what we always do at Chesapeake Utilities when things don't go quite according to plan: figure out what it takes to make it work and get on with it.

DORAL OFFICE, FLORIDA CITY GAS; WITH THE ACQUISITION OF FCG, CHESAPEAKE UTILITIES MORE THAN DOUBLED ITS CUSTOMER BASE AND NATURAL GAS INFRASTRUCTURE IN THE STATE OF FLORIDA.

We recalculated our operating income targets and reset the measures needed to meet our guidance commitments. It won't be easy, but there is a clear path to achieving 2024 earnings above our adjusted 2023 earnings and achieving our guidance in 2025. Our entire organization is focused on making this happen. The other thing we are focused on is ensuring our actions over the next two years, especially our capital investments, continue to drive earnings growth in 2026, and the years to follow. Our legacy businesses are strong and growing. The FCG assets are poised to contribute to the incremental growth that will provide top-quartile earnings potential for years to come.

The interesting thing for me is that we've done all this before, more than once. We've doubled the size of our Company three times over the past 15 years, including integrating and subsequently growing another transformational acquisition, the Florida Public Utilities Company in 2009. The work we have ahead of us is nothing new. None of it has been easy, but we always found a way to succeed. As we grew, we never sacrificed performance. We maintained our place among the leading companies in the industry.

Now, we have the opportunity in front of us to transform the Company again. We'll use the same time-tested playbook. Focus on the fundamentals. Provide safe and reliable service to customers. Continue a disciplined approach to investing capital for growth. Proactively work with regulators. Pay attention to our people, processes and technology. Drive value for our shareholders.

It has been an exciting year. The team did a wonderful job overcoming the potential earnings impacts of unfavorable weather and tough economic conditions. The acquisition of Florida City Gas, along with continued customer demand in our legacy businesses, puts us in a position to achieve transformational growth over the next several years. Unlocking opportunities that make us a top performer has been a hallmark of the Chesapeake Utilities story. We've had a great run thus far, with almost unprecedented growth. I think we are just getting started.

Thank you for your interest and trust in Chesapeake Utilities Corporation.

Sincerely,

Jeff Householder
Chair of the Board, President and CEO

STRENGTHENING SHAREHOLDER RETURNS

$5.31
adjusted diluted EPS for 2023, reflecting 5% growth over 2022, and marking the 17th consecutive year of record earnings for the Company.*

$33.9M
adjusted gross margin increase in 2023, representing an 8.1% growth compared to 2022 and marking one of the highest annual increases in our history.

50.2%
operating expenses as a percentage of adjusted gross margin in 2023, a lower percentage than the five-year average (2018-2022), despite the FCG acquisition.

65%
increase in capital expenditure guidance, from $900 million to $1.1 billion (2021-2025) to $1.5 billion to $1.8 billion for the five years ended 2028.

$211M
invested in capital expenditures in 2023, with the Company investing $1.9 billion in new capital investments over the last five years.

$3.3B
in total assets at December 31, 2023, an increase of approximately 50% over 2022.

**In adjusted diluted EPS.*

FINANCIAL HIGHLIGHTS

Dollars in thousands, except per share data.	2023	2022	2023/2022 % CHANGE	2021	2022/2021 % CHANGE
ADJUSTED GROSS MARGIN[1]	$ 454,123	$ 420,198	8%	$ 383,017	10%
OPERATING INCOME	$ 150,803	$ 142,933	6%	$ 131,112	9%
NET INCOME	$ 87,212	$ 89,796	-3%	$ 83,466	8%
ADJUSTED NET INCOME[2]	$ 97,837	$ 89,796	9%	$ 83,466	8%
DILUTED EARNINGS PER SHARE					
GAAP	$ 4.73	$ 5.04	-6%	$ 4.73	7%
Adjusted[2]	$ 5.31	$ 5.04	5%	$ 4.73	7%
ANNUALIZED DIVIDENDS PER SHARE	$ 2.36	$ 2.14	10%	$ 1.92	11%
TOTAL ASSETS	$ 3,304,704	$ 2,215,037	49%	$ 2,114,869	5%
STOCKHOLDERS' EQUITY[3]	$ 1,246,104	$ 832,801	50%	$ 774,130	8%
OTHER					
EMPLOYEES AT YEAR-END[4]	1,281	1,034	24%	1,007	3%
SHARES OUTSTANDING AT YEAR-END	22,235,337	17,741,418	25%	17,655,410	0%
AVERAGE DISTRIBUTION CUSTOMERS[5]	441,895	309,915	43%	287,314	8%

[1] *Adjusted Gross Margin is a non-GAAP measure. A reconciliation from GAAP Gross Margin to Adjusted Gross Margin is included in the Annual Report on Form 10-K.*
[2] *Amounts exclude transaction-related expenses associated with the FCG acquisition.*
[3] *Includes amounts associated with the acquisition of FCG.*
[4] *Reflects employees gained through the FCG acquisition in November 2023.*
[5] *Reflects customers gained through the FCG acquisition in November 2023.*

ADJUSTED DILUTED EARNINGS PER SHARE[6]

17 Years of Consecutive Earnings Growth

ANNUALIZED DIVIDENDS PER SHARE

Strong Earnings Growth Drives Strong Dividend Growth

[6] *Amounts exclude transaction-related expenses associated with the FCG acquisition in 2023.*

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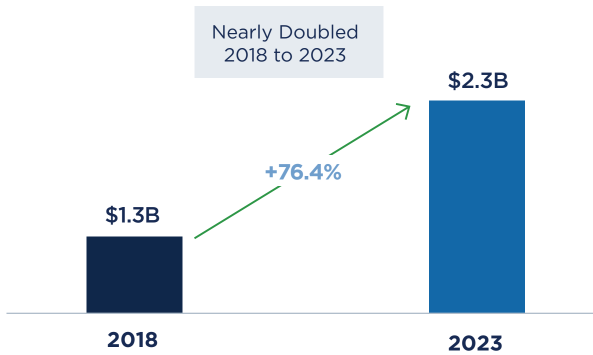
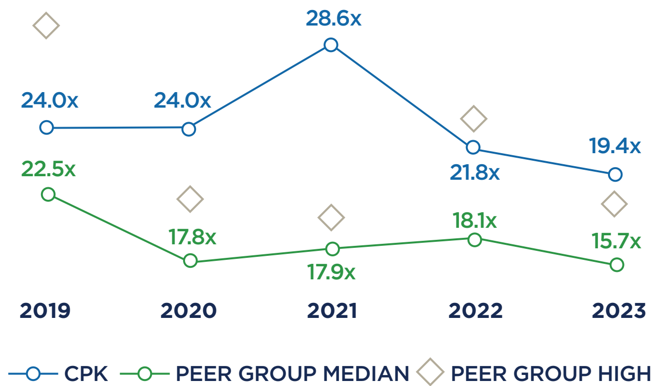
MARKET CAPITALIZATION[7]

Continued Growth in the Company

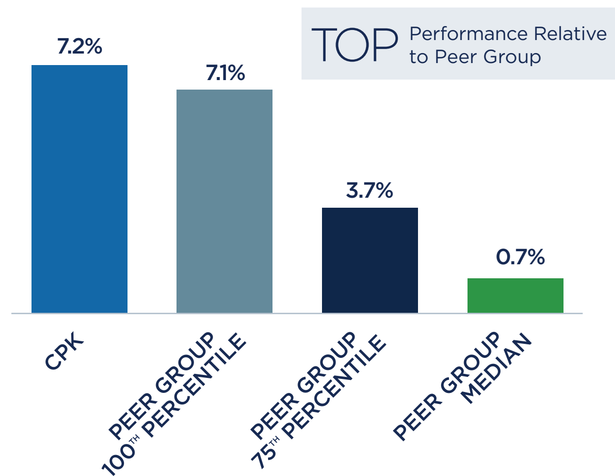


PRICE-TO-EARNINGS RATIO[8]

CPK Performance Driving Premium Valuation



FIVE-YEAR COMPOUND ANNUAL SHAREHOLDER RETURN

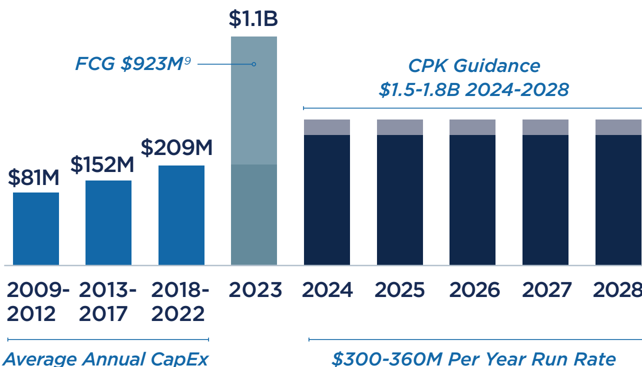


CAPITAL EXPENDITURES

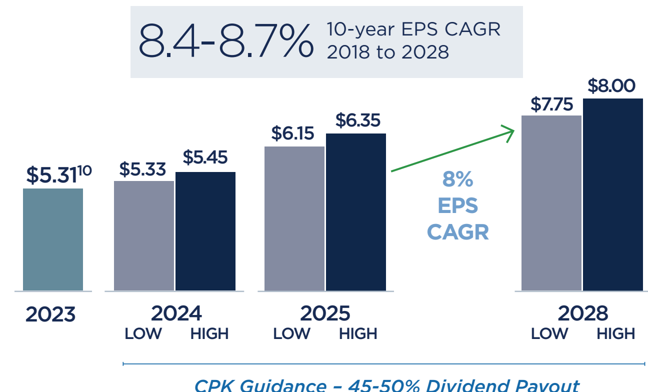
46% Organic CapEx | 54% Acquisitions

Guidance

CAPITAL EXPENDITURES



EPS AND DIVIDEND PAYOUT



[7] *Values as of Dec. 31 for the corresponding year.*
[8] *Price-to-Earnings Ratio sourced from FactSet and is based on analyst consensus estimates for the next twelve months earnings.*
[9] *Acquisition of Florida City Gas on 11/30/23.*
[10] *Amount excludes transaction-related expenses associated with the FCG acquisition.*

In 2019, our Company launched a multiyear business transformation initiative aimed at boosting growth and operational efficiency through simplification, standardization, collaboration and automation. As we pursue our growth goals, we prioritize fostering a cohesive one-Company culture based on these principles.

We have undertaken a comprehensive approach to eliminate operational barriers by streamlining our organizational structure, advancing process standardization, enhancing technological capabilities and fostering increased collaboration across our business segments. We have enhanced our talent pool, bringing in additional expertise to strengthen our operational controls while rallying around pivotal issues such as safety, diversity and service excellence.

Our Business Transformation Journey Begins with Safety

Safety has always been a top priority for our Company. We are proud of our long record of safe operations and have consistently earned national safety awards. They represent our commitment to protecting our employees, customers and communities.

With standardization in mind, our senior leadership team reorganized our safety teams and formed an Enterprise Health and Safety (EHS) Team in 2022, under the leadership of risk management. Additionally, our operations safety and damage prevention teams were consolidated under one director.

"Our concern for the safety of employees extends beyond the workplace. We encourage our employees to demonstrate their leadership and excellence in health and safety practices for the benefit of their families, friends and community. An engaged workforce is a key building block for a strong safety culture."

JEFF HOUSEHOLDER, CHAIR OF THE BOARD, PRESIDENT AND CEO

Together, EHS and the operations safety teams have worked to implement an Enterprise Safety Program aligned with ANSI/API Recommended Practice 1173, Pipeline Safety Management Systems.

While Recommended Practice 1173 is geared toward organizations that operate hazardous liquids and gas pipelines, we found this risk-based approach to be applicable across our entire enterprise.

The Enterprise Safety Program is a dynamic strategy driven by data, aligned with the plan-do-check-act cycle and the 10 essential elements of Recommended Practice 1173.

Safety Strategy Key Elements:

- **Leadership and Management Commitment:** A Safety Handbook, including a letter from the CEO, has been introduced to convey the organization's dedication to safety.
- **Stakeholder Engagement:** Initiatives have been launched to improve internal and external communication about safety concerns, welcoming feedback and suggestions.
- **Incident Investigation, Evaluation and Lessons Learned:** A safety data management system (SDMS) has been implemented to streamline incident tracking, provide essential data for safety action plans and facilitate continuous improvement.
- **Safety Assurance:** The SDMS offers robust reporting metrics, including key performance indicators, used to demonstrate risk reduction efforts and guide corrective actions. Monthly safety metric dashboards are shared with employees.
- **Competence Awareness and Training:** Monthly virtual and in-person safety meetings are assigned to all employees, covering various safety topics to enhance safety competence and awareness across the organization. In 2023, 89% of team members attended monthly safety meetings in The Grove Learning Management System.

As part of our transformation strategy, Company culture plays a crucial role, ensuring that our commitment to safety is embraced across the organization.

"We have built an Enterprise Safety Program that focuses on prevention and anticipates hazards before they arise. We approach safety proactively rather than reactively. Our commitment to ensure safety and compliance in our operations and everyday processes has consistently led to industry recognition for our efforts to improve service, reliability and safety."

JEFFREY SYLVESTER, SENIOR VICE PRESIDENT AND CHIEF OPERATING OFFICER

"As part of our commitment, we invest in our workplace health and safety programs. The return on our investment is much more than avoiding workers' compensation costs and regulatory fines. It's about keeping our employees and stakeholders safe."

BETH COOPER, EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER, TREASURER AND ASSISTANT CORPORATE SECRETARY

"At Chesapeake Utilities Corporation, our mission goes beyond simply delivering energy; it's about enhancing the lives of the people and communities we serve. Our mission is achieved by putting people first, doing the right thing even when no one is watching and by holding each other accountable to do the work that makes us better every day."

JAMES MORIARTY, EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL, CORPORATE SECRETARY AND CHIEF POLICY AND RISK OFFICER

SAFETY TOWN IN DOVER, DELAWARE, PROVIDES A STATE-OF-THE-ART TRAINING OPPORTUNITY FOR EMPLOYEES AND FIRST RESPONDERS. A SECOND SAFETY TOWN WILL OPEN IN DEBARY, FLORIDA, IN 2024.

Enriching Our Company Culture

Fostering a culture that attracts, nurtures and retains highly engaged employees is the driving force behind our continued success. It is critical to our mission that every individual understands how their role contributes to Chesapeake Utilities' strategic objectives. We have taken several steps to assess engagement levels and enhance the employee experience.

CREATING A SENSE OF BELONGING AT WORK

Our ongoing commitment to equity, diversity and inclusion (EDI) contributes to enhanced engagement. In 2023, two new employee resource groups (ERGs) were established to expand our diversity and inclusion efforts. One of these groups, Pride, is focused on supporting LGBTQIA+ individuals and allies, while the other group, Green, is dedicated to environmental initiatives. Our 10 ERGs serve as platforms for employees to connect with team members, collaborate on meaningful projects and give back as a collective force to the communities we serve.

Our employees participate in training and education aimed at enhancing awareness and knowledge, nurturing empathy and encouraging understanding among individuals with diverse backgrounds and experiences.

These programs play a vital role in creating and strengthening a diverse and inclusive workforce while ensuring that EDI principles are an integral part of our Company culture.

TURNING EMPLOYEE FEEDBACK INTO AN ACTION PLAN

Assessing employee engagement levels helps us retain a highly engaged team. In October 2023, we conducted our third Chesapeake Speaks Gallup engagement survey and continue to see improvement in participation (93%) and survey results.

Launched in 2023, the Chesapeake Connections Program pairs every new employee with a "connector," someone from a different department who fosters a welcoming environment from their first day of employment with the Company. Connectors help new employees understand our one-Company culture and build relationships outside of their immediate work groups.

Chesapeake Speaks Engagement Survey

93%	650	4.02
employee participation rate	individual written comments	average score out of 5 overall

A PIPELINE GAS CONTROLLER IN OUR 24/7 CONTROL ROOM MONITORS TRANSMISSION PIPELINES, RESPONDS TO EMERGENCIES AND DISPATCHES TECHNICIANS.

THE 1CX TEAM BRINGS TOGETHER PEOPLE FROM CHESAPEAKE UTILITIES, IBM AND SAP TO LAUNCH OUR MOST COMPREHENSIVE TECHNOLOGY-DRIVEN BUSINESS TRANSFORMATION PROJECT TO DATE.

In previous years, our employees indicated they wanted to see enhancements in three key areas: employee recognition, training and development and clear and consistent communications at all levels of the organization. In response to these findings, we implemented several successful initiatives that led to increased engagement scores:

- **Management Pods:** To enhance strategic thinking and improve collaboration between our operations and support teams, we established a series of management pods dedicated to our primary business segments: regulated north, regulated south, propane, Aspire Energy and Marlin Gas Services. By establishing these cross-functional teams, we encourage strategic thinking, facilitate robust communication and foster collaboration that drives innovation and efficiency across the organization.
- **Gratitude:** This virtual employee recognition platform enables team members to give kudos and show appreciation for one another in a digital forum. Since its launch in early 2023, employees have shared over 19,000 notes of appreciation, encouragement and recognition for outstanding job performance.
- **The Grove Learning Management System:** As part of our efforts to provide more opportunities for training and career path development, we launched this one-stop online course management tool. The Grove offers a wide range of courses that cover all aspects of Chesapeake Utilities' operations. In 2023, team members completed nearly 24,000 hours of training on various topics of interest.
- **Connect Every Employee Initiative:** As part of our commitment to improving communication across the organization, we launched an initiative to assess every frontline and office employee's ability to access critical information. We conducted surveys, held individual and group meetings with leaders and organized interdepartmental focus groups to gather feedback on the accessibility of Company messaging and technology.

Enhancing the Customer Experience Through Technology

We have improved customer service levels through process improvements and technology upgrades.

Some examples include:

- Fewer steps are needed to start new energy service for a customer
- Customer communications were improved using Americans with Disabilities Act (ADA) recommendations to ensure accessibility for all individuals
- Consolidation of multiple legacy phone systems into a new simplified system

These process enhancements and upgrades have resulted in measurable improvements, as evidenced by customer feedback and satisfaction scores.

As the energy industry continues its rapid evolution, we firmly believe that companies dedicated to delivering exceptional customer service will be best poised for success. In 2023, we initiated our most ambitious technology-driven business transformation project to date – 1CX.

This project is geared toward enhancing Chesapeake Utilities' service platforms for both our regulated utility customers and employees. By implementing an SAP customer information system (CIS) in collaboration with IBM, a leading integrator, we aim to streamline processes, enhance data accuracy and elevate the overall customer experience. We are scheduled to go live with this system by the end of 2024 and be ready to deliver exceptional customer service while transforming our business to meet our growing customer base.

THE 11.5-ACRE FCG LNG STORAGE FACILITY IN HOMESTEAD, FLORIDA, DELIVERS RELIABLE NATURAL GAS TO CUSTOMERS DURING WEATHER EMERGENCIES AND PEAK DEMAND PERIODS.

$1.9B invested in capital expenditures

Over the last five years, we've invested $1.9 billion in capital expenditures, encompassing both organic growth and acquisitions. We do not expect to slow down any time soon. We anticipate substantial capital investment associated with our latest acquisition, FCG, over the next five years — approximately $500 million. Our capital expenditure guidance for 2024-2028 stands at $1.5 billion to $1.8 billion, marking a 65% increase from our previous guidance updated in February 2023.

KEY DRIVERS OF OUR INVESTMENT PLAN INCLUDE:

- Enhance distribution systems to accommodate our growing customer base and ensure safety and reliability, spanning both legacy distribution systems and opportunities stemming from the FCG acquisition.
- Expand gas transmission pipelines to support utility systems, cater to large users and uphold safety and reliability, with a focus on pipeline opportunities arising from the FCG acquisition.
- Invest in technology beyond our 1CX project to streamline processes, support enterprise resource planning and drive other software enhancements necessary to foster growth and build capacity.
- Nurture our unregulated operating businesses to facilitate sustained growth and generate continued higher than regulated, allowed returns.
- Make sustainable energy investments, such as pipelines and interconnects, to create a pathway to market for sustainable fuels.

We are well underway. We've launched a significant technology improvement project, commenced business transformation initiatives (focused on safety, employee engagement and customer experience), and strategically incorporated the FCG acquisition into our portfolio. This acquisition aligns seamlessly with our legacy businesses, all of which offer opportunities for incremental earnings growth, expanding our investment platform.

We consistently emphasize our strategic intent and disciplined investment while focusing on operational fundamentals. Our clear vision and execution capabilities underpin our skill in delivering major growth projects and targeted acquisitions in alignment with our objectives, financial discipline and operational proficiency. Our new FCG unit, combined with growth prospects in our regulated and non-regulated businesses, position us well to continue to maintain top-quartile financial performance and generate increased shareholder value.

A NEW 1,875-HP NATURAL GAS-FIRED ENGINE AND COMPRESSOR SKID ALLOWS ESNG TO PROVIDE AN ADDITIONAL 7,200 DT/DAY OF CAPACITY TO ITS CUSTOMERS.

Chesapeake Utilities Corporation's Board of Directors provides guidance and insight for the entire Company, leveraging their diverse experiences and leadership expertise to strengthen our business and long-term strategic focus.

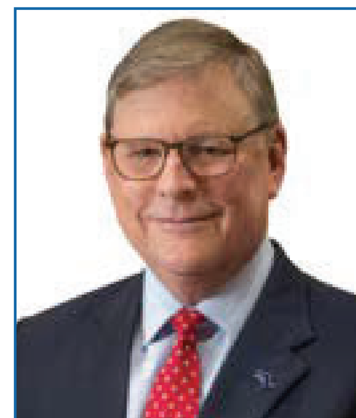
LISA G. BISACCIA
Compensation Committee Chair

THOMAS J. BRESNAN
Independent Lead Director,
Audit Committee Chair and
Investment Committee Member

RONALD G. FORSYTHE, JR.
Audit Committee Member
and Compensation
Committee Member

STEPHANIE N. GARY
Audit Committee Member

THOMAS P. HILL, JR.*
Investment Committee Chair and
Audit Committee Member



JEFF HOUSEHOLDER
Chair of the Board,
President and CEO
Chesapeake Utilities Corporation

DENNIS S. HUDSON, III
Corporate Governance Committee Chair and Audit Committee Member

LILA A. JABER
Corporate Governance Committee Member and Investment Committee Member

PAUL L. MADDOCK, JR.
Compensation Committee Member and Corporate Governance Committee Member

SHEREE M. PETRONE
Compensation Committee Member and Investment Committee Member

***Thomas Hill has significantly contributed to the Company's growth and success. His service on the Board will conclude in May 2024, following the Annual Meeting of Stockholders.**

Thomas P. Hill, Jr.,
18 years of service
Member, Audit Committee, 2006-2024; member, Investment Committee, 2016-2024, including serving as its first non-executive Chair.

CPK

LISTED

NYSE

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, 2023

☐ 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, 2023, 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 $2.1 billion.

The number of shares of Chesapeake Utilities Corporation's common stock outstanding as of February 16, 2024 was 22,238,384.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Chesapeake Utilities Corporation Proxy Statement for the 2024 Annual Meeting of Shareholders are incorporated by reference in Part II and Part III hereof.

CHESAPEAKE UTILITIES CORPORATION

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YEAR ENDED DECEMBER 31, 2023

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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

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

CNG: Compressed natural gas

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: 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

ESG: Environmental, Social and Governance

FASB: Financial Accounting Standards Board

FCG or Florida City Gas: Pivotal Utility Holdings, Inc., doing business as Florida City Gas, a wholly-owned subsidiary of Chesapeake Utilities that was acquired from Florida Power & Light Company on November 30, 2023

FERC: Federal Energy Regulatory Commission

FGT: Florida Gas Transmission Company

Florida Natural Gas: Refers to the Company's legacy Florida natural gas distribution operations (excluding FCG) that were consolidated under FPU, for both rate-making and operations purposes

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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

GRIP: Gas Reliability Infrastructure Program

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

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

NOL: Net operating loss(es)

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

Peoples Gas: Peoples Gas System, an Emera Incorporated subsidiary

PHMSA: United States Department of Transportation Pipeline and Hazardous Materials Safety Administration

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 $375.0 million unsecured revolving credit facility with certain lenders

RNG: Renewable natural gas

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

SAFE: Safety, Access, and Facility Enhancement, a program to enhance the safety, reliability and accessibility of portions of the FCG's natural gas distribution system

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

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SICP: Stock and Incentive Compensation Plan, which as used herein covers stock-based compensation awards issued under the current 2023 plan and the previous 2013 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

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 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;
- issues relating to the responsible use of our technologies, including artificial intelligence;
- 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 higher-than-authorized regulated returns. 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 investments, such as renewable natural gas. By investing in these related businesses 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, strategic and complimentary acquisitions, 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 investments.

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

Overview

Our regulated energy businesses are comprised of natural gas and electric distribution, as well as natural gas transmission services.

On November 30, 2023, we completed the acquisition of FCG for $923.4 million in cash, including working capital adjustments as defined in the agreement, pursuant to the previously disclosed stock purchase agreement with Florida Power & Light Company. Upon completion of the acquisition, FCG became a wholly-owned subsidiary of the Company and is included within our Regulated Energy segment. FCG serves approximately 120,000 residential and commercial natural gas customers across eight counties in Florida, including Miami-Dade, Broward, Brevard, Palm Beach, Hendry, Martin, St. Lucie and Indian River. Its natural gas system includes approximately 3,800 miles of distribution main and 80 miles of transmission pipe. Results for FCG are included within our consolidated results from the acquisition date.

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The following table presents net income for the year ended December 31, 2023 and total assets as of December 31, 2023, by operation and area served:

Operations	Areas Served	Net Income (Loss)	Total Assets
(in thousands)			
Natural Gas Distribution			
Delmarva Natural Gas [1]	Delaware/Maryland	$ 9,256	$ 407,089
Florida Natural Gas [2]	Florida	23,840	545,952
Florida City Gas [3]	Florida	(3,256)	1,010,998
Natural Gas Transmission			
Eastern Shore	Delaware/Maryland/ Pennsylvania	23,284	480,147
Peninsula Pipeline	Florida	12,195	154,301
Aspire Energy Express	Ohio	417	6,746
Electric Distribution			
FPU	Florida	3,727	176,348
Total Regulated Energy		$ 69,463	$ 2,781,581

[1] Delmarva Natural Gas consists of Delaware division, Maryland division, Sandpiper Energy and Elkton Gas.
[2] In accordance with the Florida PSC approval of our natural gas base rate proceeding, effective March 1, 2023, our natural gas distribution business in Florida (FPU, FPU-Indiantown division, FPU-Fort Meade division and Chesapeake Utilities' CFG division) have been consolidated and amounts are now being presented on a consolidated basis consistent with the final rate order.
[3] FCG net income (loss) includes results from the acquisition date, including transaction-related expenses attributable to the acquisition. For additional information on FCG's results, see discussion under *Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.*

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. The Florida Natural Gas regulated energy operations 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.

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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, 2023:

	Delmarva Natural Gas Distribution		Florida Natural Gas Distribution [(1)]		Florida City Gas Distribution [(2)]		FPU Electric Distribution	
Operating Revenues *(in thousands)*								
Residential	$ 87,709	62 %	$ 50,792	30 %	$ 5,042	42 %	$ 49,542	50 %
Commercial and Industrial	54,261	38 %	108,913	65 %	5,872	49 %	52,047	52 %
Other [(3)]	(997)	<(1)%	8,655	5 %	1,159	9 %	(2,115)	(2)%
Total Operating Revenues	$ 140,973	100 %	$ 168,360	100 %	$ 12,073	100 %	$ 99,474	100 %
Volumes *(in Dts for natural gas/MW Hours for electric)*								
Residential	4,389,934	29 %	2,081,045	5 %	157,884	10 %	300,118	44 %
Commercial and Industrial	10,230,662	69 %	41,498,921	94 %	940,028	57 %	384,306	56 %
Other	293,186	2 %	627,934	1 %	549,132	33 %	—	— %
Total Volumes	14,913,782	100 %	44,207,900	100 %	1,647,044	100 %	684,424	100 %
Average Number of Customers [(4)]								
Residential	97,666	92 %	88,384	91 %	112,585	93%	25,719	78 %
Commercial and Industrial	8,246	8 %	8,415	9 %	8,587	7%	7,372	22 %
Other	23	<1%	6	<1%	6	<1%	—	— %
Total Average Number of Customers	105,935	100 %	96,805	100 %	121,178	100 %	33,091	100 %

(1) In accordance with the Florida PSC approval of our natural gas base rate proceeding, effective March 1, 2023, our natural gas distribution business in Florida (FPU, FPU-Indiantown division, FPU-Fort Meade division and Chesapeake Utilities' CFG division) have been consolidated and amounts are now being presented on a consolidated basis consistent with the final rate order.
(2) Operating revenues and volumes for FCG include amounts from the acquisition date. Customer totals for FCG reflect actual amounts at December 31, 2023 since the period from the acquisition covered only one month. For additional information on FCG's results, see discussion under *Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.*
(3) 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.
(4) Average number of customers is based on the twelve-month average for the year ended December 31, 2023.

The following table presents operating revenues, by customer type, for Eastern Shore and Peninsula Pipeline for the year ended December 31, 2023, as well as contracted firm transportation capacity by customer type, and design day capacity at December 31, 2023. Aspire Energy Express has been excluded from the table below and had operating revenue of $1.5 million and firm transportation capacity of 300,000 Dts/d for the year ended December 31, 2023:

	Eastern Shore		Peninsula Pipeline	
Operating Revenues *(in thousands)*				
Local distribution companies - affiliated [(1)]	$ 34,050	43 %	$ 24,324	80 %
Local distribution companies - non-affiliated	22,163	28 %	2,449	8 %
Commercial and industrial - affiliated	—	— %	1,651	5 %
Commercial and industrial - non-affiliated	23,439	29 %	534	2 %
Other [(2)]	271	<1%	1,442	5 %
Total Operating Revenues	$ 79,923	100 %	$ 30,400	100 %
Contracted firm transportation capacity *(in Dts/d)*				
Local distribution companies - affiliated	160,595	51 %	351,976	39 %
Local distribution companies - non-affiliated	56,576	18 %	534,825	59 %
Commercial and industrial - affiliated	—	— %	8,300	1 %
Commercial and industrial - non-affiliated	98,540	31 %	5,100	1 %
Total Contracted firm transportation capacity	315,711	100 %	900,201	100 %
Design day capacity *(in Dts/d)*	315,711	100 %	900,201	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 the 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 [1]**	**Sandpiper [1]**	**Elkton Gas [1] [2]**	**Florida Natural Gas**	**Florida City Gas**	**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	3/1/23	6/9/23	10/8/2020	08/01/2017
Rate Base (in Rates) (in Millions)	Not stated	Not stated	Not stated	Not stated	$453.7	$487.3	$24.9	Not stated
Annual Rate Increase Approved (in Millions)	$2.3	$0.6	N/A [3]	$0.1	$17.2	$14.1	$3.4 base rate and $7.7 from storm surcharge	$9.8
Capital Structure (in rates) [4]*	Not stated	LTD: 42% STD: 5% Equity: 53%	Not stated	LTD: 50% Equity: 50%	LTD: 33% STD: 5% Equity: 45% Other: 17%	LTD: 31% STD: 4% Equity: 53% Other: 12%	LTD: 22% STD: 23% Equity: 55%	Not stated
Allowed Return on Equity [5]	9.75%	10.75%	Not stated [6]	9.80%	10.25%	9.50%	10.25% [7]	Not stated
TJCA Refund Status associated with customer rates	Refunded	Refunded	Refunded	N/A	Retained	Refunded	Refunded	Refunded

[1] In January 2024, our natural gas distribution businesses in Maryland, CUC-Maryland Division, Sandpiper Energy, Inc., and Elkton Gas Company (collectively, "Maryland natural gas distribution businesses") filed a joint application for a natural gas rate case with the Maryland PSC. The outcome of the application is subject to review and approval by the Maryland PSC.
[2] The rate increase and allowed return on equity for Elkton Gas were approved by the Maryland PSC before we acquired the company.
[3] The Maryland PSC approved a declining return on equity.
[4] Other components of capital structure include customer deposits, deferred income taxes and tax credits.
[5] Allowed after-tax return on equity.
[6] 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.
[7] 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.
* LTD-Long-term debt; STD-Short-term debt.

In May 2022, our legacy 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.

In May 2022, FCG filed a general base rate increase with the Florida PSC based on a projected 2023 test year. In June 2023, the Florida PSC issued an order approving a single total base revenue increase of $23.3 million (which included an incremental increase of $14.1 million, a previously approved increase of $3.8 million for a liquefied natural gas facility, and $5.3 million to transfer the SAFE investments from a rider clause to base rates), with new rates becoming effective as of May 1, 2023. The Commission also approved FCG's proposed reserve surplus amortization mechanism ("RSAM") with a $25.0 million reserve amount, continuation and expansion of the capital SAFE program, implementation of an automated metering infrastructure pilot, and continuation of the storm damage reserve with a target reserve of $0.8 million. On June 23, 2023, the Florida OPC filed a motion for reconsideration of the PSC's approval of RSAM, which was denied on September 12, 2023. On July 7, 2023, the Florida OPC filed a notice of appeal with the Florida Supreme Court, which is pending.

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 Strategic Infrastructure Development and Enhanced (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; FCG's SAFE surcharge which provides accelerated recovery of the costs of replacing older portions of that 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
Florida Natural Gas	Florida	Yes	No
Florida City Gas [1]	Florida	Yes	No
FPU electric division	Florida	Yes	No

[1] See Item 8, *Financial Statements and Supplementary Data*, Note 18, *Rates and Other Regulatory Activities*, for additional information related to FCG's RSAM that was approved as part of its rate case effective as of May 1, 2023.

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.

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 current agreements were effective as of April 1, 2023 and expire in March 2026. 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 business 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. FCG utilizes FGT and Peninsula Pipeline to transport natural gas.

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	160,595	2024-2035
	Columbia Gas [1]	5,246	2024-2026
	Transco [1]	30,419	2024-2028
	TETLP [1]	50,000	2027
Florida Natural Gas	Gulfstream [2]	10,000	2032
	FGT	47,409 - 78,817	2025-2041
	Peninsula Pipeline	346,200	2033-2048
	Peoples Gas	12,160	2024
	Florida Southeast Connection LLC	5,000	2044
	Southern Natural Gas Company	1,500	2029
Florida City Gas	FGT	32,235 - 68,955	2030
	Peninsula Pipeline	15,000	2033 - 2043

[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 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, 2023 and total assets as of December 31, 2023, 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	$ 13,587	$ 191,164
Energy Transmission (Aspire Energy)	Ohio	3,080	145,183
Energy Generation (Eight Flags)	Florida	2,235	37,805
Marlin Gas Services	The Entire U.S.	432	54,256
Sustainable investments and other [1]	Various	(1,697)	48,994
Total		$ 17,637	$ 477,402

[1] Includes our renewable natural gas projects that are in various stages of development.

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, 2023, operating revenues, volumes sold and average number of customers by customer class for our propane operations were as follows:

	Operating Revenues (in thousands)		Volumes (in thousands of gallons)		Average Number of Customers [1]	
Residential bulk	$ 46,913	30 %	15,187	21 %	59,483	70 %
Residential metered	13,931	9 %	4,457	6 %	17,387	21 %
Commercial bulk	37,541	24 %	21,242	30 %	7,703	9 %
Commercial metered	1,809	1 %	574	1 %	202	<1%
Wholesale	25,073	16 %	24,876	35 %	35	<1%
AutoGas	7,045	5 %	4,949	7 %	76	<1%
Other [2]	22,436	15 %	—	— %	—	— %
Total	$ 154,748	100 %	71,285	100 %	84,886	100 %

[1] Average number of customers is based on a twelve-month average for the year ended December 31, 2023. Excludes customers from the propane acquisition that closed in December 2023. See Note 4 under Item 8, Financial Statements and Supplementary Data, for additional information on this acquisition.

[2] 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 8.9 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. In 2023, the RNG volumes represented approximately 10 percent of Aspire Energy's gas gathering volumes and are anticipated to continue at such rate in 2024 and beyond. In addition, Aspire Energy earns revenue by gathering and processing natural gas for customers.

For the twelve-month period ended December 31, 2023, 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	$ 11,694	32 %	2,351	31 %
Supply to CGC	16,844	45 %	2,025	27 %
Supply to Marketers	6,287	17 %	3,141	41 %
Other (including natural gas gathering and processing)	2,314	6 %	64	1 %
Total	$ 37,139	100 %	7,581	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 business 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.

Sustainable Investments

Our sustainable investments are comprised primarily of our renewable natural gas projects 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. In addition, we are constructing a dairy manure RNG facility that we will own and operate 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, with capital expenditures totaling $19.3 million through December 31, 2023. The first injection of RNG is projected to occur in the first half of 2024.

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 special culture. Our unique culture is grounded in a solid foundation of regulated businesses, but enhanced by an entrepreneurial, innovative and competitive market mindset. Among the ongoing initiatives across our enterprise, we highlight below the importance of our team, our culture of safety, and our commitment to supporting a more sustainable future.

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 and as an equal opportunity employer committed to creating a diverse workforce, we consider all qualified applicants without regard to race, religion, color, sex, national origin, age, sexual orientation, gender identity, disability or veteran status, among other factors. 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.

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, including many forms of training on our internal learning platform, as well as tuition reimbursement to promote continued professional growth.

Subsequent to the acquisition of FCG, we had a total of 1,281 employees at December 31, 2023, 196 of whom are union employees represented by two labor unions: the International Brotherhood of Electrical Workers ("IBEW") and the United Food and Commercial Workers Union. The collective bargaining agreements covering our legacy employees with these labor unions expire in 2025. Negotiations began in January 2024 with IBEW for those union employees that joined our Company as part of our acquisition of FCG. 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.

We listen to our employees and actively seek their input and feedback. Many of the initiatives we have in place are driven by feedback from our employees during an annual survey process or through regular employee engagement. We have also been purposeful in wanting to provide adequate recognition of our employees and their many efforts. Our internal recognition platform was unveiled in 2023 and enables employees to be recognized in real-time for their contributions. Our employees are the backbone of our continued growth and success.

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We have an established an equity, diversity and inclusion ("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 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 as of December 31, 2023, there were ten 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 their 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 the Board of Directors 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, we remain committed to providing products and services to our customers in a safe and reliable manner.

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. Our state-of-the art training facility, Safety Town, located in Dover, Delaware, 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. Construction is underway for our second Safety Town facility in Florida, and we are excited to begin utilizing this facility in 2024.

Driving Sustainability across the Company

Consistent with our culture of teamwork, the focus on sustainability is supported and shared 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. Our ESG Committee brings together a cross-functional team of leaders across the organization responsible for identifying, assessing, executing and advancing the Company's strategic sustainability initiatives. Our Environmental Sustainability Office 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 in support of its sustainability focus, including but not limited to:

- Constructed an RNG injection point in Yulee, Florida, providing a pathway to market for produced RNG, and progressed on construction of our first RNG production facility in Lee, Florida;
- Completed an expansion of our intrastate transmission pipeline to Vero Beach, Florida, increasing the availability of natural gas to the area;
- Served as an industry anchor partner in the Mid-Atlantic Clean Hydrogen Hub (MACH2™), which was awarded federal funding of up to $750 million in October 2023; MACH2™ is a collaboration between Delaware, southern New Jersey and southeastern Pennsylvania;

- In Delaware, filed a first-of-its-kind energy efficiency program focused on natural gas; pending approval from the Delaware PSC, the program will be implemented in 2024;
- Our Florida Natural Gas distribution business received approval for its 10-year GUARD program to remove accessibility challenges and replace older problematic distribution lines and services, increasing employee, customer, and community safety; FCG received approval to extend its similar program, SAFE, for 10 more years;
- Provided Healthy Pantry Naming Sponsor-level support and donated several recycled benches from our Pipe Recycling Project for the new 70,000 square foot Food Bank of Delaware facility located in Milford, Delaware;
- Rolled out our "Chesapeake Connections Program," connecting new team members with a "connection buddy" outside of their department for the first few months of employment;
- Introduced two new ERGs in 2023 – "PRIDE," which is focused on providing a sense of acceptance and belonging for everyone in the Chesapeake Utilities family, and "GREEN," which is passionate about the environment and committed to reducing societal impacts on the planet; and
- Named a 2023 Champion of Board Diversity by The Forum of Executive Women.

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	66	2010	Chairman of the Board of Directors (May 2023 - present) President (January 2019 - present) Chief Executive Officer (January 2019 - present) Director (January 2019 - present) President of FPU (June 2010 - February 2019)
Beth W. Cooper	57	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	66	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	65	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	54	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.

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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

Our financial results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our operating results, including our revenues, operating margin, profitability, and cash flow, may vary significantly in the future and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter or year should not be relied upon as an indication of future performance. Our financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, and such fluctuations and related impacts to any capital or earnings guidance we may issue from time to time, or any modification or withdrawal thereof, may negatively impact the value of our securities.

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, the inability to borrow under certain credit agreements and terms, or the inability to access capital from other sources. Any such default could cause a material adverse change in our financial condition, results of operations and cash flows. As of December 31, 2023, 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.

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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 a 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 our Company sponsored defined benefit plans, which may require significant additional funding.

The Company's primary defined benefit pension plan, the FPU pension plan, is a funded plan that is closed to new employees and the future benefits are frozen. At December 31, 2023, the FPU pension plan benefit obligation was $49.4 million and was funded at approximately 100 percent. 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 obligation 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 and demand; (v) insufficient customer throughput commitments; and (vi) lack of available and qualified third-party contractors which could impact the timely construction of new facilities. Adverse outcomes and/or changes in these risks could limit the future growth of our business and cause a material adverse change in our financial condition, results of operations and cash flows.

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, results of operations and cash flows.

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, would adversely affect our financial condition, results of operations and cash flows.

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 financial condition, results of operations and cash flows.

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 generally 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 generally 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.

Severe weather events (such as a major hurricane, flood or tornado), natural disasters 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. Severe weather events and natural disasters 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 U.S. 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 financial condition, results of operations and cash flows.

The insurance industry may also be affected by severe weather events, natural disasters 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 financial condition, results of operations 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 financial condition, results of operations 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 continue to work, from remote locations, where cybersecurity protections could be limited and cybersecurity procedures and safeguards could be less effective. As such, we could be subject to a higher risk of cybersecurity breaches than ever before. Therefore, we could 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, subjecting 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 information 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.

The Company's business, results of operations, financial condition and cash flows could be adversely affected by interruption of the Company's information technology or network systems as well as the Company's implementation of its technology roadmap.

Currently, we rely on centralized and local information technology networks and systems, some of which are managed or accessible by third parties, to process, transmit and store electronic information, and to otherwise manage or support our business. Additionally, the Company collects and stores certain data, including proprietary business information, and has access to confidential or personal information that is subject to privacy and security laws, regulations and customer-imposed controls. The processing and storage of personal information is increasingly subject to privacy and data security regulations. The interpretation and application of data protection laws in the U.S. are continuing to evolve and may be different across jurisdictions. Violations of these laws could result in criminal or civil sanctions and even the mere allegation of such violations, could harm the Company's reputation.

Information technology system and/or network disruptions, whether caused by acts of sabotage, employee error, malfeasance or otherwise, could have an adverse impact on the Company's operations as well as the operations of the Company's customers and suppliers. As a result, the Company may be subject to legal claims or regulatory proceedings which could result in liability or penalties under privacy laws, disruption in the Company's operations, and damage to the Company's reputation, adversely affecting the Company's business, results of operations, financial condition and cash flows.

The Company is also implementing a technology roadmap that will significantly advance our technological capabilities. The implementation of new software in multiple phases is a complex process that involves several risks. Some of the common risks include:

- Expectations of what the software can do is not achieved and requires additional spending, resources and time;
- Inadequate planning, including changes in implementation plans, can lead to delays, cost overruns, and poor outcomes;
- Ensuring continued team engagement is critical as technology and systems projects are significant and involve many resources within the Company as well as the use of various third parties;
- Implementing new software can expose the organization to new security risks; and

- Integrating new software with existing systems can be challenging, as a result of compatibility issues, data migration and system downtime.

Concerns relating to the responsible use of new and evolving technologies, such as artificial intelligence (AI), may result in reputational or financial harm and liability.

While providing significant benefits, AI poses emerging legal, social, and ethical issues and presents risks and challenges. If we utilize AI solutions that have unintended consequences or may be deemed controversial, or if we are unable to develop effective internal policies and frameworks relating to the responsible use of AI, we may experience brand or reputational harm, competitive harm or legal liability. Complying with regulations related to AI could increase our cost of doing business, may change the way that we operate in certain jurisdictions, or may impede our ability to offer services in certain jurisdictions if we are unable to comply with regulations.

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. These projects are subject to state and federal regulatory oversight and require certain property rights, such as easements and rights-of-way from public and private owners, as well as regulatory approvals, including environmental and other permits and licenses. There is no assurance that we will be able to obtain the necessary property rights, permits and licenses and approvals in a timely and cost-efficient manner, or at all, which may result in the delay or failure to complete a project. In addition, the availability of the necessary materials and qualified vendors could also impact our ability to complete such projects on a timely basis and manage the overall costs. Failure to complete any pending or future infrastructure projects could have a material adverse impact on our financial condition, results of operations and cash flows. Where we are able to successfully complete pending or future infrastructure projects, our revenues may not increase immediately upon the expenditure of funds on a particular project or as anticipated over the life of the project. As a result, there is the risk that new and expanded infrastructure may not achieve our expected investment returns, which could have a material adverse effect on our business, financial condition and results of operations.

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 financial condition, results of operations and cash flows.

Energy conservation 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 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 including mandatory climate related disclosures, and the aforementioned demand for alternative forms of energy, may result in increased costs and reduced demand for our products and services. 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 recovery through customer rates of higher costs or lower consumption from energy efficiency or conservation is not allowed, and our propane retail prices cannot be increased due to market conditions, our financial condition, results of operations and cash flows could 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 and 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 financial condition, results of operations and cash flows, 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. In addition, fluctuations in market prices could result in significant unrealized gains or losses, which could require margins to be posted on unsettled positions and impact our financial position, results of operations and cash flows.

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 natural gas operations in Florida rely primarily on two pipeline systems, FGT and Peninsula Pipeline (our intrastate pipeline subsidiary), for most of their 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 financial condition, results of operations and cash flows.

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. On November 30, 2023, we completed the acquisition of FCG, a regulated natural gas distribution utility serving approximately 120,000 residential and commercial natural gas customers in Florida, for $923.4 million in cash, pursuant to the previously disclosed stock purchase agreement with Florida Power & Light Company. Our acquisitions, including FCG as well as future acquisitions, involve a number of risks including, but not limited to, the following:

- We may fail to realize the benefits and growth prospects anticipated as a result of the acquisition;
- We may not identify all material facts, issues and/or liabilities in due diligence; accurately anticipate required capital expenditures; or design and implement an effective internal control environment with respect to acquired businesses;
- We may experience difficulty in integrating the technology, systems, policies, processes or operations and retaining the employees, including key personnel of the acquired business;
- The historical financial results of acquisitions may not be representative of our future financial condition, results of operations and cash flows, and may not deliver the expected strategic and operational benefits;
- An acquisition may divert management's attention to integration activities or disrupt ongoing operations; and
- We may overpay for assets, which could result in the recording of excess goodwill and other intangible assets at values that ultimately may be subject to impairment charges.

These factors, amongst others, could impact our ability to successfully grow our business which could have a material adverse effect on our financial condition, results of operations and cash flows.

An impairment of our assets including long-lived assets, goodwill and other intangible assets, could negatively impact our financial condition and results of operations.

In accordance with GAAP, goodwill, intangibles, and other long-lived assets are tested for impairment annually or whenever events or changes in circumstances indicate impairment may have occurred. 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 values may be impacted by significant negative industry or economic trends, changes in technology, regulatory or industry conditions, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant change or planned changes in use of our assets, changes in the structure of our business, divestitures, market capitalization declines or changes in economic conditions or interest rates. 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. 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 and could negatively affect our financial condition and results of operations.

REGULATORY, LEGAL AND ENVIRONMENTAL RISKS

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

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 earn at an authorized rate of return.

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

The 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. The 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 the 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 financial condition, results of operations and cash flows.

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 financial condition, results of operations and cash flows.

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, results of operations and cash flows. 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, results of operations and cash flows. 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 and 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. 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 Environmental Protection Agency, or other Federal agencies, 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 could 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 climate 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.

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 1C. CYBERSECURITY

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats, as such term is defined in Item 106(a) of Regulation S-K. We face a multitude of increasing cybersecurity threats, including those that target the Nation's critical infrastructure sectors. Reliable service and operational continuity are critical to our success and the welfare of those we serve, including our ability to safely and reliably deliver energy to our customers through our transmission, distribution, and generation systems. We are committed to maintaining robust governance and oversight of these risks and to investing in the implementation of mechanisms, controls, technologies, and processes designed to help us assess, identify, and manage these risks in an everchanging landscape.

To mitigate the threat to our business, we take a comprehensive, cross-functional approach to cybersecurity risk management. Our management team is actively involved in the oversight and implementation of our risk management program, of which cybersecurity represents an important component. At least annually, we conduct a cybersecurity risk assessment that evaluates information from internal stakeholders and external sources. The results of the assessment inform our alignment and prioritization of initiatives to enhance our security controls. As described in more detail below, we have established

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policies, standards, processes and practices for assessing, identifying, and managing material risks from cybersecurity threats which follow frameworks established by the National Institute of Standards and Technology (NIST). These include, among other things: security awareness training for employees; mechanisms to detect and monitor unusual network activity; services that identify cybersecurity threats; conducting scans of the threat environment; evaluating our industry's risk profile; utilizing internal and external audits; conducting threat and vulnerability assessments; and containment and incident response tools. We also actively engage with industry groups for benchmarking and awareness of best practices. We maintain controls and procedures that are designed to ensure prompt escalation of certain cybersecurity incidents so that decisions regarding public disclosure and reporting of such incidents can be made in a timely manner.

Our approach to cybersecurity risk management includes the following key elements:

- Multi-Layered Defense and Continuous Monitoring: We work to protect our business from cybersecurity threats through multi-layered defenses and apply lessons learned from our defense and monitoring efforts to help prevent future attacks. We utilize data analytics to detect anomalies and review trends in the data. We regularly assess and deploy technical safeguards designed to protect our information systems from cybersecurity threats. Such safeguards are regularly evaluated and enhanced based on vulnerability assessments, cybersecurity threat intelligence and incident response experience.

- Information Sharing and Collaboration: We share and receive threat intelligence and best practices with industry peers, government agencies, information sharing and analysis centers, industry trade organizations, and cybersecurity forums. These relationships enable the rapid sharing of information around threat and vulnerability mitigation.

- Third-Party Risk Assessments: We engage third-party services to conduct assessments of our security controls, whether through penetration testing, independent audits or consulting on best practices to address new challenges. These assessments include testing both the design and operational effectiveness of security controls.

- Companywide Policies and Procedures: We have companywide cybersecurity policies and procedures, such as encryption standards, antivirus protection, remote access protocols, multi-factor authentication, protection of confidential information, and the use of the internet, social media, email, and wireless devices. These policies go through an internal review process and are approved by the appropriate members of management.

- Training and Awareness: We provide awareness training to our employees to help identify, avoid and mitigate cybersecurity threats. Our employees routinely participate in phishing campaigns, education that reinforces compliance with our policies, standards and practices, and other awareness training. We also periodically perform simulations and other exercises with management and incorporate external resources and advisors as needed. Our team of cybersecurity professionals collaborate with stakeholders across our business units to further analyze the risk to the Company, and form detection, mitigation and remediation strategies.

- Supplier Engagement: We work collectively with our suppliers to support cybersecurity resiliency in our supply chain. The Company uses a variety of processes to address third-party cybersecurity threats, including reviewing the cybersecurity practices of such provider(s), contractually imposing obligations on the provider(s), notifications in the event of any known or suspected cyber incident, conducting security assessments, and periodic reassessments during the course of the Company's engagement with such provider(s).

As of the date of this Form 10-K, there have not been any cybersecurity incidents that have materially affected our business strategy, results of operations or financial condition. There can be no guarantee that our policies and procedures will be followed or, if followed, will be effective. For more information regarding the risks we face from cybersecurity threats, please see *Item 1A*, *Risk Factors*, which should be read in conjunction with this Item 1C.

Cybersecurity Risk Governance and Oversight

The Company's Board, in conjunction with its Audit Committee, oversees management's approach to cybersecurity risk and its alignment with the Company's risk management program. The Board and Audit Committee receive reports from management about the prevention, detection, mitigation, and remediation of cybersecurity incidents, including material security risks and vulnerabilities. Additionally, management provides the Audit Committee with updates on cybersecurity risk assessments, risk mitigation strategies, and relevant internal and industry cybersecurity matters. The Company's Chief Information Officer ("CIO") is responsible for developing and implementing our information security program and reporting on cybersecurity matters to the Board and Audit Committee. The Company's CIO has 25 years of experience in the information technology industry. The CIO reports to the Chief Executive Officer and is supported by a dedicated cybersecurity team within our information systems department, as well as a multidisciplinary incident response team. Employees across the organization also have a role in our cybersecurity defenses, which we believe improves our cybersecurity posture.

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In addition, the Company's Risk Management Committee ("RMC") evaluates risks relating to cybersecurity, among other significant risks, and applicable mitigation plans to address such risks. The RMC is comprised of members of the executive leadership team. The RMC meets monthly and receives updates from the CIO or a member of our cybersecurity team. The RMC reviews security performance metrics, global security risks, security enhancements, and updates on our security posture.

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, 2023:

Operations	Miles
Natural Gas Distribution	
Delmarva Natural Gas (Natural gas pipelines)	2,075
Delmarva Natural Gas (Underground propane pipelines)	17
FPU (Natural gas pipelines)	3,154
Florida City Gas (Natural gas pipelines)	3,860
Natural Gas Transmission	
Eastern Shore	517
Florida City Gas	79
Peninsula Pipeline	177
Aspire Energy Express [(1)]	—
Electric Distribution	
FPU	906
Total	10,785

[(1)] Aspire Energy Express had less than 1 mile of natural gas pipeline at December 31, 2023.

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

The following table presents propane storage capacity, miles of underground distribution mains and transmission for our Unregulated Energy Segment operations as of December 31, 2023:

Operations	Gallons or miles
Propane distribution	
Propane storage capacity (gallons in millions)	8.9
Underground propane distribution mains (miles)	153
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 16, 2024, we had 1,974 holders of record of our common stock. We declared quarterly cash dividends on our common stock totaling $2.305 per share in 2023 and $2.085 per share in 2022, and have paid a cash dividend to holders of our common stock for 63 consecutive years. Future dividend payments and amounts are at the discretion of the 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, 2023:

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, 2023 through October 31, 2023 [1]	663	$ 95.19	—	—
November 1, 2023 through November 30, 2023	—	—	—	—
December 1, 2023 through December 31, 2023	—	—	—	—
Total	663	$ 95.19	—	—

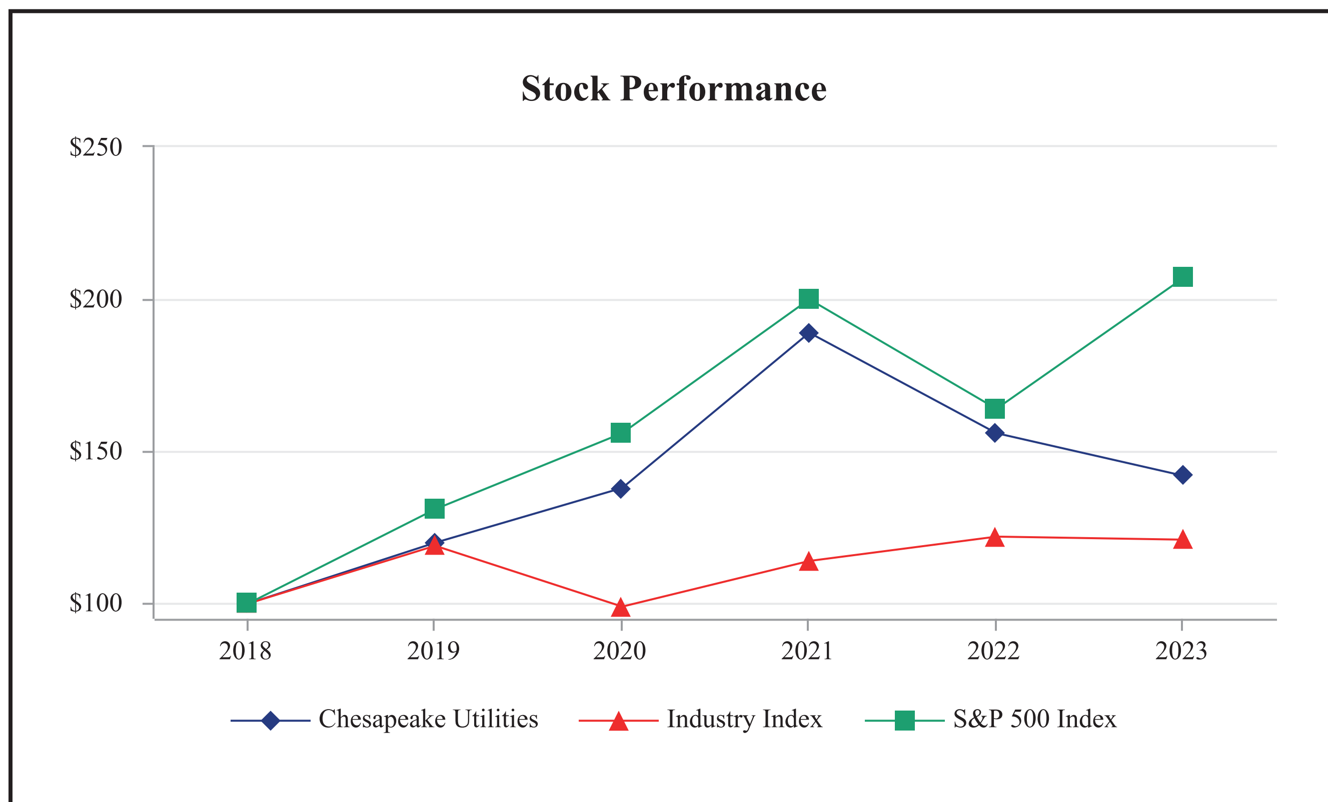
[1] In October 2023, we purchased 663 shares of common stock on the open market for the purpose of reinvesting the dividend on shares held in the Rabbi Trust accounts under the Non-Qualified Deferred Compensation Plan. The Non-Qualified Deferred Compensation Plan is discussed in detail in Item 8, Financial 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, 2023, 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; New Jersey Resources Corporation; NiSource; Northwest Natural Gas Company; Northwestern Corporation; ONE Gas, Inc.; RGC Resources, Inc.; Spire, Inc.; and Unitil Corporation.

The comparison assumes $100 was invested on December 31, 2018 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.



	2018	2019	2020	2021	2022	2023
Chesapeake Utilities	$ 100	$ 120	$ 138	$ 189	$ 156	$ 142
Industry Index	$ 100	$ 119	$ 99	$ 114	$ 122	$ 121
S&P 500 Index	$ 100	$ 131	$ 156	$ 200	$ 164	$ 207

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.

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

Acquisition of FCG

On November 30, 2023, we completed the acquisition of FCG for $923.4 million in cash, including working capital adjustments as defined in the agreement, pursuant to the previously disclosed stock purchase agreement with Florida Power & Light Company. Upon completion of the acquisition, FCG became a wholly-owned subsidiary of the Company and is included within our Regulated Energy segment. FCG serves approximately 120,000 residential and commercial natural gas customers across eight counties in Florida, including Miami-Dade, Broward, Brevard, Palm Beach, Hendry, Martin, St. Lucie and Indian River. Its natural gas system includes approximately 3,800 miles of distribution main and 80 miles of transmission pipe. Results for FCG are included within our consolidated results from the acquisition date.

In June 2023, FCG received approval from the Florida PSC for a $23.3 million total increase in base revenue in connection with its May 2022 rate case filing. The new rates, which became effective as of May 1, 2023, included the transfer of its SAFE program provisions from a rider clause to base rates, an increase in rates associated with a liquefied natural gas facility, and approval of FCG's proposed reserve surplus amortization mechanism ("RSAM") with a $25.0 million reserve amount. The RSAM is recorded as either an increase or decrease to accrued removal costs on the balance sheet, with a corresponding increase or decrease to depreciation and amortization expense.

The impact of FCG's results from the acquisition date and effects on our liquidity are discussed further below and throughout Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Non-GAAP Financial Measures

This document, including the tables herein, include references to both Generally Accepted Accounting Principles ("GAAP") and non-GAAP financial measures, including Adjusted Gross Margin, Adjusted Net Income and Adjusted EPS. A "non-GAAP financial measure" is generally defined as a numerical measure of a company's historical or future performance that includes or excludes amounts, or that is subject to adjustments, so as to be different from the most directly comparable measure calculated or presented in accordance with GAAP. Our management believes certain non-GAAP financial measures, when considered together with GAAP financial measures, provide information that is useful to investors in understanding period-over-period operating results separate and apart from items that may, or could, have a disproportionately positive or negative impact on results in any particular period.

We calculate Adjusted Gross Margin 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. We calculate Adjusted Net Income and Adjusted EPS by deducting non-recurring costs and expenses associated with significant acquisitions that may affect the comparison of period-over-period results. These non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures. We believe that these non-GAAP financial measures are useful and meaningful to investors as a basis for making investment decisions, and provide investors with information that demonstrates the profitability achieved by the Company under allowed rates for regulated energy operations and under the Company's competitive pricing structures for unregulated energy operations. The Company's management uses these non-GAAP financial measures in assessing a business unit's and the overall Company performance. Other companies may calculate these non-GAAP financial measures in a different manner.

The following tables reconcile Gross Margin, Net Income, and EPS, all as defined under GAAP, to our non-GAAP financial measures of Adjusted Gross Margin, Adjusted Net Income and Adjusted EPS for the years ended December 31, 2023, 2022 and 2021:

Adjusted Gross Margin

	For the Year Ended December 31, 2023			
(in thousands)	**Regulated Energy**	**Unregulated Energy**	**Other and Eliminations**	**Total**
Operating Revenues	**$ 473,595**	**$ 223,148**	**$ (26,139)**	**$ 670,604**
Cost of Sales:				
Natural gas, propane and electric costs	(140,008)	(102,492)	26,019	(216,481)
Depreciation & amortization	(48,162)	(17,347)	8	(65,501)
Operations & maintenance expenses [1]	(27,485)	(31,507)	343	(58,649)
Gross Margin (GAAP)	**257,940**	**71,802**	**231**	**329,973**
Operations & maintenance expenses [1]	27,485	31,507	(343)	58,649
Depreciation & amortization	48,162	17,347	(8)	65,501
Adjusted Gross Margin (Non-GAAP)	**$ 333,587**	**$ 120,656**	**$ (120)**	**$ 454,123**

	For the Year Ended December 31, 2022			
(in thousands)	**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 expenses [1]	(35,472)	(29,825)	9	(65,288)
Gross Margin (GAAP)	**214,073**	**71,985**	**(121)**	**285,937**
Operations & maintenance expenses [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 expenses [(1)]	(32,780)	(24,123)	179	(56,724)
Gross Margin (GAAP)	**201,655**	**61,977**	**1**	**263,633**
Operations & maintenance expenses [(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**

[(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 2023 was $257.9 million, an increase of $43.9 million, or 20.5 percent, compared to 2022. Higher gross margin reflects contributions from the Company's Florida Natural Gas base rate proceeding, organic growth in the Company's natural gas distribution businesses and continued pipeline expansion projects, and contributions attributable to the acquisition of FCG. These increases were partially offset by reduced customer consumption resulting from the significantly warmer temperatures in our northern service territories throughout the year and increased employee costs related to growth initiatives, the ongoing competitive labor market and higher benefits costs.

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

Gross Margin (GAAP) for the Regulated Energy segment for the year ended December 31, 2022 compared to 2021 is described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated herein by reference.

2023 to 2022 Gross Margin (GAAP) Variance – Unregulated Energy

Gross Margin (GAAP) for the Unregulated Energy segment for 2023 was $71.8 million, which was largely consistent with gross margin for the prior year. The effects of changes in customer consumption due primarily to significantly warmer weather in our Mid-Atlantic and North Carolina service areas throughout the year and increased operating expenses and depreciation were largely offset by increased propane margins and fees and increased gathering charges and consumption for Aspire Energy.

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

Gross Margin (GAAP) for the Unregulated Energy segment for the year ended December 31, 2022 compared to 2021 is described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated herein by reference.

Adjusted Net Income and Adjusted EPS

(in thousands, except shares and per share data)	Year Ended December 31, 2023	2022	2021
Net Income (GAAP)	**$ 87,212**	$ 89,796	$ 83,466
FCG transaction-related expenses, net [1]	**10,625**	—	—
Adjusted Net Income (Non-GAAP)	**$ 97,837**	$ 89,796	$ 83,466
Weighted average common shares outstanding - diluted	**18,434,857**	17,804,294	17,633,029
Earnings Per Share - Diluted (GAAP)	**$ 4.73**	$ 5.04	$ 4.73
FCG transaction-related expenses, net [1]	**0.58**	—	—
Adjusted Earnings Per Share - Diluted (Non-GAAP)	**$ 5.31**	$ 5.04	$ 4.73

[1] Transaction-related expenses for the year ended December 31, 2023 represent costs incurred attributable to the acquisition of FCG, including pretax operating expenses of $10.4 million associated with legal, consulting and audit fees and $4.1 million of interest charges related to pretax fees and expenses associated with the Bridge Facility.

2023 to 2022 Net Income (GAAP) Variance

Net income (GAAP) for the year ended December 31, 2023 was $87.2 million, or $4.73 per share, compared to $89.8 million, or $5.04 per share in 2022. Net income for the year ended December 31, 2023 included $10.6 million of transaction-related expenses in connection with the FCG acquisition. Excluding these costs, net income increased by $8.0 million or 9 percent compared to the prior year.

2022 to 2021 Net Income (GAAP) Variance

Net income (GAAP) for the year ended December 31, 2022 compared to 2021 is described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated herein by reference.

Overview and Highlights

(in thousands except shares and per share data)

For the Year Ended December 31,	2023	2022	Increase (Decrease)	2022	2021	Increase (Decrease)
Operating Income						
Regulated Energy	**$ 126,199**	$ 115,317	$ 10,882	$ 115,317	$ 106,174	$ 9,143
Unregulated Energy	**24,426**	27,350	(2,924)	27,350	24,427	2,923
Other businesses and eliminations	**178**	266	(88)	266	511	(245)
Operating Income	**150,803**	142,933	7,870	142,933	131,112	11,821
Other income, net	**1,438**	5,051	(3,613)	5,051	1,720	3,331
Interest charges	**36,951**	24,356	12,595	24,356	20,135	4,221
Income from Before Income Taxes	**115,290**	123,628	(8,338)	123,628	112,697	10,931
Income Taxes	**28,078**	33,832	(5,754)	33,832	29,231	4,601
Net Income	**$ 87,212**	$ 89,796	$ (2,584)	$ 89,796	$ 83,466	$ 6,330
Basic Earnings Per Share of Common Stock	**$ 4.75**	$ 5.07	$ (0.32)	$ 5.07	$ 4.75	$ 0.32
Diluted Earnings Per Share of Common Stock	**$ 4.73**	$ 5.04	$ (0.31)	$ 5.04	$ 4.73	$ 0.31
Adjusted Net Income and Adjusted Earnings Per Share						
Net Income (GAAP)	**$ 87,212**	$ 89,796	$ (2,584)	**$ 89,796**	$ 83,466	$ 6,330
FCG transaction-related expenses, net [1]	**10,625**	—	10,625	**—**	—	—
Adjusted Net Income (Non-GAAP)	**$ 97,837**	$ 89,796	$ 8,041	**$ 89,796**	$ 83,466	$ 6,330
Weighted average common shares outstanding - diluted	**18,434,857**	17,804,294	630,563	**17,804,294**	17,633,029	171,265
Earnings Per Share - Diluted (GAAP)	**$ 4.73**	$ 5.04	$ (0.31)	**$ 5.04**	$ 4.73	$ 0.31
FCG transaction-related expenses, net [1]	**0.58**	—	0.58	**—**	—	—
Adjusted Earnings Per Share - Diluted (Non-GAAP)	**$ 5.31**	$ 5.04	$ 0.27	**$ 5.04**	$ 4.73	$ 0.31

[1] Transaction-related expenses for the year ended December 31, 2023 represent costs incurred attributable to the acquisition of FCG, including pretax operating expenses of $10.4 million associated with legal, consulting and audit fees and $4.1 million of interest charges related to pretax fees and expenses associated with the Bridge Facility.

2023 compared to 2022

Key variances in operations between 2023 and 2022 included:

(in thousands, except per share data)	Pre-tax Income	Net Income	Earnings Per Share
Year ended December 31, 2022 Adjusted Results**	**$ 123,628**	**$ 89,796**	**$ 5.04**
Non-recurring Items:			
One-time benefit associated with reduction in state tax rate	—	2,469	0.13
Absence of interest income from federal income tax refund	(826)	(600)	(0.03)
Absence of gain from sales of assets	(1,902)	(1,382)	(0.07)
	(2,728)	487	0.03
Increased (Decreased) Adjusted Gross Margins:			
Contribution from rate changes associated with Florida Natural Gas base rate proceeding*	13,361	9,820	0.53
Increased propane margins per gallon and fees	8,821	6,483	0.34
Contribution from the acquisition of FCG	8,687	6,385	0.35
Natural gas growth (excluding service expansions)	6,214	4,567	0.25
Natural gas transmission service expansions*	4,812	3,537	0.19
Contributions from regulated infrastructure programs*	2,597	1,909	0.10
Increased margins from Aspire Energy	1,141	839	0.05
Increased adjusted gross margin from off-system natural gas capacity sales	960	706	0.04
Customer consumption primarily resulting from weather	(13,627)	(10,016)	(0.54)
	32,966	24,230	1.31
(Increased) Decreased Other Operating Expenses (Excluding Natural Gas, Electricity and Propane Costs):			
Payroll, benefits and other employee-related expenses	(9,013)	(6,625)	(0.36)
FCG operating expenses	(4,190)	(3,080)	(0.17)
Facilities expenses, maintenance costs and outside services	(1,756)	(1,290)	(0.07)
Customer service related costs	(820)	(603)	(0.03)
Regulatory expenses	(658)	(484)	(0.03)
Depreciation, amortization and property tax costs	615	452	0.02
Decreased vehicle expenses	577	424	0.02
	(15,245)	(11,206)	(0.62)
Interest charges	(8,494)	(6,243)	(0.34)
Change in pension expense	(1,453)	(1,068)	(0.06)
Increase in shares outstanding due to 2023 and 2022 equity offerings	—	—	(0.17)
Net other changes	1,070	1,841	0.12
Year ended December 31, 2023 Adjusted Results**	**$ 129,744**	**$ 97,837**	**$ 5.31**

* See the Major Projects and Initiatives table.

** Transaction-related expenses attributable to the acquisition of FCG have been excluded from the Company's non-GAAP measures of adjusted net income and adjusted EPS. See previous tables for a reconciliation of these items against the related GAAP measures.

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 and 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				
	Year Ended December 31,			Estimate for Calendar Year	
(in thousands)	2021	2022	2023	2024	2025
Pipeline Expansions:					
Guernsey Power Station	$ 187	$ 1,377	**$ 1,478**	$ 1,482	$ 1,478
Southern Expansion	—	—	**586**	2,344	2,344
Winter Haven Expansion	—	260	**637**	626	626
Beachside Pipeline Expansions	—	—	**1,810**	2,451	2,414
North Ocean City Connector	—	—	**—**	—	494
St. Cloud / Twin Lakes Expansion	—	—	**264**	584	584
Clean Energy [1]	—	126	**1,064**	1,009	1,079
Wildlight	—	—	**471**	2,000	2,038
Lake Wales	—	—	**265**	454	454
Newberry	—	—	**—**	862	2,585
Total Pipeline Expansions	187	1,763	**6,575**	11,812	14,096
CNG/RNG/LNG Transportation and Infrastructure	7,566	11,100	**11,181**	12,500	13,969
Regulatory Initiatives:					
Florida GUARD Program	—	—	**353**	2,421	5,136
FCG SAFE Program	—	—	**—**	2,683	5,293
Capital Cost Surcharge Programs	1,199	2,001	**2,829**	3,979	4,374
Florida Rate Case Proceeding [2]	—	2,474	**15,835**	17,153	17,153
Maryland Rate Case [3]	—	—	**—**	TBD	TBD
Electric Storm Protection Plan	—	486	**1,326**	2,433	3,951
Total Regulatory Initiatives	1,199	4,961	**20,343**	28,669	35,907
Total	$ 8,952	$ 17,824	**$ 38,099**	$ 52,981	$ 63,972

[1] Includes adjusted gross margin generated from interim services through the project in-service date in September 2023.
[2] Includes adjusted gross margin during 2023 comprised of both interim rates and permanent base rates which became effective in March 2023.
[3] Rate case application filed with the Maryland PSC in January 2024. See additional information provided below.

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 year ended December 31, 2023, and is expected to produce adjusted gross margin of approximately $1.5 million in 2024 and beyond.

Southern Expansion
Eastern Shore installed a new natural gas driven compressor skid unit at its existing Bridgeville, Delaware compressor station that provides 7,300 Dts of incremental firm transportation pipeline capacity. The project was placed in service in the fourth quarter of 2023 and generated adjusted gross margin of $0.6 million for the year ended December 31, 2023 and is expected to produce adjusted gross margin of approximately $2.3 million in 2024 and beyond.

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 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. Florida Natural Gas 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's existing distribution system in the area. In connection with Peninsula Pipeline's new regulator station, Florida Natural Gas 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 $0.4 million for the year ended December 31, 2023, and is expected to produce adjusted gross margin of approximately $0.6 million in 2024 and beyond.

Beachside Pipeline Expansion
In June 2021, Peninsula Pipeline and FCG 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. Subsequent to the acquisition of FCG, the agreement is now an affiliate agreement. The project generated additional adjusted gross margin of $1.8 million for the year ended December 31, 2023, and is expected to produce adjusted gross margin of approximately $2.5 million in 2024 and $2.4 million in 2025 and beyond.

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 5.4 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 of 2023. The Company filed a natural gas rate case application with the PSC for the state of Maryland in January 2024 as discussed below. Adjusted gross margin in connection with this project is contingent upon the completion of the rate case and inclusion of the project in rate base. As a result, we expect this expansion to generate annual adjusted gross margin of approximately $0.5 million beginning in 2025, 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 constructed a pipeline extension and regulator station for FPU. The extension supports new incremental load due to growth in the area, including providing service, most immediately, to the residential development, Twin Lakes. The expansion also improves reliability and provides operational benefits to FPU's existing distribution system in the area, supporting future growth. This project was placed into service in July 2023 and generated additional adjusted gross margin of $0.3 million for the year ended December 31, 2023. We expect this extension to generate additional annual adjusted gross margin of approximately $0.6 million in 2024 and beyond.

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Clean Energy Expansion

During the fourth quarter of 2022, Clean Energy Fuels ("Clean Energy") and Florida Natural Gas entered into a precedent agreement for firm transportation services associated with a CNG fueling station Clean Energy is constructing. We installed approximately 2.2 miles of main extension in Davenport, Florida to support the filling station which was placed into service during September 2023. Our subsidiary, Marlin Gas Services, provided interim services to Clean Energy during the construction phase of the project. The project generated additional adjusted gross margin of $0.9 million for the year ended December 31, 2023, and is expected to contribute adjusted gross margin of approximately $1.0 million in 2024 and $1.1 million in 2025 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 additional adjusted gross margin of $0.5 million for the year ended December 31, 2023, and is expected to contribute adjusted gross margin of approximately $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 distribution business, 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 both current and new natural gas customers. The project generated additional adjusted gross margin of $0.3 million for the year ended December 31, 2023, and is expected to contribute adjusted gross margin of approximately $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. The petition was approved by the Florida PSC in the third quarter of 2023. 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. A filing to address the acquisition and conversion of propane community gas systems in Newberry was made in November 2023, and the Florida PSC is scheduled to vote on this in March 2024. The project is expected to contribute adjusted gross margin of approximately $0.9 million in 2024 and $2.6 million in 2025 and beyond.

Worcester Resiliency Upgrade

In August 2023, Eastern Shore filed an application with the FERC requesting authorization to construct the Worcester Resiliency Upgrade, which consists of a mixture of storage and transmission facilities in Sussex County, DE and Wicomico, Worcester, and Somerset Counties in Maryland. The project will provide long-term incremental supply necessary to support the growing demand of the participating shippers. Eastern Shore has requested certificate authorization by December 2024, with a target in-service date by the third quarter of 2025.

East Coast Reinforcement Projects

In December 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreements with FPU for projects that will support additional supply to communities on the East Coast of Florida. The projects are driven by the need for increased supply to coastal portions of the state that have experienced an increase in population growth. Peninsula Pipeline will construct several pipeline extensions which will support FPU's distribution system in the areas of Boynton Beach and New Smyrna Beach with an additional 15,000 Dts/day and 3,400 Dts/day, respectively. The Florida PSC is scheduled to vote on the projects in March 2024.

Central Florida Reinforcement Projects

In February 2024, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreements with FPU for projects that will support additional supply to communities located in Central Florida. The projects are driven by the need for increased supply to communities in central Florida that have experienced an increase in population growth. Peninsula Pipeline will construct several pipeline extensions which will support FPU's distribution system in the areas of Plant City and Lake Mattie with an additional 5,000 Dts/day and 8,700 Dts/day, respectively.

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.

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 service and infrastructure related adjusted gross margin from across the organization in combination with our CNG and LNG projects.

For the year ended December 31, 2023, we generated $0.1 million 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 $12.5 million in 2024, and $14.0 million in 2025 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.

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 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 maintenance and repair equipment and system reliability projects. In August 2023, the Florida PSC approved the GUARD program, which included $205 million of capital expenditures projected to be spent over a 10-year period. For the year ended December 31, 2023, there was $0.4 million of incremental adjusted gross margin generated pursuant to the program. The program is expected to generate $2.4 million of adjusted gross margin in 2024 and $5.1 million in 2025.

FCG SAFE Program

In June 2023, the Florida PSC issued the approval order for the continuation of the SAFE program beyond its 2025 expiration date and inclusion of 150 miles of additional mains and services located in rear property easements. The SAFE program is designed to relocate certain mains and facilities associated with rear lot easements to street front locations to improve FCG's ability to inspect and maintain the facilities and reduce opportunities for damage and theft. In the same order, the Commission approved a replacement of 160 miles of pipe that was used in the 1970s and 1980s and shown through industry research to exhibit premature failure in the form of cracking. The program includes projected capital expenditures of $205 million over a 10-year period. The program is expected to generate $2.7 million of adjusted gross margin in 2024 and $5.3 million in 2025.

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 2023, there was $0.8 million of incremental adjusted gross margin generated pursuant to the program. Eastern Shore expects to produce adjusted gross margin of approximately $4.0 million in 2024 and $4.4 million in 2025 from relocation projects, which is ultimately dependent upon the timing of filings and the completion of construction.

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Florida Natural Gas Rate Case Proceeding

In May 2022, our legacy 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 business 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 year ended December 31, 2023, there was $15.8 million of adjusted gross margin generated pursuant to this proceeding, and it is expected to generate $17.2 million of total adjusted gross margin in 2024 and 2025.

Maryland Natural Gas Rate Case

In January 2024, our natural gas distribution businesses in Maryland, CUC-Maryland Division, Sandpiper Energy, Inc., and Elkton Gas Company (collectively, “Maryland natural gas distribution businesses”) filed a joint application for a natural gas rate case with the Maryland PSC. In connection with the application, we are seeking approval of the following: (i) permanent rate relief of approximately $6.9 million; (ii) authorization to make certain changes to tariffs to include a unified rate structure and to consolidate the Maryland natural gas distribution businesses under the new corporate entity which we anticipate will be called Chesapeake Utilities of Maryland, Inc.; and (iii) authorization to establish a rider for recovery of the costs associated with our new technology systems. The outcome of the application is subject to review and approval by the Maryland PSC.

Storm Protection Plan

In 2020, the Florida PSC implemented the Storm Protection Plan ("SPP") and Storm Protection Plan Cost Recovery Clause ("SPPCRC"), 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 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 year ended December 31, 2023, this initiative generated incremental adjusted gross margin of $0.8 million, and is expected to generate $2.4 million in 2024 and $4.0 million in 2025. 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 resulted in additional adjusted gross margin of $1.0 million annually for both 2022 and 2023, which was offset by a corresponding amortization of regulatory asset expense in each year.

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Other Major Factors Influencing Adjusted Gross Margin

Weather and Consumption

Weather had a significant impact on customer consumption during 2023, resulting in adjusted gross margin being negatively impacted by approximately $13.6 million compared to 2022 driven largely by significantly warmer weather in some of the Company's service territories resulting in reduced consumption. 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 2023 compared to 2022, and 2022 compared to 2021.

HDD and CDD Information

	For the Years Ended December 31,					
	2023	**2022**	**Variance**	**2022**	**2021**	**Variance**
Delmarva						
Actual HDD	**3,416**	4,088	(672)	4,088	3,849	239
10-Year Average HDD ("Normal")	**4,161**	4,147	14	4,147	4,182	(35)
Variance from Normal	**(745)**	(59)		(59)	(333)	
Florida						
Actual HDD	**664**	836	(172)	836	829	7
10-Year Average HDD ("Normal")	**826**	828	(2)	828	839	(11)
Variance from Normal	**(162)**	8		8	(10)	
Ohio						
Actual HDD	**5,043**	5,532	(489)	5,532	5,138	394
10-Year Average HDD ("Normal")	**5,594**	5,557	37	5,557	5,621	(64)
Variance from Normal	**(551)**	(25)		(25)	(483)	
Florida						
Actual CDD	**3,101**	2,826	275	2,826	2,687	139
10-Year Average CDD ("Normal")	**2,934**	2,929	5	2,929	2,952	(23)
Variance from Normal	**167**	(103)		(103)	(265)	

Natural Gas Distribution Growth

The average number of residential customers served on the Delmarva Peninsula and our legacy Florida Natural Gas distribution business increased by approximately 5.4 percent and 3.9 percent, respectively, during 2023.

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 the additional infrastructure 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, 2023	
(in thousands)	**Delmarva Peninsula**	**Florida**
Customer growth:		
Residential	$ 1,895	$ 1,599
Commercial and industrial	589	2,131
Total customer growth [(1)]	$ 2,484	$ 3,730

[(1)] Customer growth amounts for our legacy Florida operations include the effects of revised rates associated with the Company's natural gas base rate proceeding, but exclude the effects of the FCG acquisition.

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For the Year Ended December	2023	2022	Increase (Decrease)	2022	2021	Increase (Decrease)
(in thousands)						
Revenue	**$ 473,595**	$ 429,424	$ 44,171	$ 429,424	$ 383,920	$ 45,504
Natural gas and electric costs	**140,008**	127,172	12,836	127,172	100,737	26,435
Adjusted gross margin [1]	**333,587**	302,252	31,335	302,252	283,183	19,069
Operations & maintenance	**125,310**	112,963	12,347	112,963	108,190	4,773
Depreciation & amortization	**48,162**	52,707	(4,545)	52,707	48,748	3,959
FCG transaction-related expenses [2]	**10,355**	—	10,355	—	—	—
Other taxes	**23,561**	21,265	2,296	21,265	20,071	1,194
Other operating expenses	**207,388**	186,935	20,453	186,935	177,009	9,926
Operating Income	**$ 126,199**	$ 115,317	$ 10,882	$ 115,317	$ 106,174	$ 9,143

[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.
[2] Transaction-related expenses referred to in this table represent pretax operating expenses of $10.4 million associated with legal, consulting and audit fees incurred in connection with the acquisition of FCG.

2023 compared to 2022

Operating income for the Regulated Energy segment for 2023 was $126.2 million, an increase of $10.9 million, or 9.4 percent, compared to 2022. Excluding transaction-related expenses associated with the acquisition of FCG, operating income increased $21.2 million or 18.4 percent compared to the prior year. Higher operating income reflects contributions from our regulatory initiatives, organic growth in our natural gas distribution businesses and continued pipeline expansion projects, and contributions from the acquisition of FCG. These increases were partially offset by changes in customer consumption resulting from the significantly warmer temperatures in our northern service territories throughout the year. Excluding the transaction-related expenses described above, operating expenses increased by $10.1 million compared to the prior year primarily attributable to increased employee costs driven by growth initiatives, the ongoing competitive labor market and higher benefits costs and higher property taxes compared to the prior year. Increases in depreciation and amortization expense attributable to growth projects that were placed into service during the current year were offset by reductions related to revised depreciation rates approved in the Company's Florida Natural Gas rate case and electric depreciation study filing, and a $5.1 million RSAM adjustment from FCG.

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

(in thousands)	
Rate changes associated with the Florida Natural Gas base rate proceeding [1]	$ 13,361
Contribution from the acquisition of FCG	8,687
Natural gas growth including conversions (excluding service expansions)	6,214
Natural gas transmission service expansions	4,812
Contributions from regulated infrastructure programs	2,597
Changes in customer consumption, driven by significantly warmer temperatures	(5,096)
Other variances	760
Year-over-year increase in adjusted gross margin	$ 31,335

[1] Includes adjusted gross margin contributions from interim rates and permanent base rates that became effective in March 2023.

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

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 February 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 $13.4 million. Refer to Note 18, *Rates and Other Regulatory Activities*, in the consolidated financial statements for additional information.

Contribution from Acquisition of FCG

FCG contributed adjusted gross margin of $8.7 million from the acquisition date.

Natural Gas Distribution Customer Growth

We generated additional adjusted gross margin of $6.2 million from natural gas customer growth. Adjusted gross margin increased by $3.7 million for our Florida Natural Gas distribution business and $2.5 million on the Delmarva Peninsula compared to 2022, due primarily to residential customer growth of 3.9 percent and 5.4 percent in Florida and on the Delmarva Peninsula, respectively.

Natural Gas Transmission Service Expansions

We generated increased adjusted gross margin of $4.8 million from natural gas transmission service expansions of Peninsula Pipeline, Eastern Shore and Aspire Energy Express.

Contributions from Regulated Infrastructure Programs

Contributions from regulated infrastructure programs generated incremental adjusted gross margin of $2.6 million for the year. The increase in adjusted gross margin was primarily related to FPU Electric's storm protection plan, Eastern Shore's capital surcharge program and Florida's GUARD program. Refer to Note 18, *Rates and Other Regulatory Activities*, in the consolidated financial statements for additional information.

Customer Consumption - Inclusive of Weather

We experienced reduced customer consumption for the year ended December 31, 2023, largely the result of significantly warmer weather experienced in the Delmarva service territory throughout the year resulting in reduced adjusted gross margin of $5.1 million compared to 2022.

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

(in thousands)		
FCG transaction-related expenses [1]	$	10,355
Payroll, benefits and other employee-related expenses		5,054
FCG operating expenses		4,190
Facilities expenses, maintenance costs and outside services		1,416
Customer service related costs		764
Regulatory expenses		658
Depreciation, amortization and property tax costs		(2,308)
Other variances		324
Year-over-year increase in other operating expenses	$	20,453

[1] Transaction-related expenses referred to in this table represent pretax operating expenses of $10.4 million associated with legal, consulting and audit fees incurred in connection with the acquisition of FCG.

2022 compared to 2021

The results for the Regulated Energy segment for the year ended December 31, 2022 compared to 2021 are described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated herein by reference.

UNREGULATED ENERGY

For the Year Ended December 31,	2023	2022	Increase (Decrease)	2022	2021	Increase (Decrease)
(in thousands)						
Revenue	**$ 223,148**	$ 280,750	$ (57,602)	$ 280,750	$ 206,869	$ 73,881
Propane and natural gas costs	**102,492**	162,683	(60,191)	162,683	106,900	55,783
Adjusted gross margin [1]	**120,656**	118,067	2,589	118,067	99,969	18,098
Operations & maintenance	**74,168**	70,489	3,679	70,489	57,905	12,584
Depreciation & amortization	**17,347**	16,257	1,090	16,257	13,869	2,388
Other taxes	**4,715**	3,971	744	3,971	3,768	203
Other operating expenses	**96,230**	90,717	5,513	90,717	75,542	15,175
Operating Income	**$ 24,426**	$ 27,350	$ (2,924)	$ 27,350	$ 24,427	$ 2,923

[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.

2023 Compared to 2022

Operating income for the Unregulated Energy segment for 2023 decreased by $2.9 million compared to 2022. Operating results were impacted by changes in customer consumption due to significantly warmer weather in our Mid-Atlantic and North Carolina service areas throughout the year as well as conversion of propane customers to our natural gas distribution service. Additionally, we experienced increased operating expenses associated with increased payroll, benefits and employee related expenses driven by competition in the current labor market, depreciation, amortization and property taxes, as well as increased costs for facilities, maintenance and outside services. These factors were partially offset by increased propane margins and fees and increased gathering charges and customer consumption for Aspire.

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	
Increased propane margins and fees	$ 8,821
Propane customer consumption - primarily weather related	(8,235)
Decreased customer consumption due to conversion of customers to our natural gas system	(793)
Aspire Energy	
Increase in gathering margin	1,141
Increased customer consumption	496
Eight Flags	
Increased electric generation margin	1,018
Other variances	141
Year-over-year increase in adjusted gross margin	**$ 2,589**

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

Propane Operations

- *Increased propane margins and fees* - Adjusted gross margin increased by $8.8 million, 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.

- *Propane customer consumption* - Adjusted gross margin was negatively impacted by $8.2 million as a result of reduced customer consumption driven by significantly warmer weather that our Mid-Atlantic and North Carolina service areas experienced throughout 2023.

- *Reduced customer consumption due to conversion of customers to natural gas* - Adjusted gross margin was reduced by $0.8 million as more customers converted from propane to our natural gas distribution service.

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Aspire Energy

- *Increase in gathering charges* - Adjusted gross margin increased by $1.1 million primarily due to increased gathering charges associated with a large commercial customer.

- *Increased customer consumption* - Adjusted gross margin increased by $0.5 million despite warmer temperatures due to increased customer consumption from agricultural customers compared to the prior year.

Eight Flags

- *Increased electric generation margin* - Adjusted gross margin increased by $1.0 million due to increased electric generation compared to 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)		
Increased payroll, benefits and other employee-related expenses	$	3,959
Increased depreciation, amortization and property tax costs		1,717
Other variances		(163)
Period-over-period increase in other operating expenses	**$**	**5,513**

2022 compared to 2021

The results for the Unregulated Energy segment for the year ended December 31, 2022 compared to 2021 are described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated by reference.

OTHER INCOME, NET

Other income, net was $1.4 million and $5.1 million for 2023 and 2022, 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 decrease was primarily attributable to the absence of a one-time gain related to a building sale during 2022, the absence of interest income received in connection with a Federal Income Tax refund during 2022, and higher pension related expenses compared to the prior-year period.

INTEREST CHARGES

2023 Compared to 2022

Interest charges for 2023 increased by $12.6 million compared to the same period in 2022. This increase is primarily attributable to $6.2 million in interest expense as a result of long-term debt placements in 2023, including the November 2023 placement in connection with the FCG acquisition as well as $4.1 million related to bridge financing costs also attributable to the FCG acquisition. Higher interest expense on Revolver borrowings of $3.1 million driven by higher average interest rates compared to the prior year also contributed to the increase. The weighted-average interest rate on our Revolver borrowings was 5.4 percent for the year ended December 31, 2023 compared to 2.5 percent during the prior year as a result of the Federal Reserve actions in 2022 and 2023. These factors were partially offset by higher capitalized interest of $1.7 million during the current year associated with capital projects.

INCOME TAXES

2023 Compared to 2022

Income tax expense was $28.1 million for 2023 compared to $33.8 million for 2022. Our effective income tax rates were 24.4 percent and 27.4 percent for the years ended December 31, 2023 and 2022, respectively. Income tax expense for the year ended December 31, 2023 includes a $2.5 million benefit resulting from a reduction in the Pennsylvania state income tax rate. Excluding this change, our effective income tax rate was 26.5 percent in 2023.

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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 effective shelf registration statements with the SEC, as applicable, for the issuance of shares of common stock under various types of equity offerings, including the DRIP and previously, shares of common stock under an ATM equity program. 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 $1.1 billion in 2023, which includes $923.4 million attributable to the purchase of FCG and $3.9 million related to an acquisition in the propane distribution business.

The following table shows total capital expenditures for the year ended December 31, 2023 by segment and by business line:

(in thousands)	For the Year Ended December 31, 2023
Regulated Energy:	
Natural gas distribution	$ 109,245
Natural gas transmission	40,179
Electric distribution	19,745
Total Regulated Energy	169,169
Unregulated Energy:	
Propane distribution	14,287
Energy transmission	5,469
Other unregulated energy	20,508
Total Unregulated Energy	40,264
Other:	
Corporate and other businesses	1,762
Total Other	1,762
Legacy capital expenditures	**211,195**
FCG Acquisition [1]	**926,702**
Total 2023 Capital Expenditures	**$ 1,137,897**

[1] Includes amounts for the acquisition of FCG net of cash acquired and their capital expenditures from the date of the acquisition through December 31, 2023. For additional information on the FCG acquisition, refer to Note 4, *Acquisitions*, in the consolidated financial statements.

In the table below, we have provided a range of our forecasted capital expenditures by segment and business line for 2024:

(in thousands)	Estimate for Fiscal 2024 Low	Estimate for Fiscal 2024 High
Regulated Energy:		
Natural gas distribution	$ 150,000	$ 170,000
Natural gas transmission	90,000	120,000
Electric distribution	25,000	28,000
Total Regulated Energy	265,000	318,000
Unregulated Energy:		
Propane distribution	13,000	15,000
Energy transmission	5,000	6,000
Other unregulated energy	13,000	15,000
Total Unregulated Energy	31,000	36,000
Other:		
Corporate and other businesses	4,000	6,000
Total 2024 Forecasted Capital Expenditures	**$ 300,000**	**$ 360,000**

The 2024 forecast excludes potential acquisitions due to their opportunistic nature.

As a result of the Company's most recent 5-year strategic plan review where we revisited growth projections over the next five years for our legacy businesses and with the increased scale and investment opportunities related to FCG, the Company previously announced new capital expenditure guidance for the five-year period ended 2028 that will range from $1.5 billion to $1.8 billion.

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 as of December 31, 2023 and 2022 and includes the impacts associated with financing the FCG acquisition:

(dollars in thousands)	December 31, 2023		December 31, 2022	
Long-term debt, net of current maturities	**$ 1,187,075**	**49 %**	$ 578,388	41 %
Stockholders' equity	**1,246,104**	**51 %**	832,801	59 %
Total capitalization, excluding short-term borrowings	**$ 2,433,179**	**100 %**	$ 1,411,189	100 %

(dollars in thousands)	December 31, 2023		December 31, 2022	
Short-term debt	**$ 179,853**	**7 %**	$ 202,157	12 %
Long-term debt, including current maturities	**1,205,580**	**46 %**	599,871	37 %
Stockholders' equity	**1,246,104**	**47 %**	832,801	51 %
Total capitalization, including short-term borrowings	**$ 2,631,537**	**100 %**	$ 1,634,829	100 %

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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 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. We expect to move closer to our target capital structure over the next couple of years.

In November 2023, in connection with our acquisition of FCG, we completed an overnight offering resulting in the issuance of 4.4 million shares of our common stock at a price per share of $82.72 (net of underwriter discounts and commissions). We received net proceeds of $366.4 million which were used to partially finance the acquisition.

During 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.

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 these Shelf Agreements, which expanded the total borrowing capacity and extended the term of the agreements for an additional three years from the effective dates to 2026. The following table summarizes our Shelf Agreements at December 31, 2023:

Shelf Agreement [1] *(in thousands)*	Total Borrowing Capacity	Less: Amount of Debt Issued	Less: Unfunded Commitments	Remaining Borrowing Capacity
Prudential Shelf Agreement	$ 405,000	$ (300,000)	—	$ 105,000
MetLife Shelf Agreement	200,000	(50,000)	—	150,000
Total	$ 605,000	$ (350,000)	$ —	$ 255,000

[1] The amended Prudential and MetLife Shelf Agreements both expire in February 2026.

Long-Term Debt

All of our outstanding 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.

In November 2023, we issued Senior Notes in the aggregate principal amount of $550.0 million at an average interest rate of 6.54 percent that were used to partially finance our acquisition of FCG which closed during the fourth quarter of 2023. These notes have varying maturity dates of between three and 15 years, and the outstanding principal balance of the notes will be due on their respective maturity dates with interest payments payable semiannually until the principal has been paid in full. These Senior Notes have similar covenants and default provisions as our other Senior Notes.

In March 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 and to fund capital expenditures. These Senior Notes have similar covenants and default provisions as our other Senior Notes, and have an annual principal amortization payment beginning in the sixth year after the issuance.

Short-Term Borrowings

We are authorized by our Board of Directors to borrow up to $375.0 million of short-term debt, as required. At December 31, 2023 and 2022, we had $179.9 million and $202.2 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 5.83 percent and 5.04 percent, respectively. There were no borrowings outstanding under the sustainable investment sublimit of the 364-day tranche at December 31, 2023.

We have entered into several amendments to our Revolver which resulted in modifications to both tranches of the facility. The most recent amendment in October 2023 allowed for a change in our funded indebtedness ratio from 65 percent to 70 percent during the quarter in which the acquisition of FCG is consummated and the quarter subsequent to the closing of the acquisition. The amendment in August 2023 served to renew the 364-day tranche of the Revolver, providing for $175.0 million of short-term debt capacity. Additionally, the amendment for borrowings under the 364-day tranche shall now bear interest (i) based upon the SOFR, plus a 10-basis point credit spread adjustment, and an applicable margin of 1.05 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate, solely at our discretion. Further, the amendment provided that borrowings under the 364-day green loan sublimit shall now bear interest at (i) the SOFR rate plus

a 10-basis point credit spread adjustment and an applicable margin of 1.00 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate plus 0.05 percent or less, solely at our discretion. The amendment entered into in 2022 served to reset the benchmark interest rate to SOFR and to eliminate a previous covenant which capped our investment limit to $150.0 million for investments where we maintain less than 50 percent ownership.

The 364-day tranche of the Revolver expires in August 2024 and the five-year tranche expires in August 2026. 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, 2023, the pricing under the 364-day tranche of the Revolver included a commitment fee of 9-basis points on undrawn amounts and an interest rate of 75-basis points over SOFR plus a 10-basis point SOFR adjustment on outstanding balances. As of December 31, 2023, the pricing under the five-year tranche of the Revolver included a commitment fee of 9-basis points on undrawn amounts and an interest rate of 95-basis points over SOFR plus a 10-basis point SOFR adjustment on outstanding balances.

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 as described above. As of December 31, 2023, we are in compliance with this covenant.

Our total available credit under the Revolver at December 31, 2023 was $188.1 million. As of December 31, 2023, we had issued $7.0 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.

In connection with our acquisition of FCG, we entered into a 364-day Bridge Facility commitment with Barclays Bank PLC for up to $965.0 million. Upon closing of the FCG acquisition in November 2023, and with the completion of other financing activities as defined in the lending agreement, this facility was terminated without any funds drawn to finance the transaction.

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, 2023, 2022 and 2021 are as follows:

(in thousands)	**2023**	2022	2021
Average borrowings during the year	**$ 130,246**	$ 170,434	$ 182,305
Weighted average interest rate for the year	**5.41 %**	2.49 %	1.03 %
Maximum month-end borrowings	**$ 206,460**	$ 225,050	$ 226,097

Cash Flows

The following table provides a summary of our operating, investing and financing cash flows for the years ended December 31, 2023, 2022 and 2021:

	For the Year Ended December 31,		
	2023	**2022**	**2021**
(in thousands)			
Net cash provided by (used in):			
Operating activities	**$ 203,482**	$ 158,882	$ 150,504
Investing activities	**(1,111,391)**	(136,448)	(223,023)
Financing activities	**906,609**	(21,206)	73,996
Net (decrease) increase in cash and cash equivalents	**(1,300)**	1,228	1,477
Cash and cash equivalents—beginning of period	**6,204**	4,976	3,499
Cash and cash equivalents—end of period	**$ 4,904**	$ 6,204	$ 4,976

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 2023, net cash provided by operating activities was $203.5 million. Operating cash flows were primarily impacted by the following:

- Net income, adjusted for non-cash adjustments, provided a $170.0 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 $20.1 million source of cash; and
- Other working capital changes, as well as propane inventory and the related hedging activity, resulted in a $9.8 million source of cash.

Cash Flows Used in Investing Activities

Net cash used in investing activities totaled $1.1 billion during the year ended December 31, 2023. Key investing activities contributing to the cash flow change included:

- Net cash of $925.0 million was used in 2023 to acquire FCG and a propane distribution business; and
- Cash used to pay for capital expenditures amounted to $188.6 million for 2023.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities totaled $906.6 million for the year ended December 31, 2023. This source of cash was largely related to financing activities in connection with the FCG acquisition and included:

- A net increase in long-term debt borrowings resulting in a net source of cash of $605.5 million, including $627.0 million from issuances, offset by long-term repayments of $21.5 million;
- Net proceeds of $366.4 million from the issuance of common stock; partially offset by
- A $40.0 million use of cash for dividend payments in 2023; and
- Net repayments under lines of credit resulting in a use of cash of $22.5 million.

CONTRACTUAL OBLIGATIONS

We have the following contractual obligations and other commercial commitments as of December 31, 2023:

Contractual Obligations	Payments Due by Period				
	2024	2025-2026	2027-2028	After 2028	Total
(in thousands)					
Long-term debt [1]	$ 18,505	$ 160,079	$ 268,373	$ 762,376	$ 1,209,333
Operating leases [2]	2,771	4,062	2,788	5,243	14,864
Purchase obligations [3]					
Transmission capacity	45,314	87,627	70,030	128,326	331,297
Storage capacity	3,312	4,519	860	—	8,691
Commodities	30,983	—	—	—	30,983
Electric supply	6,431	12,936	12,961	12,961	45,289
Unfunded benefits [4]	228	485	474	1,131	2,318
Funded benefits [5]	2,018	4,035	4,035	2,172	12,260
Total Contractual Obligations	**$ 109,562**	**$ 273,743**	**$ 359,521**	**$ 912,209**	**$ 1,655,035**

[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 $62.4 million, $116.4 million, $92.8 million and $160.6 million, respectively, for the periods indicated above. Expected interest payments for all periods total $432.2 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 $0.2 million at December 31, 2023 for the FPU qualified, defined benefit pension plan. The assets funding this plan are in a separate trust and are not considered assets of ours or included in our balance sheets. We do not expect to make payments to the trust funds in 2024. 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 $12.3 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, 2023 was $35.0 million. The aggregate amount guaranteed at December 31, 2023 was approximately $24.3 million with the guarantees expiring on various dates through December 2024. In addition, the Board has authorized us to issue specific purpose corporate guarantees. The amount of specific purpose guarantees outstanding at December 31, 2023 was $4.0 million.

As of December 31, 2023, we have issued letters of credit totaling approximately $7.0 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 2024. There have been no draws on these letters of credit as of December 31, 2023. 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, 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 generally 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 annual impairment testing for 2023 indicated no impairment of goodwill. At December 31, 2023, our goodwill balance totaled $508.2 million including $461.2 million attributable to the acquisition of FCG. Additional information is presented in Item 8*, Financial Statements and Supplementary Data,* Note 4, *Acquisitions,* and 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, 2023, 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 5.00 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 liabilities and related 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

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 evaluate whether to refinance existing debt or permanently refinance existing short-term borrowings based in part on the fluctuation in interest rates. 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 8.9 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 December 31, 2023:

(in thousands)	Balance at December 31, 2022	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance at December 31, 2023
Sharp	$ 1,507	$ (1,822)	$ (61)	**$ (376)**

There were no changes in the methods of valuations during the year ended December 31, 2023.

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The following is a summary of fair market value of financial derivatives as of December 31, 2023, by method of valuation and by maturity for each fiscal year period.

(in thousands)	2024	2025	2026	Total Fair Value
Price based on Mont Belvieu - Sharp	$ (264)	$ (75)	$ (37)	$ (376)

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, 2023 and 2022, 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, 2023, 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, 2023, 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, 2023 and 2022, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2023, 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, 2023, 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 their 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 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.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management has excluded Florida City Gas ("FCG") from its assessment of internal control over financial reporting as of December 31, 2023, because it was acquired by the Company in a business combination during 2023. We have also excluded FCG from our audit of internal control over financial reporting. FCG is a wholly-owned subsidiary whose total assets and loss before taxes represented 31 percent and 4 percent, respectively, of the Company's consolidated total assets and earnings before taxes as of December 31, 2023 and for the year then ended.

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) relates 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 a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Assessment - Energy Transmission and Supply Services (Aspire Energy) - 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 goodwill associated with the Aspire Energy reporting unit within its Unregulated Energy reportable segment as of December 31, 2023. 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, 2023 indicated no impairment.

We identified the goodwill impairment assessment of Aspire Energy as a critical audit matter because the fair value estimate requires significant estimates and assumptions by management, including those relating to future revenue and operating margin forecasts and discount rates. Testing these estimates involved especially challenging, subjective, or complex judgments 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 Aspire Energy reporting unit.
- 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 the 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 within the Company's Regulated and Unregulated Energy segments, 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.

Lancaster, Pennsylvania
February 21, 2024

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Statements of Income

	For the Year Ended December 31,		
	2023	**2022**	**2021**
(in thousands, except shares and per share data)			
Operating Revenues			
Regulated Energy	**$ 473,595**	$ 429,424	$ 383,920
Unregulated Energy	**223,148**	280,750	206,869
Other businesses and eliminations	**(26,139)**	(29,470)	(20,821)
Total operating revenues	**670,604**	680,704	569,968
Operating Expenses			
Natural gas and electricity costs	**140,008**	127,172	100,737
Propane and natural gas costs	**76,474**	133,334	86,213
Operations	**178,437**	164,505	148,294
FCG transaction-related expenses	**10,355**	—	—
Maintenance	**20,401**	18,176	16,793
Depreciation and amortization	**65,501**	68,973	62,661
Other taxes	**28,625**	25,611	24,158
Total operating expenses	**519,801**	537,771	438,856
Operating Income	**150,803**	142,933	131,112
Other income, net	**1,438**	5,051	1,720
Interest charges	**36,951**	24,356	20,135
Income Before Income Taxes	**115,290**	123,628	112,697
Income taxes	**28,078**	33,832	29,231
Net Income	**$ 87,212**	$ 89,796	$ 83,466
Weighted Average Common Shares Outstanding:			
Basic	**18,370,758**	17,722,227	17,558,078
Diluted	**18,434,857**	17,804,294	17,633,029
Earnings Per Share of Common Stock:			
Basic	**$ 4.75**	$ 5.07	$ 4.75
Diluted	**$ 4.73**	$ 5.04	$ 4.73

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

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

(in thousands)	For the Year Ended December 31, 2023	2022	2021
Net Income	**$ 87,212**	$ 89,796	$ 83,466
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 $11, $18 and $550, respectively	**32**	57	1,616
Net (loss) gain, net of tax of $(37), $243, and $93, respectively	**(110)**	705	262
Cash Flow Hedges, net of tax:			
Net (loss) gain on commodity contract cash flow hedges, net of tax of $(501), $(369) and $2,702, respectively	**(1,322)**	(934)	7,075
Reclassifications of net gain on commodity contract cash flow hedges, net of tax of $(17), $(963) and $(1,838), respectively	**(44)**	(2,545)	(4,813)
Net gain on interest rate swap cash flow hedges, net of tax of $165, $0, and $0, respectively	**473**	—	—
Reclassifications of net (gain) loss on interest rate swap cash flow hedges, net of tax of $(135), $12 and $12, respectively	**(388)**	35	28
Total Other Comprehensive (Loss) Income	**(1,359)**	(2,682)	4,168
Comprehensive Income	**$ 85,853**	$ 87,114	$ 87,634

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

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Balance Sheets

	As of December 31,	
Assets	**2023**	**2022**
(in thousands, except shares and per share data)		
Property, Plant and Equipment		
Regulated Energy	**$ 2,418,494**	$ 1,802,999
Unregulated Energy	**410,807**	393,215
Other businesses and eliminations	**30,310**	29,890
Total property, plant and equipment	**2,859,611**	2,226,104
Less: Accumulated depreciation and amortization	**(516,429)**	(462,926)
Plus: Construction work in progress	**113,192**	47,295
Net property, plant and equipment	**2,456,374**	1,810,473
Current Assets		
Cash and cash equivalents	**4,904**	6,204
Trade and other receivables	**74,485**	65,758
Less: Allowance for credit losses	**(2,699)**	(2,877)
Trade receivables, net	**71,786**	62,881
Accrued revenue	**32,597**	29,206
Propane inventory, at average cost	**9,313**	9,365
Other inventory, at average cost	**19,912**	16,896
Regulatory assets	**19,506**	41,439
Storage gas prepayments	**4,695**	6,364
Income taxes receivable	**3,829**	2,541
Prepaid expenses	**15,407**	15,865
Derivative assets, at fair value	**1,027**	2,787
Other current assets	**2,723**	428
Total current assets	**185,699**	193,976
Deferred Charges and Other Assets		
Goodwill	**508,174**	46,213
Other intangible assets, net	**16,865**	17,859
Investments, at fair value	**12,282**	10,576
Derivative assets, at fair value	**40**	982
Operating lease right-of-use assets	**12,426**	14,421
Regulatory assets	**96,396**	108,214
Receivables and other deferred charges	**16,448**	12,323
Total deferred charges and other assets	**662,631**	210,588
Total Assets	**$ 3,304,704**	$ 2,215,037

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

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Balance Sheets

Capitalization and Liabilities	As of December 31, **2023**	**2022**
(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 $0.4867 per share (authorized 50,000,000 shares)	**10,823**	8,635
Additional paid-in capital	**749,356**	380,036
Retained earnings	**488,663**	445,509
Accumulated other comprehensive loss	**(2,738)**	(1,379)
Deferred compensation obligation	**9,050**	7,060
Treasury stock	**(9,050)**	(7,060)
Total stockholders' equity	**1,246,104**	832,801
Long-term debt, net of current maturities	**1,187,075**	578,388
Total capitalization	**2,433,179**	1,411,189
Current Liabilities		
Current portion of long-term debt	**18,505**	21,483
Short-term borrowing	**179,853**	202,157
Accounts payable	**77,481**	61,496
Customer deposits and refunds	**46,427**	37,152
Accrued interest	**7,020**	3,349
Dividends payable	**13,119**	9,492
Accrued compensation	**16,544**	14,660
Regulatory liabilities	**13,719**	5,031
Derivative liabilities, at fair value	**354**	585
Other accrued liabilities	**13,362**	13,618
Total current liabilities	**386,384**	369,023
Deferred Credits and Other Liabilities		
Deferred income taxes	**259,082**	256,167
Regulatory liabilities	**195,279**	142,989
Environmental liabilities	**2,607**	3,272
Other pension and benefit costs	**15,330**	16,965
Derivative liabilities at fair value	**927**	1,630
Operating lease - liabilities	**10,550**	12,392
Deferred investment tax credits and other liabilities	**1,366**	1,410
Total deferred credits and other liabilities	**485,141**	434,825
Environmental and other commitments and contingencies (Notes 19 and 20)		
Total Capitalization and Liabilities	**$ 3,304,704**	$ 2,215,037

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,		
	2023	**2022**	**2021**
(in thousands)			
Operating Activities			
Net Income	**$ 87,212**	$ 89,796	$ 83,466
Adjustments to reconcile net income to net operating cash:			
Depreciation and amortization	**65,501**	68,973	62,661
Depreciation and accretion included in operations expenses	**11,934**	11,044	10,228
Deferred income taxes, net	**3,413**	23,705	26,658
Realized (loss) on sale of assets/commodity contracts	**(824)**	(7,532)	(9,026)
Unrealized loss (gain) on investments/commodity contracts	**(1,916)**	1,817	(1,464)
Employee benefits and compensation	**342**	(1,111)	(53)
Share-based compensation	**7,622**	6,438	5,945
Other, net	**170**	—	—
Changes in assets and liabilities:			
Accounts receivable and accrued revenue	**2,270**	(11,159)	(1,634)
Propane inventory, storage gas and other inventory	**293**	(7,847)	(9,517)
Regulatory assets/liabilities, net	**20,102**	(38,671)	(18,464)
Prepaid expenses and other current assets	**18,689**	9,124	(1,520)
Accounts payable and other accrued liabilities	**(16,795)**	2,724	8,285
Income taxes receivable	**(1,288)**	14,919	(4,575)
Customer deposits and refunds	**3,928**	664	3,176
Accrued compensation	**1,462**	(1,231)	1,198
Other assets and liabilities, net	**1,367**	(2,771)	(4,860)
Net cash provided by operating activities	**203,482**	158,882	150,504
Investing Activities			
Property, plant and equipment expenditures	**(188,618)**	(128,276)	(186,924)
Proceeds from sale of assets	**2,926**	3,860	1,033
Acquisitions, net of cash acquired	**(925,034)**	(11,766)	(36,371)
Environmental expenditures	**(665)**	(266)	(761)
Net cash used in investing activities	**(1,111,391)**	(136,448)	(223,023)
Financing Activities			
Common stock dividends	**(40,009)**	(35,147)	(31,537)
Issuance of stock for Dividend Reinvestment Plan	**(28)**	4,534	15,851
Proceeds from issuance of common stock, net of expenses	**366,417**	—	—
Tax withholding payments related to net settled stock compensation	**(2,455)**	(2,838)	(1,478)
Change in cash overdrafts due to outstanding checks	**(301)**	955	(1,154)
Net borrowings (repayments) under line of credit agreements	**(22,544)**	(20,608)	46,647
Proceeds from issuance of long-term debt	**627,011**	49,859	59,478
Repayment of long-term debt and finance lease obligation	**(21,482)**	(17,961)	(13,811)
Net cash provided by (used in) financing activities	**906,609**	(21,206)	73,996
Net (Decrease) Increase in Cash and Cash Equivalents	**(1,300)**	1,228	1,477
Cash and Cash Equivalents — Beginning of Period	**6,204**	4,976	3,499
Cash and Cash Equivalents — End of Period	**$ 4,904**	$ 6,204	$ 4,976

See Note 7 for Supplemental Cash Flow Disclosures.

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]	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Treasury Stock	Total
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)	—
Balance 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 income	—	—	—	—	(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**
Net Income	—	—	—	87,212	—	—	—	**87,212**
Issuance of common stock in connection with acquisition of FCG	4,438,596	2,160	364,257	—	—	—	—	**366,417**
Other comprehensive loss	—	—	—	—	(1,359)	—	—	**(1,359)**
Dividends declared ($2.305 per share)	—	—	—	(44,058)	—	—	—	**(44,058)**
Issuance under various plans [5]	—	—	(26)	—	—	—	—	**(26)**
Share-based compensation and tax benefit [3] [4]	55,323	28	5,089	—	—	—	—	**5,117**
Treasury stock activities [2]	—	—	—	—	—	1,990	(1,990)	—
Balances at December 31, 2023	**22,235,337**	**$ 10,823**	**$ 749,356**	**$ 488,663**	**$ (2,738)**	**$ 9,050**	**$ (9,050)**	**$ 1,246,104**

[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 107,623, 108,143 and 116,238 shares at December 31, 2023, 2022 and 2021, 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 2023, 2022 and 2021, we withheld 19,859, 21,832 and 14,020 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.

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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) sustainable energy investments including renewable natural gas.

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.

2. Summary of Significant Accounting Policies

Use of Estimates

Preparing the consolidated financial statements to conform 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 improvements 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, 2023 and 2022 is provided in the following table:

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(in thousands)	As of December 31, 2023	2022
Property, plant and equipment		
Regulated Energy		
Natural gas distribution - Delmarva Peninsula and Florida [1]	**$ 1,486,796**	$ 925,501
Natural gas transmission - Delmarva Peninsula, Pennsylvania, Ohio and Florida	**788,185**	741,865
Electric distribution	**143,513**	135,633
Unregulated Energy		
Propane operations – Mid-Atlantic, North Carolina, South Carolina and Florida	**194,918**	185,090
Natural gas transmission and supply – Ohio	**134,192**	128,620
Electricity and steam generation	**37,064**	36,886
Mobile CNG and pipeline solutions	**40,558**	38,543
Sustainable energy investments, including renewable natural gas	**4,076**	4,076
Other	**30,309**	29,890
Total property, plant and equipment	**2,859,611**	2,226,104
Less: Accumulated depreciation and amortization	**(516,429)**	(462,926)
Plus: Construction work in progress	**113,192**	47,295
Net property, plant and equipment	**$ 2,456,374**	$ 1,810,473

[1] Includes amounts attributable to the acquisition of FCG. See Note 4 for additional details on the acquisition.

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, 2023 and 2022, the non-refundable contributions totaled $4.2 million and $7.6 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 rate-making purposes when the completed projects are placed in service. During the years ended December 31, 2023, 2022 and 2021, AFUDC was immaterial and 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.

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Jointly-owned Pipelines

Property, plant and equipment for our Florida natural gas transmission operation included $28.4 million of jointly owned assets at December 31, 2023, 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 within our consolidated statements of income. Accumulated depreciation for this pipeline totaled $2.2 million and $1.5 million at December 31, 2023 and 2022, respectively.

Impairment of Long-lived Assets

We periodically evaluate whether events or circumstances have occurred, which indicate that 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. Certain components of depreciation and accretion are reported in operations expenses, rather than as 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 expenses 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, 2023, 2022 and 2021, we reported $11.9 million, $11.0 million and $10.2 million, respectively, of depreciation and accretion in operations expenses.

The following table shows the average depreciation rates used for regulated operations during the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Natural gas distribution – Delmarva Peninsula	**2.5%**	2.5%	2.5%
Natural gas distribution – Florida [1] [2]	**2.2%**	2.5%	2.5%
Natural gas transmission – Delmarva Peninsula	**2.7%**	2.7%	2.7%
Natural gas transmission – Florida	**2.4%**	2.4%	2.3%
Natural gas transmission – Ohio	**5.0%**	5.0%	N/A
Electric distribution	**2.4%**	2.8%	2.8%

[1] Excludes the acquisition of FCG which was completed on November 30, 2023.
[2] Average for 2023 includes the impact of the depreciation study that was approved by the Florida PSC in connection with the natural gas base rate proceeding.

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

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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 our consolidated 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 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. 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.

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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 associated with these customers. 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, 2023:

(in thousands)		
Balance at December 31, 2022	**$**	**2,877**
Additions:		
Provision for credit losses		**2,340**
Recoveries		**166**
Deductions:		
Write offs		**(2,684)**
Balance at December 31, 2023	**$**	**2,699**

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, 2023, 2022 or 2021.

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 generally 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. There were no goodwill impairments recognized during the years ended December 31, 2023, 2022 and 2021. 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.

See Note 18, *Rates and Other Regulatory Activities*, for information related to FCG's reserve surplus amortization mechanism ("RSAM") that was approved as part of its rate case effective as of May 1, 2023.

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

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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 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 initially recorded in accumulated other comprehensive income (loss) and reclassified to earnings when the associated hedged transaction settles. The ineffective portion of the gain or loss of a hedge is immediately 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 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 Yet to be Adopted

Segment Reporting (ASC 280) - In November 2023, the FASB issued ASU 2023-07, *Improvements to Reportable Segments Disclosures*, which modifies required disclosures about a public entity's reportable segments and addresses requests from investors for more detailed information about a reportable segment's expenses and a more comprehensive reconciliation of each segment's reported profit or loss. ASU 2023-07 will be effective for our annual financial statements beginning January 1, 2024 and our interim financial statements beginning January 1, 2025. ASU 2023-07 only impacts disclosures, and as a result, will not have a material impact on our financial position or results of operations.

Income Taxes (ASC 740) - In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures,* which modifies required income tax disclosures primarily related to an entity's rate reconciliation and information pertaining to income taxes paid. These enhancements have been made to address requests from investors related to transparency and usefulness of income tax disclosures. ASU 2023-09 will be effective for our annual financial statements beginning January 1, 2024. ASU 2023-09 only impacts disclosures, and as a result, will not have a material impact on our financial position or results of operations.

3. Earnings Per Share

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

	For the Year Ended December 31,		
	2023	**2022**	**2021**
(in thousands, except shares and per share data)			
Calculation of Basic Earnings Per Share:			
Net Income	**$ 87,212**	$ 89,796	$ 83,466
Weighted average shares outstanding [1]	**18,370,758**	17,722,227	17,558,078
Basic Earnings Per Share	**$ 4.75**	$ 5.07	$ 4.75
Calculation of Diluted Earnings Per Share:			
Reconciliation of Denominator:			
Weighted average shares outstanding — Basic [1]	**18,370,758**	17,722,227	17,558,078
Effect of dilutive securities — Share-based compensation	**64,099**	82,067	74,951
Adjusted denominator — Diluted [1]	**18,434,857**	17,804,294	17,633,029
Diluted Earnings Per Share	**$ 4.73**	$ 5.04	$ 4.73

[1] 2023 weighted average shares reflect the impact of 4.4 million common shares issued in November 2023 in connection with the acquisition of FCG. See Notes 4 and 15 for additional details on the acquisition and related equity offering.

4. Acquisitions

Acquisition of Florida City Gas

On November 30, 2023, we completed the acquisition of FCG for $923.4 million in cash, including working capital adjustments as defined in the agreement, pursuant to the previously disclosed stock purchase agreement with Florida Power & Light Company. Upon completion of the acquisition, FCG became a wholly-owned subsidiary of the Company and is included within our Regulated Energy segment.

FCG, a regulated utility, serves approximately 120,000 residential and commercial natural gas customers across eight counties in Florida, including Miami-Dade, Broward, Brevard, Palm Beach, Hendry, Martin, St. Lucie and Indian River. Its natural gas system includes approximately 3,800 miles of distribution main and 80 miles of transmission pipe.

The purchase price of the acquisition was funded with $366.4 million of net proceeds from the issuance of 4.4 million shares of our common stock, the issuance of approximately $550.0 million principal amount of uncollateralized senior notes, and borrowings under the Company's Revolver. See Note 12, *Long-Term Debt*, and Note 15, *Stockholders' Equity,* for additional details on these financing activities.

We accounted for the acquisition of FCG using the acquisition method. At December 31, 2023, the allocation of the purchase price remains preliminary pending finalizing of certain working capital balances. As such, the fair value measurements

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presented below are subject to change within the measurement period not to exceed one year from the date of the acquisition. As FCG is a regulated utility, the measurement of the fair value of most of the assets acquired and liabilities assumed were determined using the predecessor's carrying value. In certain other instances where assets and liabilities are not subject to regulation, we determined the fair value in accordance with the principles of ASC Topic 820, *Fair Value Measurements.*

The excess of the purchase price for FCG over the fair value of the assets acquired and liabilities assumed has been reflected as goodwill within the Regulated Energy segment. Goodwill resulting from the acquisition is largely attributable to expansion opportunities provided within our existing regulated operations in Florida, including planned customer growth and growth in rate base through continued investment in our utility infrastructure, as well as natural gas transmission infrastructure supporting the distribution operations. The goodwill recognized in connection with the acquisition of FCG will be deductible for income tax purposes.

The components of the preliminary purchase price allocation are as follows:

(in thousands)

Assets acquired:	**Acquisition Date Fair Value**
Cash	$ 2,270
Accounts receivable, net	14,396
Regulatory assets - current	2,983
Other current assets	2,707
Property, plant and equipment	453,845
Goodwill	461,193
Regulatory assets - non-current	3,381
Other deferred charges and other assets,	18,309
Total assets acquired	**959,084**
Liabilities assumed:	
Current liabilities	(20,954)
Regulatory liabilities	(14,137)
Other deferred credits and other liabilities	(548)
Total liabilities assumed	**(35,639)**
Net purchase price	**$ 923,445**

Direct transaction costs of $10.4 million associated with the FCG acquisition are reflected in "FCG transaction-related expenses" on our consolidated statement of income for the year ended December 31, 2023. In addition, interest charges include $4.1 million related to fees and expenses associated with the Bridge Facility, which was terminated without any funds drawn, for the year ended December 31, 2023. Other transaction costs of $15.9 million related primarily to the debt and equity financings executed in connection with the acquisition have been deferred on the consolidated balance sheet or recorded in equity as an offset to proceeds received, as appropriate.

For the period from the acquisition date through December 31, 2023, the Company's consolidated results include $12.1 million of operating revenue and a $3.3 million net loss attributable to FCG which includes $7.5 million of the transaction-related expenses described above. For additional information on FCG's results, see discussion under Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*. The following unaudited financial information reflects our pro forma operating revenues and net income assuming the FCG acquisition had occurred on January 1, 2022. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have been achieved or the future results of operations of FCG.

	For the Year Ended December 31,	
	2023	**2022**
(in thousands)		
Operating Revenue	**$ 786,473**	$ 798,355
Net Income	**$ 85,398**	$ 81,508

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Acquisition of J.T. Lee and Son's

In December 2023, Sharp acquired the propane operating assets of J.T. Lee and Son's in Cape Fear, North Carolina for $3.9 million. In connection with this acquisition, we recorded a $0.3 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. Through this acquisition, we expanded our operating footprint further in North Carolina, where customers are served by Sharp Energy's Diversified Energy division. Sharp added approximately 3,000 customers and distribution of approximately 800,000 gallons of propane annually. The transaction also includes a bulk plant with 60,000 gallons of propane storage, enabling the Company to realize efficiencies with additional storage capacity and overlapping delivery territories.

In connection with this acquisition, we recorded $2.7 million in property plant and equipment, $0.9 million in goodwill, $0.2 million in working capital, and less than $0.1 million in intangible assets associated primarily with 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 are included within our propane distribution operations within our Unregulated Energy segment. The operating revenues and net income of this acquisition were not material to our consolidated results for the year ended December 31, 2023.

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 was released after 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 1200 tons of poultry litter annually. The transaction accelerated our efforts in converting poultry waste to renewable, sustainable energy while simultaneously improving the local environments in our service territories.

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 operating revenues and net income of Planet Found were not material to our consolidated results for the years ended December 31, 2023 and 2022.

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 expanded its operating footprint further into North Carolina, where customers are 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 financial results associated with this acquisition are included within the Company's propane distribution operations within its Unregulated Energy segment. The operating revenues and net income of Davenport Energy were not material to our consolidated results for the years ended December 31, 2023 and 2022.

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 tables display revenue by major source based on product and service type for the years ended December 31, 2023, 2022 and 2021:

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(in thousands)	For the Year Ended December 31, 2023			
	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution				
Delaware natural gas division	$ 83,882	$ —	$ —	$ 83,882
Florida Natural Gas distribution [1]	168,360	—	—	168,360
Florida City Gas [2]	12,073	—	—	12,073
FPU electric distribution	99,474	—	—	99,474
Maryland natural gas division	28,092	—	—	28,092
Sandpiper natural gas/propane operations	20,185	—	—	20,185
Elkton Gas	8,814	—	—	8,814
Total energy distribution	420,880	—	—	420,880
Energy transmission				
Aspire Energy	—	37,139	—	37,139
Aspire Energy Express	1,478	—	—	1,478
Eastern Shore	79,923	—	—	79,923
Peninsula Pipeline	30,400	—	—	30,400
Total energy transmission	111,801	37,139	—	148,940
Energy generation				
Eight Flags	—	19,207	—	19,207
Propane operations				
Propane distribution operations	—	154,748	—	154,748
Compressed Natural Gas Services				
Marlin Gas Services	—	12,300	—	12,300
Other and eliminations				
Eliminations	(59,086)	(246)	(26,321)	(85,653)
Other	—	—	182	182
Total other and eliminations	(59,086)	(246)	(26,139)	(85,471)
Total operating revenues [3]	**$ 473,595**	**$ 223,148**	**$ (26,139)**	**$ 670,604**

[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) have been consolidated and amounts above are now being presented on a consolidated basis consistent with the final rate order.

[2] Operating revenues for FCG include amounts from the acquisition date through December 31, 2023. For additional information on FCG's results, see Note 4, Acquisitions, and discussion under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

[3] Total operating revenues for the year ended December 31, 2023, include other revenue (revenues from sources other than contracts with customers) of $1.2 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 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 distribution [1]	155,870	—	—	155,870
FPU electric distribution	81,714	—	—	81,714
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 [2]	**$ 429,424**	**$ 280,750**	**$ (29,470)**	**$ 680,704**

[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) have been consolidated and amounts above are now being presented on a consolidated basis consistent with the final rate order.

[2] 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.

(in thousands)	For the Year Ended December 31, 2021			
	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution				
Delaware natural gas division	$ 71,195	$ —	$ —	$ 71,195
Florida Natural Gas distribution [(1)]	134,609	—	—	134,609
FPU electric distribution	78,300	—	—	78,300
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 [(2)]	**$ 383,920**	**$ 206,869**	**$ (20,821)**	**$ 569,968**

(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) have been consolidated and amounts above are now being presented on a consolidated basis consistent with the final rate order.

(2) 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.

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.

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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, 2023 and 2022 were as follows:

(in thousands)	Trade Receivables	Contract Assets (Current)	Contract Assets (Noncurrent)	Contract Liabilities (Current)
Balance at 12/31/2022	$ 61,687	$ 18	$ 4,321	$ 983
Balance at 12/31/2023	**67,741**	**18**	**3,524**	**1,022**
Increase (decrease)	$ 6,054	$ —	$ (797)	$ 39

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, 2023 and 2022, the amounts recognized in revenue were not material.

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, 2023 are expected to be recognized as follows:

(in thousands)	2024	2025	2026	2027	2028	2029 and thereafter
Eastern Shore and Peninsula Pipeline	$ 36,657	$ 30,330	$ 26,547	$23,433	$22,559	$ 149,124
Natural gas distribution operations	9,680	9,216	8,501	6,472	5,252	28,428
FPU electric distribution	652	275	275	275	275	—
Total revenue contracts with remaining performance obligations	$ 46,989	$ 39,821	$ 35,323	$30,180	$28,086	$ 177,552

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 sustainable energy investments including renewable natural gas. 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.

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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 tables present information about our reportable segments:

	For the Year Ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Operating Revenues, Unaffiliated Customers			
Regulated Energy	**$ 471,591**	$ 422,894	$ 381,879
Unregulated Energy	**199,013**	257,810	188,089
Total operating revenues, unaffiliated customers	**$ 670,604**	$ 680,704	$ 569,968
Intersegment Revenues [1]			
Regulated Energy	**$ 2,004**	$ 6,530	$ 2,041
Unregulated Energy	**24,135**	22,940	18,780
Other businesses	**182**	308	527
Total intersegment revenues	**$ 26,321**	$ 29,778	$ 21,348
Operating Income			
Regulated Energy	**$ 126,199**	$ 115,317	$ 106,174
Unregulated Energy	**24,426**	27,350	24,427
Other businesses and eliminations	**178**	266	511
Operating Income	**150,803**	142,933	131,112
Other income, net	**1,438**	5,051	1,720
Interest charges	**36,951**	24,356	20,135
Income before Income Taxes	**115,290**	123,628	112,697
Income Taxes	**28,078**	33,832	29,231
Net Income	**$ 87,212**	$ 89,796	$ 83,466
Depreciation and Amortization			
Regulated Energy [2]	**$ 48,162**	$ 52,707	$ 48,748
Unregulated Energy	**17,347**	16,257	13,869
Other businesses and eliminations	**(8)**	9	44
Total depreciation and amortization	**$ 65,501**	$ 68,973	$ 62,661
Capital Expenditures			
Regulated Energy [3]	**$ 1,095,871**	$ 97,554	$ 139,733
Unregulated Energy	**40,264**	40,773	81,651
Other businesses	**1,762**	2,355	6,425
Total capital expenditures	**$ 1,137,897**	$ 140,682	$ 227,809

[1] All significant intersegment revenues are billed at market rates and have been eliminated from consolidated revenues.
[2] Depreciation and amortization in 2023 includes a $5.1 million RSAM adjustment. See Note 18 for additional details.
[3] Capital expenditures in 2023 include our acquisition of FCG for $923.4 million. See Note 4 for additional details.

	As of December 31,	
(in thousands)	**2023**	**2022**
Identifiable Assets		
Regulated Energy segment	**$ 2,781,581**	$ 1,716,255
Unregulated Energy segment	**477,402**	463,239
Other businesses and eliminations	**45,721**	35,543
Total identifiable assets	**$ 3,304,704**	$ 2,215,037

7. Supplemental Cash Flow Disclosures

Cash paid for interest and income taxes during the years ended December 31, 2023, 2022 and 2021 were as follows:

	For the Year Ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Cash paid for interest	**$ 30,525**	$ 24,267	$ 20,809
Cash (received) paid for income taxes, net of refunds	**$ 21,920**	$ (4,963)	$ 8,395

Non-cash investing and financing activities during the years ended December 31, 2023, 2022, and 2021 were as follows:

	For the Year Ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Capital property and equipment acquired on account, but not paid for as of December 31,	**$ 33,334**	$ 13,211	$ 16,164
Common stock issued for the Retirement Savings Plan	**$ —**	$ —	$ 1,712
Common stock issued under the SICP	**$ 3,740**	$ 2,868	$ 2,834

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, 2023 and 2022, our natural gas and electric distribution operations did not have any outstanding derivative contracts.

Volume of Derivative Activity

As of December 31, 2023, 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	18.1	Cash flow hedges	June 2026
Sharp	Propane (gallons)	Sales	3.2	Cash flow hedges	March 2024

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 2023 through June 2026) 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 initially recorded as a component of accumulated other comprehensive income (loss) and later recognized in our consolidated statement of income in the same period and in the same line item as the hedged transaction. We expect to reclassify approximately $0.3 million of unrealized losses from accumulated other comprehensive income (loss) to earnings during the next 12-month period.

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.

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In February 2021, we entered into an interest rate swap with a notional amount of $40.0 million through December 2021 with pricing of 0.17 percent. In the fourth quarter of 2020, we entered into interest rate swaps with notional amounts totaling $60.0 million through December 2021 with pricing of approximately 0.20 percent for the period associated with our outstanding borrowing under the Revolver.

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 expiration of LIBOR. Accordingly, our current interest rate swap is cash settled monthly as the counter-party pays us the 30-day SOFR rate less the fixed rate. Prior to August 2022, our short-term borrowing interest rate was based on the 30-day LIBOR rate. 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.

We designate and account for interest rate swaps as cash flows hedges. Accordingly, unrealized gains and losses associated with the interest rate swaps are initially recorded as a component of accumulated other comprehensive income (loss). As the interest rate swap settles each month, 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 other current assets on the consolidated balance sheet with a balance of $2.1 million as of December 31, 2023 compared to a current liability of $0.1 million at December 31, 2022.

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, 2023 and 2022 are as follows:

	Derivative Assets		
		Fair Value as of	
(in thousands)	**Balance Sheet Location**	**December 31, 2023**	**December 31, 2022**
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative assets, at fair value [1]	**$ 702**	$ 3,317
Interest rate swap agreements	Derivative assets, at fair value [1]	**365**	452
Total Derivative Assets		**$ 1,067**	$ 3,769

[1] Derivative assets, at fair value include $1.0 million and $2.8 million in current assets in the consolidated balance sheet at December 31, 2023 and 2022, respectively, with the remainder of the balance classified as long-term.

	Derivative Liabilities		
		Fair Value as of	
(in thousands)	**Balance Sheet Location**	**December 31, 2023**	**December 31, 2022**
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative liabilities, at fair value [1]	**$ 1,078**	$ 1,810
Interest rate swap agreements	Derivative liabilities, at fair value [1]	**203**	405
Total Derivative Liabilities		**$ 1,281**	$ 2,215

[1] Derivative liabilities, at fair value include $0.4 million and $0.6 million in current liabilities in the consolidated balance sheet at December 31, 2023 and 2022, respectively, with the remainder of the balance classified as long-term.

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The effects of gains and losses from derivative instruments and their location in the consolidated statements of income are as follows:

		Amount of Gain (Loss) on Derivatives:		
	Location of Gain (Loss) on Derivatives	For the Year Ended December 31,		
(in thousands)		2023	2022	2021
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)
Derivatives designated as cash flow hedges				
Propane swap agreements	Revenues	**1,221**	(373)	(536)
Propane swap agreements	Propane and natural gas costs	**(1,160)**	3,881	7,187
Interest rate swap agreements	Interest expense	**523**	(47)	(40)
Total		**$ 584**	$ 3,517	$ 6,586

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 as follows:

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.

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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, 2023 and 2022, respectively:

		Fair Value Measurements Using:		
As of December 31, 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	**$ 21**	**$ 21**	**$ —**	**$ —**
Investments—guaranteed income fund	**1,489**	**—**	**—**	**1,489**
Investments—mutual funds and other	**10,772**	**10,772**	**—**	**—**
Total investments	**12,282**	**10,793**	**—**	**1,489**
Derivative assets	**1,067**	**—**	**1,067**	**—**
Total assets	**$ 13,349**	**$ 10,793**	**$ 1,067**	**$ 1,489**
Liabilities:				
Derivative liabilities	**$ 1,281**	**$ —**	**$ 1,281**	**$ —**

		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	$ —

The changes in the fair value of our Level 3 investments for the years ended December 31, 2023 and 2022 were immaterial. Investment income from our Level 3 investments is reflected in other income (expense), net in the consolidated statements of income.

At December 31, 2023 and 2022, 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 (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).

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At December 31, 2023, long-term debt, which includes the current maturities but excludes debt issuance cost, had a carrying value of $1.2 billion, compared to the estimated fair value of $1.2 billion. At December 31, 2022, long-term debt, which includes the current maturities and excludes debt issuance costs, had a carrying value of $600.8 million, compared to a fair value of $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.

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, 2023 and 2022 was as follows:

(in thousands)	Regulated Energy	Unregulated Energy	Total Goodwill
Balance at December 31, 2022	$ 7,689	$ 38,524	$ 46,213
Additions [1]	461,025	936	461,961
Balance at December 31, 2023	**$ 468,714**	**$ 39,460**	**$ 508,174**

[1] 2023 additions primarily attributable to goodwill from the November 2023 acquisition of FCG. See Note 4 for additional details.

There were no goodwill impairments recognized during the three-year period ended December 31, 2023.

The carrying value and accumulated amortization of intangible assets subject to amortization as of December 31, 2023 and 2022 was as follows:

	As of December 31,			
	2023		2022	
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	**$ 17,004**	**$ 7,146**	$ 16,965	$ 6,131
Non-Compete agreements	**3,125**	**1,855**	3,105	1,411
Patents [1]	**6,558**	**859**	5,819	533
Other	**270**	**232**	270	225
Total	**$ 26,957**	**$ 10,092**	$ 26,159	$ 8,300

[1] 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, 2023, 2022 and 2021 was $1.8 million, $1.5 million and $1.3 million, respectively. Amortization expense of intangible assets is expected to be $1.8 million for the years 2024 through 2025, $1.6 million for 2026, $1.5 million for 2027 and $1.3 million for 2028.

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 2017 are subject to examination. At December 31, 2023, the 2015 through 2019 federal income tax returns are no longer under examination.

For state income tax purposes, we had NOL in various states of $72.9 million and $67.7 million as of December 31, 2023 and 2022, respectively, almost all of which will expire in 2040. Excluding NOLs from discontinued operations, we have recorded deferred tax assets of $1.8 million and $1.5 million related to state NOL carry-forwards at December 31, 2023 and 2022, 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.

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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. As a result, our income tax expense for the year 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 and then applied back to our 2013 and 2015 tax years in which we paid federal income taxes at a 35 percent tax rate. Tax benefits associated with this legislation were not available for the year ended December 31, 2023.

On December 22, 2017, the TCJA was signed into law. 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 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 2023, 2022, and 2021; (b) the reconciliation between the statutory federal income tax rate and the effective income tax rate for 2023, 2022, and 2021; and (c) the components of accumulated deferred income tax assets and liabilities at December 31, 2023 and 2022.

	For the Year Ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Current Income Tax Expense			
Federal	**$ 14,736**	$ 8,284	$ 2,775
State	**5,496**	1,948	(96)
Other	**(47)**	(47)	(47)
Total current income tax expense (benefit)	**20,185**	10,185	2,632
Deferred Income Tax Expense [(1)]			
Property, plant and equipment	**17,797**	14,968	24,074
Deferred gas costs	**(7,739)**	8,923	1,857
Pensions and other employee benefits	**(974)**	1,109	(655)
FPU merger-related premium cost and deferred gain	**(351)**	(351)	(351)
Net operating loss carryforwards	**(370)**	2	97
Other	**(470)**	(1,004)	1,577
Total deferred income tax expense	**7,893**	23,647	26,599
Total Income Tax	**$ 28,078**	$ 33,832	$ 29,231

[(1)] Includes less than $0.1 million, $7.8 million, and $8.2 million of deferred state income taxes for the years 2023, 2022 and 2021, respectively.

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(in thousands)	For the Year Ended December 31,		
	2023	2022	2021
Reconciliation of Effective Income Tax Rates			
Federal income tax expense [1]	**$ 24,214**	$ 25,982	$ 23,666
State income taxes, net of federal benefit	**4,377**	7,714	6,371
ESOP dividend deduction	**(184)**	(177)	(180)
CARES Act Tax Benefit	**—**	—	(919)
Other	**(329)**	313	293
Total Income Tax Expense	**$ 28,078**	$ 33,832	$ 29,231
Effective Income Tax Rate	**24.35 %**	27.34 %	25.94 %

[1] Federal income taxes were calculated at 21 percent for 2023, 2022, and 2021.

(in thousands)	As of December 31,	
	2023	2022
Deferred Income Taxes		
Deferred income tax liabilities:		
Property, plant and equipment	**$ 252,125**	$ 238,687
Acquisition adjustment	**5,564**	5,915
Loss on reacquired debt	**145**	164
Deferred gas costs	**3,550**	11,288
Natural gas conversion costs	**4,824**	5,026
Storm reserve liability	**5,797**	5,791
Other	**9,655**	8,236
Total deferred income tax liabilities	**$ 281,660**	$ 275,107
Deferred income tax assets:		
Pension and other employee benefits	**$ 4,993**	$ 3,985
Environmental costs	**951**	1,052
Net operating loss carryforwards	**1,847**	1,488
Storm reserve liability	**213**	453
Accrued expenses	**3,335**	9,007
Other	**11,239**	2,955
Total deferred income tax assets	**$ 22,578**	$ 18,940
Deferred Income Taxes Per Consolidated Balance Sheets	**$ 259,082**	$ 256,167

12. LONG-TERM DEBT

Our outstanding long-term debt is shown below:

(in thousands)	As of December 31, 2023	2022
Uncollateralized Senior Notes:		
5.93% notes, due October 31, 2023	**$ —**	$ 3,000
5.68% notes, due June 30, 2026	**8,700**	11,600
6.43% notes, due May 2, 2028	**3,500**	4,200
3.73% notes, due December 16, 2028	**10,000**	12,000
3.88% notes, due May 15, 2029	**30,000**	35,000
3.25% notes, due April 30, 2032	**59,500**	66,500
3.48% notes, due May 31, 2038	**50,000**	50,000
3.58% notes, due November 30, 2038	**50,000**	50,000
3.98% notes, due August 20, 2039	**100,000**	100,000
2.98% notes, due December 20, 2034	**70,000**	70,000
3.00% notes, due July 15, 2035	**50,000**	50,000
2.96% notes, 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**	—
6.39% notes, due December 2026	**100,000**	—
6.44% notes, due December 2027	**100,000**	—
6.45% notes, due December 2028	**100,000**	—
6.62% notes, due December 2030	**100,000**	—
6.71% notes, due December 2033	**100,000**	—
6.73% notes, due December 2038	**50,000**	—
Equipment security note		
2.46% note, due September 24, 2031	**7,633**	8,517
Less: debt issuance costs	**(3,753)**	(946)
Total long-term debt	**1,205,580**	599,871
Less: current maturities	**(18,505)**	(21,483)
Total long-term debt, net of current maturities	**$ 1,187,075**	$ 578,388

Terms of the Senior Notes

All of our outstanding 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.

Senior Notes

On November 20, 2023, we issued Senior Notes in the aggregate principal amount of $550.0 million at an average interest rate of 6.54 percent that were used to partially finance our acquisition of FCG which closed during the fourth quarter of 2023. These notes have varying maturity dates of between three and 15 years, and the outstanding principal balance of the notes will be due on their respective maturity dates with interest payments payable semiannually until the principal has been paid in full. These Senior Notes have similar covenants and default provisions as our other Senior Notes.

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 and to fund capital expenditures. These Senior Notes have similar covenants and default provisions as our other Senior Notes, and have an annual principal amortization payment beginning in the sixth year after the issuance.

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Annual Maturities

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

Year	2024	2025	2026	2027	2028	Thereafter	Total
(in thousands)							
Payments	$ 18,505	$ 25,528	$ 134,551	$ 131,674	$ 136,699	$ 762,376	$1,209,333

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 these Shelf Agreements, which expanded the total borrowing capacity and extended the term of the agreements for an additional three years to 2026. The following table summarizes the current available capacity under our Shelf Agreements at December 31, 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	$ 605,000	$ (350,000)	$ —	$ 255,000

13. Short-term Borrowings

We are authorized by our Board of Directors to borrow up to $375.0 million of short-term debt, as required. At December 31, 2023 and 2022, we had $179.9 million and $202.2 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 5.83 percent and 5.04 percent, respectively. There were no borrowings outstanding under the sustainable investment sublimit of the 364-day tranche at December 31, 2023.

We have entered into several amendments to our Revolver which resulted in modifications to both tranches of the facility. The most recent amendment in October 2023 allowed for a change in our funded indebtedness ratio from 65 percent to 70 percent during the quarter in which the acquisition of FCG is consummated and the quarter subsequent to the closing of the acquisition. The amendment in August 2023 served to renew the 364-day tranche of the Revolver, providing for $175.0 million of short-term debt capacity. Additionally, the amendment for borrowings under the 364-day tranche shall now bear interest (i) based upon the SOFR, plus a 10-basis point credit spread adjustment, and an applicable margin of 1.05 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate, solely at our discretion. Further, the amendment provided that borrowings under the 364-day green loan sublimit shall now bear interest at (i) the SOFR rate plus a 10-basis point credit spread adjustment and an applicable margin of 1.00 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate plus 0.05 percent or less, solely at our discretion. The amendment entered into in 2022 served to reset the benchmark interest rate to SOFR and to eliminate a previous covenant which capped our investment limit to $150.0 million for investments where we maintain less than 50 percent ownership.

The 364-day tranche of the Revolver expires in August 2024 and the five-year tranche expires in August 2026. 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, 2023, the pricing under the 364-day tranche of the Revolver included a commitment fee of 9-basis points on undrawn amounts and an interest rate of 75-basis points over SOFR plus a 10-basis point SOFR adjustment on outstanding balances. As of December 31, 2023, the pricing under the five-year tranche of the Revolver included a commitment fee of 9-basis points on undrawn amounts and an interest rate of 95-basis points over SOFR plus a 10-basis point SOFR adjustment on outstanding balances.

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 as described above. As of December 31, 2023, we are in compliance with this covenant.

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Our total available credit under the Revolver at December 31, 2023 was $188.1 million. As of December 31, 2023, we had issued $7.0 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.

In connection with our acquisition of FCG, we entered into a 364-day Bridge Facility commitment with Barclays Bank PLC and other lending parties for up to $965.0 million. Upon closing of the FCG acquisition in November 2023, and with the completion of other financing activities as defined in the lending agreement, this facility was terminated with no funds drawn to finance the transaction. For additional information regarding the acquisition and related financing, see Note 4, *Acquisitions,* Note 12, *Long-Term Debt* and Note 15, *Stockholders Equity*.

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. 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 December 31, 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 December 31, 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:

(in thousands)	**Classification**	**Year Ended December 31, 2023**	**2022**
Operating lease cost [(1)]	Operations expense	**$ 3,040**	$ 2,883

[(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 sheets at December 31, 2023 and 2022:

(in thousands)	**Balance sheet classification**	**December 31, 2023**	**December 31, 2022**
Assets			
Operating lease assets	Operating lease right-of-use assets	**$ 12,426**	$ 14,421
Liabilities			
Current			
Operating lease liabilities	Other accrued liabilities	**$ 2,454**	$ 2,552
Noncurrent			
Operating lease liabilities	Operating lease - liabilities	**10,550**	12,392
Total lease liabilities		**$ 13,004**	$ 14,944

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The following table presents our weighted-average remaining lease term and weighted-average discount rate for our operating leases at December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Weighted-average remaining lease term (*in years*)		
Operating leases	**8.1**	8.5
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 consolidated statements of cash flows at December 31, 2023 and 2022:

	Year Ended December 31,	
(in thousands)	2023	2022
Operating cash flows from operating leases	**$ 2,906**	$ 2,931

The following table presents the future undiscounted maturities of our operating and financing leases at December 31, 2023 and for each of the next five years and thereafter:

(in thousands)	Operating Leases [(1)]
2024	**$ 2,771**
2025	**2,288**
2026	**1,774**
2027	**1,583**
2028	**1,205**
Thereafter	**5,243**
Total lease payments	**14,864**
Less: Interest	**(1,860)**
Present value of lease liabilities	**$ 13,004**

[(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 November 2023, in connection with our acquisition of FCG, we completed an overnight offering resulting in the issuance of 4.4 million shares of our common stock at a price per share of $82.72 (net of underwriter discounts and commissions). We received net proceeds of $366.4 million which were used to partially finance the acquisition.

We maintain an effective shelf registration statement with the SEC for the issuance of shares under our DRIP and our previous 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. There were no issuances under the DRIP in 2023. 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. 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 million, expired in June 2023.

Net proceeds from share issuances under our DRIP and ATM programs are used 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 contract 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 balances of accumulated other comprehensive income (loss) components for the years ended December 31, 2023 and 2022. 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, 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 (loss)	762	(3,479)	35	(2,682)
As of December 31, 2022	**(2,506)**	**1,092**	**35**	**(1,379)**
Other comprehensive income (loss) before reclassifications	(110)	(1,322)	473	(959)
Amounts reclassified from accumulated other comprehensive income (loss)	32	(44)	(388)	(400)
Net current-period other comprehensive income (loss)	(78)	(1,366)	85	(1,359)
As of December 31, 2023	**$ (2,584)**	**$ (274)**	**$ 120**	**$ (2,738)**

Deferred gains or losses for our commodity contract and interest rate swap cash flow hedges are recognized in earnings upon settlement and are included in the effects of gains and losses from derivative instruments. See Note 8, *Derivative Instruments*, for additional details. 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 16, *Employee Benefit Plans*, for additional details.

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. The changes in funded status that occurred during the year that are not recognized as part of net periodic benefit costs are recorded as a component of other comprehensive income (loss) or a regulatory asset.

Defined Benefit Pension Plans

At December 31, 2023 we sponsored two defined benefit pension plans: the FPU Pension Plan and the Chesapeake Supplemental Executive Retirement Plan ("SERP").

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, 2023 and 2022, is included in the other pension and benefit costs liability in our consolidated balance sheets.

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The following schedules set forth the funded status at December 31, 2023 and 2022 and the net periodic cost (benefit) for the years ended December 31, 2023, 2022 and 2021 for the FPU Pension Plan and the Chesapeake SERP:

	FPU Pension Plan		Chesapeake SERP	
At December 31,	**2023**	**2022**	**2023**	**2022**
(in thousands)				
Change in benefit obligation:				
Benefit obligation — beginning of year	**$ 49,941**	$ 67,030	**$ 1,659**	$ 2,096
Interest cost	**2,495**	1,781	**81**	50
Actuarial (gain) loss	**454**	(15,713)	**48**	(335)
Benefits paid	**(3,233)**	(3,157)	**(152)**	(152)
Benefit obligation — end of year	**49,657**	49,941	**1,636**	1,659
Change in plan assets:				
Fair value of plan assets — beginning of year	**46,203**	58,712	**—**	—
Actual return on plan assets	**6,462**	(9,552)	**—**	—
Employer contributions	**—**	200	**152**	152
Benefits paid	**(3,233)**	(3,157)	**(152)**	(152)
Fair value of plan assets — end of year	**49,432**	46,203	**—**	—
Accrued pension cost / funded status	**$ (225)**	$ (3,738)	**$ (1,636)**	$ (1,659)
Assumptions:				
Discount rate	**5.00 %**	5.25 %	**4.88 %**	5.00 %
Expected return on plan assets	**6.00 %**	6.00 %	**— %**	— %

	FPU Pension Plan			Chesapeake SERP		
For the Years Ended December 31,	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
(in thousands)						
Components of net periodic pension cost:						
Interest cost	**$2,495**	$ 1,781	$1,714	**$ 81**	$ 50	$ 48
Expected return on assets	**(2,670)**	(3,430)	(3,306)	**—**	—	—
Amortization of actuarial loss	**407**	466	612	**8**	28	28
Total periodic cost	**$ 232**	$ (1,183)	$ (980)	**$ 89**	$ 78	$ 76
Assumptions:						
Discount rate	**5.25 %**	2.75 %	2.50 %	**5.00 %**	2.50 %	2.25 %
Expected return on plan assets	**6.00 %**	6.00 %	6.00 %	**— %**	— %	— %

During the fourth quarter of 2021, we formally terminated the Chesapeake Pension Plan. Total periodic cost for the plan during that year was $2.0 million attributable to a settlement charge.

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, 2023, 2022 and 2021:

	FPU Pension Plan		
At December 31,	**2023**	**2022**	**2021**
Asset Category			
Equity securities	**50 %**	53 %	52 %
Debt securities	**49 %**	38 %	38 %
Other	**1 %**	9 %	10 %
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)	33 %	57 %
Fixed Income (Inflation Bond and Taxable Fixed)	38 %	58 %
Foreign Equities (Developed and Emerging Markets)	3 %	7 %
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, 2023 and 2022, the assets of the FPU Pension Plan were comprised of the following investments:

Asset Category	Fair Value Measurement Hierarchy For Year Ended December 31, 2023	2022
(in thousands)		
Mutual Funds - Equity securities		
U.S. Large Cap [1]	**$ 15,360**	$ 3,413
U.S. Mid Cap [1]	**4,271**	1,425
U.S. Small Cap [1]	**2,518**	692
International [2]	**2,499**	9,352
Alternative Strategies [3]	**—**	4,824
	24,648	19,706
Mutual Funds - Debt securities		
Fixed income [4]	**24,228**	15,343
High Yield [4]	**—**	2,269
	24,228	17,612
Mutual Funds - Other		
Commodities [5]	**—**	1,832
Real Estate [6]	**—**	1,709
Guaranteed deposit [7]	**556**	398
	556	3,939
Total Pension Plan Assets in fair value hierarchy [8]	**49,432**	41,257
Investments measured at net asset value [9]	**—**	4,946
Total Pension Plan Assets	**$ 49,432**	$ 46,203

[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, 2023 and 2022, 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 changes in the fair value within our pension assets for Level 3 investments for the years ended December 31, 2023 and 2022 were immaterial.

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, 2023 and 2022, the funded status of the Chesapeake Postretirement Plan was $1.1 million and $0.6 million, respectively. The funded status of the FPU Medical Plan was $0.4 million and $0.7 million as of December 31, 2023 and 2022, respectively.

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Net periodic postretirement benefit costs for the Chesapeake Postretirement Plan and the FPU Medical Plan were not material for the years ended December 31, 2023, 2022, and 2021.

As of December 31, 2023, there was $12.8 million not yet reflected in net periodic postretirement benefit costs and included in accumulated other comprehensive income (loss) or as a regulatory asset. Net losses of $10.8 million and $1.2 million attributable to the FPU Pension Plan and Chesapeake Postretirement Plan, respectively, comprised most of this amount with $3.2 million recorded in accumulated other comprehensive income (loss) and $8.7 million recorded as a regulatory asset at December 31, 2023.

Pursuant to a Florida PSC order, FPU continues to record as a regulatory asset the portion of the unrecognized pension and postretirement benefit costs after the merger with Chesapeake Utilities related to its regulated operations.

Assumptions

The assumptions used for the discount rate to calculate the benefit obligations were based on the interest rates of high-quality bonds in 2023, 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 2023 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 2024, we do not expect to contribute to the FPU Pension Plan, and total payments of $0.2 million are expected for the Chesapeake SERP, Chesapeake Postretirement Plan and FPU Medical Plan combined.

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]
2024	$ 3,528	$ 151	$ 42	$ 35
2025	$ 3,603	$ 164	$ 46	$ 35
2026	$ 3,617	$ 161	$ 45	$ 34
2027	$ 3,616	$ 158	$ 48	$ 33
2028	$ 3,651	$ 154	$ 49	$ 32
Years 2029 through 2033	$ 17,951	$ 689	$ 299	$ 143

(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 $6.6 million, $6.2 million, and $5.9 million for the years ended December 31, 2023, 2022 and 2021, respectively. As of December 31, 2023, there were 798,586 shares of our common stock reserved to fund future contributions to the Retirement Savings Plan.

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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 their deferred common stock units in the same amount that is received by all other stockholders. Such dividends are reinvested into additional deferred common stock units. Assets held in the Rabbi Trust, recorded as Investments on the consolidated balance sheet, had a fair value of $12.3 million and $10.6 million at December 31, 2023 and 2022, 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 and directors' stock retainers are made in the form of deferred common stock units and are paid out in shares of our common stock, on a one-for-one basis, 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 $9.1 million and $7.1 million at December 31, 2023 and 2022, respectively, which are also shown as a deduction against stockholders' equity in the consolidated balance sheet.

17. Share-Based Compensation Plans

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. We have 561,115 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, 2023, 2022 and 2021:

	For the Year Ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Awards to key employees	**$ 6,716**	$ 5,479	$ 5,163
Awards to non-employee directors	**906**	959	782
Total compensation expense	**7,622**	6,438	5,945
Less: tax benefit	**(1,947)**	(1,663)	(1,535)
Share-based compensation amounts included in net income	**$ 5,675**	$ 4,775	$ 4,410

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 and key employees of the Company, contingent upon various performance goals and subject to SEC transfer restrictions.

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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 a 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, 2021	**197,398**	**$ 94.15**
Granted	69,620	117.61
Vested	(60,191)	90.60
Expired	(2,678)	91.42
Outstanding — December 31, 2022	**204,149**	**103.17**
Granted	80,820	126.06
Vested	(68,302)	91.59
Expired	(2,053)	94.64
Forfeited	(1,490)	113.44
Outstanding — December 31, 2023	**213,124**	**$ 117.74**

During the year ended December 31, 2023, we granted awards of 80,820 shares of common stock to officers and key employees under the SICP, including awards granted in February 2023 and to key employees 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, 2025.

The aggregate intrinsic value of the SICP awards granted was $22.5 million, $24.1 million, and $28.8 million at December 31, 2023, 2022 and 2021, respectively. At December 31, 2023, there was $6.6 million of unrecognized compensation cost related to these awards, which is expected to be recognized through 2025.

In March 2023, 2022 and 2021, 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, 2022 and 2021 for the performance periods ended December 31, 2022, 2021, and 2020. We paid the balance of such awarded shares to each such executive officer and remitted the cash equivalent of the withheld shares to the appropriate taxing authorities. The below table presents the number of shares withheld and amounts remitted:

	For the Year Ended December 31,		
(amounts in thousands, except shares)	2023	2022	2021
Shares withheld to satisfy tax obligations	**19,859**	21,832	14,020
Amounts remitted to tax authorities to satisfy obligations	**$ 2,455**	$ 2,838	$ 1,478

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 and 2022 each received 765 and 652 shares of common stock, respectively, with a weighted average fair value of $124.12 and $130.36 per share, respectively.

At December 31, 2023, 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 2024.

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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.

Refer to the additional details below pertaining to the Customer Information System Regulatory Asset Petition and COVID-19 impact.

Delaware

The October 2, 2023, application for the issuance of common stock and long-term debt was unanimously approved on October 25, 2023, by the Delaware PSC.

In September 2023, the Delaware Division submitted the Energy Efficiency Rider application for natural gas with the Delaware PSC after obtaining an affirmative recommendation from the Delaware Energy Efficiency Advisory Council ("EEAC"). The application is the first in the state and applies to a portfolio of four programs including, Home Energy Counseling, Home Performance with Energy Star, Assisted Home Performance with Energy Star, and standard Offer Program in which customers can participate and allow for recovery. The evidentiary hearing on this matter is set for April 2024. If approved as filed, rates will be effective May 1, 2024.

Maryland

On October 2, 2023, Chesapeake filed a notification of the financing plans associated with the FCG acquisition with the Maryland PSC. The filing was successfully noted during the November 1, 2023, Maryland PSC administrative meeting.

Maryland Natural Gas Rate Case: In January 2024, our natural gas distribution businesses in Maryland, CUC-Maryland Division, Sandpiper Energy, Inc., and Elkton Gas Company (collectively, "Maryland natural gas distribution businesses") filed a joint application for a natural gas rate case with the Maryland PSC. In connection with the application, we are seeking approval of the following: (i) permanent rate relief of approximately $6.9 million; (ii) authorization to make certain changes to tariffs to include a unified rate structure and to consolidate the Maryland natural gas distribution businesses under the new corporate entity which we anticipate will be called Chesapeake Utilities of Maryland, Inc.; and (iii) authorization to establish a rider for recovery of the costs associated with our new technology systems. The outcome of the application is subject to review and approval by the Maryland PSC.

Maryland Natural Gas Depreciation Study: In January 2024, our Maryland natural gas distribution businesses filed a joint petition for approval of their proposed unified depreciation rates with the Maryland PSC. If approved, new rates will become effective retroactively on January 1, 2023.

Ocean City Maryland Reinforcement: 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 5.4 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 of 2023. The Company filed a natural gas rate case application with the PSC for the state of Maryland in January 2024 as discussed above.

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.

Florida Natural Gas Rate Case: In May 2022, our legacy 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,

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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.

FCG Natural Gas Rate Case: In May 2022, FCG filed a general base rate increase with the Florida PSC based on a projected 2023 test year. In June 2023, the Florida PSC issued an order approving a single total base revenue increase of $23.3 million (which included an incremental increase of $14.1 million, a previously approved increase of $3.8 million for a liquefied natural gas facility, and $5.3 million to transfer the SAFE investments from a rider clause to base rates), with new rates becoming effective as of May 1, 2023. The Commission also approved FCG's proposed RSAM with a $25.0 million reserve amount, continuation and expansion of the capital SAFE program, implementation of an automated metering infrastructure pilot, and continuation of the storm damage reserve with a target reserve of $0.8 million. On June 23, 2023, the Florida OPC filed a motion for reconsideration of the PSC's approval of RSAM, which was denied on September 12, 2023. On July 7, 2023, the Florida OPC filed a notice of appeal with the Florida Supreme Court, which is pending. The Florida OPC filed their initial brief on January 31, 2024.

The RSAM is recorded as either an increase or decrease to accrued removal costs which is reflected on the Company's balance sheets and a corresponding increase or decrease to depreciation and amortization expense. In order to earn the targeted regulatory ROE in each reporting period subject to the conditions of the effective rate agreement, RSAM is calculated using a trailing thirteen-month average of rate base and capital structure in conjunction with the trailing twelve months regulatory base net operating income, which primarily includes the base portion of rates and other revenues, net of operations and maintenance expenses, depreciation and amortization, interest and tax expenses. In general, the net impact of these income statement line items is adjusted, in part, by RSAM or its reversal to earn the targeted regulatory ROE. For the year ended December 31, 2023, the Company recorded decreases to asset removal costs and depreciation expense of $5.1 million as a result of the RSAM adjustment.

Beachside Pipeline Extension: In June 2021, Peninsula Pipeline and FCG entered into a Transportation Service Agreement for an incremental 10,176 Dts/d of firm service in Indian River County, Florida, to support FCG's 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 constructed a pipeline extension and regulator station for FPU. The extension supports new incremental load due to growth in the area, including providing service, most immediately, to the residential development, Twin Lakes. The expansion also improves reliability and provides 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, and the expansion was 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 operations' SPP 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. The Company filed 2024 SPPCRC projections on May 1, 2023. A hearing was held on September 12, 2023. The Commission voted to approve the projections on November 9, 2023. FPU projects to spend $13.6 million on the program in 2024.

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 both current and new natural gas 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 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 maintenance and repair equipment and system reliability projects. In August 2023, the Florida PSC approved the GUARD program, which included $205.0 million of capital expenditures projected to be spent over a 10-year period.

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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. The petition was approved by the Florida PSC in the third quarter of 2023. 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. A filing to address the acquisition and conversion of propane community gas systems in Newberry was made in November 2023, and the Florida PSC is scheduled to vote on this in March 2024. The Company anticipates beginning the conversions of the community gas systems in the second quarter of 2024.

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. The amendment was approved by the Florida PSC 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 its proposed depreciation rates, which was approved in December 2023.

East Coast Reinforcement Projects: In December 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreements with FPU for projects that will support additional supply to communities on the East Coast of Florida. The projects are driven by the need for increased supply to coastal portions of the state that have experienced an increase in population growth. Peninsula Pipeline will construct several pipeline extensions which will support FPU's distribution system in the areas of Boynton Beach and New Smyrna Beach with an additional 15,000 Dts/day and 3,400 Dts/day, respectively.

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 enables 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 went into service in October 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 the 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.

Worcester Resiliency Upgrade: In August 2023, Eastern Shore filed an application with the FERC requesting authorization to construct the Worcester Resiliency Upgrade, which consists of a mixture of storage and transmission facilities in Sussex County, DE and Wicomico, Worcester, and Somerset Counties in Maryland. The project will provide long-term incremental supply necessary to support the growing demand of the participating shippers. Eastern Shore has requested certificate authorization by December 2024, with a target in-service date by the third quarter of 2025.

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, however, the Florida PSC approved capitalization of these expenses in lieu of establishment of regulatory assets. 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

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"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 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 December 31, 2023 and 2022, our total COVID-19 regulatory asset balance was $0.2 million and $1.2 million, respectively.

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, 2023 and 2022:

	Amount (in thousands)		
Operation and Regulatory Jurisdiction	**December 31, 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)	$12,038	$12,230	PSC approved amortization of ADIT in January 2019.
Chesapeake Maryland natural gas division (Maryland PSC)	$3,585	$3,703	PSC approved amortization of ADIT in May 2018.
Sandpiper Energy (Maryland PSC)	$3,487	$3,597	PSC approved amortization of ADIT in May 2018.
Florida Natural Gas distribution (Florida PSC) [1]	$26,757	$27,179	PSC issued order authorizing amortization and retention of net ADIT liability by the Company in February 2019.
FPU electric division (Florida PSC)	$4,760	$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)	$1,027	$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 and amounts above are now being presented on a consolidated basis consistent with the final rate order.

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Regulatory Assets and Liabilities

At December 31, 2023 and 2022, our regulated utility operations recorded the following regulatory assets and liabilities included in our consolidated balance sheets, including amounts attributable to FCG. 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)	**2023**	**2022**
Regulatory Assets		
Under-recovered purchased fuel, gas and conservation cost recovery [(1)] [(2)]	**$ 13,696**	$ 43,583
Under-recovered GRIP revenue [(3)]	**1,777**	1,705
Deferred postretirement benefits [(4)]	**10,802**	13,927
Deferred conversion and development costs [(1)]	**21,466**	23,653
Acquisition adjustment [(5)]	**31,857**	25,609
Deferred costs associated with COVID-19 [(6)]	**190**	1,233
Deferred storm costs [(7)]	**19,370**	27,687
Deferred rate case expenses - current	**1,171**	—
Other	**15,573**	12,256
Total Regulatory Assets	**$ 115,902**	$ 149,653
Regulatory Liabilities		
Self-insurance [(8)]	**$ 521**	$ 339
Over-recovered purchased fuel and conservation cost recovery [(1)]	**12,340**	3,827
Over-recovered GRIP revenue [(3)]	**501**	—
Storm reserve [(8)]	**1,900**	2,845
Accrued asset removal cost [(9)]	**86,534**	50,261
Deferred income taxes due to rate change [(10)]	**105,055**	87,690
Interest related to storm recovery [(7)]	**536**	1,207
Other	**1,611**	1,851
Total Regulatory Liabilities	**$ 208,998**	$ 148,020

(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. For additional information, see Florida Natural Gas Rate Case discussion above.

(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 2, 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.

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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, 2023 and 2022, we had approximately $3.6 million and $4.3 million, respectively, in environmental liabilities, related to the former MGP sites. As of December 31, 2023 and 2022, we have cumulative regulatory assets of $0.5 million and $0.8 million, respectively, for future recovery of environmental costs from 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 December 31, 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 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 2024. Remaining remedial costs for West Palm Beach, including completion of the construction of the system on the West Parcel, five to ten years of operation, maintenance and monitoring, and final site work for closeout of the property, is estimated to be between $1.9 million and $3.2 million.

20. 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.

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 October 2030.

Florida Natural Gas 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.

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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, 2023, 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	2024	2025-2026	2027-2028	Beyond 2028	Total
(in thousands)					
Purchase Obligations	$ 86,040	$ 105,082	$ 83,851	$ 141,287	$ 416,260

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, 2023 was $35.0 million. The aggregate amount guaranteed related to our subsidiaries at December 31, 2023 was approximately $24.3 million with the guarantees expiring on various dates through December 2024. In addition, the Board has authorized us to issue specific purpose corporate guarantees. The amount of specific purpose guarantees outstanding at December 31, 2023 was $4.0 million.

As of December 31, 2023, we have issued letters of credit totaling approximately $7.0 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 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.

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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, 2023. 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, 2023.

CHANGE IN INTERNAL CONTROLS

During the quarter ended December 31, 2023, other than the ongoing changes resulting from the FCG acquisition discussed below, there have been no changes in internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

On November 30, 2023, we completed the acquisition of FCG. We are currently integrating processes, procedures, and internal controls related to the acquisition. See Note 4, *Acquisitions,* to the consolidated financial statements and Management's Report on Internal Control Over Financial Reporting for additional information related to the acquisition of FCG. The scope of that assessment excluded FCG, which we acquired on November 30, 2023. FCG's total assets and loss before taxes represented approximately 31 percent and 4 percent, respectively, of the Company's consolidated total assets and earnings before taxes as of December 31, 2023 and for the year then ended. This exclusion is permitted based upon current guidance of the U.S. Securities & Exchange Commission.

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, 2023. In addition, on May 31, 2023 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. The scope of that assessment excluded FCG, which we acquired on November 30, 2023. FCG's total assets and loss before taxes represented approximately 31 percent and 4 percent, respectively, of the Company's consolidated total assets and earnings before taxes as of December 31, 2023 and for the year then ended. This exclusion is permitted based upon current guidance of the U.S. Securities & Exchange 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.

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Our management has evaluated and concluded that our internal control over financial reporting was effective as of December 31, 2023.

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, 2023, 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 the individuals and roles noted above, 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 (which we intend to file with the SEC within 120 days after the close of our fiscal year) 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 (which we intend to file with the SEC within 120 days after the close of our fiscal year) 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 (which we intend to file with the SEC within 120 days after the close of our fiscal year) 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 (which we intend to file with the SEC within 120 days after the close of our fiscal year) captioned "Corporate Governance Practices" and "Director Independence."

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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 (which we intend to file with the SEC within 120 days after the close of our fiscal year) 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 2.1 — Stock Purchase Agreement, dated September 26, 2023, by and among Florida Power & Light Company and Chesapeake Utilities Corporation (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on September 27, 2023).
- 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 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.
- Exhibit 3.3 — 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 3.4 — 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 3.4 — Note Purchase Agreement, dated November 20, 2023, by and among Chesapeake Utilities Corporation and the purchasers party thereto (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 21, 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 Corporation'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* — 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 10.3* — 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 10.4* — 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 10.5 — 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 10.6 — 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 10.7 — 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 10.8* — 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 10.9 — 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 10.10* — 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 10.11 — 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 10.12* — 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 10.13* — 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 incorporated herein by reference to Exhibit 10.16 to our Annual Report on Form 10-K for the year ended December 31, 2022. File No. 001-11590

- Exhibit 10.14* — 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 10.15* — 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 10.16 — 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 10.17 — 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 10.18 — 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 10.19 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 10.20 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 10.21 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 10.22 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 10.23 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 10.24 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 10.25 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 10.26* 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 10.27* 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 10.28* 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 10.29* 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 10.30* 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 10.31* 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 10.32* Chesapeake Utilities Corporation 2023 Stock and Incentive Compensation Plan as approved by stockholders and effective on May 3, 2023 is incorporated herein by reference to Exhibit 10.1 to our Registration Statement on Form S-8 filed May 3, 2023, File No. 001-11590.
- Exhibit 10.33* Second Amendment to the Non-Qualified Deferred Compensation Plan, effective October 2, 2023, is filed herewith.

- Exhibit 10.34* Form of Amendment to the Executive Employment Agreement, effective October 2, 2023, for each of Jeffry M. Householder, Beth W. Cooper, James F. Moriarty, Kevin J. Webber and Jeffrey S. Sylvester is filed herewith.
- Exhibit 10.35 Second Amendment to Amended and Restated Credit Agreement, dated August 9, 2023, by and between Chesapeake Utilities Corporation and PNC Bank, National Association, and several other financial institutions is incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended September 30, 2023, File No.001-11590.
- Exhibit 10.36 Commitment Letter for Bridge Facility, dated September 26, 2023, by and between Chesapeake Utilities Corporation and Barclays Bank PLC is incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the period ended September 30, 2023, File No. 001-11590.
- Exhibit 10.37 Third Amendment to Amended and Restated Credit Agreement, dated October 13, 2023, by and between Chesapeake Utilities Corporation and PNC Bank, National Association is incorporated herein by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the period ended September 30, 2023, 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 97 Chesapeake Utilities Corporation Incentive-Based Compensation Clawback Policy effective October 2, 2023, 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 21, 2024

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 21, 2024

/s/ Beth W. Cooper
Beth W. Cooper, Executive Vice President,
Chief Financial Officer, Treasurer
and Assistant Corporate Secretary
(Principal Financial and Accounting Officer)
February 21, 2024

/S/ Lisa G. Bisaccia
Lisa G. Bisaccia, Director
February 21, 2024

/S/ Lila A. Jaber
Lila A. Jaber, Director
February 21, 2024

/S/ Thomas J. Bresnan
Thomas J. Bresnan, Lead Director
February 21, 2024

/S/ Paul L. Maddock, Jr.
Paul L. Maddock, Jr., Director
February 21, 2024

/S/ Ronald G. Forsythe, Jr.
Dr. Ronald G. Forsythe, Jr., Director
February 21, 2024

/S/ Sheree M. Petrone
Sheree M. Petrone, Director
February 21, 2024

/S/ Stephanie N. Gary
Stephanie N. Gary, Director
February 21, 2024

/S/ Thomas P. Hill, Jr.
Thomas P. Hill, Jr., Director
February 21, 2024

/S/ Dennis S. Hudson, III
Dennis S. Hudson, III, Director
February 21, 2024

Chesapeake Utilities Corporation and Subsidiaries
Schedule II
Valuation and Qualifying Accounts

For the Year Ended December 31,	Balance at Beginning of Year	Additions		Deductions [2]	Balance at End of Year
		Charged to Income	Other Accounts [1]		
(in thousands)					
Reserve Deducted From Related Assets					
Reserve for Uncollectible Accounts					
2023	$ 2,877	$ 2,340	$ 166	$ (2,684)	$ 2,699
2022	$ 3,141	$ 1,550	$ 172	$ (1,986)	$ 2,877
2021	$ 4,785	$ 134	$ (125)	$ (1,653)	$ 3,141

[1] Recoveries and other allowance adjustments.
[2] Uncollectible accounts charged off.

CORPORATE INFORMATION

CORPORATE OFFICE

Chesapeake Utilities Corporation
500 Energy Lane
Dover, DE 19901

Telephone: 302.734.6799

Website: ***www.chpk.com***

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.
c/o Chesapeake Utilities Corporation
P.O. Box 43006
Providence, RI 02940-3078

Toll-Free Telephone
(in US and Canada): 877.498.8865

Outside of US and Canada: 781.575.2879

Website: ***www.computershare.com/investor***

DIVIDEND REINVESTMENT AND DIRECT STOCK PURCHASE PLAN

The Dividend Reinvestment and Direct Stock Purchase Plan provides flexible investment options for those who wish to invest in the Company. Common stock holders can have their dividends automatically reinvested to purchase additional shares directly through the Plan and/or send in additional optional cash investments at any time to increase their holdings. New investors can purchase shares directly through the Plan. For more information, please contact the Company's transfer agent (Computershare) as stated above.

ANALYST INFORMATION

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

Telephone: 302.734.6022
bcooper@chpk.com

Michael D. Galtman
Senior Vice President
and Chief Accounting Officer

Telephone: 302.217.7036
mgaltman@chpk.com

COMMON STOCK AND DIVIDEND INFORMATION

CPK
LISTED
NYSE

NYSE: CPK

Chesapeake Utilities Corporation's common stock is traded on the New York Stock Exchange under the symbol **CPK**.

QUARTER ENDED 2023	PRICE RANGE HIGH	LOW	CLOSE	DIVIDENDS DECLARED PER SHARE*
MARCH 31	$ 131.18	$ 113.83	$ 127.99	$ 0.5350
JUNE 30	$ 132.91	$ 117.43	$ 119.00	$ 0.5900
SEPTEMBER 30	$ 124.72	$ 97.45	$ 97.75	$ 0.5900
DECEMBER 31	$ 107.98	$ 83.80	$ 105.63	$ 0.5900

QUARTER ENDED 2022	PRICE RANGE HIGH	LOW	CLOSE	DIVIDENDS DECLARED PER SHARE*
MARCH 31	$ 146.30	$ 125.39	$ 137.76	$ 0.4800
JUNE 30	$ 142.39	$ 117.43	$ 129.55	$ 0.5350
SEPTEMBER 30	$ 138.49	$ 114.49	$ 115.39	$ 0.5350
DECEMBER 31	$ 126.85	$ 105.79	$ 118.18	

** Declaration of dividends is at the discretion of the Board of Directors. Dividends in 2023 and 2022 were paid quarterly.*

PUBLIC INFORMATION AND SEC FILINGS

Our latest news and filings with the Securities and Exchange Commission (SEC), including Forms 10-K, 10-Q and 8-K are available to view or request a printed copy, free of charge, at our website, ***www.chpk.com/investors/shareholder-inquiries.***

500 ENERGY LANE | DOVER, DELAWARE 19901 USA | **chpk.com**

FLORIDA PUBLIC SERVICE COMMISSION COMPANY: FLORIDA PUBLIC UTILITIES Consolidated Electric Division DOCKET NO.: 20240099-EI	EXPLANATION:	Provide a copy of the most recent Form l0-K annual report to the Securities and Exchange Commission and all Form 10-Q quarterly reports filed subsequent to the filing of the latest 10-k.	Type of Data Shown: Projected Test Year Ended 12/31/2025 Prior Year Ended 12/31/2024 Historical Test Year Ended 12/31/2023 Witness: Galtman

See Attachment F-2a - 10K 2023 Form 10-K and the first quarter filing for 2024. See attachment F-2b -10Q Q1 2024. At this time there have been no subsequent quarterly reports filed.

Supporting Schedules: Recap Schedules:

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, 2023**

☐ **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, 2023, 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 $2.1 billion.

The number of shares of Chesapeake Utilities Corporation's common stock outstanding as of February 16, 2024 was 22,238,384

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Chesapeake Utilities Corporation Proxy Statement for the 2024 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, 2023

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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

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

CNG: Compressed natural gas

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: 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

ESG: Environmental, Social and Governance

FASB: Financial Accounting Standards Board

FCG or Florida City Gas: Pivotal Utility Holdings, Inc., doing business as Florida City Gas, a wholly-owned subsidiary of Chesapeake Utilities that was acquired from Florida Power & Light Company on November 30, 2023

FERC: Federal Energy Regulatory Commission

FGT: Florida Gas Transmission Company

Florida Natural Gas: Refers to the Company's legacy Florida natural gas distribution operations (excluding FCG) that were consolidated under FPU, for both rate-making and operations purposes

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

GRIP: Gas Reliability Infrastructure Program

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

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

NOL: Net operating loss(es)

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

Peoples Gas: Peoples Gas System, an Emera Incorporated subsidiary

PHMSA: United States Department of Transportation Pipeline and Hazardous Materials Safety Administration

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 $375.0 million unsecured revolving credit facility with certain lenders

RNG: Renewable natural gas

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

SAFE: Safety, Access, and Facility Enhancement, a program to enhance the safety, reliability and accessibility of portions of the FCG's natural gas distribution system

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: Stock and Incentive Compensation Plan, which as used herein covers stock-based compensation awards issued under the current 2023 plan and the previous 2013 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

U.S.: The United States of America

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 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;
- issues relating to the responsible use of our technologies, including artificial intelligence;
- 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 higher-than-authorized regulated returns. 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 investments, such as renewable natural gas. By investing in these related businesses 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, strategic and complimentary acquisitions, 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 investments.

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

Overview

Our regulated energy businesses are comprised of natural gas and electric distribution, as well as natural gas transmission services.

On November 30, 2023, we completed the acquisition of FCG for $923.4 million in cash, including working capital adjustments as defined in the agreement, pursuant to the previously disclosed stock purchase agreement with Florida Power & Light Company. Upon completion of the acquisition, FCG became a wholly-owned subsidiary of the Company and is included within our Regulated Energy segment. FCG serves approximately 120,000 residential and commercial natural gas customers across eight counties in Florida, including Miami-Dade, Broward, Brevard, Palm Beach, Hendry, Martin, St. Lucie and Indian River. Its natural gas system includes approximately 3,800 miles of distribution main and 80 miles of transmission pipe. Results for FCG are included within our consolidated results from the acquisition date.

The following table presents net income for the year ended December 31, 2023 and total assets as of December 31, 2023, by operation and area served:

Operations	Areas Served	Net Income (Loss)	Total Assets
(in thousands)			
Natural Gas Distribution			
Delmarva Natural Gas [(1)]	Delaware/Maryland	$ 9,256	$ 407,089
Florida Natural Gas [(2)]	Florida	23,840	545,952
Florida City Gas [(3)]	Florida	(3,256)	1,010,998
Natural Gas Transmission			
Eastern Shore	Delaware/Maryland/ Pennsylvania	23,284	480,147
Peninsula Pipeline	Florida	12,195	154,301
Aspire Energy Express	Ohio	417	6,746
Electric Distribution			
FPU	Florida	3,727	176,348
Total Regulated Energy		$ 69,463	$ 2,781,581

(1) Delmarva Natural Gas consists of Delaware division, Maryland division, Sandpiper Energy and Elkton Gas.

(2) In accordance with the Florida PSC approval of our natural gas base rate proceeding, effective March 1, 2023, our natural gas distribution business in Florida (FPU, FPU-Indiantown division, FPU-Fort Meade division and Chesapeake Utilities' CFG division) have been consolidated and amounts are now being presented on a consolidated basis consistent with the final rate order.

(3) FCG net income (loss) includes results from the acquisition date, including transaction-related expenses attributable to the acquisition. For additional information on FCG's results, see discussion under *Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations*.

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. The Florida Natural Gas regulated energy operations 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, 2023:

	Delmarva Natural Gas Distribution		Florida Natural Gas Distribution [1]		Florida City Gas Distribution [2]		FPU Electric Distribution	
Operating Revenues *(in thousands)*								
Residential	$ 87,709	62 %	$ 50,792	30 %	$ 5,042	42 %	$ 49,542	50 %
Commercial and Industrial	54,261	38 %	108,913	65 %	5,872	49 %	52,047	52 %
Other [3]	(997)	<(1)%	8,655	5 %	1,159	9 %	(2,115)	(2)%
Total Operating Revenues	$ 140,973	100 %	$ 168,360	100 %	$ 12,073	100 %	$ 99,474	100 %
Volumes *(in Dts for natural gas/MW Hours for electric)*								
Residential	4,389,934	29 %	2,081,045	5 %	157,884	10 %	300,118	44 %
Commercial and Industrial	10,230,662	69 %	41,498,921	94 %	940,028	57 %	384,306	56 %
Other	293,186	2 %	627,934	1 %	549,132	33 %	—	— %
Total Volumes	14,913,782	100 %	44,207,900	100 %	1,647,044	100 %	684,424	100 %
Average Number of Customers [4]								
Residential	97,666	92 %	88,384	91 %	112,585	93%	25,719	78 %
Commercial and Industrial	8,246	8 %	8,415	9 %	8,587	7%	7,372	22 %
Other	23	<1%	6	<1%	6	<1%	—	— %
Total Average Number of Customers	105,935	100 %	96,805	100 %	121,178	100 %	33,091	100 %

[1] In accordance with the Florida PSC approval of our natural gas base rate proceeding, effective March 1, 2023, our natural gas distribution business in Florida (FPU, FPU-Indiantown division, FPU-Fort Meade division and Chesapeake Utilities' CFG division) have been consolidated and amounts are now being presented on a consolidated basis consistent with the final rate order.
[2] Operating revenues and volumes for FCG include amounts from the acquisition date. Customer totals for FCG reflect actual amounts at December 31, 2023 since the period from the acquisition covered only one month. For additional information on FCG's results, see discussion under *Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations*.
[3] 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.
[4] Average number of customers is based on the twelve-month average for the year ended December 31, 2023.

The following table presents operating revenues, by customer type, for Eastern Shore and Peninsula Pipeline for the year ended December 31, 2023, as well as contracted firm transportation capacity by customer type, and design day capacity at December 31, 2023. Aspire Energy Express has been excluded from the table below and had operating revenue of $1.5 million and firm transportation capacity of 300,000 Dts/d for the year ended December 31, 2023:

	Eastern Shore		Peninsula Pipeline	
Operating Revenues *(in thousands)*				
Local distribution companies - affiliated [1]	$ 34,050	43 %	$ 24,324	80 %
Local distribution companies - non-affiliated	22,163	28 %	2,449	8 %
Commercial and industrial - affiliated	—	— %	1,651	5 %
Commercial and industrial - non-affiliated	23,439	29 %	534	2 %
Other [2]	271	<1%	1,442	5 %
Total Operating Revenues	$ 79,923	100 %	$ 30,400	100 %
Contracted firm transportation capacity *(in Dts/d)*				
Local distribution companies - affiliated	160,595	51 %	351,976	39 %
Local distribution companies - non-affiliated	56,576	18 %	534,825	59 %
Commercial and industrial - affiliated	—	— %	8,300	1 %
Commercial and industrial - non-affiliated	98,540	31 %	5,100	1 %
Total Contracted firm transportation capacity	315,711	100 %	900,201	100 %
Design day capacity *(in Dts/d)*	315,711	100 %	900,201	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.

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 the 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 [1]	Sandpiper [1]	Elkton Gas [1] [2]	Florida Natural Gas	Florida City Gas	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	3/1/23	6/9/23	10/8/2020	08/01/2017
Rate Base (in Rates) (in Millions)	Not stated	Not stated	Not stated	Not stated	$453.7	$487.3	$24.9	Not stated
Annual Rate Increase Approved (in Millions)	$2.3	$0.6	N/A[3]	$0.1	$17.2	$14.1	$3.4 base rate and $7.7 from storm surcharge	$9.8
Capital Structure (in rates) [4]*	Not stated	LTD: 42% STD: 5% Equity: 53%	Not stated	LTD: 50% Equity: 50%	LTD: 33% STD: 5% Equity: 45% Other: 17%	LTD: 31% STD: 4% Equity: 53% Other: 12%	LTD: 22% STD: 23% Equity: 55%	Not stated
Allowed Return on Equity [5]	9.75%	10.75%	Not stated [6]	9.80%	10.25%	9.50%	10.25% [7]	Not stated
TJCA Refund Status associated with customer rates	Refunded	Refunded	Refunded	N/A	Retained	Refunded	Refunded	Refunded

[1] In January 2024, our natural gas distribution businesses in Maryland, CUC-Maryland Division, Sandpiper Energy, Inc., and Elkton Gas Company (collectively, "Maryland natural gas distribution businesses") filed a joint application for a natural gas rate case with the Maryland PSC. The outcome of the application is subject to review and approval by the Maryland PSC.
[2] The rate increase and allowed return on equity for Elkton Gas were approved by the Maryland PSC before we acquired the company.
[3] The Maryland PSC approved a declining return on equity.
[4] Other components of capital structure include customer deposits, deferred income taxes and tax credits.
[5] Allowed after-tax return on equity.
[6] 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.
[7] 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.
* LTD-Long-term debt; STD-Short-term debt.

In May 2022, our legacy 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.

In May 2022, FCG filed a general base rate increase with the Florida PSC based on a projected 2023 test year. In June 2023, the Florida PSC issued an order approving a single total base revenue increase of $23.3 million (which included an incremental increase of $14.1 million, a previously approved increase of $3.8 million for a liquefied natural gas facility, and $5.3 million to transfer the SAFE investments from a rider clause to base rates), with new rates becoming effective as of May 1, 2023. The Commission also approved FCG's proposed reserve surplus amortization mechanism ("RSAM") with a $25.0 million reserve amount, continuation and expansion of the capital SAFE program, implementation of an automated metering infrastructure pilot, and continuation of the storm damage reserve with a target reserve of $0.8 million. On June 23, 2023, the Florida OPC filed a motion for reconsideration of the PSC’s approval of RSAM, which was denied on September 12, 2023. On July 7, 2023, the Florida OPC filed a notice of appeal with the Florida Supreme Court, which is pending.

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 Strategic Infrastructure Development and Enhanced (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; FCG's SAFE surcharge which provides accelerated recovery of the costs of replacing older portions of that 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
Florida Natural Gas	Florida	Yes	No
Florida City Gas [1]	Florida	Yes	No
FPU electric division	Florida	Yes	No

[1] See Item 8, *Financial Statements and Supplementary Data*, Note 18, *Rates and Other Regulatory Activities*, for additional information related to FCG's RSAM that was approved as part of its rate case effective as of May 1, 2023.

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.

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 current agreements were effective as of April 1, 2023 and expire in March 2026. 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 business 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. FCG utilizes FGT and Peninsula Pipeline to transport natural gas.

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	160,595	2024-2035
	Columbia Gas [1]	5,246	2024-2026
	Transco [1]	30,419	2024-2028
	TETLP [1]	50,000	2027
Florida Natural Gas	Gulfstream [2]	10,000	2032
	FGT	47,409 - 78,817	2025-2041
	Peninsula Pipeline	346,200	2033-2048
	Peoples Gas	12,160	2024
	Florida Southeast Connection LLC	5,000	2044
	Southern Natural Gas Company	1,500	2029
Florida City Gas	FGT	32,235 - 68,955	2030
	Peninsula Pipeline	15,000	2033 - 2043

[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 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, 2023 and total assets as of December 31, 2023, for our Unregulated Energy segment by operation and area served:

Operations *(in thousands)*	Area Served	Net Income (Loss)	Total Assets
Propane Operations (Sharp, Diversified Energy, FPU and Flo-gas)	Delaware, Maryland, Virginia, Pennsylvania, North Carolina, South Carolina, Florida	$ 13,587	$ 191,164
Energy Transmission (Aspire Energy)	Ohio	3,080	145,183
Energy Generation (Eight Flags)	Florida	2,235	37,805
Marlin Gas Services	The Entire U.S.	432	54,256
Sustainable investments and other [1]	Various	(1,697)	48,994
Total		$ 17,637	$ 477,402

[1] Includes our renewable natural gas projects that are in various stages of development.

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, 2023, operating revenues, volumes sold and average number of customers by customer class for our propane operations were as follows:

	Operating Revenues (in thousands)		Volumes (in thousands of gallons)		Average Number of Customers [1]	
Residential bulk	$ 46,913	30 %	15,187	21 %	59,483	70 %
Residential metered	13,931	9 %	4,457	6 %	17,387	21 %
Commercial bulk	37,541	24 %	21,242	30 %	7,703	9 %
Commercial metered	1,809	1 %	574	1 %	202	<1%
Wholesale	25,073	16 %	24,876	35 %	35	<1%
AutoGas	7,045	5 %	4,949	7 %	76	<1%
Other [2]	22,436	15 %	—	— %	—	— %
Total	$ 154,748	100 %	71,285	100 %	84,886	100 %

[1] Average number of customers is based on a twelve-month average for the year ended December 31, 2023. Excludes customers from the propane acquisition that closed in December 2023. See Note 4 under *Item 8, Financial Statements and Supplementary Data*, for additional information on this acquisition.
[2] 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 8.9 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. In 2023, the RNG volumes represented approximately 10 percent of Aspire Energy's gas gathering volumes and are anticipated to continue at such rate in 2024 and beyond. In addition, Aspire Energy earns revenue by gathering and processing natural gas for customers.

For the twelve-month period ended December 31, 2023, 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	$ 11,694	32 %	2,351	31 %
Supply to CGC	16,844	45 %	2,025	27 %
Supply to Marketers	6,287	17 %	3,141	41 %
Other (including natural gas gathering and processing)	2,314	6 %	64	1 %
Total	$ 37,139	100 %	7,581	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 business 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.

Sustainable Investments

Our sustainable investments are comprised primarily of our renewable natural gas projects 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. In addition, we are constructing a dairy manure RNG facility that we will own and operate 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, with capital expenditures totaling $19.3 million through December 31, 2023. The first injection of RNG is projected to occur in the first half of 2024.

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 special culture. Our unique culture is grounded in a solid foundation of regulated businesses, but enhanced by an entrepreneurial, innovative and competitive market mindset. Among the ongoing initiatives across our enterprise, we highlight below the importance of our team, our culture of safety, and our commitment to supporting a more sustainable future.

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 and as an equal opportunity employer committed to creating a diverse workforce, we consider all qualified applicants without regard to race, religion, color, sex, national origin, age, sexual orientation, gender identity, disability or veteran status, among other factors. 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.

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, including many forms of training on our internal learning platform, as well as tuition reimbursement to promote continued professional growth.

Subsequent to the acquisition of FCG, we had a total of 1,281 employees at December 31, 2023, 196 of whom are union employees represented by two labor unions: the International Brotherhood of Electrical Workers ("IBEW") and the United Food and Commercial Workers Union. The collective bargaining agreements covering our legacy employees with these labor unions expire in 2025. Negotiations began in January 2024 with IBEW for those union employees that joined our Company as part of our acquisition of FCG. 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.

We listen to our employees and actively seek their input and feedback. Many of the initiatives we have in place are driven by feedback from our employees during an annual survey process or through regular employee engagement. We have also been purposeful in wanting to provide adequate recognition of our employees and their many efforts. Our internal recognition

platform was unveiled in 2023 and enables employees to be recognized in real-time for their contributions. Our employees are the backbone of our continued growth and success.

We have an established an equity, diversity and inclusion ("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 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 as of December 31, 2023, there were ten 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 their 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 the Board of Directors 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, we remain committed to providing products and services to our customers in a safe and reliable manner.

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. Our state-of-the art training facility, Safety Town, located in Dover, Delaware, 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. Construction is underway for our second Safety Town facility in Florida, and we are excited to begin utilizing this facility in 2024.

Driving Sustainability across the Company

Consistent with our culture of teamwork, the focus on sustainability is supported and shared 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. Our ESG Committee brings together a cross-functional team of leaders across the organization responsible for identifying, assessing, executing and advancing the Company's strategic sustainability initiatives. Our Environmental Sustainability Office 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 in support of its sustainability focus, including but not limited to:

- Constructed an RNG injection point in Yulee, Florida, providing a pathway to market for produced RNG, and progressed on construction of our first RNG production facility in Lee, Florida;

- Completed an expansion of our intrastate transmission pipeline to Vero Beach, Florida, increasing the availability of natural gas to the area;
- Served as an industry anchor partner in the Mid-Atlantic Clean Hydrogen Hub (MACH2™), which was awarded federal funding of up to $750 million in October 2023; MACH2™ is a collaboration between Delaware, southern New Jersey and southeastern Pennsylvania;
- In Delaware, filed a first-of-its-kind energy efficiency program focused on natural gas; pending approval from the Delaware PSC, the program will be implemented in 2024;
- Our Florida Natural Gas distribution business received approval for its 10-year GUARD program to remove accessibility challenges and replace older problematic distribution lines and services, increasing employee, customer, and community safety; FCG received approval to extend its similar program, SAFE, for 10 more years;
- Provided Healthy Pantry Naming Sponsor-level support and donated several recycled benches from our Pipe Recycling Project for the new 70,000 square foot Food Bank of Delaware facility located in Milford, Delaware;
- Rolled out our "Chesapeake Connections Program," connecting new team members with a "connection buddy" outside of their department for the first few months of employment;
- Introduced two new ERGs in 2023 – "PRIDE," which is focused on providing a sense of acceptance and belonging for everyone in the Chesapeake Utilities family, and "GREEN," which is passionate about the environment and committed to reducing societal impacts on the planet; and
- Named a 2023 Champion of Board Diversity by The Forum of Executive Women.

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	66	2010	Chairman of the Board of Directors (May 2023 - present) President (January 2019 - present) Chief Executive Officer (January 2019 - present) Director (January 2019 - present) President of FPU (June 2010 - February 2019)
Beth W. Cooper	57	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	66	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	65	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	54	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

Our financial results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our operating results, including our revenues, operating margin, profitability, and cash flow, may vary significantly in the future and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter or year should not be relied upon as an indication of future performance. Our financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, and such fluctuations and related impacts to any capital or earnings guidance we may issue from time to time, or any modification or withdrawal thereof, may negatively impact the value of our securities.

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, the inability to borrow under certain credit agreements and terms, or the inability to access capital from other sources. Any such default could cause a material adverse change in our financial condition, results of operations and cash flows. As of December 31, 2023, 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 a 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 our Company sponsored defined benefit plans, which may require significant additional funding.

The Company's primary defined benefit pension plan, the FPU pension plan, is a funded plan that is closed to new employees and the future benefits are frozen. At December 31, 2023, the FPU pension plan benefit obligation was $49.4 million and was funded at approximately 100 percent. 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 obligation 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 and demand; (v) insufficient customer throughput commitments; and (vi) lack of available and qualified third-party contractors which could impact the timely construction of new facilities. Adverse outcomes and/or changes in these risks could limit the future growth of our business and cause a material adverse change in our financial condition, results of operations and cash flows.

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, results of operations and cash flows.

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, would adversely affect our financial condition, results of operations and cash flows.

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 financial condition, results of operations and cash flows.

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 generally 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 generally 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.

Severe weather events (such as a major hurricane, flood or tornado), natural disasters 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. Severe weather events and natural disasters 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 U.S. 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 financial condition, results of operations and cash flows.

The insurance industry may also be affected by severe weather events, natural disasters 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 financial condition, results of operations 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 financial condition, results of operations 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 continue to work, from remote locations, where cybersecurity protections could be limited and cybersecurity procedures and safeguards could be less effective. As such, we could be subject to a higher risk of cybersecurity breaches than ever before. Therefore, we could 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, subjecting 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 information 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.

The Company's business, results of operations, financial condition and cash flows could be adversely affected by interruption of the Company's information technology or network systems as well as the Company's implementation of its technology roadmap.

Currently, we rely on centralized and local information technology networks and systems, some of which are managed or accessible by third parties, to process, transmit and store electronic information, and to otherwise manage or support our business. Additionally, the Company collects and stores certain data, including proprietary business information, and has access to confidential or personal information that is subject to privacy and security laws, regulations and customer-imposed controls. The processing and storage of personal information is increasingly subject to privacy and data security regulations. The interpretation and application of data protection laws in the U.S. are continuing to evolve and may be different across jurisdictions. Violations of these laws could result in criminal or civil sanctions and even the mere allegation of such violations, could harm the Company's reputation.

Information technology system and/or network disruptions, whether caused by acts of sabotage, employee error, malfeasance or otherwise, could have an adverse impact on the Company's operations as well as the operations of the Company's customers and suppliers. As a result, the Company may be subject to legal claims or regulatory proceedings which could result in liability or penalties under privacy laws, disruption in the Company's operations, and damage to the Company's reputation, adversely affecting the Company's business, results of operations, financial condition and cash flows.

The Company is also implementing a technology roadmap that will significantly advance our technological capabilities. The implementation of new software in multiple phases is a complex process that involves several risks. Some of the common risks include:

- Expectations of what the software can do is not achieved and requires additional spending, resources and time;
- Inadequate planning, including changes in implementation plans, can lead to delays, cost overruns, and poor outcomes;
- Ensuring continued team engagement is critical as technology and systems projects are significant and involve many resources within the Company as well as the use of various third parties;
- Implementing new software can expose the organization to new security risks; and
- Integrating new software with existing systems can be challenging, as a result of compatibility issues, data migration and system downtime.

Concerns relating to the responsible use of new and evolving technologies, such as artificial intelligence (AI), may result in reputational or financial harm and liability.

While providing significant benefits, AI poses emerging legal, social, and ethical issues and presents risks and challenges. If we utilize AI solutions that have unintended consequences or may be deemed controversial, or if we are unable to develop effective internal policies and frameworks relating to the responsible use of AI, we may experience brand or reputational harm, competitive harm or legal liability. Complying with regulations related to AI could increase our cost of doing business, may change the way that we operate in certain jurisdictions, or may impede our ability to offer services in certain jurisdictions if we are unable to comply with regulations.

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. These projects are subject to state and federal regulatory oversight and require certain property rights, such as easements and rights-of-way from public and private owners, as well as regulatory approvals, including environmental and other permits and licenses. There is no assurance that we will be able to obtain the necessary property rights, permits and licenses and approvals in a timely and cost-efficient manner, or at all, which may result in the delay or failure to complete a project. In addition, the availability of the necessary materials and qualified vendors could also impact our ability to complete such projects on a timely basis and manage the overall costs. Failure to complete any pending or future infrastructure projects could have a material adverse impact on our financial condition, results of operations and cash flows. Where we are able to successfully complete pending or future infrastructure projects, our revenues may not increase immediately upon the expenditure of funds on a particular project or as anticipated over the life of the project. As a result, there is the risk that new and expanded infrastructure may not achieve our expected investment returns, which could have a material adverse effect on our business, financial condition and results of operations.

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 financial condition, results of operations and cash flows.

Energy conservation 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 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 including mandatory climate related disclosures, and the aforementioned demand for alternative forms of energy, may result in increased costs and reduced demand for our products and services. 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 recovery through customer rates of higher costs or lower consumption from energy efficiency or conservation is not allowed, and our propane retail prices cannot be increased due to market conditions, our financial condition, results of operations and cash flows could 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 and 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 financial condition, results of operations and cash flows, 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. In addition, fluctuations in market prices could result in significant unrealized gains or losses, which could require margins to be posted on unsettled positions and impact our financial position, results of operations and cash flows.

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 natural gas operations in Florida rely primarily on two pipeline systems, FGT and Peninsula Pipeline (our intrastate pipeline subsidiary), for most of their 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 financial condition, results of operations and cash flows.

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. On November 30, 2023, we completed the acquisition of FCG, a regulated natural gas distribution utility serving approximately 120,000 residential and commercial natural gas customers in Florida, for $923.4 million in cash, pursuant to the previously disclosed stock purchase agreement with Florida Power & Light Company. Our acquisitions, including FCG as well as future acquisitions, involve a number of risks including, but not limited to, the following:

- We may fail to realize the benefits and growth prospects anticipated as a result of the acquisition;
- We may not identify all material facts, issues and/or liabilities in due diligence; accurately anticipate required capital expenditures; or design and implement an effective internal control environment with respect to acquired businesses;
- We may experience difficulty in integrating the technology, systems, policies, processes or operations and retaining the employees, including key personnel of the acquired business;
- The historical financial results of acquisitions may not be representative of our future financial condition, results of operations and cash flows, and may not deliver the expected strategic and operational benefits;
- An acquisition may divert management’s attention to integration activities or disrupt ongoing operations; and
- We may overpay for assets, which could result in the recording of excess goodwill and other intangible assets at values that ultimately may be subject to impairment charges.

These factors, amongst others, could impact our ability to successfully grow our business which could have a material adverse effect on our financial condition, results of operations and cash flows.

An impairment of our assets including long-lived assets, goodwill and other intangible assets, could negatively impact our financial condition and results of operations.

In accordance with GAAP, goodwill, intangibles, and other long-lived assets are tested for impairment annually or whenever events or changes in circumstances indicate impairment may have occurred. 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 values may be impacted by significant negative industry or economic trends, changes in technology, regulatory or industry conditions, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant change or planned changes in use of our assets, changes in the structure of our business, divestitures, market capitalization declines or changes in economic conditions or interest rates. 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. 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 and could negatively affect our financial condition and results of operations.

REGULATORY, LEGAL AND ENVIRONMENTAL RISKS

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

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 earn at an authorized rate of return.

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

The 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. The 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 the 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 financial condition, results of operations and cash flows.

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 financial condition, results of operations and cash flows.

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, results of operations and cash flows. 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, results of operations and cash flows. 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 and 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. 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 Environmental Protection Agency, or other Federal agencies, 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 could 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 climate 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.

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 1C. CYBERSECURITY

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats, as such term is defined in Item 106(a) of Regulation S-K. We face a multitude of increasing cybersecurity threats, including those that target the Nation's critical infrastructure sectors. Reliable service and operational continuity are critical to our success and the welfare of those we serve, including our ability to safely and reliably deliver energy to our customers through our transmission, distribution, and generation systems. We are committed to maintaining robust governance and oversight of

these risks and to investing in the implementation of mechanisms, controls, technologies, and processes designed to help us assess, identify, and manage these risks in an everchanging landscape.

To mitigate the threat to our business, we take a comprehensive, cross-functional approach to cybersecurity risk management. Our management team is actively involved in the oversight and implementation of our risk management program, of which cybersecurity represents an important component. At least annually, we conduct a cybersecurity risk assessment that evaluates information from internal stakeholders and external sources. The results of the assessment inform our alignment and prioritization of initiatives to enhance our security controls. As described in more detail below, we have established policies, standards, processes and practices for assessing, identifying, and managing material risks from cybersecurity threats which follow frameworks established by the National Institute of Standards and Technology (NIST). These include, among other things: security awareness training for employees; mechanisms to detect and monitor unusual network activity; services that identify cybersecurity threats; conducting scans of the threat environment; evaluating our industry's risk profile; utilizing internal and external audits; conducting threat and vulnerability assessments; and containment and incident response tools. We also actively engage with industry groups for benchmarking and awareness of best practices. We maintain controls and procedures that are designed to ensure prompt escalation of certain cybersecurity incidents so that decisions regarding public disclosure and reporting of such incidents can be made in a timely manner.

Our approach to cybersecurity risk management includes the following key elements:

- Multi-Layered Defense and Continuous Monitoring: We work to protect our business from cybersecurity threats through multi-layered defenses and apply lessons learned from our defense and monitoring efforts to help prevent future attacks. We utilize data analytics to detect anomalies and review trends in the data. We regularly assess and deploy technical safeguards designed to protect our information systems from cybersecurity threats. Such safeguards are regularly evaluated and enhanced based on vulnerability assessments, cybersecurity threat intelligence and incident response experience.

- Information Sharing and Collaboration: We share and receive threat intelligence and best practices with industry peers, government agencies, information sharing and analysis centers, industry trade organizations, and cybersecurity forums. These relationships enable the rapid sharing of information around threat and vulnerability mitigation.

- Third-Party Risk Assessments: We engage third-party services to conduct assessments of our security controls, whether through penetration testing, independent audits or consulting on best practices to address new challenges. These assessments include testing both the design and operational effectiveness of security controls.

- Companywide Policies and Procedures: We have companywide cybersecurity policies and procedures, such as encryption standards, antivirus protection, remote access protocols, multi-factor authentication, protection of confidential information, and the use of the internet, social media, email, and wireless devices. These policies go through an internal review process and are approved by the appropriate members of management.

- Training and Awareness: We provide awareness training to our employees to help identify, avoid and mitigate cybersecurity threats. Our employees routinely participate in phishing campaigns, education that reinforces compliance with our policies, standards and practices, and other awareness training. We also periodically perform simulations and other exercises with management and incorporate external resources and advisors as needed. Our team of cybersecurity professionals collaborate with stakeholders across our business units to further analyze the risk to the Company, and form detection, mitigation and remediation strategies.

- Supplier Engagement: We work collectively with our suppliers to support cybersecurity resiliency in our supply chain. The Company uses a variety of processes to address third-party cybersecurity threats, including reviewing the cybersecurity practices of such provider(s), contractually imposing obligations on the provider(s), notifications in the event of any known or suspected cyber incident, conducting security assessments, and periodic reassessments during the course of the Company's engagement with such provider(s).

As of the date of this Form 10-K, there have not been any cybersecurity incidents that have materially affected our business strategy, results of operations or financial condition. There can be no guarantee that our policies and procedures will be followed or, if followed, will be effective. For more information regarding the risks we face from cybersecurity threats, please see *Item 1A*, *Risk Factors*, which should be read in conjunction with this Item 1C.

Cybersecurity Risk Governance and Oversight

The Company's Board, in conjunction with its Audit Committee, oversees management's approach to cybersecurity risk and its alignment with the Company's risk management program. The Board and Audit Committee receive reports from management about the prevention, detection, mitigation, and remediation of cybersecurity incidents, including material

security risks and vulnerabilities. Additionally, management provides the Audit Committee with updates on cybersecurity risk assessments, risk mitigation strategies, and relevant internal and industry cybersecurity matters. The Company's Chief Information Officer ("CIO") is responsible for developing and implementing our information security program and reporting on cybersecurity matters to the Board and Audit Committee. The Company's CIO has 25 years of experience in the information technology industry. The CIO reports to the Chief Executive Officer and is supported by a dedicated cybersecurity team within our information systems department, as well as a multidisciplinary incident response team. Employees across the organization also have a role in our cybersecurity defenses, which we believe improves our cybersecurity posture.

In addition, the Company's Risk Management Committee ("RMC") evaluates risks relating to cybersecurity, among other significant risks, and applicable mitigation plans to address such risks. The RMC is comprised of members of the executive leadership team. The RMC meets monthly and receives updates from the CIO or a member of our cybersecurity team. The RMC reviews security performance metrics, global security risks, security enhancements, and updates on our security posture.

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, 2023:

Operations	Miles
Natural Gas Distribution	
Delmarva Natural Gas (Natural gas pipelines)	2,075
Delmarva Natural Gas (Underground propane pipelines)	17
FPU (Natural gas pipelines)	3,154
Florida City Gas (Natural gas pipelines)	3,860
Natural Gas Transmission	
Eastern Shore	517
Florida City Gas	79
Peninsula Pipeline	177
Aspire Energy Express [(1)]	—
Electric Distribution	
FPU	906
Total	10,785

[(1)] Aspire Energy Express had less than 1 mile of natural gas pipeline at December 31, 2023.

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

The following table presents propane storage capacity, miles of underground distribution mains and transmission for our Unregulated Energy Segment operations as of December 31, 2023:

Operations	Gallons or miles
Propane distribution	
Propane storage capacity (gallons in millions)	8.9
Underground propane distribution mains (miles)	153
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 16, 2024, we had 1,974 holders of record of our common stock. We declared quarterly cash dividends on our common stock totaling $2.305 per share in 2023 and $2.085 per share in 2022, and have paid a cash dividend to holders of our common stock for 63 consecutive years. Future dividend payments and amounts are at the discretion of the 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, 2023:

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, 2023 through October 31, 2023 [1]	663	$ 95.19	—	—
November 1, 2023 through November 30, 2023	—	—	—	—
December 1, 2023 through December 31, 2023	—	—	—	—
Total	663	$ 95.19	—	—

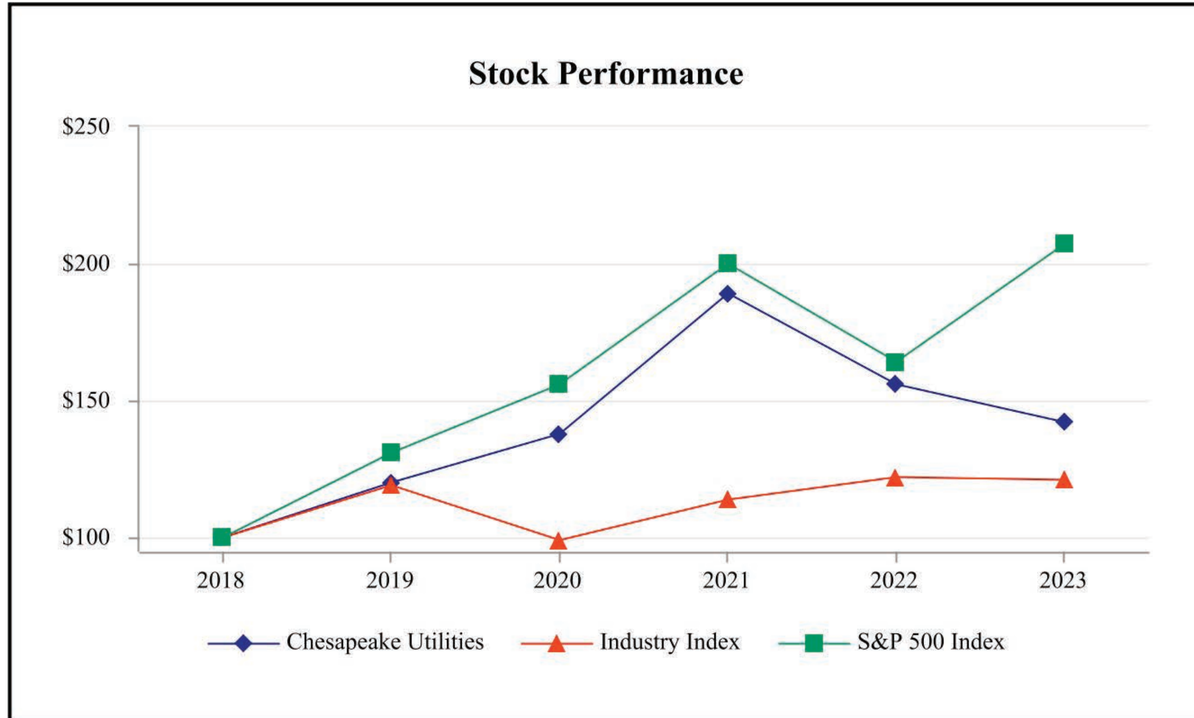
[1] In October 2023, we purchased 663 shares of common stock on the open market for the purpose of reinvesting the dividend on shares held in the Rabbi Trust accounts under the Non-Qualified Deferred Compensation Plan. The Non-Qualified Deferred Compensation Plan is discussed in detail in *Item 8, Financial 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, 2023, 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; New Jersey Resources Corporation; NiSource; Northwest Natural Gas Company; Northwestern Corporation; ONE Gas, Inc.; RGC Resources, Inc.; Spire, Inc.; and Unitil Corporation.

The comparison assumes $100 was invested on December 31, 2018 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.



	2018	2019	2020	2021	2022	2023
Chesapeake Utilities	$ 100	$ 120	$ 138	$ 189	$ 156	$ 142
Industry Index	$ 100	$ 119	$ 99	$ 114	$ 122	$ 121
S&P 500 Index	$ 100	$ 131	$ 156	$ 200	$ 164	$ 207

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.

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

Acquisition of FCG

On November 30, 2023, we completed the acquisition of FCG for $923.4 million in cash, including working capital adjustments as defined in the agreement, pursuant to the previously disclosed stock purchase agreement with Florida Power & Light Company. Upon completion of the acquisition, FCG became a wholly-owned subsidiary of the Company and is included within our Regulated Energy segment. FCG serves approximately 120,000 residential and commercial natural gas customers across eight counties in Florida, including Miami-Dade, Broward, Brevard, Palm Beach, Hendry, Martin, St. Lucie and Indian River. Its natural gas system includes approximately 3,800 miles of distribution main and 80 miles of transmission pipe. Results for FCG are included within our consolidated results from the acquisition date.

In June 2023, FCG received approval from the Florida PSC for a $23.3 million total increase in base revenue in connection with its May 2022 rate case filing. The new rates, which became effective as of May 1, 2023, included the transfer of its SAFE program provisions from a rider clause to base rates, an increase in rates associated with a liquefied natural gas facility, and approval of FCG's proposed reserve surplus amortization mechanism ("RSAM") with a $25.0 million reserve amount. The RSAM is recorded as either an increase or decrease to accrued removal costs on the balance sheet, with a corresponding increase or decrease to depreciation and amortization expense.

The impact of FCG's results from the acquisition date and effects on our liquidity are discussed further below and throughout Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Non-GAAP Financial Measures

This document, including the tables herein, include references to both Generally Accepted Accounting Principles ("GAAP") and non-GAAP financial measures, including Adjusted Gross Margin, Adjusted Net Income and Adjusted EPS. A "non-GAAP financial measure" is generally defined as a numerical measure of a company's historical or future performance that includes or excludes amounts, or that is subject to adjustments, so as to be different from the most directly comparable measure calculated or presented in accordance with GAAP. Our management believes certain non-GAAP financial measures, when considered together with GAAP financial measures, provide information that is useful to investors in understanding period-over-period operating results separate and apart from items that may, or could, have a disproportionately positive or negative impact on results in any particular period.

We calculate Adjusted Gross Margin 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. We calculate Adjusted Net Income and Adjusted EPS by deducting non-recurring costs and expenses associated with significant acquisitions that may affect the comparison of period-over-period results. These non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures. We believe that these non-GAAP financial measures are useful and meaningful to investors as a basis for making investment decisions, and provide investors with information that demonstrates the profitability achieved by the Company under allowed rates for regulated energy operations and under the Company's competitive pricing structures for unregulated energy operations. The Company's management uses these non-GAAP financial measures in assessing a business unit's and the overall Company performance. Other companies may calculate these non-GAAP financial measures in a different manner.

The following tables reconcile Gross Margin, Net Income, and EPS, all as defined under GAAP, to our non-GAAP financial measures of Adjusted Gross Margin, Adjusted Net Income and Adjusted EPS for the years ended December 31, 2023, 2022 and 2021:

Adjusted Gross Margin

	For the Year Ended December 31, 2023			
(in thousands)	**Regulated Energy**	**Unregulated Energy**	**Other and Eliminations**	**Total**
Operating Revenues	**$ 473,595**	**$ 223,148**	**$ (26,139)**	**$ 670,604**
Cost of Sales:				
Natural gas, propane and electric costs	(140,008)	(102,492)	26,019	(216,481)
Depreciation & amortization	(48,162)	(17,347)	8	(65,501)
Operations & maintenance expenses [1]	(27,485)	(31,507)	343	(58,649)
Gross Margin (GAAP)	**257,940**	**71,802**	**231**	**329,973**
Operations & maintenance expenses [1]	27,485	31,507	(343)	58,649
Depreciation & amortization	48,162	17,347	(8)	65,501
Adjusted Gross Margin (Non-GAAP)	**$ 333,587**	**$ 120,656**	**$ (120)**	**$ 454,123**

	For the Year Ended December 31, 2022			
(in thousands)	**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 expenses [1]	(35,472)	(29,825)	9	(65,288)
Gross Margin (GAAP)	**214,073**	**71,985**	**(121)**	**285,937**
Operations & maintenance expenses [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 expenses [1]	(32,780)	(24,123)	179	(56,724)
Gross Margin (GAAP)	**201,655**	**61,977**	**1**	**263,633**
Operations & maintenance expenses [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**

[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 2023 was $257.9 million, an increase of $43.9 million, or 20.5 percent, compared to 2022. Higher gross margin reflects contributions from the Company's Florida Natural Gas base rate proceeding, organic growth in the Company's natural gas distribution businesses and continued pipeline expansion projects, and contributions attributable to the acquisition of FCG. These increases were partially offset by reduced customer consumption resulting from the significantly warmer temperatures in our northern service territories throughout the year and increased employee costs related to growth initiatives, the ongoing competitive labor market and higher benefits costs.

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

Gross Margin (GAAP) for the Regulated Energy segment for the year ended December 31, 2022 compared to 2021 is described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated herein by reference.

2023 to 2022 Gross Margin (GAAP) Variance – Unregulated Energy

Gross Margin (GAAP) for the Unregulated Energy segment for 2023 was $71.8 million, which was largely consistent with gross margin for the prior year. The effects of changes in customer consumption due primarily to significantly warmer weather in our Mid-Atlantic and North Carolina service areas throughout the year and increased operating expenses and depreciation were largely offset by increased propane margins and fees and increased gathering charges and consumption for Aspire Energy.

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

Gross Margin (GAAP) for the Unregulated Energy segment for the year ended December 31, 2022 compared to 2021 is described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated herein by reference.

Adjusted Net Income and Adjusted EPS

(in thousands, except shares and per share data)	Year Ended December 31, 2023	2022	2021
Net Income (GAAP)	**$ 87,212**	$ 89,796	$ 83,466
FCG transaction-related expenses, net [1]	**10,625**	—	—
Adjusted Net Income (Non-GAAP)	**$ 97,837**	$ 89,796	$ 83,466
Weighted average common shares outstanding - diluted	**18,434,857**	17,804,294	17,633,029
Earnings Per Share - Diluted (GAAP)	**$ 4.73**	$ 5.04	$ 4.73
FCG transaction-related expenses, net [1]	**0.58**	—	—
Adjusted Earnings Per Share - Diluted (Non-GAAP)	**$ 5.31**	$ 5.04	$ 4.73

[1] Transaction-related expenses for the year ended December 31, 2023 represent costs incurred attributable to the acquisition of FCG, including pretax operating expenses of $10.4 million associated with legal, consulting and audit fees and $4.1 million of interest charges related to pretax fees and expenses associated with the Bridge Facility.

2023 to 2022 Net Income (GAAP) Variance

Net income (GAAP) for the year ended December 31, 2023 was $87.2 million, or $4.73 per share, compared to $89.8 million, or $5.04 per share in 2022. Net income for the year ended December 31, 2023 included $10.6 million of transaction-related expenses in connection with the FCG acquisition. Excluding these costs, net income increased by $8.0 million or 9 percent compared to the prior year.

2022 to 2021 Net Income (GAAP) Variance

Net income (GAAP) for the year ended December 31, 2022 compared to 2021 is described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated herein by reference.

Overview and Highlights

(in thousands except shares and per share data)

For the Year Ended December 31,	2023	2022	Increase (Decrease)	2022	2021	Increase (Decrease)
Operating Income						
Regulated Energy	**$ 126,199**	$ 115,317	$ 10,882	$ 115,317	$ 106,174	$ 9,143
Unregulated Energy	**24,426**	27,350	(2,924)	27,350	24,427	2,923
Other businesses and eliminations	**178**	266	(88)	266	511	(245)
Operating Income	**150,803**	142,933	7,870	142,933	131,112	11,821
Other income, net	**1,438**	5,051	(3,613)	5,051	1,720	3,331
Interest charges	**36,951**	24,356	12,595	24,356	20,135	4,221
Income from Before Income Taxes	**115,290**	123,628	(8,338)	123,628	112,697	10,931
Income Taxes	**28,078**	33,832	(5,754)	33,832	29,231	4,601
Net Income	**$ 87,212**	$ 89,796	$ (2,584)	$ 89,796	$ 83,466	$ 6,330
Basic Earnings Per Share of Common Stock	**$ 4.75**	$ 5.07	$ (0.32)	$ 5.07	$ 4.75	$ 0.32
Diluted Earnings Per Share of Common Stock	**$ 4.73**	$ 5.04	$ (0.31)	$ 5.04	$ 4.73	$ 0.31
Adjusted Net Income and Adjusted Earnings Per Share						
Net Income (GAAP)	**$ 87,212**	$ 89,796	$ (2,584)	**$ 89,796**	$ 83,466	$ 6,330
FCG transaction-related expenses, net [1]	**10,625**	—	10,625	**—**	—	—
Adjusted Net Income (Non-GAAP)	**$ 97,837**	$ 89,796	$ 8,041	**$ 89,796**	$ 83,466	$ 6,330
Weighted average common shares outstanding - diluted	**18,434,857**	17,804,294	630,563	**17,804,294**	17,633,029	171,265
Earnings Per Share - Diluted (GAAP)	**$ 4.73**	$ 5.04	$ (0.31)	**$ 5.04**	$ 4.73	$ 0.31
FCG transaction-related expenses, net [1]	**0.58**	—	0.58	**—**	—	—
Adjusted Earnings Per Share - Diluted (Non-GAAP)	**$ 5.31**	$ 5.04	$ 0.27	**$ 5.04**	$ 4.73	$ 0.31

[1] Transaction-related expenses for the year ended December 31, 2023 represent costs incurred attributable to the acquisition of FCG, including pretax operating expenses of $10.4 million associated with legal, consulting and audit fees and $4.1 million of interest charges related to pretax fees and expenses associated with the Bridge Facility.

2023 compared to 2022

Key variances in operations between 2023 and 2022 included:

(in thousands, except per share data)	**Pre-tax Income**	**Net Income**	**Earnings Per Share**
Year ended December 31, 2022 Adjusted Results**	**$ 123,628**	**$ 89,796**	**$ 5.04**
Non-recurring Items:			
One-time benefit associated with reduction in state tax rate	—	2,469	0.13
Absence of interest income from federal income tax refund	(826)	(600)	(0.03)
Absence of gain from sales of assets	(1,902)	(1,382)	(0.07)
	(2,728)	487	0.03
Increased (Decreased) Adjusted Gross Margins:			
Contribution from rate changes associated with Florida Natural Gas base rate proceeding*	13,361	9,820	0.53
Increased propane margins per gallon and fees	8,821	6,483	0.34
Contribution from the acquisition of FCG	8,687	6,385	0.35
Natural gas growth (excluding service expansions)	6,214	4,567	0.25
Natural gas transmission service expansions*	4,812	3,537	0.19
Contributions from regulated infrastructure programs*	2,597	1,909	0.10
Increased margins from Aspire Energy	1,141	839	0.05
Increased adjusted gross margin from off-system natural gas capacity sales	960	706	0.04
Customer consumption primarily resulting from weather	(13,627)	(10,016)	(0.54)
	32,966	24,230	1.31
(Increased) Decreased Other Operating Expenses (Excluding Natural Gas, Electricity and Propane Costs):			
Payroll, benefits and other employee-related expenses	(9,013)	(6,625)	(0.36)
FCG operating expenses	(4,190)	(3,080)	(0.17)
Facilities expenses, maintenance costs and outside services	(1,756)	(1,290)	(0.07)
Customer service related costs	(820)	(603)	(0.03)
Regulatory expenses	(658)	(484)	(0.03)
Depreciation, amortization and property tax costs	615	452	0.02
Decreased vehicle expenses	577	424	0.02
	(15,245)	(11,206)	(0.62)
Interest charges	(8,494)	(6,243)	(0.34)
Change in pension expense	(1,453)	(1,068)	(0.06)
Increase in shares outstanding due to 2023 and 2022 equity offerings	—	—	(0.17)
Net other changes	1,070	1,841	0.12
Year ended December 31, 2023 Adjusted Results**	**$ 129,744**	**$ 97,837**	**$ 5.31**

* See the Major Projects and Initiatives table.

** Transaction-related expenses attributable to the acquisition of FCG have been excluded from the Company's non-GAAP measures of adjusted net income and adjusted EPS. See previous tables for a reconciliation of these items against the related GAAP measures.

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 and 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				
	Year Ended December 31,			Estimate for Calendar Year	
(in thousands)	**2021**	**2022**	**2023**	**2024**	**2025**
Pipeline Expansions:					
Guernsey Power Station	$ 187	$ 1,377	**$ 1,478**	$ 1,482	$ 1,478
Southern Expansion	—	—	**586**	2,344	2,344
Winter Haven Expansion	—	260	**637**	626	626
Beachside Pipeline Expansions	—	—	**1,810**	2,451	2,414
North Ocean City Connector	—	—	**—**	—	494
St. Cloud / Twin Lakes Expansion	—	—	**264**	584	584
Clean Energy [1]	—	126	**1,064**	1,009	1,079
Wildlight	—	—	**471**	2,000	2,038
Lake Wales	—	—	**265**	454	454
Newberry	—	—	**—**	862	2,585
Total Pipeline Expansions	187	1,763	**6,575**	11,812	14,096
CNG/RNG/LNG Transportation and Infrastructure	7,566	11,100	**11,181**	12,500	13,969
Regulatory Initiatives:					
Florida GUARD Program	—	—	**353**	2,421	5,136
FCG SAFE Program	—	—	**—**	2,683	5,293
Capital Cost Surcharge Programs	1,199	2,001	**2,829**	3,979	4,374
Florida Rate Case Proceeding [2]	—	2,474	**15,835**	17,153	17,153
Maryland Rate Case [3]	—	—	**—**	TBD	TBD
Electric Storm Protection Plan	—	486	**1,326**	2,433	3,951
Total Regulatory Initiatives	1,199	4,961	**20,343**	28,669	35,907
Total	$ 8,952	$ 17,824	**$ 38,099**	$ 52,981	$ 63,972

[1] Includes adjusted gross margin generated from interim services through the project in-service date in September 2023.
[2] Includes adjusted gross margin during 2023 comprised of both interim rates and permanent base rates which became effective in March 2023.
[3] Rate case application filed with the Maryland PSC in January 2024. See additional information provided below.

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 year ended December 31, 2023, and is expected to produce adjusted gross margin of approximately $1.5 million in 2024 and beyond.

Southern Expansion

Eastern Shore installed a new natural gas driven compressor skid unit at its existing Bridgeville, Delaware compressor station that provides 7,300 Dts of incremental firm transportation pipeline capacity. The project was placed in service in the fourth quarter of 2023 and generated adjusted gross margin of $0.6 million for the year ended December 31, 2023 and is expected to produce adjusted gross margin of approximately $2.3 million in 2024 and beyond.

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 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. Florida Natural Gas 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's existing distribution system in the area. In connection with Peninsula Pipeline's new regulator station, Florida Natural Gas 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 $0.4 million for the year ended December 31, 2023, and is expected to produce adjusted gross margin of approximately $0.6 million in 2024 and beyond.

Beachside Pipeline Expansion

In June 2021, Peninsula Pipeline and FCG 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. Subsequent to the acquisition of FCG, the agreement is now an affiliate agreement. The project generated additional adjusted gross margin of $1.8 million for the year ended December 31, 2023, and is expected to produce adjusted gross margin of approximately $2.5 million in 2024 and $2.4 million in 2025 and beyond.

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 5.4 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 of 2023. The Company filed a natural gas rate case application with the PSC for the state of Maryland in January 2024 as discussed below. Adjusted gross margin in connection with this project is contingent upon the completion of the rate case and inclusion of the project in rate base. As a result, we expect this expansion to generate annual adjusted gross margin of approximately $0.5 million beginning in 2025, 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 constructed a pipeline extension and regulator station for FPU. The extension supports new incremental load due to growth in the area, including providing service, most immediately, to the residential development, Twin Lakes. The expansion also improves reliability and provides operational benefits to FPU's existing distribution system in the area, supporting future growth. This project was placed into service in July 2023 and generated additional adjusted gross margin of $0.3 million for the year ended December 31, 2023. We expect this extension to generate additional annual adjusted gross margin of approximately $0.6 million in 2024 and beyond.

Clean Energy Expansion
During the fourth quarter of 2022, Clean Energy Fuels ("Clean Energy") and Florida Natural Gas entered into a precedent agreement for firm transportation services associated with a CNG fueling station Clean Energy is constructing. We installed approximately 2.2 miles of main extension in Davenport, Florida to support the filling station which was placed into service during September 2023. Our subsidiary, Marlin Gas Services, provided interim services to Clean Energy during the construction phase of the project. The project generated additional adjusted gross margin of $0.9 million for the year ended December 31, 2023, and is expected to contribute adjusted gross margin of approximately $1.0 million in 2024 and $1.1 million in 2025 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 additional adjusted gross margin of $0.5 million for the year ended December 31, 2023, and is expected to contribute adjusted gross margin of approximately $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 distribution business, 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 both current and new natural gas customers. The project generated additional adjusted gross margin of $0.3 million for the year ended December 31, 2023, and is expected to contribute adjusted gross margin of approximately $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. The petition was approved by the Florida PSC in the third quarter of 2023. 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. A filing to address the acquisition and conversion of propane community gas systems in Newberry was made in November 2023, and the Florida PSC is scheduled to vote on this in March 2024. The project is expected to contribute adjusted gross margin of approximately $0.9 million in 2024 and $2.6 million in 2025 and beyond.

Worcester Resiliency Upgrade
In August 2023, Eastern Shore filed an application with the FERC requesting authorization to construct the Worcester Resiliency Upgrade, which consists of a mixture of storage and transmission facilities in Sussex County, DE and Wicomico, Worcester, and Somerset Counties in Maryland. The project will provide long-term incremental supply necessary to support the growing demand of the participating shippers. Eastern Shore has requested certificate authorization by December 2024, with a target in-service date by the third quarter of 2025.

East Coast Reinforcement Projects
In December 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreements with FPU for projects that will support additional supply to communities on the East Coast of Florida. The projects are driven by the need for increased supply to coastal portions of the state that have experienced an increase in population growth. Peninsula Pipeline will construct several pipeline extensions which will support FPU’s distribution system in the areas of Boynton Beach and New Smyrna Beach with an additional 15,000 Dts/day and 3,400 Dts/day, respectively. The Florida PSC is scheduled to vote on the projects in March 2024.

Central Florida Reinforcement Projects
In February 2024, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreements with FPU for projects that will support additional supply to communities located in Central Florida. The projects are driven by the need for increased supply to communities in central Florida that have experienced an increase in population growth. Peninsula Pipeline will construct several pipeline extensions which will support FPU’s distribution system in the areas of Plant City and Lake Mattie with an additional 5,000 Dts/day and 8,700 Dts/day, respectively.

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.

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 service and infrastructure related adjusted gross margin from across the organization in combination with our CNG and LNG projects.

For the year ended December 31, 2023, we generated $0.1 million 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 $12.5 million in 2024, and $14.0 million in 2025 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.

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 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 maintenance and repair equipment and system reliability projects. In August 2023, the Florida PSC approved the GUARD program, which included $205 million of capital expenditures projected to be spent over a 10-year period. For the year ended December 31, 2023, there was $0.4 million of incremental adjusted gross margin generated pursuant to the program. The program is expected to generate $2.4 million of adjusted gross margin in 2024 and $5.1 million in 2025.

FCG SAFE Program

In June 2023, the Florida PSC issued the approval order for the continuation of the SAFE program beyond its 2025 expiration date and inclusion of 150 miles of additional mains and services located in rear property easements. The SAFE program is designed to relocate certain mains and facilities associated with rear lot easements to street front locations to improve FCG's ability to inspect and maintain the facilities and reduce opportunities for damage and theft. In the same order, the Commission approved a replacement of 160 miles of pipe that was used in the 1970s and 1980s and shown through industry research to exhibit premature failure in the form of cracking. The program includes projected capital expenditures of $205 million over a 10-year period. The program is expected to generate $2.7 million of adjusted gross margin in 2024 and $5.3 million in 2025.

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 2023, there was $0.8 million of incremental adjusted gross margin generated pursuant to the program. Eastern Shore expects to produce adjusted gross margin of approximately $4.0 million in 2024 and $4.4 million in 2025 from relocation projects, which is ultimately dependent upon the timing of filings and the completion of construction.

Florida Natural Gas Rate Case Proceeding

In May 2022, our legacy 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 business 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 year ended December 31, 2023, there was $15.8 million of adjusted gross margin generated pursuant to this proceeding, and it is expected to generate $17.2 million of total adjusted gross margin in 2024 and 2025.

Maryland Natural Gas Rate Case

In January 2024, our natural gas distribution businesses in Maryland, CUC-Maryland Division, Sandpiper Energy, Inc., and Elkton Gas Company (collectively, "Maryland natural gas distribution businesses") filed a joint application for a natural gas rate case with the Maryland PSC. In connection with the application, we are seeking approval of the following: (i) permanent rate relief of approximately $6.9 million; (ii) authorization to make certain changes to tariffs to include a unified rate structure and to consolidate the Maryland natural gas distribution businesses under the new corporate entity which we anticipate will be called Chesapeake Utilities of Maryland, Inc.; and (iii) authorization to establish a rider for recovery of the costs associated with our new technology systems. The outcome of the application is subject to review and approval by the Maryland PSC.

Storm Protection Plan

In 2020, the Florida PSC implemented the Storm Protection Plan ("SPP") and Storm Protection Plan Cost Recovery Clause ("SPPCRC"), 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 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 year ended December 31, 2023, this initiative generated incremental adjusted gross margin of $0.8 million, and is expected to generate $2.4 million in 2024 and $4.0 million in 2025. 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 resulted in additional adjusted gross margin of $1.0 million annually for both 2022 and 2023, which was offset by a corresponding amortization of regulatory asset expense in each year.

Other Major Factors Influencing Adjusted Gross Margin

Weather and Consumption
Weather had a significant impact on customer consumption during 2023, resulting in adjusted gross margin being negatively impacted by approximately $13.6 million compared to 2022 driven largely by significantly warmer weather in some of the Company's service territories resulting in reduced consumption. 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 2023 compared to 2022, and 2022 compared to 2021.

HDD and CDD Information

	For the Years Ended December 31,					
	2023	**2022**	**Variance**	**2022**	**2021**	**Variance**
Delmarva						
Actual HDD	**3,416**	4,088	(672)	4,088	3,849	239
10-Year Average HDD ("Normal")	**4,161**	4,147	14	4,147	4,182	(35)
Variance from Normal	**(745)**	(59)		(59)	(333)	
Florida						
Actual HDD	**664**	836	(172)	836	829	7
10-Year Average HDD ("Normal")	**826**	828	(2)	828	839	(11)
Variance from Normal	**(162)**	8		8	(10)	
Ohio						
Actual HDD	**5,043**	5,532	(489)	5,532	5,138	394
10-Year Average HDD ("Normal")	**5,594**	5,557	37	5,557	5,621	(64)
Variance from Normal	**(551)**	(25)		(25)	(483)	
Florida						
Actual CDD	**3,101**	2,826	275	2,826	2,687	139
10-Year Average CDD ("Normal")	**2,934**	2,929	5	2,929	2,952	(23)
Variance from Normal	**167**	(103)		(103)	(265)	

Natural Gas Distribution Growth
The average number of residential customers served on the Delmarva Peninsula and our legacy Florida Natural Gas distribution business increased by approximately 5.4 percent and 3.9 percent, respectively, during 2023.

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 the additional infrastructure 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)	Adjusted Gross Margin Increase For the Year Ended December 31, 2023 Delmarva Peninsula	Florida
Customer growth:		
Residential	$ 1,895	$ 1,599
Commercial and industrial	589	2,131
Total customer growth [1]	$ 2,484	$ 3,730

[1] Customer growth amounts for our legacy Florida operations include the effects of revised rates associated with the Company's natural gas base rate proceeding, but exclude the effects of the FCG acquisition.

REGULATED ENERGY

For the Year Ended December (in thousands)	2023	2022	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenue	**$ 473,595**	$ 429,424	$ 44,171	$ 429,424	$ 383,920	$ 45,504
Natural gas and electric costs	**140,008**	127,172	12,836	127,172	100,737	26,435
Adjusted gross margin [1]	**333,587**	302,252	31,335	302,252	283,183	19,069
Operations & maintenance	**125,310**	112,963	12,347	112,963	108,190	4,773
Depreciation & amortization	**48,162**	52,707	(4,545)	52,707	48,748	3,959
FCG transaction-related expenses [2]	**10,355**	—	10,355	—	—	—
Other taxes	**23,561**	21,265	2,296	21,265	20,071	1,194
Other operating expenses	**207,388**	186,935	20,453	186,935	177,009	9,926
Operating Income	**$ 126,199**	$ 115,317	$ 10,882	$ 115,317	$ 106,174	$ 9,143

[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.
[2] Transaction-related expenses referred to in this table represent pretax operating expenses of $10.4 million associated with legal, consulting and audit fees incurred in connection with the acquisition of FCG.

2023 compared to 2022

Operating income for the Regulated Energy segment for 2023 was $126.2 million, an increase of $10.9 million, or 9.4 percent, compared to 2022. Excluding transaction-related expenses associated with the acquisition of FCG, operating income increased $21.2 million or 18.4 percent compared to the prior year. Higher operating income reflects contributions from our regulatory initiatives, organic growth in our natural gas distribution businesses and continued pipeline expansion projects, and contributions from the acquisition of FCG. These increases were partially offset by changes in customer consumption resulting from the significantly warmer temperatures in our northern service territories throughout the year. Excluding the transaction-related expenses described above, operating expenses increased by $10.1 million compared to the prior year primarily attributable to increased employee costs driven by growth initiatives, the ongoing competitive labor market and higher benefits costs and higher property taxes compared to the prior year. Increases in depreciation and amortization expense attributable to growth projects that were placed into service during the current year were offset by reductions related to revised depreciation rates approved in the Company's Florida Natural Gas rate case and electric depreciation study filing, and a $5.1 million RSAM adjustment from FCG.

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

(in thousands)		
Rate changes associated with the Florida Natural Gas base rate proceeding [1]	$	13,361
Contribution from the acquisition of FCG		8,687
Natural gas growth including conversions (excluding service expansions)		6,214
Natural gas transmission service expansions		4,812
Contributions from regulated infrastructure programs		2,597
Changes in customer consumption, driven by significantly warmer temperatures		(5,096)
Other variances		760
Year-over-year increase in adjusted gross margin	$	31,335

[1] Includes adjusted gross margin contributions from interim rates and permanent base rates that became effective in March 2023.

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

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 February 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 $13.4 million. Refer to Note 18, *Rates and Other Regulatory Activities*, in the consolidated financial statements for additional information.

Contribution from Acquisition of FCG
FCG contributed adjusted gross margin of $8.7 million from the acquisition date.

Natural Gas Distribution Customer Growth
We generated additional adjusted gross margin of $6.2 million from natural gas customer growth. Adjusted gross margin increased by $3.7 million for our Florida Natural Gas distribution business and $2.5 million on the Delmarva Peninsula compared to 2022, due primarily to residential customer growth of 3.9 percent and 5.4 percent in Florida and on the Delmarva Peninsula, respectively.

Natural Gas Transmission Service Expansions
We generated increased adjusted gross margin of $4.8 million from natural gas transmission service expansions of Peninsula Pipeline, Eastern Shore and Aspire Energy Express.

Contributions from Regulated Infrastructure Programs
Contributions from regulated infrastructure programs generated incremental adjusted gross margin of $2.6 million for the year. The increase in adjusted gross margin was primarily related to FPU Electric's storm protection plan, Eastern Shore's capital surcharge program and Florida's GUARD program. Refer to Note 18, *Rates and Other Regulatory Activities*, in the consolidated financial statements for additional information.

Customer Consumption - Inclusive of Weather
We experienced reduced customer consumption for the year ended December 31, 2023, largely the result of significantly warmer weather experienced in the Delmarva service territory throughout the year resulting in reduced adjusted gross margin of $5.1 million compared to 2022.

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

(in thousands)		
FCG transaction-related expenses [1]	$	10,355
Payroll, benefits and other employee-related expenses		5,054
FCG operating expenses		4,190
Facilities expenses, maintenance costs and outside services		1,416
Customer service related costs		764
Regulatory expenses		658
Depreciation, amortization and property tax costs		(2,308)
Other variances		324
Year-over-year increase in other operating expenses	$	20,453

[1] Transaction-related expenses referred to in this table represent pretax operating expenses of $10.4 million associated with legal, consulting and audit fees incurred in connection with the acquisition of FCG.

2022 compared to 2021
The results for the Regulated Energy segment for the year ended December 31, 2022 compared to 2021 are described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated herein by reference.

UNREGULATED ENERGY

For the Year Ended December 31,	**2023**	**2022**	**Increase (Decrease)**	**2022**	**2021**	**Increase (Decrease)**
(in thousands)						
Revenue	**$ 223,148**	$ 280,750	$ (57,602)	$ 280,750	$ 206,869	$ 73,881
Propane and natural gas costs	**102,492**	162,683	(60,191)	162,683	106,900	55,783
Adjusted gross margin [1]	**120,656**	118,067	2,589	118,067	99,969	18,098
Operations & maintenance	**74,168**	70,489	3,679	70,489	57,905	12,584
Depreciation & amortization	**17,347**	16,257	1,090	16,257	13,869	2,388
Other taxes	**4,715**	3,971	744	3,971	3,768	203
Other operating expenses	**96,230**	90,717	5,513	90,717	75,542	15,175
Operating Income	**$ 24,426**	$ 27,350	$ (2,924)	$ 27,350	$ 24,427	$ 2,923

[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.

2023 Compared to 2022
Operating income for the Unregulated Energy segment for 2023 decreased by $2.9 million compared to 2022. Operating results were impacted by changes in customer consumption due to significantly warmer weather in our Mid-Atlantic and North Carolina service areas throughout the year as well as conversion of propane customers to our natural gas distribution service. Additionally, we experienced increased operating expenses associated with increased payroll, benefits and employee related expenses driven by competition in the current labor market, depreciation, amortization and property taxes, as well as increased costs for facilities, maintenance and outside services. These factors were partially offset by increased propane margins and fees and increased gathering charges and customer consumption for Aspire.

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		
Increased propane margins and fees	$	8,821
Propane customer consumption - primarily weather related		(8,235)
Decreased customer consumption due to conversion of customers to our natural gas system		(793)
Aspire Energy		
Increase in gathering margin		1,141
Increased customer consumption		496
Eight Flags		
Increased electric generation margin		1,018
Other variances		141
Year-over-year increase in adjusted gross margin	**$**	**2,589**

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

Propane Operations

- *Increased propane margins and fees* - Adjusted gross margin increased by $8.8 million, 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.

- *Propane customer consumption* - Adjusted gross margin was negatively impacted by $8.2 million as a result of reduced customer consumption driven by significantly warmer weather that our Mid-Atlantic and North Carolina service areas experienced throughout 2023.

- *Reduced customer consumption due to conversion of customers to natural gas* - Adjusted gross margin was reduced by $0.8 million as more customers converted from propane to our natural gas distribution service.

Aspire Energy

- *Increase in gathering charges* - Adjusted gross margin increased by $1.1 million primarily due to increased gathering charges associated with a large commercial customer.

- *Increased customer consumption* - Adjusted gross margin increased by $0.5 million despite warmer temperatures due to increased customer consumption from agricultural customers compared to the prior year.

Eight Flags

- *Increased electric generation margin* - Adjusted gross margin increased by $1.0 million due to increased electric generation compared to 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)		
Increased payroll, benefits and other employee-related expenses	$	3,959
Increased depreciation, amortization and property tax costs		1,717
Other variances		(163)
Period-over-period increase in other operating expenses	**$**	**5,513**

2022 compared to 2021

The results for the Unregulated Energy segment for the year ended December 31, 2022 compared to 2021 are described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated by reference.

OTHER INCOME, NET

Other income, net was $1.4 million and $5.1 million for 2023 and 2022, 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 decrease was primarily attributable to the absence of a one-time gain related to a building sale during 2022, the absence of interest income received in connection with a Federal Income Tax refund during 2022, and higher pension related expenses compared to the prior-year period.

INTEREST CHARGES

2023 Compared to 2022

Interest charges for 2023 increased by $12.6 million compared to the same period in 2022. This increase is primarily attributable to $6.2 million in interest expense as a result of long-term debt placements in 2023, including the November 2023 placement in connection with the FCG acquisition as well as $4.1 million related to bridge financing costs also attributable to the FCG acquisition. Higher interest expense on Revolver borrowings of $3.1 million driven by higher average interest rates compared to the prior year also contributed to the increase. The weighted-average interest rate on our Revolver borrowings was 5.4 percent for the year ended December 31, 2023 compared to 2.5 percent during the prior year as a result of the Federal Reserve actions in 2022 and 2023. These factors were partially offset by higher capitalized interest of $1.7 million during the current year associated with capital projects.

INCOME TAXES

2023 Compared to 2022

Income tax expense was $28.1 million for 2023 compared to $33.8 million for 2022. Our effective income tax rates were 24.4 percent and 27.4 percent for the years ended December 31, 2023 and 2022, respectively. Income tax expense for the year ended December 31, 2023 includes a $2.5 million benefit resulting from a reduction in the Pennsylvania state income tax rate. Excluding this change, our effective income tax rate was 26.5 percent in 2023.

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 effective shelf registration statements with the SEC, as applicable, for the issuance of shares of common stock under various types of equity offerings, including the DRIP and previously, shares of common stock under an ATM equity program. 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 $1.1 billion in 2023, which includes $923.4 million attributable to the purchase of FCG and $3.9 million related to an acquisition in the propane distribution business.

The following table shows total capital expenditures for the year ended December 31, 2023 by segment and by business line:

(in thousands)	For the Year Ended December 31, 2023
Regulated Energy:	
Natural gas distribution	$ 109,245
Natural gas transmission	40,179
Electric distribution	19,745
Total Regulated Energy	169,169
Unregulated Energy:	
Propane distribution	14,287
Energy transmission	5,469
Other unregulated energy	20,508
Total Unregulated Energy	40,264
Other:	
Corporate and other businesses	1,762
Total Other	1,762
Legacy capital expenditures	**211,195**
FCG Acquisition [1]	**926,702**
Total 2023 Capital Expenditures	**$ 1,137,897**

[1] Includes amounts for the acquisition of FCG net of cash acquired and their capital expenditures from the date of the acquisition through December 31, 2023. For additional information on the FCG acquisition, refer to Note 4, *Acquisitions*, in the consolidated financial statements.

In the table below, we have provided a range of our forecasted capital expenditures by segment and business line for 2024:

	Estimate for Fiscal 2024	
(in thousands)	Low	High
Regulated Energy:		
Natural gas distribution	$ 150,000	$ 170,000
Natural gas transmission	90,000	120,000
Electric distribution	25,000	28,000
Total Regulated Energy	265,000	318,000
Unregulated Energy:		
Propane distribution	13,000	15,000
Energy transmission	5,000	6,000
Other unregulated energy	13,000	15,000
Total Unregulated Energy	31,000	36,000
Other:		
Corporate and other businesses	4,000	6,000
Total 2024 Forecasted Capital Expenditures	**$ 300,000**	**$ 360,000**

The 2024 forecast excludes potential acquisitions due to their opportunistic nature.

As a result of the Company's most recent 5-year strategic plan review where we revisited growth projections over the next five years for our legacy businesses and with the increased scale and investment opportunities related to FCG, the Company previously announced new capital expenditure guidance for the five-year period ended 2028 that will range from $1.5 billion to $1.8 billion.

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 as of December 31, 2023 and 2022 and includes the impacts associated with financing the FCG acquisition:

(dollars in thousands)	December 31, 2023		December 31, 2022	
Long-term debt, net of current maturities	**$ 1,187,075**	**49 %**	$ 578,388	41 %
Stockholders' equity	**1,246,104**	**51 %**	832,801	59 %
Total capitalization, excluding short-term borrowings	**$ 2,433,179**	**100 %**	$ 1,411,189	100 %

(dollars in thousands)	December 31, 2023		December 31, 2022	
Short-term debt	**$ 179,853**	**7 %**	$ 202,157	12 %
Long-term debt, including current maturities	**1,205,580**	**46 %**	599,871	37 %
Stockholders' equity	**1,246,104**	**47 %**	832,801	51 %
Total capitalization, including short-term borrowings	**$ 2,631,537**	**100 %**	$ 1,634,829	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 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. We expect to move closer to our target capital structure over the next couple of years.

In November 2023, in connection with our acquisition of FCG, we completed an overnight offering resulting in the issuance of 4.4 million shares of our common stock at a price per share of $82.72 (net of underwriter discounts and commissions). We received net proceeds of $366.4 million which were used to partially finance the acquisition.

During 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.

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 these Shelf Agreements, which expanded the total borrowing capacity and extended the term of the agreements for an additional three years from the effective dates to 2026. The following table summarizes our Shelf Agreements at December 31, 2023:

Shelf Agreement [1]	**Total Borrowing Capacity**	**Less: Amount of Debt Issued**	**Less: Unfunded Commitments**	**Remaining Borrowing Capacity**
(in thousands)				
Prudential Shelf Agreement	$ 405,000	$ (300,000)	—	$ 105,000
MetLife Shelf Agreement	200,000	(50,000)	—	150,000
Total	$ 605,000	$ (350,000)	$ —	$ 255,000

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

Long-Term Debt

All of our outstanding 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.

In November 2023, we issued Senior Notes in the aggregate principal amount of $550.0 million at an average interest rate of 6.54 percent that were used to partially finance our acquisition of FCG which closed during the fourth quarter of 2023. These notes have varying maturity dates of between three and 15 years, and the outstanding principal balance of the notes will be due on their respective maturity dates with interest payments payable semiannually until the principal has been paid in full. These Senior Notes have similar covenants and default provisions as our other Senior Notes.

In March 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 and to fund capital expenditures. These Senior Notes have similar covenants and default provisions as our other Senior Notes, and have an annual principal amortization payment beginning in the sixth year after the issuance.

Short-Term Borrowings

We are authorized by our Board of Directors to borrow up to $375.0 million of short-term debt, as required. At December 31, 2023 and 2022, we had $179.9 million and $202.2 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 5.83 percent and 5.04 percent, respectively. There were no borrowings outstanding under the sustainable investment sublimit of the 364-day tranche at December 31, 2023.

We have entered into several amendments to our Revolver which resulted in modifications to both tranches of the facility. The most recent amendment in October 2023 allowed for a change in our funded indebtedness ratio from 65 percent to 70 percent during the quarter in which the acquisition of FCG is consummated and the quarter subsequent to the closing of the acquisition. The amendment in August 2023 served to renew the 364-day tranche of the Revolver, providing for $175.0 million of short-term debt capacity. Additionally, the amendment for borrowings under the 364-day tranche shall now bear interest (i) based upon the SOFR, plus a 10-basis point credit spread adjustment, and an applicable margin of 1.05 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate, solely at our discretion. Further, the amendment provided that borrowings under the 364-day green loan sublimit shall now bear interest at (i) the SOFR rate plus a 10-basis point credit spread adjustment and an applicable margin of 1.00 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate plus 0.05 percent or less, solely at our discretion. The amendment entered into in 2022 served to reset the benchmark interest rate to SOFR and to eliminate a previous covenant which capped our investment limit to $150.0 million for investments where we maintain less than 50 percent ownership.

The 364-day tranche of the Revolver expires in August 2024 and the five-year tranche expires in August 2026. 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, 2023, the pricing under the 364-day tranche of the Revolver included a commitment fee of 9-basis points on undrawn amounts and an interest rate of 75-basis points over SOFR plus a 10-basis point SOFR adjustment on outstanding balances. As of December 31, 2023, the pricing under the five-year tranche of the Revolver included a commitment fee of 9-basis points on undrawn amounts and an interest rate of 95-basis points over SOFR plus a 10-basis point SOFR adjustment on outstanding balances.

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 as described above. As of December 31, 2023, we are in compliance with this covenant.

Our total available credit under the Revolver at December 31, 2023 was $188.1 million. As of December 31, 2023, we had issued $7.0 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.

In connection with our acquisition of FCG, we entered into a 364-day Bridge Facility commitment with Barclays Bank PLC for up to $365.0 million. Upon closing of the FCG acquisition in November 2023, and with the completion of other financing activities as defined in the lending agreement, this facility was terminated without any funds drawn to finance the transaction.

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, 2023, 2022 and 2021 are as follows:

(in thousands)	2023	2022	2021
Average borrowings during the year	**$ 130,246**	$ 170,434	$ 182,305
Weighted average interest rate for the year	**5.41 %**	2.49 %	1.03 %
Maximum month-end borrowings	**$ 206,460**	$ 225,050	$ 226,097

Cash Flows

The following table provides a summary of our operating, investing and financing cash flows for the years ended December 31, 2023, 2022 and 2021:

	For the Year Ended December 31,		
(in thousands)	2023	2022	2021
Net cash provided by (used in):			
Operating activities	**$ 203,482**	$ 158,882	$ 150,504
Investing activities	**(1,111,391)**	(136,448)	(223,023)
Financing activities	**906,609**	(21,206)	73,996
Net (decrease) increase in cash and cash equivalents	**(1,300)**	1,228	1,477
Cash and cash equivalents—beginning of period	**6,204**	4,976	3,499
Cash and cash equivalents—end of period	**$ 4,904**	$ 6,204	$ 4,976

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 2023, net cash provided by operating activities was $203.5 million. Operating cash flows were primarily impacted by the following:

- Net income, adjusted for non-cash adjustments, provided a $170.0 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 $20.1 million source of cash; and
- Other working capital changes, as well as propane inventory and the related hedging activity, resulted in a $9.8 million source of cash.

Cash Flows Used in Investing Activities

Net cash used in investing activities totaled $1.1 billion during the year ended December 31, 2023. Key investing activities contributing to the cash flow change included:

- Net cash of $925.0 million was used in 2023 to acquire FCG and a propane distribution business; and
- Cash used to pay for capital expenditures amounted to $188.6 million for 2023.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities totaled $906.6 million for the year ended December 31, 2023. This source of cash was largely related to financing activities in connection with the FCG acquisition and included:

- A net increase in long-term debt borrowings resulting in a net source of cash of $605.5 million, including $627.0 million from issuances, offset by long-term repayments of $21.5 million;
- Net proceeds of $366.4 million from the issuance of common stock; partially offset by
- A $40.0 million use of cash for dividend payments in 2023; and
- Net repayments under lines of credit resulting in a use of cash of $22.5 million.

Contractual Obligations

We have the following contractual obligations and other commercial commitments as of December 31, 2023:

	Payments Due by Period				
Contractual Obligations	**2024**	**2025-2026**	**2027-2028**	**After 2028**	**Total**
(in thousands)					
Long-term debt [1]	$ 18,505	$ 160,079	$ 268,373	$ 762,376	$ 1,209,333
Operating leases [2]	2,771	4,062	2,788	5,243	14,864
Purchase obligations [3]					
Transmission capacity	45,314	87,627	70,030	128,326	331,297
Storage capacity	3,312	4,519	860	—	8,691
Commodities	30,983	—	—	—	30,983
Electric supply	6,431	12,936	12,961	12,961	45,289
Unfunded benefits [4]	228	485	474	1,131	2,318
Funded benefits [5]	2,018	4,035	4,035	2,172	12,260
Total Contractual Obligations	**$ 109,562**	**$ 273,743**	**$ 359,521**	**$ 912,209**	**$ 1,655,035**

[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 $62.4 million, $116.4 million, $92.8 million and $160.6 million, respectively, for the periods indicated above. Expected interest payments for all periods total $432.2 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 $0.2 million at December 31, 2023 for the FPU qualified, defined benefit pension plan. The assets funding this plan are in a separate trust and are not considered assets of ours or included in our balance sheets. We do not expect to make payments to the trust funds in 2024. 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 $12.3 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, 2023 was $35.0 million. The aggregate amount guaranteed at December 31, 2023 was approximately $24.3 million with the guarantees expiring on various dates through December 2024. In addition, the Board has authorized us to issue specific purpose corporate guarantees. The amount of specific purpose guarantees outstanding at December 31, 2023 was $4.0 million.

As of December 31, 2023, we have issued letters of credit totaling approximately $7.0 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 2024. There have been no draws on these letters of credit as of December 31, 2023. 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, 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 generally 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 annual impairment testing for 2023 indicated no impairment of goodwill. At December 31, 2023, our goodwill balance totaled $508.2 million including $461.2 million attributable to the acquisition of FCG. Additional information is presented in Item 8*, Financial Statements and Supplementary Data,* Note 4, *Acquisitions,* and 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, 2023, 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 5.00 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 liabilities and related 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

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 evaluate whether to refinance existing debt or permanently refinance existing short-term borrowings based in part on the fluctuation in interest rates. 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 8.9 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 December 31, 2023:

(in thousands)	Balance at December 31, 2022	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance at December 31, 2023
Sharp	$ 1,507	$ (1,822)	$ (61)	**$ (376)**

There were no changes in the methods of valuations during the year ended December 31, 2023.

The following is a summary of fair market value of financial derivatives as of December 31, 2023, by method of valuation and by maturity for each fiscal year period.

(in thousands)	2024	2025	2026	Total Fair Value
Price based on Mont Belvieu - Sharp	$ (264)	$ (75)	$ (37)	$ (376)

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.

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, 2023 and 2022, 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, 2023, 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, 2023, 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, 2023 and 2022, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2023, 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, 2023, 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 their 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 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.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management has excluded Florida City Gas ("FCG") from its assessment of internal control over financial reporting as of December 31, 2023, because it was acquired by the Company in a business combination during 2023. We have also excluded FCG from our audit of internal control over financial reporting. FCG is a wholly-owned subsidiary whose total assets and loss before taxes represented 31 percent and 4 percent, respectively, of the Company's consolidated total assets and earnings before taxes as of December 31, 2023 and for the year then ended.

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) relates 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 a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Assessment - Energy Transmission and Supply Services (Aspire Energy) - 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 goodwill associated with the Aspire Energy reporting unit within its Unregulated Energy reportable segment as of December 31, 2023. 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, 2023 indicated no impairment.

We identified the goodwill impairment assessment of Aspire Energy as a critical audit matter because the fair value estimate requires significant estimates and assumptions by management, including those relating to future revenue and operating margin forecasts and discount rates. Testing these estimates involved especially challenging, subjective, or complex judgments 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 Aspire Energy reporting unit.
- 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 the 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 within the Company's Regulated and Unregulated Energy segments, 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.

Lancaster, Pennsylvania
February 21, 2024

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Statements of Income

	For the Year Ended December 31,		
	2023	**2022**	**2021**
(in thousands, except shares and per share data)			
Operating Revenues			
Regulated Energy	**$ 473,595**	$ 429,424	$ 383,920
Unregulated Energy	**223,148**	280,750	206,869
Other businesses and eliminations	**(26,139)**	(29,470)	(20,821)
Total operating revenues	**670,604**	680,704	569,968
Operating Expenses			
Natural gas and electricity costs	**140,008**	127,172	100,737
Propane and natural gas costs	**76,474**	133,334	86,213
Operations	**178,437**	164,505	148,294
FCG transaction-related expenses	**10,355**	—	—
Maintenance	**20,401**	18,176	16,793
Depreciation and amortization	**65,501**	68,973	62,661
Other taxes	**28,625**	25,611	24,158
Total operating expenses	**519,801**	537,771	438,856
Operating Income	**150,803**	142,933	131,112
Other income, net	**1,438**	5,051	1,720
Interest charges	**36,951**	24,356	20,135
Income Before Income Taxes	**115,290**	123,628	112,697
Income taxes	**28,078**	33,832	29,231
Net Income	**$ 87,212**	$ 89,796	$ 83,466
Weighted Average Common Shares Outstanding:			
Basic	**18,370,758**	17,722,227	17,558,078
Diluted	**18,434,857**	17,804,294	17,633,029
Earnings Per Share of Common Stock:			
Basic	**$ 4.75**	$ 5.07	$ 4.75
Diluted	**$ 4.73**	$ 5.04	$ 4.73

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

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

(in thousands)	For the Year Ended December 31, 2023	2022	2021
Net Income	**$ 87,212**	$ 89,796	$ 83,466
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 $11, $18 and $550, respectively	**32**	57	1,616
Net (loss) gain, net of tax of $(37), $243, and $93, respectively	**(110)**	705	262
Cash Flow Hedges, net of tax:			
Net (loss) gain on commodity contract cash flow hedges, net of tax of $(501), $(369) and $2,702, respectively	**(1,322)**	(934)	7,075
Reclassifications of net gain on commodity contract cash flow hedges, net of tax of $(17), $(963) and $(1,838), respectively	**(44)**	(2,545)	(4,813)
Net gain on interest rate swap cash flow hedges, net of tax of $165, $0, and $0, respectively	**473**	—	—
Reclassifications of net (gain) loss on interest rate swap cash flow hedges, net of tax of $(135), $12 and $12, respectively	**(388)**	35	28
Total Other Comprehensive (Loss) Income	**(1,359)**	(2,682)	4,168
Comprehensive Income	**$ 85,853**	$ 87,114	$ 87,634

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

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Balance Sheets

Assets	As of December 31, 2023	2022
(in thousands, except shares and per share data)		
Property, Plant and Equipment		
Regulated Energy	**$ 2,418,494**	$ 1,802,999
Unregulated Energy	**410,807**	393,215
Other businesses and eliminations	**30,310**	29,890
Total property, plant and equipment	**2,859,611**	2,226,104
Less: Accumulated depreciation and amortization	**(516,429)**	(462,926)
Plus: Construction work in progress	**113,192**	47,295
Net property, plant and equipment	**2,456,374**	1,810,473
Current Assets		
Cash and cash equivalents	**4,904**	6,204
Trade and other receivables	**74,485**	65,758
Less: Allowance for credit losses	**(2,699)**	(2,877)
Trade receivables, net	**71,786**	62,881
Accrued revenue	**32,597**	29,206
Propane inventory, at average cost	**9,313**	9,365
Other inventory, at average cost	**19,912**	16,896
Regulatory assets	**19,506**	41,439
Storage gas prepayments	**4,695**	6,364
Income taxes receivable	**3,829**	2,541
Prepaid expenses	**15,407**	15,865
Derivative assets, at fair value	**1,027**	2,787
Other current assets	**2,723**	428
Total current assets	**185,699**	193,976
Deferred Charges and Other Assets		
Goodwill	**508,174**	46,213
Other intangible assets, net	**16,865**	17,859
Investments, at fair value	**12,282**	10,576
Derivative assets, at fair value	**40**	982
Operating lease right-of-use assets	**12,426**	14,421
Regulatory assets	**96,396**	108,214
Receivables and other deferred charges	**16,448**	12,323
Total deferred charges and other assets	**662,631**	210,588
Total Assets	**$ 3,304,704**	$ 2,215,037

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

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Balance Sheets

Capitalization and Liabilities	As of December 31, 2023	2022
(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 $0.4867 per share (authorized 50,000,000 shares)	**10,823**	8,635
Additional paid-in capital	**749,356**	380,036
Retained earnings	**488,663**	445,509
Accumulated other comprehensive loss	**(2,738)**	(1,379)
Deferred compensation obligation	**9,050**	7,060
Treasury stock	**(9,050)**	(7,060)
Total stockholders' equity	**1,246,104**	832,801
Long-term debt, net of current maturities	**1,187,075**	578,388
Total capitalization	**2,433,179**	1,411,189
Current Liabilities		
Current portion of long-term debt	**18,505**	21,483
Short-term borrowing	**179,853**	202,157
Accounts payable	**77,481**	61,496
Customer deposits and refunds	**46,427**	37,152
Accrued interest	**7,020**	3,349
Dividends payable	**13,119**	9,492
Accrued compensation	**16,544**	14,660
Regulatory liabilities	**13,719**	5,031
Derivative liabilities, at fair value	**354**	585
Other accrued liabilities	**13,362**	13,618
Total current liabilities	**386,384**	369,023
Deferred Credits and Other Liabilities		
Deferred income taxes	**259,082**	256,167
Regulatory liabilities	**195,279**	142,989
Environmental liabilities	**2,607**	3,272
Other pension and benefit costs	**15,330**	16,965
Derivative liabilities at fair value	**927**	1,630
Operating lease - liabilities	**10,550**	12,392
Deferred investment tax credits and other liabilities	**1,366**	1,410
Total deferred credits and other liabilities	**485,141**	434,825
Environmental and other commitments and contingencies (Notes 19 and 20)		
Total Capitalization and Liabilities	**$ 3,304,704**	$ 2,215,037

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,		
	2023	**2022**	**2021**
(in thousands)			
Operating Activities			
Net Income	**$ 87,212**	$ 89,796	$ 83,466
Adjustments to reconcile net income to net operating cash:			
Depreciation and amortization	**65,501**	68,973	62,661
Depreciation and accretion included in operations expenses	**11,934**	11,044	10,228
Deferred income taxes, net	**3,413**	23,705	26,658
Realized (loss) on sale of assets/commodity contracts	**(824)**	(7,532)	(9,026)
Unrealized loss (gain) on investments/commodity contracts	**(1,916)**	1,817	(1,464)
Employee benefits and compensation	**342**	(1,111)	(53)
Share-based compensation	**7,622**	6,438	5,945
Other, net	**170**	—	—
Changes in assets and liabilities:			
Accounts receivable and accrued revenue	**2,270**	(11,159)	(1,634)
Propane inventory, storage gas and other inventory	**293**	(7,847)	(9,517)
Regulatory assets/liabilities, net	**20,102**	(38,671)	(18,464)
Prepaid expenses and other current assets	**18,689**	9,124	(1,520)
Accounts payable and other accrued liabilities	**(16,795)**	2,724	8,285
Income taxes receivable	**(1,288)**	14,919	(4,575)
Customer deposits and refunds	**3,928**	664	3,176
Accrued compensation	**1,462**	(1,231)	1,198
Other assets and liabilities, net	**1,367**	(2,771)	(4,860)
Net cash provided by operating activities	**203,482**	158,882	150,504
Investing Activities			
Property, plant and equipment expenditures	**(188,618)**	(128,276)	(186,924)
Proceeds from sale of assets	**2,926**	3,860	1,033
Acquisitions, net of cash acquired	**(925,034)**	(11,766)	(36,371)
Environmental expenditures	**(665)**	(266)	(761)
Net cash used in investing activities	**(1,111,391)**	(136,448)	(223,023)
Financing Activities			
Common stock dividends	**(40,009)**	(35,147)	(31,537)
Issuance of stock for Dividend Reinvestment Plan	**(28)**	4,534	15,851
Proceeds from issuance of common stock, net of expenses	**366,417**	—	—
Tax withholding payments related to net settled stock compensation	**(2,455)**	(2,838)	(1,478)
Change in cash overdrafts due to outstanding checks	**(301)**	955	(1,154)
Net borrowings (repayments) under line of credit agreements	**(22,544)**	(20,608)	46,647
Proceeds from issuance of long-term debt	**627,011**	49,859	59,478
Repayment of long-term debt and finance lease obligation	**(21,482)**	(17,961)	(13,811)
Net cash provided by (used in) financing activities	**906,609**	(21,206)	73,996
Net (Decrease) Increase in Cash and Cash Equivalents	**(1,300)**	1,228	1,477
Cash and Cash Equivalents — Beginning of Period	**6,204**	4,976	3,499
Cash and Cash Equivalents — End of Period	**$ 4,904**	$ 6,204	$ 4,976

See Note 7 for Supplemental Cash Flow Disclosures.

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

Chesapeake Utilities Corporation and Subsidiaries

Consolidated Statements of Stockholders' Equity

	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 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)	—
Balance 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 income	—	—	—	—	(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**
Net Income	—	—	—	87,212	—	—	—	**87,212**
Issuance of common stock in connection with acquisition of FCG	4,438,596	2,160	364,257	—	—	—	—	**366,417**
Other comprehensive loss	—	—	—	—	(1,359)	—	—	**(1,359)**
Dividends declared ($2.305 per share)	—	—	—	(44,058)	—	—	—	**(44,058)**
Issuance under various plans [5]	—	—	(26)	—	—	—	—	**(26)**
Share-based compensation and tax benefit [3] [4]	55,323	28	5,089	—	—	—	—	**5,117**
Treasury stock activities [2]	—	—	—	—	—	1,990	(1,990)	—
Balances at December 31, 2023	**22,235,337**	**$ 10,823**	**$ 749,356**	**$ 488,663**	**$ (2,738)**	**$ 9,050**	**$ (9,050)**	**$ 1,246,104**

[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 107,623, 108,143 and 116,238 shares at December 31, 2023, 2022 and 2021, 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 2023, 2022 and 2021, we withheld 19,859, 21,832 and 14,020 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) sustainable energy investments including renewable natural gas.

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.

2. Summary of Significant Accounting Policies

Use of Estimates

Preparing the consolidated financial statements to conform 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 improvements 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, 2023 and 2022 is provided in the following table:

(in thousands)	As of December 31, 2023	2022
Property, plant and equipment		
Regulated Energy		
Natural gas distribution - Delmarva Peninsula and Florida [1]	**$ 1,486,796**	$ 925,501
Natural gas transmission - Delmarva Peninsula, Pennsylvania, Ohio and Florida	**788,185**	741,865
Electric distribution	**143,513**	135,633
Unregulated Energy		
Propane operations – Mid-Atlantic, North Carolina, South Carolina and Florida	**194,918**	185,090
Natural gas transmission and supply – Ohio	**134,192**	128,620
Electricity and steam generation	**37,064**	36,886
Mobile CNG and pipeline solutions	**40,558**	38,543
Sustainable energy investments, including renewable natural gas	**4,076**	4,076
Other	**30,309**	29,890
Total property, plant and equipment	**2,859,611**	2,226,104
Less: Accumulated depreciation and amortization	**(516,429)**	(462,926)
Plus: Construction work in progress	**113,192**	47,295
Net property, plant and equipment	**$ 2,456,374**	$ 1,810,473

[1] Includes amounts attributable to the acquisition of FCG. See Note 4 for additional details on the acquisition.

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, 2023 and 2022, the non-refundable contributions totaled $4.2 million and $7.6 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 rate-making purposes when the completed projects are placed in service. During the years ended December 31, 2023, 2022 and 2021, AFUDC was immaterial and 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 $28.4 million of jointly owned assets at December 31, 2023, 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 within our consolidated statements of income. Accumulated depreciation for this pipeline totaled $2.2 million and $1.5 million at December 31, 2023 and 2022, respectively.

Impairment of Long-lived Assets

We periodically evaluate whether events or circumstances have occurred, which indicate that 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. Certain components of depreciation and accretion are reported in operations expenses, rather than as 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 expenses 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, 2023, 2022 and 2021, we reported $11.9 million, $11.0 million and $10.2 million, respectively, of depreciation and accretion in operations expenses.

The following table shows the average depreciation rates used for regulated operations during the years ended December 31, 2023, 2022 and 2021:

	2023	**2022**	**2021**
Natural gas distribution – Delmarva Peninsula	**2.5%**	2.5%	2.5%
Natural gas distribution – Florida [1] [2]	**2.2%**	2.5%	2.5%
Natural gas transmission – Delmarva Peninsula	**2.7%**	2.7%	2.7%
Natural gas transmission – Florida	**2.4%**	2.4%	2.3%
Natural gas transmission – Ohio	**5.0%**	5.0%	N/A
Electric distribution	**2.4%**	2.8%	2.8%

[1] Excludes the acquisition of FCG which was completed on November 30, 2023.
[2] Average for 2023 includes the impact of the depreciation study that was approved by the Florida PSC in connection with the natural gas base rate proceeding.

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

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 our consolidated 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 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. 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 associated with these customers. 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, 2023:

(in thousands)		
Balance at December 31, 2022	**$**	**2,877**
Additions:		
Provision for credit losses		**2,340**
Recoveries		**166**
Deductions:		
Write offs		**(2,684)**
Balance at December 31, 2023	**$**	**2,699**

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, 2023, 2022 or 2021.

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 generally 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. There were no goodwill impairments recognized during the years ended December 31, 2023, 2022 and 2021. 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.

See Note 18, *Rates and Other Regulatory Activities*, for information related to FCG's reserve surplus amortization mechanism ("RSAM") that was approved as part of its rate case effective as of May 1, 2023.

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 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 initially recorded in accumulated other comprehensive income (loss) and reclassified to earnings when the associated hedged transaction settles. The ineffective portion of the gain or loss of a hedge is immediately 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 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 Yet to be Adopted

Segment Reporting (ASC 280) - In November 2023, the FASB issued ASU 2023-07, *Improvements to Reportable Segments Disclosures*, which modifies required disclosures about a public entity's reportable segments and addresses requests from investors for more detailed information about a reportable segment's expenses and a more comprehensive reconciliation of each segment's reported profit or loss. ASU 2023-07 will be effective for our annual financial statements beginning January 1, 2024 and our interim financial statements beginning January 1, 2025. ASU 2023-07 only impacts disclosures, and as a result, will not have a material impact on our financial position or results of operations.

Income Taxes (ASC 740) - In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures,* which modifies required income tax disclosures primarily related to an entity's rate reconciliation and information pertaining to income taxes paid. These enhancements have been made to address requests from investors related to transparency and usefulness of income tax disclosures. ASU 2023-09 will be effective for our annual financial statements beginning January 1, 2024. ASU 2023-09 only impacts disclosures, and as a result, will not have a material impact on our financial position or results of operations.

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)	2023	2022	2021
Calculation of Basic Earnings Per Share:			
Net Income	**$ 87,212**	$ 89,796	$ 83,466
Weighted average shares outstanding [(1)]	**18,370,758**	17,722,227	17,558,078
Basic Earnings Per Share	**$ 4.75**	$ 5.07	$ 4.75
Calculation of Diluted Earnings Per Share:			
Reconciliation of Denominator:			
Weighted average shares outstanding — Basic [(1)]	**18,370,758**	17,722,227	17,558,078
Effect of dilutive securities — Share-based compensation	**64,099**	82,067	74,951
Adjusted denominator — Diluted [(1)]	**18,434,857**	17,804,294	17,633,029
Diluted Earnings Per Share	**$ 4.73**	$ 5.04	$ 4.73

[(1)] 2023 weighted average shares reflect the impact of 4.4 million common shares issued in November 2023 in connection with the acquisition of FCG. See Notes 4 and 15 for additional details on the acquisition and related equity offering.

4. Acquisitions

Acquisition of Florida City Gas

On November 30, 2023, we completed the acquisition of FCG for $923.4 million in cash, including working capital adjustments as defined in the agreement, pursuant to the previously disclosed stock purchase agreement with Florida Power & Light Company. Upon completion of the acquisition, FCG became a wholly-owned subsidiary of the Company and is included within our Regulated Energy segment.

FCG, a regulated utility, serves approximately 120,000 residential and commercial natural gas customers across eight counties in Florida, including Miami-Dade, Broward, Brevard, Palm Beach, Hendry, Martin, St. Lucie and Indian River. Its natural gas system includes approximately 3,800 miles of distribution main and 80 miles of transmission pipe.

The purchase price of the acquisition was funded with $366.4 million of net proceeds from the issuance of 4.4 million shares of our common stock, the issuance of approximately $550.0 million principal amount of uncollateralized senior notes, and borrowings under the Company's Revolver. See Note 12, *Long-Term Debt*, and Note 15, *Stockholders' Equity,* for additional details on these financing activities.

We accounted for the acquisition of FCG using the acquisition method. At December 31, 2023, the allocation of the purchase price remains preliminary pending finalizing of certain working capital balances. As such, the fair value measurements presented below are subject to change within the measurement period not to exceed one year from the date of the acquisition. As FCG is a regulated utility, the measurement of the fair value of most of the assets acquired and liabilities assumed were determined using the predecessor's carrying value. In certain other instances where assets and liabilities are not subject to regulation, we determined the fair value in accordance with the principles of ASC Topic 820, *Fair Value Measurements*.

The excess of the purchase price for FCG over the fair value of the assets acquired and liabilities assumed has been reflected as goodwill within the Regulated Energy segment. Goodwill resulting from the acquisition is largely attributable to expansion opportunities provided within our existing regulated operations in Florida, including planned customer growth and growth in rate base through continued investment in our utility infrastructure, as well as natural gas transmission infrastructure supporting the distribution operations. The goodwill recognized in connection with the acquisition of FCG will be deductible for income tax purposes.

The components of the preliminary purchase price allocation are as follows:

(in thousands)

Assets acquired:	**Acquisition Date Fair Value**
Cash	$ 2,270
Accounts receivable, net	14,396
Regulatory assets - current	2,983
Other current assets	2,707
Property, plant and equipment	453,845
Goodwill	461,193
Regulatory assets - non-current	3,381
Other deferred charges and other assets,	18,309
Total assets acquired	**959,084**
Liabilities assumed:	
Current liabilities	(20,954)
Regulatory liabilities	(14,137)
Other deferred credits and other liabilities	(548)
Total liabilities assumed	**(35,639)**
Net purchase price	**$ 923,445**

Direct transaction costs of $10.4 million associated with the FCG acquisition are reflected in "FCG transaction-related expenses" on our consolidated statement of income for the year ended December 31, 2023. In addition, interest charges include $4.1 million related to fees and expenses associated with the Bridge Facility, which was terminated without any funds drawn, for the year ended December 31, 2023. Other transaction costs of $15.9 million related primarily to the debt and equity financings executed in connection with the acquisition have been deferred on the consolidated balance sheet or recorded in equity as an offset to proceeds received, as appropriate.

For the period from the acquisition date through December 31, 2023, the Company's consolidated results include $12.1 million of operating revenue and a $3.3 million net loss attributable to FCG which includes $7.5 million of the transaction-related expenses described above. For additional information on FCG's results, see discussion under Item 7, *Management's Discussion*

and Analysis of Financial Condition and Results of Operations. The following unaudited financial information reflects our pro forma operating revenues and net income assuming the FCG acquisition had occurred on January 1, 2022. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have been achieved or the future results of operations of FCG.

	For the Year Ended December 31,	
	2023	**2022**
(in thousands)		
Operating Revenue	**$ 786,473**	$ 798,355
Net Income	**$ 85,398**	$ 81,508

Acquisition of J.T. Lee and Son's

In December 2023, Sharp acquired the propane operating assets of J.T. Lee and Son's in Cape Fear, North Carolina for $3.9 million. In connection with this acquisition, we recorded a $0.3 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. Through this acquisition, we expanded our operating footprint further in North Carolina, where customers are served by Sharp Energy's Diversified Energy division. Sharp added approximately 3,000 customers and distribution of approximately 800,000 gallons of propane annually. The transaction also includes a bulk plant with 60,000 gallons of propane storage, enabling the Company to realize efficiencies with additional storage capacity and overlapping delivery territories.

In connection with this acquisition, we recorded $2.7 million in property plant and equipment, $0.9 million in goodwill, $0.2 million in working capital, and less than $0.1 million in intangible assets associated primarily with 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 are included within our propane distribution operations within our Unregulated Energy segment. The operating revenues and net income of this acquisition were not material to our consolidated results for the year ended December 31, 2023.

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 was released after 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 1200 tons of poultry litter annually. The transaction accelerated our efforts in converting poultry waste to renewable, sustainable energy while simultaneously improving the local environments in our service territories.

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 operating revenues and net income of Planet Found were not material to our consolidated results for the years ended December 31, 2023 and 2022.

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 expanded its operating footprint further into North Carolina, where customers are 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 financial results associated with this acquisition are included within the Company's propane distribution operations within its Unregulated Energy segment. The operating revenues and net income of Davenport Energy were not material to our consolidated results for the years ended December 31, 2023 and 2022.

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 by major source based on product and service type for the years ended December 31, 2023, 2022 and 2021:

	For the year ended December 31, 2023			
(in thousands)	**Regulated Energy**	**Unregulated Energy**	**Other and Eliminations**	**Total**
Energy distribution				
Delaware natural gas division	$ 83,882	$ —	$ —	$ 83,882
Florida Natural Gas distribution [1]	168,360	—	—	168,360
Florida City Gas [2]	12,073	—	—	12,073
FPU electric distribution	99,474	—	—	99,474
Maryland natural gas division	28,092	—	—	28,092
Sandpiper natural gas/propane operations	20,185	—	—	20,185
Elkton Gas	8,814	—	—	8,814
Total energy distribution	420,880	—	—	420,880
Energy transmission				
Aspire Energy	—	37,139	—	37,139
Aspire Energy Express	1,478	—	—	1,478
Eastern Shore	79,923	—	—	79,923
Peninsula Pipeline	30,400	—	—	30,400
Total energy transmission	111,801	37,139	—	148,940
Energy generation				
Eight Flags	—	19,207	—	19,207
Propane operations				
Propane distribution operations	—	154,748	—	154,748
Compressed Natural Gas Services				
Marlin Gas Services	—	12,300	—	12,300
Other and eliminations				
Eliminations	(59,086)	(246)	(26,321)	(85,653)
Other	—	—	182	182
Total other and eliminations	(59,086)	(246)	(26,139)	(85,471)
Total operating revenues [3]	**$ 473,595**	**$ 223,148**	**$ (26,139)**	**$ 670,604**

[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) have been consolidated and amounts above are now being presented on a consolidated basis consistent with the final rate order.

[2] Operating revenues for FCG include amounts from the acquisition date through December 31, 2023. For additional information on FCG's results, see Note 4, *Acquisitions*, and discussion under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

[3] Total operating revenues for the year ended December 31, 2023, include other revenue (revenues from sources other than contracts with customers) of $1.2 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.

(in thousands)	For the year ended December 31, 2022			
	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution				
Delaware natural gas division	$ 82,176	$ —	$ —	$ 82,176
Florida Natural Gas distribution [1]	155,870	—	—	155,870
FPU electric distribution	81,714	—	—	81,714
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 [2]	**$ 429,424**	**$ 280,750**	**$ (29,470)**	**$ 680,704**

[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) have been consolidated and amounts above are now being presented on a consolidated basis consistent with the final rate order.

[2] 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.

(in thousands)	For the year ended December 31, 2021 Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution				
Delaware natural gas division	$ 71,195	$ —	$ —	$ 71,195
Florida Natural Gas distribution [1]	134,609	—	—	134,609
FPU electric distribution	78,300	—	—	78,300
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 [2]	**$ 383,920**	**$ 206,869**	**$ (20,821)**	**$ 569,968**

[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) have been consolidated and amounts above are now being presented on a consolidated basis consistent with the final rate order.

[2] 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.

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, 2023 and 2022 were as follows:

(in thousands)	Trade Receivables	Contract Assets (Current)	Contract Assets (Noncurrent)	Contract Liabilities (Current)
Balance at 12/31/2022	$ 61,687	$ 18	$ 4,321	$ 983
Balance at 12/31/2023	**67,741**	**18**	**3,524**	**1,022**
Increase (decrease)	$ 6,054	$ —	$ (797)	$ 39

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, 2023 and 2022, the amounts recognized in revenue were not material.

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, 2023 are expected to be recognized as follows:

(in thousands)	2024	2025	2026	2027	2028	2029 and thereafter
Eastern Shore and Peninsula Pipeline	$ 36,657	$ 30,330	$ 26,547	$ 23,433	$ 22,559	$ 149,124
Natural gas distribution operations	9,680	9,216	8,501	6,472	5,252	28,428
FPU electric distribution	652	275	275	275	275	—
Total revenue contracts with remaining performance obligations	$ 46,989	$ 39,821	$ 35,323	$ 30,180	$ 28,086	$ 177,552

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 sustainable energy investments including renewable natural gas. 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 tables present information about our reportable segments:

(in thousands)	For the Year Ended December 31, 2023	2022	2021
Operating Revenues, Unaffiliated Customers			
Regulated Energy	**$ 471,591**	$ 422,894	$ 381,879
Unregulated Energy	**199,013**	257,810	188,089
Total operating revenues, unaffiliated customers	**$ 670,604**	$ 680,704	$ 569,968
Intersegment Revenues [1]			
Regulated Energy	**$ 2,004**	$ 6,530	$ 2,041
Unregulated Energy	**24,135**	22,940	18,780
Other businesses	**182**	308	527
Total intersegment revenues	**$ 26,321**	$ 29,778	$ 21,348
Operating Income			
Regulated Energy	**$ 126,199**	$ 115,317	$ 106,174
Unregulated Energy	**24,426**	27,350	24,427
Other businesses and eliminations	**178**	266	511
Operating Income	**150,803**	142,933	131,112
Other income, net	**1,438**	5,051	1,720
Interest charges	**36,951**	24,356	20,135
Income before Income Taxes	**115,290**	123,628	112,697
Income Taxes	**28,078**	33,832	29,231
Net Income	**$ 87,212**	$ 89,796	$ 83,466
Depreciation and Amortization			
Regulated Energy [2]	**$ 48,162**	$ 52,707	$ 48,748
Unregulated Energy	**17,347**	16,257	13,869
Other businesses and eliminations	**(8)**	9	44
Total depreciation and amortization	**$ 65,501**	$ 68,973	$ 62,661
Capital Expenditures			
Regulated Energy [3]	**$ 1,095,871**	$ 97,554	$ 139,733
Unregulated Energy	**40,264**	40,773	81,651
Other businesses	**1,762**	2,355	6,425
Total capital expenditures	**$ 1,137,897**	$ 140,682	$ 227,809

[1] All significant intersegment revenues are billed at market rates and have been eliminated from consolidated revenues.
[2] Depreciation and amortization in 2023 includes a $5.1 million RSAM adjustment. See Note 18 for additional details.
[3] Capital expenditures in 2023 include our acquisition of FCG for $923.4 million. See Note 4 for additional details.

(in thousands)	As of December 31, 2023	2022
Identifiable Assets		
Regulated Energy segment	**$ 2,781,581**	$ 1,716,255
Unregulated Energy segment	**477,402**	463,239
Other businesses and eliminations	**45,721**	35,543
Total identifiable assets	**$ 3,304,704**	$ 2,215,037

7. Supplemental Cash Flow Disclosures

Cash paid for interest and income taxes during the years ended December 31, 2023, 2022 and 2021 were as follows:

	For the Year Ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Cash paid for interest	**$ 30,525**	$ 24,267	$ 20,809
Cash (received) paid for income taxes, net of refunds	**$ 21,920**	$ (4,963)	$ 8,395

Non-cash investing and financing activities during the years ended December 31, 2023, 2022, and 2021 were as follows:

	For the Year Ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Capital property and equipment acquired on account, but not paid for as of December 31,	**$ 33,334**	$ 13,211	$ 16,164
Common stock issued for the Retirement Savings Plan	**$ —**	$ —	$ 1,712
Common stock issued under the SICP	**$ 3,740**	$ 2,868	$ 2,834

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, 2023 and 2022, our natural gas and electric distribution operations did not have any outstanding derivative contracts.

Volume of Derivative Activity

As of December 31, 2023, 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	18.1	Cash flow hedges	June 2026
Sharp	Propane (gallons)	Sales	3.2	Cash flow hedges	March 2024

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 2023 through June 2026) 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 initially recorded as a component of accumulated other comprehensive income (loss) and later recognized in our consolidated statement of income in the same period and in the same line item as the hedged transaction. We expect to reclassify approximately $0.3 million of unrealized losses from accumulated other comprehensive income (loss) to earnings during the next 12-month period.

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.

In February 2021, we entered into an interest rate swap with a notional amount of $40.0 million through December 2021 with pricing of 0.09 percent. In the fourth quarter of 2020, we entered into interest rate swaps with notional amounts totaling $60.0 million through December 2021 with pricing of approximately 0.20 percent for the period associated with our outstanding borrowing under the Revolver.

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 expiration of LIBOR. Accordingly, our current interest rate swap is cash settled monthly as the counter-party pays us the 30-day SOFR rate less the fixed rate. Prior to August 2022, our short-term borrowing interest rate was based on the 30-day LIBOR rate. 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.

We designate and account for interest rate swaps as cash flows hedges. Accordingly, unrealized gains and losses associated with the interest rate swaps are initially recorded as a component of accumulated other comprehensive income (loss). As the interest rate swap settles each month, 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 other current assets on the consolidated balance sheet with a balance of $2.1 million as of December 31, 2023 compared to a current liability of $0.1 million at December 31, 2022.

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, 2023 and 2022 are as follows:

	Derivative Assets		
		Fair Value as of	
(in thousands)	**Balance Sheet Location**	**December 31, 2023**	**December 31, 2022**
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative assets, at fair value [1]	**$ 702**	$ 3,317
Interest rate swap agreements	Derivative assets, at fair value [1]	**365**	452
Total Derivative Assets		**$ 1,067**	$ 3,769

[1] Derivative assets, at fair value include $1.0 million and $2.8 million in current assets in the consolidated balance sheet at December 31, 2023 and 2022, respectively, with the remainder of the balance classified as long-term.

	Derivative Liabilities		
		Fair Value as of	
(in thousands)	**Balance Sheet Location**	**December 31, 2023**	**December 31, 2022**
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative liabilities, at fair value [1]	**$ 1,078**	$ 1,810
Interest rate swap agreements	Derivative liabilities, at fair value [1]	**203**	405
Total Derivative Liabilities		**$ 1,281**	$ 2,215

[1] Derivative liabilities, at fair value include $0.4 million and $0.6 million in current liabilities in the consolidated balance sheet at December 31, 2023 and 2022, respectively, with the remainder of the balance classified as long-term.

The effects of gains and losses from derivative instruments and their location in the consolidated statements of income are as follows:

		Amount of Gain (Loss) on Derivatives:		
		For the Year Ended December 31,		
(in thousands)	Location of Gain (Loss) on Derivatives	2023	2022	2021
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)
Derivatives designated as cash flow hedges				
Propane swap agreements	Revenues	**1,221**	(373)	(536)
Propane swap agreements	Propane and natural gas costs	**(1,160)**	3,881	7,187
Interest rate swap agreements	Interest expense	**523**	(47)	(40)
Total		**$ 584**	$ 3,517	$ 6,586

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 as follows:

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, 2023 and 2022, respectively:

		Fair Value Measurements Using:		
As of December 31, 2023 *(in thousands)*	**Fair Value**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Investments—equity securities	**$ 21**	**$ 21**	**$ —**	**$ —**
Investments—guaranteed income fund	**1,489**	**—**	**—**	**1,489**
Investments—mutual funds and other	**10,772**	**10,772**	**—**	**—**
Total investments	**12,282**	**10,793**	**—**	**1,489**
Derivative assets	**1,067**	**—**	**1,067**	**—**
Total assets	**$ 13,349**	**$ 10,793**	**$ 1,067**	**$ 1,489**
Liabilities:				
Derivative liabilities	**$ 1,281**	**$ —**	**$ 1,281**	**$ —**

		Fair Value Measurements Using:		
As of December 31, 2022 *(in thousands)*	**Fair Value**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
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 changes in the fair value of our Level 3 investments for the years ended December 31, 2023 and 2022 were immaterial. Investment income from our Level 3 investments is reflected in other income (expense), net in the consolidated statements of income.

At December 31, 2023 and 2022, 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 (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, 2023, long-term debt, which includes the current maturities but excludes debt issuance cost, had a carrying value of $1.2 billion, compared to the estimated fair value of $1.2 billion. At December 31, 2022, long-term debt, which includes the current maturities and excludes debt issuance costs, had a carrying value of $600.8 million, compared to a fair value of $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.

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, 2023 and 2022 was as follows:

(in thousands)	Regulated Energy	Unregulated Energy	Total Goodwill
Balance at December 31, 2022	$ 7,689	$ 38,524	$ 46,213
Additions [(1)]	461,025	936	461,961
Balance at December 31, 2023	**$ 468,714**	**$ 39,460**	**$ 508,174**

[(1)] 2023 additions primarily attributable to goodwill from the November 2023 acquisition of FCG. See Note 4 for additional details.

There were no goodwill impairments recognized during the three-year period ended December 31, 2023.

The carrying value and accumulated amortization of intangible assets subject to amortization as of December 31, 2023 and 2022 was as follows:

	As of December 31,			
	2023		2022	
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	**$ 17,004**	**$ 7,146**	$ 16,965	$ 6,131
Non-Compete agreements	**3,125**	**1,855**	3,105	1,411
Patents [(1)]	**6,558**	**859**	5,819	533
Other	**270**	**232**	270	225
Total	**$ 26,957**	**$ 10,092**	$ 26,159	$ 8,300

[(1)] 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, 2023, 2022 and 2021 was $1.8 million, $1.5 million and $1.3 million, respectively. Amortization expense of intangible assets is expected to be $1.8 million for the years 2024 through 2025, $1.6 million for 2026, $1.5 million for 2027 and $1.3 million for 2028.

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 2017 are subject to examination. At December 31, 2023, the 2015 through 2019 federal income tax returns are no longer under examination.

For state income tax purposes, we had NOL in various states of $72.9 million and $67.7 million as of December 31, 2023 and 2022, respectively, almost all of which will expire in 2040. Excluding NOLs from discontinued operations, we have recorded deferred tax assets of $1.8 million and $1.5 million related to state NOL carry-forwards at December 31, 2023 and 2022, 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.

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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. As a result, our income tax expense for the year 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 and then applied back to our 2013 and 2015 tax years in which we paid federal income taxes at a 35 percent tax rate. Tax benefits associated with this legislation were not available for the year ended December 31, 2023.

On December 22, 2017, the TCJA was signed into law. 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 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 2023, 2022, and 2021; (b) the reconciliation between the statutory federal income tax rate and the effective income tax rate for 2023, 2022, and 2021; and (c) the components of accumulated deferred income tax assets and liabilities at December 31, 2023 and 2022.

	For the Year Ended December 31,		
	2023	**2022**	**2021**
(in thousands)			
Current Income Tax Expense			
Federal	**$ 14,736**	$ 8,284	$ 2,775
State	**5,496**	1,948	(96)
Other	**(47)**	(47)	(47)
Total current income tax expense (benefit)	**20,185**	10,185	2,632
Deferred Income Tax Expense [(1)]			
Property, plant and equipment	**17,797**	14,968	24,074
Deferred gas costs	**(7,739)**	8,923	1,857
Pensions and other employee benefits	**(974)**	1,109	(655)
FPU merger-related premium cost and deferred gain	**(351)**	(351)	(351)
Net operating loss carryforwards	**(370)**	2	97
Other	**(470)**	(1,004)	1,577
Total deferred income tax expense	**7,893**	23,647	26,599
Total Income Tax	**$ 28,078**	$ 33,832	$ 29,231

[(1)] Includes less than $0.1 million, $7.8 million, and $8.2 million of deferred state income taxes for the years 2023, 2022 and 2021, respectively.

	For the Year Ended December 31,		
(in thousands)	**2023**	2022	2021
Reconciliation of Effective Income Tax Rates			
Federal income tax expense [1]	**$ 24,214**	$ 25,982	$ 23,666
State income taxes, net of federal benefit	**4,377**	7,714	6,371
ESOP dividend deduction	**(184)**	(177)	(180)
CARES Act Tax Benefit	**—**	—	(919)
Other	**(329)**	313	293
Total Income Tax Expense	**$ 28,078**	$ 33,832	$ 29,231
Effective Income Tax Rate	**24.35 %**	27.34 %	25.94 %

[1] Federal income taxes were calculated at 21 percent for 2023, 2022, and 2021.

	As of December 31,	
(in thousands)	**2023**	2022
Deferred Income Taxes		
Deferred income tax liabilities:		
Property, plant and equipment	**$ 252,125**	$ 238,687
Acquisition adjustment	**5,564**	5,915
Loss on reacquired debt	**145**	164
Deferred gas costs	**3,550**	11,288
Natural gas conversion costs	**4,824**	5,026
Storm reserve liability	**5,797**	5,791
Other	**9,655**	8,236
Total deferred income tax liabilities	**$ 281,660**	$ 275,107
Deferred income tax assets:		
Pension and other employee benefits	**$ 4,993**	$ 3,985
Environmental costs	**951**	1,052
Net operating loss carryforwards	**1,847**	1,488
Storm reserve liability	**213**	453
Accrued expenses	**3,335**	9,007
Other	**11,239**	2,955
Total deferred income tax assets	**$ 22,578**	$ 18,940
Deferred Income Taxes Per Consolidated Balance Sheets	**$ 259,082**	$ 256,167

12. Long-term Debt

Our outstanding long-term debt is shown below:

	As of December 31,	
(in thousands)	**2023**	**2022**
Uncollateralized Senior Notes:		
5.93% notes, due October 31, 2023	**$ —**	$ 3,000
5.68% notes, due June 30, 2026	**8,700**	11,600
6.43% notes, due May 2, 2028	**3,500**	4,200
3.73% notes, due December 16, 2028	**10,000**	12,000
3.88% notes, due May 15, 2029	**30,000**	35,000
3.25% notes, due April 30, 2032	**59,500**	66,500
3.48% notes, due May 31, 2038	**50,000**	50,000
3.58% notes, due November 30, 2038	**50,000**	50,000
3.98% notes, due August 20, 2039	**100,000**	100,000
2.98% notes, due December 20, 2034	**70,000**	70,000
3.00% notes, due July 15, 2035	**50,000**	50,000
2.96% notes, 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**	—
6.39% notes, due December 2026	**100,000**	—
6.44% notes, due December 2027	**100,000**	—
6.45% notes, due December 2028	**100,000**	—
6.62% notes, due December 2030	**100,000**	—
6.71% notes, due December 2033	**100,000**	—
6.73% notes, due December 2038	**50,000**	—
Equipment security note		
2.46% note, due September 24, 2031	**7,633**	8,517
Less: debt issuance costs	**(3,753)**	(946)
Total long-term debt	**1,205,580**	599,871
Less: current maturities	**(18,505)**	(21,483)
Total long-term debt, net of current maturities	**$ 1,187,075**	$ 578,388

Terms of the Senior Notes

All of our outstanding 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.

Senior Notes

On November 20, 2023, we issued Senior Notes in the aggregate principal amount of $550.0 million at an average interest rate of 6.54 percent that were used to partially finance our acquisition of FCG which closed during the fourth quarter of 2023. These notes have varying maturity dates of between three and 15 years, and the outstanding principal balance of the notes will be due on their respective maturity dates with interest payments payable semiannually until the principal has been paid in full. These Senior Notes have similar covenants and default provisions as our other Senior Notes.

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 and to fund capital expenditures. These Senior Notes have similar covenants and default provisions as our other Senior Notes, and have an annual principal amortization payment beginning in the sixth year after the issuance.

Annual Maturities

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

Year	2024	2025	2026	2027	2028	Thereafter	Total
(in thousands)							
Payments	$ 18,505	$ 25,528	$ 134,551	$ 131,674	$ 136,699	$ 762,376	$ 1,209,333

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 these Shelf Agreements, which expanded the total borrowing capacity and extended the term of the agreements for an additional three years to 2026. The following table summarizes the current available capacity under our Shelf Agreements at December 31, 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	$ 605,000	$ (350,000)	$ —	$ 255,000

13. SHORT-TERM BORROWINGS

We are authorized by our Board of Directors to borrow up to $375.0 million of short-term debt, as required. At December 31, 2023 and 2022, we had $179.9 million and $202.2 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 5.83 percent and 5.04 percent, respectively. There were no borrowings outstanding under the sustainable investment sublimit of the 364-day tranche at December 31, 2023.

We have entered into several amendments to our Revolver which resulted in modifications to both tranches of the facility. The most recent amendment in October 2023 allowed for a change in our funded indebtedness ratio from 65 percent to 70 percent during the quarter in which the acquisition of FCG is consummated and the quarter subsequent to the closing of the acquisition. The amendment in August 2023 served to renew the 364-day tranche of the Revolver, providing for $175.0 million of short-term debt capacity. Additionally, the amendment for borrowings under the 364-day tranche shall now bear interest (i) based upon the SOFR, plus a 10-basis point credit spread adjustment, and an applicable margin of 1.05 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate, solely at our discretion. Further, the amendment provided that borrowings under the 364-day green loan sublimit shall now bear interest at (i) the SOFR rate plus a 10-basis point credit spread adjustment and an applicable margin of 1.00 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate plus 0.05 percent or less, solely at our discretion. The amendment entered into in 2022 served to reset the benchmark interest rate to SOFR and to eliminate a previous covenant which capped our investment limit to $150.0 million for investments where we maintain less than 50 percent ownership.

The 364-day tranche of the Revolver expires in August 2024 and the five-year tranche expires in August 2026. 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, 2023, the pricing under the 364-day tranche of the Revolver included a commitment fee of 9-basis points on undrawn amounts and an interest rate of 75-basis points over SOFR plus a 10-basis point SOFR adjustment on outstanding balances. As of December 31, 2023, the pricing under the five-year tranche of the Revolver included a commitment fee of 9-basis points on undrawn amounts and an interest rate of 95-basis points over SOFR plus a 10-basis point SOFR adjustment on outstanding balances.

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 as described above. As of December 31, 2023, we are in compliance with this covenant.

Our total available credit under the Revolver at December 31, 2023 was $188.1 million. As of December 31, 2023, we had issued $7.0 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.

In connection with our acquisition of FCG, we entered into a 364-day Bridge Facility commitment with Barclays Bank PLC and other lending parties for up to $965.0 million. Upon closing of the FCG acquisition in November 2023, and with the completion of other financing activities as defined in the lending agreement, this facility was terminated with no funds drawn to finance the transaction. For additional information regarding the acquisition and related financing, see Note 4, *Acquisitions,* Note 12, *Long-Term Debt* and Note 15, *Stockholders Equity*.

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. 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 December 31, 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 December 31, 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:

		Year Ended December 31,	
(in thousands)	**Classification**	**2023**	**2022**
Operating lease cost [1]	Operations expense	**$ 3,040**	$ 2,883

[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 sheets at December 31, 2023 and 2022:

(in thousands)	**Balance sheet classification**	**December 31, 2023**		**December 31, 2022**	
Assets					
Operating lease assets	Operating lease right-of-use assets	**$**	**12,426**	$	14,421
Liabilities					
Current					
Operating lease liabilities	Other accrued liabilities	**$**	**2,454**	$	2,552
Noncurrent					
Operating lease liabilities	Operating lease - liabilities		**10,550**		12,392
Total lease liabilities		**$**	**13,004**	$	14,944

The following table presents our weighted-average remaining lease term and weighted-average discount rate for our operating leases at December 31, 2023 and 2022:

	December 31, 2023	**December 31, 2022**
Weighted-average remaining lease term (*in years*)		
Operating leases	**8.1**	8.5
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 consolidated statements of cash flows at December 31, 2023 and 2022:

	Year Ended December 31,			
(in thousands)	**2023**		**2022**	
Operating cash flows from operating leases	**$**	**2,906**	$	2,931

The following table presents the future undiscounted maturities of our operating and financing leases at December 31, 2023 and for each of the next five years and thereafter:

(in thousands)	**Operating Leases [(1)]**	
2024	**$**	**2,771**
2025		**2,288**
2026		**1,774**
2027		**1,583**
2028		**1,205**
Thereafter		**5,243**
Total lease payments		**14,864**
Less: Interest		**(1,860)**
Present value of lease liabilities	**$**	**13,004**

[(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 November 2023, in connection with our acquisition of FCG, we completed an overnight offering resulting in the issuance of 4.4 million shares of our common stock at a price per share of $82.72 (net of underwriter discounts and commissions). We received net proceeds of $366.4 million which were used to partially finance the acquisition.

We maintain an effective shelf registration statement with the SEC for the issuance of shares under our DRIP and our previous 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. There were no issuances under the DRIP in 2023. 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. 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 million, expired in June 2023.

Net proceeds from share issuances under our DRIP and ATM programs are used 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 contract 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 balances of accumulated other comprehensive income (loss) components for the years ended December 31, 2023 and 2022. 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, 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 (loss)	762	(3,479)	35	(2,682)
As of December 31, 2022	**(2,506)**	**1,092**	**35**	**(1,379)**
Other comprehensive income (loss) before reclassifications	(110)	(1,322)	473	(959)
Amounts reclassified from accumulated other comprehensive income (loss)	32	(44)	(388)	(400)
Net current-period other comprehensive income (loss)	(78)	(1,366)	85	(1,359)
As of December 31, 2023	$ **(2,584)**	$ **(274)**	$ **120**	$ **(2,738)**

Deferred gains or losses for our commodity contract and interest rate swap cash flow hedges are recognized in earnings upon settlement and are included in the effects of gains and losses from derivative instruments. See Note 8, *Derivative Instruments*, for additional details. 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 16, *Employee Benefit Plans*, for additional details.

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. The changes in funded status that occurred during the year that are not recognized as part of net periodic benefit costs are recorded as a component of other comprehensive income (loss) or a regulatory asset.

Defined Benefit Pension Plans

At December 31, 2023 we sponsored two defined benefit pension plans: the FPU Pension Plan and the Chesapeake Supplemental Executive Retirement Plan ("SERP").

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, 2023 and 2022, 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, 2023 and 2022 and the net periodic cost (benefit) for the years ended December 31, 2023, 2022 and 2021 for the FPU Pension Plan and the Chesapeake SERP:

	FPU Pension Plan		Chesapeake SERP	
At December 31,	**2023**	**2022**	**2023**	**2022**
(in thousands)				
Change in benefit obligation:				
Benefit obligation — beginning of year	**$ 49,941**	$ 67,030	**$ 1,659**	$ 2,096
Interest cost	**2,495**	1,781	**81**	50
Actuarial (gain) loss	**454**	(15,713)	**48**	(335)
Benefits paid	**(3,233)**	(3,157)	**(152)**	(152)
Benefit obligation — end of year	**49,657**	49,941	**1,636**	1,659
Change in plan assets:				
Fair value of plan assets — beginning of year	**46,203**	58,712	**—**	—
Actual return on plan assets	**6,462**	(9,552)	**—**	—
Employer contributions	**—**	200	**152**	152
Benefits paid	**(3,233)**	(3,157)	**(152)**	(152)
Fair value of plan assets — end of year	**49,432**	46,203	**—**	—
Accrued pension cost / funded status	**$ (225)**	$ (3,738)	**$ (1,636)**	$ (1,659)
Assumptions:				
Discount rate	**5.00 %**	5.25 %	**4.88 %**	5.00 %
Expected return on plan assets	**6.00 %**	6.00 %	**— %**	— %

	FPU Pension Plan			Chesapeake SERP		
For the Years Ended December 31,	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
(in thousands)						
Components of net periodic pension cost:						
Interest cost	**$ 2,495**	$ 1,781	$ 1,714	**$ 81**	$ 50	$ 48
Expected return on assets	**(2,670)**	(3,430)	(3,306)	**—**	—	—
Amortization of actuarial loss	**407**	466	612	**8**	28	28
Total periodic cost	**$ 232**	$ (1,183)	$ (980)	**$ 89**	$ 78	$ 76
Assumptions:						
Discount rate	**5.25 %**	2.75 %	2.50 %	**5.00 %**	2.50 %	2.25 %
Expected return on plan assets	**6.00 %**	6.00 %	6.00 %	**— %**	— %	— %

During the fourth quarter of 2021, we formally terminated the Chesapeake Pension Plan. Total periodic cost for the plan during that year was $2.0 million attributable to a settlement charge.

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, 2023, 2022 and 2021:

	FPU Pension Plan		
At December 31,	**2023**	**2022**	**2021**
Asset Category			
Equity securities	**50 %**	53 %	52 %
Debt securities	**49 %**	38 %	38 %
Other	**1 %**	9 %	10 %
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)	33 %	57 %
Fixed Income (Inflation Bond and Taxable Fixed)	38 %	58 %
Foreign Equities (Developed and Emerging Markets)	3 %	7 %
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, 2023 and 2022, the assets of the FPU Pension Plan were comprised of the following investments:

Asset Category	Fair Value Measurement Hierarchy	
	For Year Ended December 31,	
	2023	2022
(in thousands)		
Mutual Funds - Equity securities		
U.S. Large Cap [1]	**$ 15,360**	$ 3,413
U.S. Mid Cap [1]	**4,271**	1,425
U.S. Small Cap [1]	**2,518**	692
International [2]	**2,499**	9,352
Alternative Strategies [3]	**—**	4,824
	24,648	19,706
Mutual Funds - Debt securities		
Fixed income [4]	**24,228**	15,343
High Yield [4]	**—**	2,269
	24,228	17,612
Mutual Funds - Other		
Commodities [5]	**—**	1,832
Real Estate [6]	**—**	1,709
Guaranteed deposit [7]	**556**	398
	556	3,939
Total Pension Plan Assets in fair value hierarchy [8]	**49,432**	41,257
Investments measured at net asset value [9]	**—**	4,946
Total Pension Plan Assets	**$ 49,432**	$ 46,203

[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, 2023 and 2022, 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 changes in the fair value within our pension assets for Level 3 investments for the years ended December 31, 2023 and 2022 were immaterial.

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, 2023 and 2022, the funded status of the Chesapeake Postretirement Plan was $1.1 million and $0.6 million, respectively. The funded status of the FPU Medical Plan was $0.4 million and $0.7 million as of December 31, 2023 and 2022, 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, 2023, 2022, and 2021.

As of December 31, 2023, there was $12.8 million not yet reflected in net periodic postretirement benefit costs and included in accumulated other comprehensive income (loss) or as a regulatory asset. Net losses of $10.8 million and $1.2 million attributable to the FPU Pension Plan and Chesapeake Postretirement Plan, respectively, comprised most of this amount with $3.2 million recorded in accumulated other comprehensive income (loss) and $8.7 million recorded as a regulatory asset at December 31, 2023.

Pursuant to a Florida PSC order, FPU continues to record as a regulatory asset the portion of the unrecognized pension and postretirement benefit costs after the merger with Chesapeake Utilities related to its regulated operations.

Assumptions

The assumptions used for the discount rate to calculate the benefit obligations were based on the interest rates of high-quality bonds in 2023, 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 2023 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 2024, we do not expect to contribute to the FPU Pension Plan, and total payments of $0.2 million are expected for the Chesapeake SERP, Chesapeake Postretirement Plan and FPU Medical Plan combined.

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]
2024	$ 3,528	$ 151	$ 42	$ 35
2025	$ 3,603	$ 164	$ 46	$ 35
2026	$ 3,617	$ 161	$ 45	$ 34
2027	$ 3,616	$ 158	$ 48	$ 33
2028	$ 3,651	$ 154	$ 49	$ 32
Years 2029 through 2033	$ 17,951	$ 689	$ 299	$ 143

[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 $6.6 million, $6.2 million, and $5.9 million for the years ended December 31, 2023, 2022 and 2021, respectively. As of December 31, 2023, 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 their deferred common stock units in the same amount that is received by all other stockholders. Such dividends are reinvested into additional deferred common stock units. Assets held in the Rabbi Trust, recorded as Investments on the consolidated balance sheet, had a fair value of $12.3 million and $10.6 million at December 31, 2023 and 2022, 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 and directors' stock retainers are made in the form of deferred common stock units and are paid out in shares of our common stock, on a one-for-one basis, 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 $9.1 million and $7.1 million at December 31, 2023 and 2022, respectively, which are also shown as a deduction against stockholders' equity in the consolidated balance sheet.

17. Share-Based Compensation Plans

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. We have 561,115 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, 2023, 2022 and 2021:

	For the Year Ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Awards to key employees	**$ 6,716**	$ 5,479	$ 5,163
Awards to non-employee directors	**906**	959	782
Total compensation expense	**7,622**	6,438	5,945
Less: tax benefit	**(1,947)**	(1,663)	(1,535)
Share-based compensation amounts included in net income	**$ 5,675**	$ 4,775	$ 4,410

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 and key employees 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 a 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, 2021	**197,398**	**$ 94.15**
Granted	69,620	117.61
Vested	(60,191)	90.60
Expired	(2,678)	91.42
Outstanding — December 31, 2022	**204,149**	**103.17**
Granted	80,820	126.06
Vested	(68,302)	91.59
Expired	(2,053)	94.64
Forfeited	(1,490)	113.44
Outstanding — December 31, 2023	**213,124**	**$ 117.74**

During the year ended December 31, 2023, we granted awards of 80,820 shares of common stock to officers and key employees under the SICP, including awards granted in February 2023 and to key employees 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, 2025.

The aggregate intrinsic value of the SICP awards granted was $22.5 million, $24.1 million, and $28.8 million at December 31, 2023, 2022 and 2021, respectively. At December 31, 2023, there was $6.6 million of unrecognized compensation cost related to these awards, which is expected to be recognized through 2025.

In March 2023, 2022 and 2021, 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, 2022 and 2021 for the performance periods ended December 31, 2022, 2021, and 2020. We paid the balance of such awarded shares to each such executive officer and remitted the cash equivalent of the withheld shares to the appropriate taxing authorities. The below table presents the number of shares withheld and amounts remitted:

	For the Year Ended December 31,		
(amounts in thousands, except shares)	2023	2022	2021
Shares withheld to satisfy tax obligations	**19,859**	21,832	14,020
Amounts remitted to tax authorities to satisfy obligations	**$ 2,455**	$ 2,838	$ 1,478

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 and 2022 each received 765 and 652 shares of common stock, respectively, with a weighted average fair value of $124.12 and $130.36 per share, respectively.

At December 31, 2023, 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 2024.

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.

Refer to the additional details below pertaining to the Customer Information System Regulatory Asset Petition and COVID-19 impact.

Delaware

The October 2, 2023, application for the issuance of common stock and long-term debt was unanimously approved on October 25, 2023, by the Delaware PSC.

In September 2023, the Delaware Division submitted the Energy Efficiency Rider application for natural gas with the Delaware PSC after obtaining an affirmative recommendation from the Delaware Energy Efficiency Advisory Council ("EEAC"). The application is the first in the state and applies to a portfolio of four programs including, Home Energy Counseling, Home Performance with Energy Star, Assisted Home Performance with Energy Star, and standard Offer Program in which customers can participate and allow for recovery. The evidentiary hearing on this matter is set for April 2024. If approved as filed, rates will be effective May 1, 2024.

Maryland

On October 2, 2023, Chesapeake filed a notification of the financing plans associated with the FCG acquisition with the Maryland PSC. The filing was successfully noted during the November 1, 2023, Maryland PSC administrative meeting.

Maryland Natural Gas Rate Case: In January 2024, our natural gas distribution businesses in Maryland, CUC-Maryland Division, Sandpiper Energy, Inc., and Elkton Gas Company (collectively, "Maryland natural gas distribution businesses") filed a joint application for a natural gas rate case with the Maryland PSC. In connection with the application, we are seeking approval of the following: (i) permanent rate relief of approximately $6.9 million; (ii) authorization to make certain changes to tariffs to include a unified rate structure and to consolidate the Maryland natural gas distribution businesses under the new corporate entity which we anticipate will be called Chesapeake Utilities of Maryland, Inc.; and (iii) authorization to establish a rider for recovery of the costs associated with our new technology systems. The outcome of the application is subject to review and approval by the Maryland PSC.

Maryland Natural Gas Depreciation Study: In January 2024, our Maryland natural gas distribution businesses filed a joint petition for approval of their proposed unified depreciation rates with the Maryland PSC. If approved, new rates will become effective retroactively on January 1, 2023.

Ocean City Maryland Reinforcement: 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 5.4 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 of 2023. The Company filed a natural gas rate case application with the PSC for the state of Maryland in January 2024 as discussed above.

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.

Florida Natural Gas Rate Case: In May 2022, our legacy 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

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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.

FCG Natural Gas Rate Case: In May 2022, FCG filed a general base rate increase with the Florida PSC based on a projected 2023 test year. In June 2023, the Florida PSC issued an order approving a single total base revenue increase of $23.3 million (which included an incremental increase of $14.1 million, a previously approved increase of $3.8 million for a liquefied natural gas facility, and $5.3 million to transfer the SAFE investments from a rider clause to base rates), with new rates becoming effective as of May 1, 2023. The Commission also approved FCG's proposed RSAM with a $25.0 million reserve amount, continuation and expansion of the capital SAFE program, implementation of an automated metering infrastructure pilot, and continuation of the storm damage reserve with a target reserve of $0.8 million. On June 23, 2023, the Florida OPC filed a motion for reconsideration of the PSC’s approval of RSAM, which was denied on September 12, 2023. On July 7, 2023, the Florida OPC filed a notice of appeal with the Florida Supreme Court, which is pending. The Florida OPC filed their initial brief on January 31, 2024.

The RSAM is recorded as either an increase or decrease to accrued removal costs which is reflected on the Company’s balance sheets and a corresponding increase or decrease to depreciation and amortization expense. In order to earn the targeted regulatory ROE in each reporting period subject to the conditions of the effective rate agreement, RSAM is calculated using a trailing thirteen-month average of rate base and capital structure in conjunction with the trailing twelve months regulatory base net operating income, which primarily includes the base portion of rates and other revenues, net of operations and maintenance expenses, depreciation and amortization, interest and tax expenses. In general, the net impact of these income statement line items is adjusted, in part, by RSAM or its reversal to earn the targeted regulatory ROE. For the year ended December 31, 2023, the Company recorded decreases to asset removal costs and depreciation expense of $5.1 million as a result of the RSAM adjustment.

Beachside Pipeline Extension: In June 2021, Peninsula Pipeline and FCG entered into a Transportation Service Agreement for an incremental 10,176 Dts/d of firm service in Indian River County, Florida, to support FCG’s 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 constructed a pipeline extension and regulator station for FPU. The extension supports new incremental load due to growth in the area, including providing service, most immediately, to the residential development, Twin Lakes. The expansion also improves reliability and provides 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, and the expansion was 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 operations' SPP 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. The Company filed 2024 SPPCRC projections on May 1, 2023. A hearing was held on September 12, 2023. The Commission voted to approve the projections on November 9, 2023. FPU projects to spend $13.6 million on the program in 2024.

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 both current and new natural gas 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 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 maintenance and repair equipment and system reliability projects. In August 2023, the Florida PSC approved the GUARD program, which included $205.0 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. The petition was approved by the Florida PSC in the third quarter of 2023. 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. A filing to address the acquisition and conversion of propane community gas systems in Newberry was made in November 2023, and the Florida PSC is scheduled to vote on this in March 2024. The Company anticipates beginning the conversions of the community gas systems in the second quarter of 2024.

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. The amendment was approved by the Florida PSC 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 its proposed depreciation rates, which was approved in December 2023.

East Coast Reinforcement Projects: In December 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreements with FPU for projects that will support additional supply to communities on the East Coast of Florida. The projects are driven by the need for increased supply to coastal portions of the state that have experienced an increase in population growth. Peninsula Pipeline will construct several pipeline extensions which will support FPU’s distribution system in the areas of Boynton Beach and New Smyrna Beach with an additional 15,000 Dts/day and 3,400 Dts/day, respectively.

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 enables 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 went into service in October 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 the 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.

Worcester Resiliency Upgrade: In August 2023, Eastern Shore filed an application with the FERC requesting authorization to construct the Worcester Resiliency Upgrade, which consists of a mixture of storage and transmission facilities in Sussex County, DE and Wicomico, Worcester, and Somerset Counties in Maryland. The project will provide long-term incremental supply necessary to support the growing demand of the participating shippers. Eastern Shore has requested certificate authorization by December 2024, with a target in-service date by the third quarter of 2025.

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, however, the Florida PSC approved capitalization of these expenses in lieu of establishment of regulatory assets. 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 support 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 December 31, 2023 and 2022, our total COVID-19 regulatory asset balance was $0.2 million and $1.2 million, respectively.

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, 2023 and 2022:

	Amount (in thousands)		
Operation and Regulatory Jurisdiction	**December 31, 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)	$12,038	$12,230	PSC approved amortization of ADIT in January 2019.
Chesapeake Maryland natural gas division (Maryland PSC)	$3,585	$3,703	PSC approved amortization of ADIT in May 2018.
Sandpiper Energy (Maryland PSC)	$3,487	$3,597	PSC approved amortization of ADIT in May 2018.
Florida Natural Gas distribution (Florida PSC) [1]	$26,757	$27,179	PSC issued order authorizing amortization and retention of net ADIT liability by the Company in February 2019.
FPU electric division (Florida PSC)	$4,760	$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)	$1,027	$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 and amounts above are now being presented on a consolidated basis consistent with the final rate order.

Regulatory Assets and Liabilities

At December 31, 2023 and 2022, our regulated utility operations recorded the following regulatory assets and liabilities included in our consolidated balance sheets, including amounts attributable to FCG. These assets and liabilities will be recognized as revenues and expenses in future periods as they are reflected in customers' rates.

(in thousands)	As of December 31, 2023	2022
Regulatory Assets		
Under-recovered purchased fuel, gas and conservation cost recovery [1] [2]	**$ 13,696**	$ 43,583
Under-recovered GRIP revenue [3]	**1,777**	1,705
Deferred postretirement benefits [4]	**10,802**	13,927
Deferred conversion and development costs [1]	**21,466**	23,653
Acquisition adjustment [5]	**31,857**	25,609
Deferred costs associated with COVID-19 [6]	**190**	1,233
Deferred storm costs [7]	**19,370**	27,687
Deferred rate case expenses - current	**1,171**	—
Other	**15,573**	12,256
Total Regulatory Assets	**$ 115,902**	$ 149,653
Regulatory Liabilities		
Self-insurance [8]	**$ 521**	$ 339
Over-recovered purchased fuel and conservation cost recovery [1]	**12,340**	3,827
Over-recovered GRIP revenue [3]	**501**	—
Storm reserve [8]	**1,900**	2,845
Accrued asset removal cost [9]	**86,534**	50,261
Deferred income taxes due to rate change [10]	**105,055**	87,690
Interest related to storm recovery [7]	**536**	1,207
Other	**1,611**	1,851
Total Regulatory Liabilities	**$ 208,998**	$ 148,020

[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. For additional information, see *Florida Natural Gas Rate Case* discussion above.

[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 2*, 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, 2023 and 2022, we had approximately $3.6 million and $4.3 million, respectively, in environmental liabilities, related to the former MGP sites. As of December 31, 2023 and 2022, we have cumulative regulatory assets of $0.5 million and $0.8 million, respectively, for future recovery of environmental costs from 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 December 31, 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 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 2024. Remaining remedial costs for West Palm Beach, including completion of the construction of the system on the West Parcel, five to ten years of operation, maintenance and monitoring, and final site work for closeout of the property, is estimated to be between $1.9 million and $3.2 million.

20. 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.

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 October 2030.

Florida Natural Gas 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, 2023, 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	2024	2025-2026	2027-2028	Beyond 2028	Total
(in thousands)					
Purchase Obligations	$ 86,040	$ 105,082	$ 83,851	$ 141,287	$ 416,260

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, 2023 was $35.0 million. The aggregate amount guaranteed related to our subsidiaries at December 31, 2023 was approximately $24.3 million with the guarantees expiring on various dates through December 2024. In addition, the Board has authorized us to issue specific purpose corporate guarantees. The amount of specific purpose guarantees outstanding at December 31, 2023 was $4.0 million.

As of December 31, 2023, we have issued letters of credit totaling approximately $7.0 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 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.

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, 2023. 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, 2023.

CHANGE IN INTERNAL CONTROLS

During the quarter ended December 31, 2023, other than the ongoing changes resulting from the FCG acquisition discussed below, there have been no changes in internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

On November 30, 2023, we completed the acquisition of FCG. We are currently integrating processes, procedures, and internal controls related to the acquisition. See Note 4, *Acquisitions,* to the consolidated financial statements and Management's Report on Internal Control Over Financial Reporting for additional information related to the acquisition of FCG. The scope of that assessment excluded FCG, which we acquired on November 30, 2023. FCG's total assets and loss before taxes represented approximately 31 percent and 4 percent, respectively, of the Company's consolidated total assets and earnings before taxes as of December 31, 2023 and for the year then ended. This exclusion is permitted based upon current guidance of the U.S. Securities & Exchange Commission.

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, 2023. In addition, on May 31, 2023 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. The scope of that assessment excluded FCG, which we acquired on November 30, 2023. FCG's total assets and loss before taxes represented approximately 31 percent and 4 percent, respectively, of the Company's consolidated total assets and earnings before taxes as of December 31, 2023 and for the year then ended. This exclusion is permitted based upon current guidance of the U.S. Securities & Exchange 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, 2023.

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, 2023, 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 the individuals and roles noted above, 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 (which we intend to file with the SEC within 120 days after the close of our fiscal year) 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 (which we intend to file with the SEC within 120 days after the close of our fiscal year) 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 (which we intend to file with the SEC within 120 days after the close of our fiscal year) 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 (which we intend to file with the SEC within 120 days after the close of our fiscal year) 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 (which we intend to file with the SEC within 120 days after the close of our fiscal year) 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)

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 2.1	Stock Purchase Agreement, dated September 26, 2023, by and among Florida Power & Light Company and Chesapeake Utilities Corporation (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on September 27, 2023).
• 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 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.
• Exhibit 3.3	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 3.4	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 3.4	Note Purchase Agreement, dated November 20, 2023, by and among Chesapeake Utilities Corporation and the purchasers party thereto (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 21, 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	Description
• 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 Corporation'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*	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 10.3*	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 10.4*	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 10.5	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 10.6	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 10.7	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 Annual Report on Form 10-K for the year ended December 31, 2018, File No. 001-11590.
• Exhibit 10.8*	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 10.9	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 10.10*	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 10.11	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 10.12*	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 10.13*	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 incorporated herein by reference to Exhibit 10.16 to our Annual Report on Form 10-K for the year ended December 31, 2022. File No. 001-11590
• Exhibit 10.14*	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 10.15*	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 10.16	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 10.17	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 10.18	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 10.19	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 10.20	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 10.21	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 10.22	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 10.23	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 10.24	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 10.25	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 10.26*	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 10.27*	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 10.28*	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 10.29*	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 10.30*	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 10.31*	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 10.32*	Chesapeake Utilities Corporation 2023 Stock and Incentive Compensation Plan as approved by stockholders and effective on May 3, 2023 is incorporated herein by reference to Exhibit 10.1 to our Registration Statement on Form S-8 filed May 3, 2023, File No. 001-11590.
• Exhibit 10.33*	Second Amendment to the Non-Qualified Deferred Compensation Plan, effective October 2, 2023, is filed herewith.
• Exhibit 10.34*	Form of Amendment to the Executive Employment Agreement, effective October 2, 2023, for each of Jeffry M. Householder, Beth W. Cooper, James F. Moriarty, Kevin J. Webber and Jeffrey S. Sylvester is filed herewith.
• Exhibit 10.35	Second Amendment to Amended and Restated Credit Agreement, dated August 9, 2023, by and between Chesapeake Utilities Corporation and PNC Bank, National Association, and several other financial institutions is incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended September 30, 2023, File No. 001-11590.

• Exhibit 10.36	Commitment Letter for Bridge Facility, dated September 26, 2023, by and between Chesapeake Utilities Corporation and Barclays Bank PLC is incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the period ended September 30, 2023, File No. 001-11590.
• Exhibit 10.37	Third Amendment to Amended and Restated Credit Agreement, dated October 13, 2023, by and between Chesapeake Utilities Corporation and PNC Bank, National Association is incorporated herein by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the period ended September 30, 2023, 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 97	Chesapeake Utilities Corporation Incentive-Based Compensation Clawback Policy effective October 2, 2023, 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 21, 2024

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 21, 2024

/s/ BETH W. COOPER
Beth W. Cooper, Executive Vice President,
Chief Financial Officer, Treasurer
and Assistant Corporate Secretary
(Principal Financial and Accounting Officer)
February 21, 2024

/S/ LISA G. BISACCIA
Lisa G. Bisaccia, Director
February 21, 2024

/S/ LILA A. JABER
Lila A. Jaber, Director
February 21, 2024

/S/ THOMAS J. BRESNAN
Thomas J. Bresnan, Lead Director
February 21, 2024

/S/ PAUL L. MADDOCK, JR.
Paul L. Maddock, Jr., Director
February 21, 2024

/S/ RONALD G. FORSYTHE, JR.
Dr. Ronald G. Forsythe, Jr., Director
February 21, 2024

/S/ SHEREE M. PETRONE
Sheree M. Petrone, Director
February 21, 2024

/S/ STEPHANIE N. GARY
Stephanie N. Gary, Director
February 21, 2024

/S/ THOMAS P. HILL, JR.
Thomas P. Hill, Jr., Director
February 21, 2024

/s/ DENNIS S. HUDSON, III
Dennis S. Hudson, III, Director
February 21, 2024

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					
2023	$ 2,877	$ 2,340	$ 166	$ (2,684)	$ 2,699
2022	$ 3,141	$ 1,550	$ 172	$ (1,986)	$ 2,877
2021	$ 4,785	$ 134	$ (125)	$ (1,653)	$ 3,141

[1] Recoveries and other allowance adjustments.
[2] Uncollectible accounts charged off.

**SECOND AMENDMENT
TO THE
CHESAPEAKE UTILITIES CORPORATION
NON-QUALIFIED DEFERRED COMPENSATION PLAN
(As Amended and Restated Effective January 1, 2014)**

Chesapeake Utilities Corporation (the “Company”) hereby adopts this Second Amendment to the Chesapeake Utilities Corporation Non-Qualified Deferred Compensation Plan, as amended and restated effective January 1, 2014 (the “Plan”), as set forth herein.

BACKGROUND INFORMATION

A. The Company maintains the Plan for the benefit of its eligible officers, directors, and employees.

B. The Company desires to amend the Plan to implement the clawback rules found in Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Section 10D of the Securities Exchange Act of 1934, 17 C.F.R. §240.10D, and NYSE Listing Rule 303A.14, which will take effect on October 2, 2023.

C. Section 7.1 of the Plan permits the Company to amend the Plan at any time through action of the Board of Directors, the Compensation Committee of the Board of Directors, or the Employee Benefits Committee (to the extent the Board of Directors or Compensation Committee of the Board of Directors has delegated authority to amend the Plan to the Employee Benefits Committee).

AMENDMENT

The Plan is hereby amended as follows, effective October 2, 2023:

1. A new Section 8.12 is hereby added to the Plan to read as follows:

“8.12 Application of Clawback Policy. All benefits under the Plan shall be subject to reduction, cancellation, forfeiture, or recoupment to the extent necessary to comply with (a) any clawback, forfeiture, or other similar policy adopted by the Board or Committee and as in effect from time to time; and (b) applicable law. Further, to the extent that the Participant receives any amount in excess of the amount that the Participant should otherwise have received under the Plan for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations, or other administrative error), the Participant shall be required to repay any such excess amount to the Company.”

2. The Plan shall otherwise remain unchanged.

CHESAPEAKE UTILITIES CORPORATION

By: __________

Title: __________

Date: __________

AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT

This Amendment to the Executive Employment Agreement is made and entered into by and between Chesapeake Utilities Corporation, a Delaware corporation (the "Company") and _______________ (the "Executive").

BACKGROUND INFORMATION

A. The Company is currently obtaining the benefit of the Executive's services as a full-time executive employee in the capacity of ____________________Officer.

B. The Company and the Executive entered into an Executive Employment Agreement effective _______________ (the "Agreement").

C. Effective as of October 2, 2023, the Company is required to comply with the clawback rules found in 17 C.F.R. §240.10D and associated Section 303A.14 of the NYSE Listed Company Manual (collectively, the "Rule"), which requires issuers to develop and implement a policy providing for the recovery of erroneously awarded incentive based compensation received by current or former executive officers.

D. Under Section 5(d) of the Agreement, the Company may unilaterally amend such Section at any time to comply with applicable law or securities exchange listing rules, as the same may be in effect from time to time, during the current term or the extended term of the Agreement.

E. The Company desires to amend the Agreement to reflect those changes required by the Rule.

AMENDMENT

1. The Company hereby amends and restates Section 5(d) of the Agreement in its entirety to provide as follows:

(d) Recovery of Compensation. The Executive acknowledges and agrees that all or any portion of an incentive award under the above described bonus and incentive compensation plans or any future arrangement established by the Company to provide incentive or bonus compensation, whether payable in cash, Company common stock or other property, ("Award") is subject to the clawback rules found in 17 C.F.R. §240.10D, Section 303A.14 of the NYSE Listed Company Manual, and any clawback, forfeiture, or other similar policy adopted by the Compensation Committee of the Board of Directors and as in effect from time to time (collectively, the "Rule"). The Executive acknowledges and agrees that, under the Rule, the Executive is subject to an obligation of repayment to the Company if the amount of the Award was calculated based upon the achievement of certain financial results (as reflected in the financial statement of the Company or otherwise) or other performance metrics that, in either case, were subsequently found to be materially inaccurate for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations, or other administrative error). The amount that shall be repaid by the Executive to the Company shall be based on the excess amount paid or awarded to the Executive under the Award as compared to the amount that would have been paid or awarded had the material inaccuracy not occurred. If the Compensation Committee determines that the Executive engaged in misconduct, malfeasance or gross negligence in the performance of his or her duties that either caused or significantly contributed to the material inaccuracy in financial statements or other performance metrics, there shall be no time limit on this right of recovery, which shall apply to all future Awards as well as to any and all pre-existing Awards that have not yet been determined and paid as of the date of this Agreement. In all other circumstances, this right of recovery shall apply to all future Awards as well as to any and all pre-existing Awards that have not yet been determined and paid as of the date of this agreement for a period not exceeding three years after the date of receipt of each such Award. In addition, the Executive hereby agrees that, if he or she does not

promptly repay the amount recoverable hereunder within thirty (30) days of a demand therefore, such amount may be withheld from compensation of any type not yet due and payable to the Executive, including, but not limited to, the cancellation of future Awards, as determined by the Compensation Committee in its sole discretion. In addition, to the extent permitted under the Rule, the Compensation Committee is granted the discretionary authority to interpret and enforce this provision as it determines to be in the best interest of the Company and equitable to the parties. Notwithstanding anything herein, this provision shall not be the Company's exclusive remedy with respect to such matters. In addition, the parties agree that the Company may unilaterally amend this provision at any time to comply with applicable law or securities exchange listing rules, as the same may be in effect from time to time, during the Current Term or the Extended Term of this Agreement.

2. This Amendment shall be deemed effective October 2, 2023 (the "Effective Date") and this Amendment shall govern the terms and conditions of the Agreement and the relations between the Parties as of the Effective Date.

3. Except as provided in this Amendment, all terms and conditions of the Agreement shall remain in effect and shall not be altered by this Amendment.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date(s) indicated below.

CHESAPEAKE UTILITIES CORPORATION

By: ______________________________

Title: ______________________________

Date: ______________________________

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
Chesapeake Emergency Energy Recipient Program, Inc	Delaware
CUC Shared Services, Inc.	Delaware
Pivotal Utility Holdings, Inc.	New Jersey

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

Subsidiary of Amelia Renewables, LLC	State Incorporated
Planet Found Energy Development, LLC	Maryland

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3ASR (Nos. 333-274284 and 333-274203), Form S-8 (No. 333-271610) and Form S-4 (No. 333-201992) of Chesapeake Utilities Corporation of our report dated February 21, 2024, 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, 2023.

/s/ Baker Tilly US, LLP

Lancaster, Pennsylvania
February 21, 2024

**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, 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: February 21, 2024

/s/ JEFFRY M. HOUSEHOLDER

Jeffry M. Householder
President and Chief Executive Officer

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, 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: February 21, 2024

/S/ BETH W. COOPER

Beth W. Cooper
Executive Vice President, Chief Financial Officer,Treasurer, and Assistant Corporate Secretary

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, 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 Utilities Corporation.

/s/ JEFFRY M. HOUSEHOLDER
Jeffry M. Householder
February 21, 2024

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.

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, 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 Utilities Corporation.

/s/ Beth W. Cooper

Beth W. Cooper
February 21, 2024

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
INCENTIVE-BASED COMPENSATION CLAWBACK POLICY

Chesapeake Utilities Corporation (the "Company") has adopted this Incentive-Based Compensation Clawback Policy (the "Policy") as a supplement to any other clawback policies in effect now or in the future at the Company. To the extent this Policy applies to compensation payable to a person covered by this Policy, it shall be the only clawback policy applicable to such compensation and no other clawback policy shall apply; provided that, if such other policy provides that a greater amount of such compensation shall be subject to clawback, such other policy shall apply to the amount in excess of the amount subject to clawback under this Policy.

This Policy shall be interpreted to comply with the clawback rules found in 17 C.F.R. §240.10D and NYSE Listing Rule 303A.14, which will take effect on October 2, 2023 (collectively, the "Rule"). To the extent this Policy is in any manner deemed inconsistent with the Rule, this Policy shall be treated as retroactively amended to be compliant with the Rule.

1. Definitions. As used in the Policy, the following capitalized terms shall have the meanings set forth in this Section 1. Terms used herein shall at all times be interpreted in accordance with 17 C.F.R. §240.10D-1(d) and any other guidance that may be issued under the Rule.

(a) "Executive Officer" shall mean the Company's president, principal financial officer, principal accounting officer, any vice president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive Officers of the Company's subsidiaries are deemed Executive Officers of the Company if they perform such policy-making functions for the Company. Identification of an Executive Officer for purposes of this Policy includes, at a minimum, Executive Officers identified pursuant to 17 C.F.R. §229.401(b).

(b) "Financial Reporting Measure" means measures, including but not limited to stock price and total shareholder return, that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission ("SEC").

(c) "Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

2. Application of the Policy. This Policy shall only apply in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

3. Recovery Period. The Incentive-Based Compensation subject to clawback is the Incentive-Based Compensation Received during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described in Section 2, provided that the person served as an Executive Officer at any time during the performance period applicable to the Incentive-Based Compensation in question. The date that the Company is required to prepare an accounting restatement shall be determined pursuant to 17 C.F.R. §240.10D-1(b)(1)(ii).

(a) For purposes of this Policy, Incentive-Based Compensation is deemed "Received" in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

(b) Notwithstanding anything to the contrary, the Policy shall only apply if the Incentive-Based Compensation is Received (1) on or after October 2, 2023, and (2) while the Company has a class of securities listed on a national securities exchange or a national securities association.

(c) To the extent applicable, 17 C.F.R. §240.10D-1(b)(1)(i) shall govern certain circumstances under which the Policy will apply to Incentive-Based Compensation Received during a transition period arising due to a change in the Company's fiscal year.

4. Erroneously Awarded Compensation. The amount of Incentive-Based Compensation subject to the Policy ("Erroneously Awarded Compensation") is the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive Based-Compensation that otherwise would have been Received had it been determined based on

the restated amounts and shall be computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement:

(a) the amount shall be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received; and

(b) the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the New York Stock Exchange ("NYSE").

5. Recovery of Erroneously Awarded Compensation. The Company shall recover in a reasonably prompt manner any Erroneously Awarded Compensation except to the extent that the conditions of paragraphs (a), (b), or (c) below apply. The Compensation Committee of the Company's Board of Directors (the "Committee") shall determine the repayment schedule for each amount of Erroneously Awarded Compensation in a manner that complies with this "reasonably promptly" requirement. Such determination shall be consistent with any applicable legal guidance, by the SEC, judicial opinion, or otherwise. The determination of "reasonably promptly" may vary from case to case and the Committee is authorized to adopt additional requirements to further describe what repayment schedules satisfy this requirement.

(a) Erroneously Awarded Compensation need not be recovered if the direct expense paid to a third party to assist in enforcing the Policy (e.g., reasonable legal expenses and consulting fees) would exceed the amount to be recovered and the Committee makes a determination that recovery would be impracticable. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on the expense of enforcement, the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, establish that the direct costs of recovery exceed the recovery amounts, document such reasonable attempt(s) to recover the amounts, and provide that documentation to the NYSE.

(b) Erroneously Awarded Compensation need not be recovered if recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company shall obtain an opinion of home country counsel, acceptable to the NYSE, that recovery would result in such a violation and shall provide the opinion to the NYSE.

(c) Erroneously Awarded Compensation need not be recovered if recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company or its subsidiaries, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

6. Committee Decisions. Decisions of the Committee with respect to this Policy shall be final, conclusive, and binding on all Executive Officers subject to this Policy, unless determined to be an abuse of discretion.

7. No Indemnification. Notwithstanding anything to the contrary in any other policy of the Company or any agreement between the Company and an Executive Officer, no Executive Officer shall be indemnified by the Company against the loss of any Erroneously Awarded Compensation.

8. Agreement to Policy by Executive Officers. The Committee shall take reasonable steps to inform Executive Officers of this Policy and obtain their agreement to this Policy, which steps may constitute the inclusion of this Policy as an attachment to any award that is or has been accepted by the Executive Officer.

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: March 31, 2024

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 — 22,270,177 shares outstanding as of May 6, 2024.

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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

CDD: Cooling Degree-Day

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, and its divisions and subsidiaries, as appropriate in the context of the disclosure

CNG: Compressed natural gas

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. comprised of Delaware and portions of Maryland and Virginia

Diversified Energy: 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

FASB: Financial Accounting Standards Board

FCG or Florida City Gas: Pivotal Utility Holdings, Inc, doing business as Florida City Gas, a wholly-owned subsidiary of Chesapeake Utilities that was acquired from Florida Power & Light Company on November 30, 2023

FERC: Federal Energy Regulatory Commission

FGT: Florida Gas Transmission Company

Florida Natural Gas: Refers to the Company's legacy Florida natural gas distribution operations (excluding FCG) that were consolidated under FPU, for both rate-making and operations purposes

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

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

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 $375.0 million unsecured revolving credit facility with certain lenders

RNG: Renewable natural gas

RSAM: Reserve surplus amortization mechanism which has been approved by the Florida PSC and is applicable to FCG

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

SAFE: Safety, Access, and Facility Enhancement, a program to enhance the safety, reliability and accessibility of portions of the FCG's natural gas distribution system

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: Stock and Incentive Compensation Plan, which as used herein covers stock-based compensation awards issued under the current 2024 plan and the previous 2013 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

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 March 31,	
(in thousands, except per share data)	**2024**	**2023**
Operating Revenues		
Regulated Energy	**$ 168,426**	$ 142,270
Unregulated Energy	**83,103**	83,166
Other businesses and eliminations	**(5,785)**	(7,307)
Total Operating Revenues	**245,744**	218,129
Operating Expenses		
Natural gas and electric costs	**49,918**	55,288
Propane and natural gas costs	**31,299**	33,301
Operations	**51,560**	44,767
FCG transaction and transition-related expenses	**921**	—
Maintenance	**5,903**	5,104
Depreciation and amortization	**17,016**	17,183
Other taxes	**9,542**	7,571
Total Operating Expenses	**166,159**	163,214
Operating Income	**79,585**	54,915
Other income, net	**195**	276
Interest charges	**17,026**	7,232
Income Before Income Taxes	**62,754**	47,959
Income taxes	**16,586**	11,615
Net Income	**$ 46,168**	$ 36,344
Weighted Average Common Shares Outstanding:		
Basic	**22,250**	17,760
Diluted	**22,306**	17,832
Earnings Per Share of Common Stock:		
Basic	**$ 2.07**	$ 2.05
Diluted	**$ 2.07**	$ 2.04

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)

(in thousands)	Three Months Ended March 31, 2024	2023
Net Income	**$ 46,168**	$ 36,344
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 $4 and $3, respectively	**13**	10
Cash Flow Hedges, net of tax:		
Net gain on commodity contract cash flow hedges, net of tax of $534 and $7, respectively	**1,441**	22
Reclassifications of net gain on commodity contract cash flow hedges, net of tax $(293) and $(166), respectively	**(791)**	(440)
Net gain (loss) on interest rate swap cash flow hedges, net of tax of $143 and $(52), respectively	**417**	(148)
Reclassifications of net (gain) on interest rate swap cash flow hedges, net of tax of $(44) and $(17), respectively	**(128)**	(48)
Total Other Comprehensive Income (Loss), net of tax	**952**	(604)
Comprehensive Income	**$ 47,120**	$ 35,740

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 per share data)*	March 31, 2024	December 31, 2023
Property, Plant and Equipment		
Regulated Energy	**$ 2,470,135**	$ 2,418,494
Unregulated Energy	**416,833**	410,807
Other businesses and eliminations	**31,606**	30,310
Total property, plant and equipment	**2,918,574**	2,859,611
Less: Accumulated depreciation and amortization	**(530,832)**	(516,429)
Plus: Construction work in progress	**123,338**	113,192
Net property, plant and equipment	**2,511,080**	2,456,374
Current Assets		
Cash and cash equivalents	**1,695**	4,904
Trade and other receivables	**70,750**	74,485
Less: Allowance for credit losses	**(2,450)**	(2,699)
Trade and other receivables, net	**68,300**	71,786
Accrued revenue	**28,308**	32,597
Propane inventory, at average cost	**8,367**	9,313
Other inventory, at average cost	**19,638**	19,912
Regulatory assets	**24,289**	19,506
Storage gas prepayments	**1,147**	4,695
Income taxes receivable	**—**	3,829
Prepaid expenses	**13,681**	15,407
Derivative assets, at fair value	**1,012**	1,027
Other current assets	**3,228**	2,723
Total current assets	**169,665**	185,699
Deferred Charges and Other Assets		
Goodwill	**507,573**	508,174
Other intangible assets, net	**16,414**	16,865
Investments, at fair value	**13,221**	12,282
Derivative assets, at fair value	**126**	40
Operating lease right-of-use assets	**11,719**	12,426
Regulatory assets	**86,039**	96,396
Receivables and other deferred charges	**16,047**	16,448
Total deferred charges and other assets	**651,139**	662,631
Total Assets	**$ 3,331,884**	$ 3,304,704

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 per share data)*	**March 31, 2024**	**December 31, 2023**
Capitalization		
Stockholders' equity		
Preferred stock, par value $0.01 per share (authorized 2,000 shares), no shares issued and outstanding	**$ —**	$ —
Common stock, par value $0.4867 per share (authorized 50,000 shares)	**10,838**	10,823
Additional paid-in capital	**750,162**	749,356
Retained earnings	**521,689**	488,663
Accumulated other comprehensive income (loss)	**(1,786)**	(2,738)
Deferred compensation obligation	**9,562**	9,050
Treasury stock	**(9,562)**	(9,050)
Total stockholders' equity	**1,280,903**	1,246,104
Long-term debt, net of current maturities	**1,185,166**	1,187,075
Total capitalization	**2,466,069**	2,433,179
Current Liabilities		
Current portion of long-term debt	**18,511**	18,505
Short-term borrowing	**170,355**	179,853
Accounts payable	**63,058**	77,481
Customer deposits and refunds	**43,682**	46,427
Accrued interest	**17,148**	7,020
Dividends payable	**13,138**	13,119
Accrued compensation	**7,066**	16,544
Regulatory liabilities	**21,328**	13,719
Income taxes payable	**818**	—
Derivative liabilities, at fair value	**31**	354
Other accrued liabilities	**16,520**	13,362
Total current liabilities	**371,655**	386,384
Deferred Credits and Other Liabilities		
Deferred income taxes	**271,335**	259,082
Regulatory liabilities	**193,030**	195,279
Environmental liabilities	**2,546**	2,607
Other pension and benefit costs	**16,010**	15,330
Derivative liabilities, at fair value	**43**	927
Operating lease - liabilities	**9,832**	10,550
Deferred investment tax credits and other liabilities	**1,364**	1,366
Total deferred credits and other liabilities	**494,160**	485,141
Environmental and other commitments and contingencies (Notes 6 and 7)		
Total Capitalization and Liabilities	**$ 3,331,884**	$ 3,304,704

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)

	Three Months Ended March 31,	
	2024	**2023**
(in thousands)		
Operating Activities		
Net income	**$ 46,168**	$ 36,344
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**16,909**	17,183
Depreciation and accretion included in other costs	**4,016**	2,834
Deferred income taxes	**11,905**	2,453
Realized (loss) on commodity contracts and sale of assets	**(1,811)**	(284)
Unrealized (gain) loss on investments/commodity contracts	**(830)**	(551)
Employee benefits and compensation	**(24)**	119
Share-based compensation	**2,113**	2,408
Changes in assets and liabilities:		
Accounts receivable and accrued revenue	**7,806**	5,641
Propane inventory, storage gas and other inventory	**4,769**	5,373
Regulatory assets/liabilities, net	**10,059**	24,607
Prepaid expenses and other current assets	**2,572**	3,985
Accounts payable and other accrued liabilities	**(10,114)**	(21,166)
Income taxes receivable/payable	**4,647**	10,095
Customer deposits and refunds	**(2,745)**	(476)
Accrued compensation	**(9,480)**	(8,436)
Accrued interest	**10,127**	1,500
Other assets and liabilities, net	**1,195**	38
Net cash provided by operating activities	**97,282**	81,667
Investing Activities		
Property, plant and equipment expenditures	**(75,512)**	(42,418)
Proceeds from sale of assets	**250**	506
Acquisitions, net of cash acquired	**612**	—
Environmental expenditures	**(61)**	(742)
Net cash used in investing activities	**(74,711)**	(42,654)
Financing Activities		
Common stock dividends	**(12,884)**	(9,492)
Issuance of stock under the Dividend Reinvestment Plan, net of offering fees	**41**	—
Tax withholding payments related to net settled stock compensation	**(1,466)**	(2,455)
Change in cash overdrafts due to outstanding checks	**715**	(323)
Net repayments under line of credit agreements	**(10,213)**	(107,755)
Proceeds from long-term debt, net of offering fees	**—**	79,840
Repayment of long-term debt	**(1,973)**	(1,967)
Net cash used in financing activities	**(25,780)**	(42,152)
Net Decrease in Cash and Cash Equivalents	**(3,209)**	(3,139)
Cash and Cash Equivalents—Beginning of Period	**4,904**	6,204
Cash and Cash Equivalents—End of Period	**$ 1,695**	$ 3,065

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)

(in thousands, except 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, 2022	**17,741**	**$ 8,635**	**$ 380,036**	**$ 445,509**	**$ (1,379)**	**$ 7,060**	**$ (7,060)**	**$ 832,801**
Net income	—	—	—	36,344	—	—	—	36,344
Other comprehensive loss	—	—	—	—	(604)	—	—	(604)
Dividends declared ($0.535 per share)	—	—	—	(9,644)	—	—	—	(9,644)
Issuance under various plans [(3)]	—	—	(11)	—	—	—	—	(11)
Share-based compensation and tax benefit [(4)] [(5)]	48	24	(322)	—	—	—	—	(298)
Treasury stock activities [(2)]	—	—	—	—	—	1,756	(1,756)	—
Balance at March 31, 2023	**17,789**	**$ 8,659**	**$ 379,703**	**$ 472,209**	**$ (1,983)**	**$ 8,816**	**$ (8,816)**	**$ 858,588**
Balance at December 31, 2023 [(6)]	**22,235**	**$ 10,823**	**$ 749,356**	**$ 488,663**	**$ (2,738)**	**$ 9,050**	**$ (9,050)**	**$ 1,246,104**
Net income	—	—	—	46,168	—	—	—	**46,168**
Other comprehensive income	—	—	—	—	952	—	—	**952**
Dividends declared ($0.590 per share)	—	—	—	(13,142)	—	—	—	**(13,142)**
Issuance under various plans [(3)]	3	1	272	—	—	—	—	**273**
Share-based compensation and tax benefit [(4)] [(5)]	29	14	534	—	—	—	—	**548**
Treasury stock activities [(2)]	—	—	—	—	—	512	(512)	—
Balance at March 31, 2024	**22,267**	**$ 10,838**	**$ 750,162**	**$ 521,689**	**$ (1,786)**	**$ 9,562**	**$ (9,562)**	**$ 1,280,903**

(1) 2.0 million 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 Condensed Consolidated Statements of Stockholders' Equity.

(2) Includes 111 thousand, 108 thousand, 110 thousand, and 108 thousand shares at March 31, 2024, December 31, 2023, March 31, 2023 and December 31, 2022, respectively, held in a Rabbi Trust related to our Non-Qualified Deferred Compensation Plan.

(3) Includes shares issued under the Retirement Savings Plan and DRIP and/or ATM as applicable.

(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 three months ended March 31, 2024 and 2023, we withheld 14 thousand and 20 thousand shares, respectively, for employee taxes.

(6) Includes 4.4 million shares issued during 2023 related to the acquisition of FCG. See Notes 3 and 9 for details associated with the FCG acquisition and related financing.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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, 2023. 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.

Recent Accounting Standards Yet to be Adopted

FASB

Segment Reporting (ASC 280) - In November 2023, the FASB issued ASU 2023-07, *Improvements to Reportable Segments Disclosures*, which modifies required disclosures about a public entity's reportable segments and addresses requests from investors for more detailed information about a reportable segment's expenses and a more comprehensive reconciliation of each segment's reported profit or loss. ASU 2023-07 will be effective for our annual financial statements beginning January 1, 2024 and our interim financial statements beginning January 1, 2025. ASU 2023-07 only impacts disclosures, and as a result, will not have a material impact on our financial position or results of operations.

Income Taxes (ASC 740) - In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures,* which modifies required income tax disclosures primarily related to an entity's rate reconciliation and information pertaining to income taxes paid. These enhancements have been made to address requests from investors related to transparency and usefulness of income tax disclosures. ASU 2023-09 will be effective for our annual financial statements beginning January 1, 2024. ASU 2023-09 only impacts disclosures, and as a result, will not have a material impact on our financial position or results of operations.

SEC

Climate-Related Disclosures - In March 2024, the SEC issued a final rule that requires a public entity to provide disclosures surrounding material Scope 1 and Scope 2 emissions, climate-related risks and the material impact of those risks and material climate targets and goals. In April 2024, the SEC issued a stay on the final rule as a result of various petitions being filed and that sought review of the final ruling in multiple courts of appeals. At this time, it is uncertain when the review will be completed, the final outcome of the review, and the ultimate disclosure requirements.

2. Calculation of Earnings Per Share

(in thousands, except per share data)	Three Months Ended March 31, 2024	2023
Calculation of Basic Earnings Per Share:		
Net Income	**$ 46,168**	$ 36,344
Weighted average shares outstanding [1]	**22,250**	17,760
Basic Earnings Per Share	**$ 2.07**	$ 2.05
Calculation of Diluted Earnings Per Share:		
Net Income	**$ 46,168**	$ 36,344
Reconciliation of Denominator:		
Weighted shares outstanding—Basic [1]	**22,250**	17,760
Effect of dilutive securities—Share-based compensation	**56**	72
Adjusted denominator—Diluted	**22,306**	17,832
Diluted Earnings Per Share	**$ 2.07**	$ 2.04

[1] Weighted average shares for the quarter ended March 31, 2024 reflect the impact of 4.4 million common shares issued in November 2023 in connection with the acquisition of FCG. See Notes 3 and 9 for additional details on the acquisition and related equity offering.

3. Acquisitions

Acquisition of Florida City Gas

On November 30, 2023, we completed the acquisition of FCG for $922.8 million in cash, which included working capital adjustments as defined in the agreement that were settled during the first quarter of 2024, pursuant to the stock purchase agreement with Florida Power & Light Company. Upon completion of the acquisition, FCG became a wholly-owned subsidiary of the Company and is included within our Regulated Energy segment.

FCG serves approximately 120,000 residential and commercial natural gas customers across eight counties in Florida, including Miami-Dade, Broward, Brevard, Palm Beach, Hendry, Martin, St. Lucie and Indian River. Its natural gas system includes approximately 3,800 miles of distribution main and 80 miles of transmission pipe.

The purchase price of the acquisition was funded with $366.4 million of net proceeds from the issuance of 4.4 million shares of our common stock, the issuance of approximately $550.0 million principal amount of uncollateralized senior notes, and borrowings under the Company's Revolver. See Note 14, *Long-Term Debt*, and Note 9, *Stockholders' Equity,* for additional details on these financing activities.
We accounted for the acquisition of FCG using the acquisition method. As FCG is a regulated utility, the measurement of the fair value of most of the assets acquired and liabilities assumed were determined using the predecessor's carrying value. In certain other instances where assets and liabilities are not subject to regulation, we determined the fair value in accordance with the principles of ASC Topic 820, *Fair Value Measurements*.

The excess of the purchase price for FCG over the fair value of the assets acquired and liabilities assumed has been reflected as goodwill within the Regulated Energy segment. Goodwill resulting from the acquisition is largely attributable to expansion opportunities provided within our existing regulated operations in Florida, including planned customer growth and growth in rate base through continued investment in our utility infrastructure, as well as natural gas transmission infrastructure supporting the distribution operations. The goodwill recognized in connection with the acquisition of FCG will be deductible for income tax purposes.

The components of the preliminary purchase price allocation are as follows:

(in thousands)

Assets acquired:		**Acquisition Date Fair Value**
Cash	$	2,270
Accounts receivable, net		14,456
Regulatory assets - current		2,983
Other current assets		2,082
Property, plant and equipment		454,410
Goodwill		460,592
Regulatory assets - non-current		3,381
Other deferred charges and other assets		18,309
Total assets acquired		958,483
Liabilities assumed:		
Current liabilities		(20,978)
Regulatory liabilities		(14,137)
Other deferred credits and other liabilities		(548)
Total liabilities assumed		(35,663)
Net purchase price	$	922,820

Direct transaction costs of $10.4 million associated with the FCG acquisition were reflected in “FCG transaction-related expenses” on our consolidated statement of income for the year ended December 31, 2023. In addition, interest charges included $4.1 million related to fees and expenses associated with the Bridge Facility, which was terminated without any funds drawn, for the year ended December 31, 2023. Other transaction costs of $15.9 million, related primarily to the debt and equity financings executed in connection with the acquisition, were deferred on the consolidated balance sheet or recorded in equity as an offset to proceeds received, as appropriate, as of December 31, 2023.
For the three months ended March 31, 2024, the Company’s consolidated results include $35.9 million of operating revenue and net income of $4.2 million attributable to FCG which includes $0.9 million of transaction and transition-related expenses.

Acquisition of J.T. Lee and Son's

In December 2023, Sharp acquired the propane operating assets of J.T. Lee and Son's in Cape Fear, North Carolina for $3.9 million. In connection with this acquisition, we recorded a $0.3 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. Through this acquisition, we expanded our operating footprint in North Carolina, where customers are served by Diversified Energy. Sharp added approximately 3,000 customers and distribution of approximately 800,000 gallons of propane annually. The transaction also includes a bulk plant with 60,000 gallons of propane storage, enabling the Company to realize efficiencies with additional storage capacity and overlapping delivery territories.

In connection with this acquisition, we recorded $2.7 million in property plant and equipment, $0.9 million in goodwill, $0.2 million in working capital, and less than $0.1 million in intangible assets associated primarily with 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 are included within our propane distribution operations within our Unregulated Energy segment. The operating revenues and net income of this acquisition were not material to our consolidated results for the three months ended March 31, 2024.

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 tables display our revenue by major source based on product and service type for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024				Three Months Ended March 31, 2023			
(in thousands)	Regulated Energy	Unregulated Energy	Other and Eliminations	Total	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution								
Delaware natural gas division	**$ 31,917**	**$ —**	**$ —**	**$ 31,917**	$ 36,907	$ —	$ —	$ 36,907
Florida natural gas distribution	**47,956**	**—**	**—**	**47,956**	46,358	—	—	46,358
Florida City Gas	**35,877**	**—**	**—**	**35,877**	—	—	—	—
FPU electric distribution	**19,964**	**—**	**—**	**19,964**	22,737	—	—	22,737
Maryland natural gas division	**9,855**	**—**	**—**	**9,855**	12,263	—	—	12,263
Sandpiper natural gas/propane operations	**7,057**	**—**	**—**	**7,057**	7,082	—	—	7,082
Elkton Gas	**2,859**	**—**	**—**	**2,859**	4,141	—	—	4,141
Total energy distribution	**155,485**	**—**	**—**	**155,485**	129,488	—	—	129,488
Energy transmission								
Aspire Energy	**—**	**13,608**	**—**	**13,608**	—	13,954	—	13,954
Aspire Energy Express	**369**	**—**	**—**	**369**	364	—	—	364
Eastern Shore	**21,266**	**—**	**—**	**21,266**	20,670	—	—	20,670
Peninsula Pipeline	**7,992**	**—**	**—**	**7,992**	6,911	—	—	6,911
Total energy transmission	**29,627**	**13,608**	**—**	**43,235**	27,945	13,954	—	41,899
Energy generation								
Eight Flags	**—**	**4,555**	**—**	**4,555**	—	5,300	—	5,300
Propane operations								
Propane delivery operations	**—**	**61,572**	**—**	**61,572**	—	59,980	—	59,980
Compressed Natural Gas Services								
Marlin Gas Services	**—**	**3,428**	**—**	**3,428**	—	4,001	—	4,001
Other and eliminations								
Eliminations	**(16,686)**	**(60)**	**(5,830)**	**(22,576)**	(15,163)	(69)	(7,352)	(22,584)
Other	**—**		**45**	**45**	—	—	45	45
Total other and eliminations	**(16,686)**	**(60)**	**(5,785)**	**(22,531)**	(15,163)	(69)	(7,307)	(22,539)
Total operating revenues [(1)]	**$ 168,426**	**$ 83,103**	**$ (5,785)**	**$ 245,744**	$ 142,270	$ 83,166	$ (7,307)	$ 218,129

(1) Total operating revenues for the three months ended March 31, 2024 and 2023 both include other revenue (revenues from sources other than contracts with customers) of $0.6 million and $0.1 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 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 March 31, 2024 and December 31, 2023 were as follows:

(in thousands)	Trade Receivables	Contract Assets (Current)	Contract Assets (Non-current)	Contract Liabilities (Current)
Balance at 12/31/2023	$ 67,741	$ 18	$ 3,524	$ 1,022
Balance at 3/31/2024	**61,497**	**18**	**3,370**	**710**
Increase (Decrease)	$ (6,244)	$ —	$ (154)	$ (312)

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 propane distribution 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 March 31, 2024 and 2023, the amounts recognized in revenue were not material.

Remaining Performance Obligations

Certain of 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 March 31, 2024, are expected to be recognized as follows:

(in thousands)	2024	2025	2026	2027	2028	2029	2030 and thereafter
Eastern Shore and Peninsula Pipeline	$ 27,404	$ 30,520	$ 26,668	$ 23,535	$ 22,657	$ 20,733	$ 128,891
Natural gas distribution operations	7,284	9,310	8,596	6,567	5,346	4,802	23,744
FPU electric distribution	562	749	364	364	364	—	—
Total revenue contracts with remaining performance obligations	$ 35,250	$ 40,579	$ 35,628	$ 30,466	$ 28,367	$ 25,535	$ 152,635

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

In September 2023, the Delaware Division submitted the Energy Efficiency Rider application for natural gas with the Delaware PSC after obtaining an affirmative recommendation from the Delaware Energy Efficiency Advisory Council (“EEAC”). The application was the first in the state and included four programs including, Home Energy Counseling, Home Performance with Energy Star, Assisted Home Performance with Energy Star, and a standard Offer Program in which customers can participate and allow for recovery. The evidentiary hearing on this matter was held in April 2024 with all programs, with the exception of the Offer Program, approved by the PSC and rates became effective May 1, 2024.

Maryland

Maryland Natural Gas Rate Case: In January 2024, our natural gas distribution businesses in Maryland, CUC-Maryland Division, Sandpiper Energy, Inc., and Elkton Gas Company (collectively, "Maryland natural gas distribution businesses"), filed a joint application for a natural gas rate case with the Maryland PSC. In connection with the application, we are seeking approval of the following: (i) permanent rate relief of approximately $6.9 million; (ii) authorization to make certain changes to tariffs to include a unified rate structure and to consolidate the Maryland natural gas distribution businesses which we anticipate will be called Chesapeake Utilities of Maryland, Inc.; and (iii) authorization to establish a rider for recovery of the costs associated with our new technology systems. The outcome of the application is subject to review and approval by the Maryland PSC. Rate changes are suspended until December 2024.

Maryland Natural Gas Depreciation Study: In January 2024, our Maryland natural gas distribution businesses filed a joint petition for approval of their proposed unified depreciation rates with the Maryland PSC. The outcome of the filing is subject to review by the Maryland PSC which is expected to be completed in the third quarter of 2024.

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.

FCG Natural Gas Rate Case: In May 2022, FCG filed a general base rate increase with the Florida PSC based on a projected 2023 test year. In June 2023, the Florida PSC issued an order approving a single total base revenue increase of $23.3 million (which included an incremental increase of $14.1 million, a previously approved increase of $3.8 million for a liquefied natural gas facility, and $5.3 million to transfer the SAFE investments from a rider clause to base rates), with new rates becoming effective as of May 1, 2023. The Commission also approved FCG's proposed RSAM with a $25.0 million reserve amount, continuation and expansion of the capital SAFE program, implementation of an automated metering infrastructure pilot, and continuation of the storm damage reserve with a target reserve of $0.8 million. On June 23, 2023, the Florida OPC filed a motion for reconsideration of the PSC's approval of RSAM, which was denied on September 12, 2023. On July 7, 2023, the Florida OPC filed a notice of appeal with the Florida Supreme Court, which is pending. The Florida OPC filed their initial brief on January 31, 2024.

The RSAM is recorded as either an increase or decrease to accrued removal costs which is reflected on the Company's balance sheets and a corresponding increase or decrease to depreciation and amortization expense. In order to earn the targeted regulatory return on equity ("ROE") in each reporting period subject to the conditions of the effective rate agreement, RSAM is calculated using a trailing thirteen-month average of rate base and capital structure in conjunction with the trailing twelve-month regulatory base net operating income, which primarily includes the base portion of rates and other revenues, net of operations and maintenance expenses, depreciation and amortization, interest and tax expenses. In general, the net impact of these income statement line items is adjusted, in part, by RSAM or its reversal to earn the targeted regulatory ROE. For the three months ended March 31, 2024, the Company recorded decreases to asset removal costs and depreciation expense of $3.4 million as a result of the RSAM adjustment.

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. The Commission voted to approve the projections in November 2023. FPU projects to spend $13.6 million on the program in 2024.

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 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 maintenance and repair equipment and system reliability projects. In August 2023, the Florida PSC approved the GUARD program, which included $205.0 million of capital expenditures projected to be spent over a 10-year period.

SAFE Program: In June 2023, the Florida PSC issued the approval order for the continuation of the SAFE program beyond its 2025 expiration date and inclusion of 150 miles of additional mains and services located in rear property easements. The SAFE program is designed to relocate certain mains and facilities associated with rear lot easements to street front locations to improve FCG's ability to inspect and maintain the facilities and reduce opportunities for damage and theft. In the same order, the Commission approved a replacement of 160 miles of pipe that was used in the 1970s and 1980s and shown through industry research to exhibit premature failure in the form of cracking. The program includes projected capital expenditures of $205.0 million over a 10-year period.

In April 2024, FCG filed a petition with the Florida PSC to more closely align the SAFE Program with FPU's GUARD program. Specifically, the requested modifications will enable FCG to accelerate remediation related to problematic pipe and facilities consisting of obsolete and exposed pipe. If approved, these efforts will serve to improve the safety and reliability of service to FCG's customers. These modifications, if approved, result in an estimated additional $50.0 million in capital expenditures associated with the SAFE Program which would increase the total projected capital expenditures to $255.0 million 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 Dts/d of firm service in the Newberry, Florida area. The petition was approved by the Florida PSC in the third quarter of 2023. 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. A filing to address the acquisition and conversion of existing Company owned propane community gas systems in Newberry was made in November 2023. The Florida PSC approved it in April 2024. The Company anticipates beginning the conversions of the community gas systems in the second quarter of 2024.

East Coast Reinforcement Projects: In December 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreements with FPU for projects that will support additional supply to communities on the East Coast of Florida. The projects are driven by the need for increased supply to coastal portions of the state that are experiencing significant population growth. Peninsula Pipeline will construct several pipeline extensions which will support FPU’s distribution system in the areas of Boynton Beach and New Smyrna Beach with an additional 15,000 Dts/d and 3,400 Dts/d, respectively. The Florida PSC approved the projects in March 2024.

Central Florida Reinforcement Projects: In February 2024, Peninsula Pipeline filed a petition with the Florida PSC for its Transportation Service Agreements with FPU for projects that will support additional supply to communities located in Central Florida. The projects are driven by the need for increased supply to communities in central Florida that are experiencing significant population growth. Peninsula Pipeline will construct several pipeline extensions which will support FPU's distribution system around Plant City and Lake Mattie with an additional 5,000 Dts/d and 8,700 Dts/d, respectively. The Florida PSC approved the projects in May 2024.

Alternative Natural Gas Projects: In February 2024, Peninsula Pipeline filed a petition with the Florida PSC for its approval of its Transportation Service Agreements with FCG for projects that will support the transportation of additional supply into FCG’s distribution system. The projects are driven by continued growth in the regions and will facilitate additional transportation capacity, including the transportation of pipeline quality gas produced from landfills through FCG's system. Peninsula Pipeline will construct several pipeline extensions which will support FCG's distribution system in Brevard County, Indian-River County, and Miami-Dade County.

St. Cloud Project Amendment: In February 2024, Peninsula Pipeline filed a petition with the Florida PSC for its approval of an amendment to its Transportation Service Agreement with FPU for a project that will support additional supply to communities in St. Cloud Florida. The project is driven by the need to expand gas service to future communities that are expected in that area. Peninsula Pipeline will construct pipeline expansions that will allow FPU to serve the expected new growth. The expansion will provide FPU with an additional 10,000 Dts/d. The Florida PSC approved the projects in May 2024.

Pioneer Supply Header Pipeline Project: In March 2024, Peninsula Pipeline filed a petition with the Florida PSC for its approval of Firm Transportation Service Agreements with both FCG and FPU for a project that will support greater supply growth of natural gas service in southeast Florida. The project consists of the transfer of a pipeline asset from FCG to Peninsula Pipeline. Peninsula Pipeline will proceed to provide transportation service to both FCG and FPU using the pipeline asset, which provides opportunities for additional project development.

Eastern Shore

Worcester Resiliency Upgrade: In August 2023, Eastern Shore filed an application with the FERC requesting authorization to construct the Worcester Resiliency Upgrade, which consists of a mixture of storage and transmission facilities in Sussex County, DE and Wicomico, Worcester, and Somerset Counties in Maryland. The project will provide long-term incremental supply necessary to support the growing demand of the participating shippers. Eastern Shore has requested certificate authorization by December 2024, with a target in-service date by the third quarter of 2025. In December 2023, FERC issued its schedule for preparation of the Environmental Assessment. In April 2024, the FERC issued their environmental assessment with no significant impacts noted.

TCJA

In connection with the TCJA, which was signed into law in December 2017, our customer rates for our regulated businesses were adjusted as applicable as approved by the regulators. Regulatory liabilities related to accumulated deferred income taxes ("ADIT") associated with the TCJA amounted to $85.5 million and $85.8 million at March 31, 2024 and December 31, 2023, respectively. With the exception of the ADIT balance of $34.2 million attributable to Eastern Shore, such amounts are being amortized in accordance with approvals received from the Delaware, Maryland, and Florida PSCs in 2018 and 2019. The ADIT balance attributable to Eastern Shore will be addressed in its next rate case filing.

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 March 31, 2024 and December 31, 2023, we had approximately $3.5 million and $3.6 million, respectively, in environmental liabilities related to the former MGP sites, and related regulatory assets of approximately $0.5 million at the respective balance sheet dates for future recovery of environmental costs from 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 MGPs in Winter Haven and Key West in Florida and in Seaford, Delaware. The remaining clean-up costs are estimated to range from $0.3 million to $0.8 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 2024. Remaining remedial costs for West Palm Beach, including completion of the construction of the system on the West Parcel, are estimated to take between five and fifteen years of operation, maintenance and monitoring, and final site work for closeout of the property is estimated to be between $3.3 million and $5.7 million.

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.

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 October 2030.

Florida Natural Gas 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 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 March 31, 2024, 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 March 31, 2024 was $35.0 million. The aggregate amount guaranteed related to our subsidiaries at March 31, 2024 was approximately $24.4 million with the guarantees expiring on various dates through March 2025. In addition, the Board has authorized us to issue specific purpose corporate guarantees. The amount of specific purpose guarantees outstanding at March 31, 2024 was $4.0 million.

As of March 31, 2024, we have issued letters of credit totaling approximately $7.0 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, the storage agreement between Bay Gas Storage Company and FCG as well as our primary insurance carriers. These letters of credit have various expiration dates through February 2025 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/or products or services, and the operating results of each segment are regularly reviewed by the chief operating decision maker, our President and 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 sustainable energy investments including renewable natural gas. 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 March 31,	
(in thousands)	**2024**	**2023**
Operating Revenues, Unaffiliated Customers		
Regulated Energy	**$ 167,927**	$ 141,621
Unregulated Energy	**77,817**	76,508
Total operating revenues, unaffiliated customers	**$ 245,744**	$ 218,129
Intersegment Revenues [1]		
Regulated Energy	**$ 499**	$ 649
Unregulated Energy	**5,286**	6,657
Other businesses	**45**	45
Total intersegment revenues	**$ 5,830**	$ 7,351
Operating Income		
Regulated Energy	**$ 58,109**	$ 37,625
Unregulated Energy	**21,429**	17,245
Other businesses and eliminations	**47**	45
Operating income	**79,585**	54,915
Other income, net	**195**	276
Interest charges	**17,026**	7,232
Income Before Income Taxes	**62,754**	47,959
Income taxes	**16,586**	11,615
Net Income	**$ 46,168**	$ 36,344

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

(in thousands)	**March 31, 2024**	**December 31, 2023**
Identifiable Assets		
Regulated Energy segment	**$ 2,830,632**	$ 2,781,581
Unregulated Energy segment	**459,825**	477,402
Other businesses and eliminations	**41,427**	45,721
Total Identifiable Assets	**$ 3,331,884**	$ 3,304,704

9. Stockholders' Equity

Common Stock Issuances

In November 2023, in connection with our acquisition of FCG, we completed an equity offering resulting in the issuance of approximately 4.4 million shares of our common stock at a price per share of $82.72 (net of underwriter discounts and commissions). We received net proceeds of $366.4 million which were used to partially finance the acquisition.

We maintain an effective shelf registration statement with the SEC for the issuance of shares under our DRIP and other plans. 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. For the three months ended March 31, 2024, we received net proceeds of $0.1 million under the DRIP. There were no issuances under DRIP during 2023. 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.

Accumulated Other Comprehensive Loss

Defined benefit pension and postretirement plan items, unrealized gains (losses) of our propane swap agreements designated as commodity contract 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 tables present the changes in the balances of accumulated other comprehensive loss components as of March 31, 2024 and 2023. 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, 2023	**$ (2,584)**	**$ (274)**	**$ 120**	**$ (2,738)**
Other comprehensive income before reclassifications	**—**	**1,441**	**417**	**1,858**
Amounts reclassified from accumulated other comprehensive income (loss)	**13**	**(791)**	**(128)**	**(906)**
Net current-period other comprehensive income (loss)	**13**	**650**	**289**	**952**
As of March 31, 2024	**$ (2,571)**	**$ 376**	**$ 409**	**$ (1,786)**
As of December 31, 2022	$ (2,506)	$ 1,092	$ 35	$ (1,379)
Other comprehensive income (loss) before reclassifications	—	22	(148)	(126)
Amounts reclassified from accumulated other comprehensive income (loss)	10	(440)	(48)	(478)
Net prior-period other comprehensive income (loss)	10	(418)	(196)	(604)
As of March 31, 2023	$ (2,496)	$ 674	$ (161)	$ (1,983)

Deferred gains or losses for our commodity contract and interest rate swap cash flow hedges are recognized in earnings upon settlement and are included in the effects of gains and losses from derivative instruments. See Note 12, *Derivative Instruments*, for additional details. Amortization of the net loss related to the defined benefit pension plan and postretirement plans is included in the computation of net periodic cost (benefit). See Note 10, *Employee Benefit Plans*, for additional details.

10. Employee Benefit Plans

Net periodic (benefit) cost for the FPU Pension Plan for the three months ended March 31, 2024 and 2023 is set forth in the following table:

(in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Interest cost	**$ 599**	$ 633
Expected return on plan assets	**(724)**	(668)
Amortization of net loss	**69**	110
Total periodic (benefit) cost	**$ (56)**	$ 75

Amounts reclassified from accumulated other comprehensive income (loss) and regulatory assets were not material during the three months ended March 31, 2024 and 2023.

Net periodic benefit costs for our other pension and postretirement benefit plans were not material for the three months ended March 31, 2024 and 2023.

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 months ended March 31, 2024, there were no contributions to the FPU Pension Plan and we do not expect to contribute to the FPU Pension Plan during 2024. 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 postretirement benefit plans for the three months ended March 31, 2024 were immaterial. We expect to pay total cash benefits of less than $1.0 million for these other postretirement benefit plans in 2024.

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 $13.2 million at March 31, 2024 and $12.3 million at December 31, 2023. 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 months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(in thousands)	**2024**	**2023**
Awards to key employees	**$ 1,899**	$ 2,156
Awards to non-employee directors	**214**	252
Total compensation expense	**2,113**	2,408
Less: tax benefit	**(540)**	(622)
Share-based compensation amounts included in net income	**$ 1,573**	$ 1,786

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 and key employees 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 three months ended March 31, 2024:

(in thousands, except per share data)	Number of Shares	Weighted Average Fair Value
Outstanding—December 31, 2023	213	$ 117.74
Granted	110	$ 105.02
Vested	(43)	$ 103.95
Expired	(27)	$ 86.24
Forfeited	—	$ —
Outstanding—March 31, 2024	253	$ 117.89

During the three months ended March 31, 2024, we granted awards of 110 thousand shares of common stock to officers and key employees under the SICP, including awards granted in February 2024. The shares granted are multi-year awards that will vest no later than the three-year service period ending December 31, 2026.

In March 2024, upon the election by certain of our executive officers and key employees, 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 2024 for the performance period ended December 31, 2023. 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 14 thousand 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 $1.5 million.

At March 31, 2024, the aggregate intrinsic value of the SICP awards granted to key employees was approximately $27.2 million. At March 31, 2024, there was approximately $14.2 million of unrecognized compensation cost related to these awards, which will be recognized through 2026.

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 approximately 1 thousand shares of common stock, respectively, with a weighted average fair value of $124.12 per share.

At March 31, 2024, there was less than $0.1 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 March 31, 2024, our natural gas and electric distribution operations did not have any outstanding derivative contracts.

Volume of Derivative Activity

As of March 31, 2024, 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	8.8	Cash flow hedges	June 2026

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 March 2024 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 gains of approximately $0.5 million from accumulated other comprehensive income (loss) related to our commodity cash flow hedges to earnings during the 12-month period ended March 31, 2025.

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. 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 included within other current assets on the consolidated balance sheet with a balance of $2.8 million and $2.1 million as of March 31, 2024 and December 31, 2023, 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 condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023, are as follows:

	Derivative Assets		
		Fair Value As Of	
(in thousands)	**Balance Sheet Location**	**March 31, 2024**	**December 31, 2023**
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative assets, at fair value	**$ 589**	$ 702
Interest rate swap agreements	Derivative assets, at fair value	**549**	365
Total Derivative Assets [1]		**$ 1,138**	$ 1,067

[1] Derivative assets, at fair value, include $1.0 million in current assets in the condensed consolidated balance sheet at both March 31, 2024 and December 31, 2023, with the remainder of the balance classified as long-term.

	Derivative Liabilities		
		Fair Value As Of	
(in thousands)	**Balance Sheet Location**	**March 31, 2024**	**December 31, 2023**
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative liabilities, at fair value	**$ 74**	$ 1,078
Interest rate swap agreements	Derivative liabilities, at fair value	**—**	203
Total Derivative Liabilities [1]		**$ 74**	$ 1,281

[1] Derivative liabilities, at fair value, were not material at March 31, 2024, and included $0.4 million in current liabilities in the condensed consolidated balance sheet at December 31, 2023, 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	
	Location of Gain	**For the Three Months Ended March 31,**	
(in thousands)	**(Loss) on Derivatives**	**2024**	**2023**
Derivatives designated as cash flow hedges			
Propane swap agreements	Revenues	**$ (307)**	$ 733
Propane swap agreements	Unregulated propane and natural gas costs	**1,391**	(127)
Interest rate swap agreements	Interest expense	**172**	65
Total		**$ 1,256**	$ 671

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 March 31, 2024 and December 31, 2023:

		Fair Value Measurements Using:		
As of March 31, 2024 *(in thousands)*	**Fair Value**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Investments—equity securities	**$ 20**	**$ 20**	**$ —**	**$ —**
Investments—guaranteed income fund	**1,415**	**—**	**—**	**1,415**
Investments—mutual funds and other	**11,786**	**11,786**	**—**	**—**
Total investments	**13,221**	**11,806**	**—**	**1,415**
Derivative assets	**1,138**	**—**	**1,138**	**—**
Total assets	**$ 14,359**	**$ 11,806**	**$ 1,138**	**$ 1,415**
Liabilities:				
Derivative liabilities	**$ 74**	**$ —**	**$ 74**	**$ —**

As of December 31, 2023 (in thousands)	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments—equity securities	$ 21	$ 21	$ —	$ —
Investments—guaranteed income fund	1,489	—	—	1,489
Investments—mutual funds and other	10,772	10,772	—	—
Total investments	12,282	10,793	—	1,489
Derivative assets	1,067	—	1,067	—
Total assets	$ 13,349	$ 10,793	$ 1,067	$ 1,489
Liabilities:				
Derivative liabilities	$ 1,281	$ —	$ 1,281	$ —

The changes in the fair value of Level 3 investments for the three months ended March 31, 2024 and 2023 were immaterial. Investment income from the Level 3 investments is reflected in other income, net in the condensed consolidated statements of income.

At March 31, 2024, 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 March 31, 2024, long-term debt, which includes current maturities but excludes debt issuance costs, had a carrying value of approximately $1.2 billion, compared to the estimated fair value of $1.1 billion. At December 31, 2023, long-term debt, which includes the current maturities but excludes debt issuance costs, had a carrying value of approximately $1.2 billion, compared to a fair value of approximately $1.2 billion. 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)	March 31, 2024	December 31, 2023
Uncollateralized senior notes:		
5.68% notes, due June 30, 2026	**$ 8,700**	$ 8,700
6.43% notes, due May 2, 2028	**3,500**	3,500
3.73% notes, due December 16, 2028	**10,000**	10,000
3.88% notes, due May 15, 2029	**30,000**	30,000
3.25% notes, due April 30, 2032	**57,750**	59,500
3.48% notes, due May 31, 2038	**50,000**	50,000
3.58% notes, due November 30, 2038	**50,000**	50,000
3.98% notes, due August 20, 2039	**100,000**	100,000
2.98% notes, due December 20, 2034	**70,000**	70,000
3.00% notes, due July 15, 2035	**50,000**	50,000
2.96% notes, 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**	80,000
6.39% notes, due December 2026	**100,000**	100,000
6.44% notes, due December 2027	**100,000**	100,000
6.45% notes, due December 2028	**100,000**	100,000
6.62% notes, due December 2030	**100,000**	100,000
6.71% notes, due December 2033	**100,000**	100,000
6.73% notes, due December 2038	**50,000**	50,000
Equipment security note		
2.46% note, due September 24, 2031	**7,409**	7,633
Less: debt issuance costs	**(3,682)**	(3,753)
Total long-term debt	**1,203,677**	1,205,580
Less: current maturities	**(18,511)**	(18,505)
Total long-term debt, net of current maturities	**$ 1,185,166**	$ 1,187,075

Terms of the Senior Notes

All of our outstanding 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.

Senior Notes

On November 20, 2023, we issued Senior Notes in the aggregate principal amount of $550.0 million at an average interest rate of 6.54 percent that were used to partially finance our acquisition of FCG which closed during the fourth quarter of 2023. These notes have varying maturity dates of between three and 15 years, and the outstanding principal balance of the notes will be due on their respective maturity dates with interest payments payable semiannually until the principal has been paid in full. These Senior Notes have similar covenants and default provisions as our other Senior Notes.

On March 14, 2023 we issued 5.43 percent Senior Notes due in March 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, with terms that extend through February 2026. At March 31, 2024, a total of $255.0 million of borrowing capacity was available under these agreements.

15. Short-Term Borrowings

We are authorized by our Board of Directors to borrow up to $375.0 million of short-term debt, as required. At March 31, 2024 and December 31, 2023, we had $170.4 million and $179.9 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 5.83 percent during each period. There were no borrowings outstanding under the sustainable investment sublimit of the 364-day tranche at March 31, 2024.

We have entered into several amendments to our Revolver which resulted in modifications to both tranches of the facility. The most recent amendment in October 2023 increased our funded indebtedness ratio from 65 percent to 70 percent during the quarter in which the acquisition of FCG was consummated and the quarter subsequent to the closing of the acquisition. The amendment in August 2023 renewed the 364-day tranche of the Revolver providing for $175.0 million of short-term debt capacity. Additionally, the amendment under the 364-day tranche prescribed that borrowings would bear interest (i) based upon the SOFR, plus a 10-basis point credit spread adjustment, and an applicable margin of 1.05 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate, solely at our discretion. Further, the amendment provided that borrowings under the 364-day green loan sublimit would bear interest at (i) the SOFR rate plus a 10-basis point credit spread adjustment and an applicable margin of 1.00 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate plus 0.05 percent or less, solely at our discretion. The amendment entered into in 2022 reset the benchmark interest rate to SOFR and eliminated a previous covenant which capped our investment limit to $150.0 million for investments where we maintain less than 50 percent ownership.

The 364-day tranche of the Revolver expires in August 2024 and the five-year tranche expires in August 2026. 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 March 31, 2024, the pricing under the 364-day tranche of the Revolver included a commitment fee of 10 basis points on undrawn amounts and an interest rate of 80 basis points over SOFR plus a 10-basis point SOFR adjustment on outstanding balances. As of March 31, 2024, the pricing under the five-year tranche of the Revolver included a commitment fee of 10-basis points on undrawn amounts and an interest rate of 100-basis points over SOFR plus a 10-basis point SOFR adjustment on outstanding balances.

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 as described above. As of March 31, 2024, we were in compliance with this covenant.

Our total available credit under the Revolver at March 31, 2024 was $197.6 million. As of March 31, 2024, we had issued $7.0 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.

In connection with our acquisition of FCG, we entered into a 364-day Bridge Facility commitment with Barclays Bank PLC and other lending parties for up to $965.0 million. Upon closing of the FCG acquisition in November 2023, and with the completion of other financing activities as defined in the lending agreement, this facility was terminated with no funds drawn to finance the transaction. For additional information regarding the acquisition and related financing, see Note 3, *Acquisitions,* Note 9, *Stockholders Equity*, and Note 14, *Long-Term Debt*.

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 March 31, 2024, 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 March 31, 2024, 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 condensed consolidated statements of income:

		Three Months Ended March 31,	
(in thousands)	**Classification**	**2024**	**2023**
Operating lease cost [1]	Operations expense	**$ 736**	$ 788

[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 March 31, 2024 and December 31, 2023:

(in thousands)	**Balance sheet classification**	**March 31, 2024**	**December 31, 2023**
Assets			
Operating lease assets	Operating lease right-of-use assets	**$ 11,719**	$ 12,426
Liabilities			
Current			
Operating lease liabilities	Other accrued liabilities	**$ 2,479**	$ 2,454
Noncurrent			
Operating lease liabilities	Operating lease - liabilities	**9,832**	10,550
Total lease liabilities		**$ 12,311**	$ 13,004

The following table presents our weighted-average remaining lease terms and weighted-average discount rates for our operating leases at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Weighted-average remaining lease term (*in years*)		
Operating leases	**8.0**	8.1
Weighted-average discount rate		
Operating leases	**3.5 %**	3.5 %

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 March 31, 2024 and 2023:

	Three Months Ended March 31,	
(in thousands)	2024	2023
Operating cash flows from operating leases	**$ 724**	$ 722

The following table presents the future undiscounted maturities of our operating and financing leases at March 31, 2024 and for each of the next five years and thereafter:

(in thousands)	Operating Leases [(1)]
Remainder of 2024	**$ 2,128**
2025	**2,302**
2026	**1,767**
2027	**1,531**
2028	**1,152**
2029	**1,092**
Thereafter	**4,066**
Total lease payments	**14,038**
Less: Interest	**(1,727)**
Present value of lease liabilities	**$ 12,311**

[(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, 2023, 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 2023 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 postretirement 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 chain, our personnel, our contract counterparties, general economic conditions and growth, the financial markets and any costs to comply with governmental mandates.

Introduction

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.

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.

Sustainability Initiatives

We continue to remain steadfast in regards to our sustainability 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. In April of 2024, we unveiled our first in a series of sustainability micro-reports, with the first report focused on Safety and Reliability. The Safety and Reliability Report will be followed by at least two additional micro-reports. The second report, expected to be published this summer, will focus on the Company's environmental stewardship, including progress on environmental sustainability initiatives and mitigation of greenhouse gas emissions. The third micro-report, planned for distribution in the fall, will focus on community impact, reporting on Diversity, Equity and Inclusion ("DEI") initiatives and investments in people, communities and customers.

Transitioning from a single large sustainability report to these micro-reports will provide a steadier release of information throughout the year, including progress updates and new or expanded initiatives and programs. In addition to the micro-reports, the Company will publish investor-focused tables later this year.

We encourage our investors to review the Safety and Reliability micro-report, as well as prior sustainability reports, which can be accessed on our website, and welcome feedback as we continue to enhance our sustainability disclosures.

Acquisition of Florida City Gas

On November 30, 2023, we completed the acquisition of FCG for $922.8 million in cash, which included working capital adjustments as defined in the agreement that were settled during the first quarter of 2024, pursuant to the previously disclosed stock purchase agreement with Florida Power & Light Company. Upon completion of the acquisition, FCG became a wholly-owned subsidiary of the Company and is included within our Regulated Energy segment. FCG serves approximately 120,000 residential and commercial natural gas customers across eight counties in Florida, including Miami-Dade, Broward, Brevard, Palm Beach, Hendry, Martin, St. Lucie and Indian River. Its natural gas system includes approximately 3,800 miles of distribution main and 80 miles of transmission pipe.

In June 2023, FCG received approval from the Florida PSC for a $23.3 million total increase in base revenue in connection with its May 2022 rate case filing. The new rates, which became effective as of May 1, 2023, included the transfer of its SAFE program provisions from a rider clause to base rates, an increase in rates associated with a liquefied natural gas facility, and approval of FCG's proposed RSAM with a $25.0 million reserve amount. The RSAM is recorded as either an increase or decrease to accrued removal costs on the balance sheet, with a corresponding increase or decrease to depreciation and amortization expense. The impact of FCG's results from the acquisition date and effects on our liquidity are discussed further below and throughout Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Unless otherwise noted, EPS and Adjusted EPS information are presented on a diluted basis.

Non-GAAP Financial Measures

This document, including the tables herein, include references to both Generally Accepted Accounting Principles ("GAAP") and non-GAAP financial measures, including Adjusted Gross Margin, Adjusted Net Income and Adjusted EPS. A "non-GAAP financial measure" is generally defined as a numerical measure of a company's historical or future performance that includes or excludes amounts, or that is subject to adjustments, so as to be different from the most directly comparable measure calculated or presented in accordance with GAAP. Our management believes certain non-GAAP financial measures, when considered together with GAAP financial measures, provide information that is useful to investors in understanding period-over-period operating results separate and apart from items that may, or could, have a disproportionately positive or negative impact on results in any particular period.

We calculate Adjusted Gross Margin 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. We calculate Adjusted Net Income and Adjusted EPS by deducting non-recurring costs and expenses associated with significant acquisitions that may affect the comparison of period-over-period results. These non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures. The Company believes that these non-GAAP financial measures are useful and meaningful to investors as a basis for making investment decisions, and provide investors with information that demonstrates the profitability achieved by the Company under allowed rates for regulated energy operations and under the Company's competitive pricing structures for unregulated energy operations. The Company's management uses these non-GAAP financial measures in assessing a business unit's and the overall Company performance. Other companies may calculate these non-GAAP financial measures in a different manner.

The following tables reconcile Gross Margin, Net Income, and EPS, all as defined under GAAP, to our non-GAAP financial measures of Adjusted Gross Margin, Adjusted Net Income and Adjusted EPS for the three months ended March 31, 2024 and 2023:

Adjusted Gross Margin

(in thousands)	For the Three Months Ended March 31, 2024			
	Regulated Energy	**Unregulated Energy**	**Other and Eliminations**	**Total**
Operating Revenues	**$ 168,426**	**$ 83,103**	**$ (5,785)**	**$ 245,744**
Cost of Sales:				
Natural gas, propane and electric costs	(49,918)	(37,054)	5,755	(81,217)
Depreciation & amortization	(12,537)	(4,481)	2	(17,016)
Operations & maintenance expenses [1]	(12,736)	(8,422)	(2)	(21,160)
Gross Margin (GAAP)	**93,235**	**33,146**	**(30)**	**126,351**
Operations & maintenance expenses [1]	12,736	8,422	2	21,160
Depreciation & amortization	12,537	4,481	(2)	17,016
Adjusted Gross Margin (Non-GAAP)	**$ 118,508**	**$ 46,049**	**$ (30)**	**$ 164,527**

(in thousands)	For the Three Months Ended March 31, 2023			
	Regulated Energy	**Unregulated Energy**	**Other and Eliminations**	**Total**
Operating Revenues	**$ 142,270**	**$ 83,165**	**$ (7,306)**	**$ 218,129**
Cost of Sales:				
Natural gas, propane and electric costs	(55,288)	(40,571)	7,270	(88,589)
Depreciation & amortization	(12,952)	(4,234)	3	(17,183)
Operations & maintenance expenses [1]	(9,287)	(8,476)	5	(17,758)
Gross Margin (GAAP)	**64,743**	**29,884**	**(28)**	**94,599**
Operations & maintenance expenses [1]	9,287	8,476	(5)	17,758
Depreciation & amortization	12,952	4,234	(3)	17,183
Adjusted Gross Margin (Non-GAAP)	**$ 86,982**	**$ 42,594**	**$ (36)**	**$ 129,540**

[1] Operations & maintenance expenses within the condensed 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.

2024 to 2023 Gross Margin (GAAP) Variance – Regulated Energy

Gross Margin (GAAP) for the Regulated Energy segment for the quarter ended March 31, 2024 was $93.2 million, an increase of $28.5 million, or 44.0 percent, compared to the same period in 2023. Higher gross margin reflects incremental margin attributable to FCG, organic growth in our natural gas distribution businesses and continued pipeline expansion projects, and incremental contributions associated with regulated infrastructure programs. These contributors were partially offset by non-recurring FCG transaction and transition-related expenses.

2024 to 2023 Gross Margin (GAAP) Variance – Unregulated Energy

Gross Margin (GAAP) for the Unregulated Energy segment for the quarter ended March 31, 2024 was $33.1 million, an increase of $3.3 million, or 10.9 percent, compared to the same period in 2023. Higher gross margin related primarily to contributions from increased propane margins and fees as well as increased customer margins and improved customer consumption at Aspire.

Adjusted Net Income and Adjusted EPS

(in thousands, except per share data)	Three Months Ended March 31, 2024	2023
Net Income (GAAP)	**$ 46,168**	$ 36,344
FCG transaction and transition-related expenses, net [1]	**677**	—
Adjusted Net Income (Non-GAAP)	**$ 46,845**	$ 36,344
Weighted average common shares outstanding - diluted [2]	**22,306**	17,832
Earnings Per Share - Diluted (GAAP)	**$ 2.07**	$ 2.04
FCG transaction and transition-related expenses, net [1]	**0.03**	—
Adjusted Earnings Per Share - Diluted (Non-GAAP)	**$ 2.10**	$ 2.04

[1] Transition-related expenses represent non-recurring costs incurred attributable to the acquisition and integration of FCG including, but not limited to, transition services, consulting, system integration, rebranding, and legal fees.

[2] Weighted average shares for the quarter ended March 31, 2024 reflect the impact of 4.4 million common shares issued in November 2023 in connection with the acquisition of FCG. See Notes 3 and 9 for additional details on the acquisition and related equity offering.

2024 to 2023 Net Income (GAAP) Variance

Net income (GAAP) for the quarter ended March 31, 2024 was $46.2 million, or $2.07 per share, compared to $36.3 million, or $2.04 per share, for the same quarter of 2023. Net income for the three months ended March 31, 2024 included $0.7 million of transaction and transition-related expenses in connection with the acquisition and integration of FCG. Excluding these costs, net income increased by $10.5 million or 28.9 percent compared to the same period in the prior year.

Results of Operations for the Three Months Ended March 31, 2024

Operational Highlights

Our adjusted net income for the three months ended March 31, 2024 was $46.8 million, or $2.10 per share, compared to $36.3 million, or $2.04 per share, for the same quarter of 2023. Adjusted net income for the first quarter of 2023 included a non-recurring gain of $1.3 million related to a reduction in the Pennsylvania state tax rate. Operating income for the first quarter of 2024 was $79.6 million, an increase of $24.7 million or 44.9 percent compared to the same period in 2023. Excluding transaction and transition-related expenses associated with the acquisition and integration of FCG, operating income increased $25.6 million or 46.6 percent compared to the prior-year period. Adjusted gross margin in the first quarter of 2024 was positively impacted by incremental margin from FCG, natural gas organic growth and continued pipeline expansion projects, higher customer consumption, incremental contributions associated with regulatory initiatives, and increased propane margins and fees compared to the prior-year period. Higher operating expenses in the first quarter of 2024 largely associated with FCG were partially offset by lower employee benefits and incentive compensation costs compared to the same quarter of 2023. Increases in depreciation and amortization expense attributable to growth projects and FCG were partially offset by lower depreciation in our electric operations due to revised rates in the electric depreciation study filing approved in December 2023 and a $3.4 million RSAM adjustment from FCG.

(in thousands, except per share data)	Three Months Ended March 31, 2024	2023	Increase (Decrease)
Adjusted Gross Margin			
Regulated Energy segment	**$ 118,508**	$ 86,982	$ 31,526
Unregulated Energy segment	**46,049**	42,594	3,455
Other businesses and eliminations	**(30)**	(36)	6
Total Adjusted Gross Margin	**$ 164,527**	**$ 129,540**	$ 34,987
Operating Income			
Regulated Energy segment	**$ 58,109**	$ 37,625	$ 20,484
Unregulated Energy segment	**21,429**	17,245	4,184
Other businesses and eliminations	**47**	45	2
Total Operating Income	**79,585**	**54,915**	24,670
Other income, net	**195**	276	(81)
Interest charges	**17,026**	7,232	9,794
Income Before Income Taxes	**62,754**	47,959	14,795
Income taxes	**16,586**	11,615	4,971
Net Income	**$ 46,168**	$ 36,344	$ 9,824
Weighted Average Common Shares Outstanding: [1]			
Basic	**22,250**	17,760	4,490
Diluted	**22,306**	17,832	4,474
Earnings Per Share of Common Stock			
Basic	**$ 2.07**	$ 2.05	$ 0.02
Diluted	**$ 2.07**	$ 2.04	$ 0.03
Adjusted Net Income and Adjusted Earnings Per Share			
Net Income (GAAP)	**$ 46,168**	$ 36,344	$ 9,824
FCG transaction and transition-related expenses, net [2]	**677**	—	677
Adjusted Net Income (Non-GAAP)	**$ 46,845**	$ 36,344	$ 10,501
Earnings Per Share - Diluted (GAAP)	**$ 2.07**	$ 2.04	$ 0.03
FCG transaction and transition-related expenses, net [2]	**0.03**	—	0.03
Adjusted Earnings Per Share - Diluted (Non-GAAP)	**$ 2.10**	$ 2.04	$ 0.06

[1] Weighted average shares for the quarter ended March 31, 2024 reflect the impact of 4.4 million common shares issued in November 2023 in connection with the acquisition of FCG.
[2] Transaction and transition-related expenses represent costs incurred attributable to the acquisition and integration of FCG including, but not limited to, transition services, consulting, system integration, rebranding and legal fees.

Key variances between the first quarter of 2023 and the first quarter of 2024 included:

(in thousands, except per share data)	Pre-tax Income	Net Income	Earnings Per Share
First Quarter of 2023 Adjusted Results	**$ 47,959**	**$ 36,344**	**$ 2.04**
Non-recurring Items:			
Absence of the one-time benefit associated with a reduction in the PA state tax rate	—	(1,284)	(0.06)
	—	(1,284)	(0.06)
Increased Adjusted Gross Margins:			
Contribution from recent acquisitions	25,397	18,685	0.84
Natural gas growth including conversions (excluding service expansions)	1,916	1,409	0.07
Changes in customer consumption	1,906	1,402	0.06
Natural gas transmission service expansions*	1,622	1,193	0.05
Contribution from rates associated with the Florida natural gas base rate proceeding*	1,498	1,102	0.05
Contributions from regulated infrastructure programs*	1,278	941	0.04
Higher performance from Aspire Energy	938	690	0.03
Increased propane margins and service fees	559	411	0.02
	35,114	25,833	1.16
(Increased) Decreased Operating Expenses (Excluding Natural Gas, Propane, and Electric Costs):			
FCG operating expenses	(10,413)	(7,661)	(0.34)
Depreciation, amortization and property tax costs	(1,498)	(1,102)	(0.05)
Insurance related costs	(525)	(386)	(0.02)
Payroll, benefits and other employee-related expenses	2,964	2,181	0.10
	(9,472)	(6,968)	(0.31)
Interest charges	(9,794)	(7,206)	(0.32)
Increase in shares outstanding due to 2023 and 2024 equity offerings	—	—	(0.41)
Net other changes	(132)	126	—
	(9,926)	(7,080)	(0.73)
First Quarter of 2024 Adjusted Results**	**$ 63,675**	**$ 46,845**	**$ 2.10**

* See the Major Projects and Initiatives table.

** Transaction and transition-related expenses attributable to the acquisition and integration of FCG have been excluded from the Company's non-GAAP measures of adjusted net income and adjusted EPS. See reconciliations above for a detailed comparison to the related GAAP measures.

Summary of Key Factors

Recently Completed and Ongoing Major Projects and Initiatives

We continuously 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 all major projects and initiatives that are currently underway or recently completed. 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. 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.

	Adjusted Gross Margin				
	Three Months Ended March 31,		Year Ended December 31,	Estimate for Fiscal	
(in thousands)	2024	2023	2023	2024	2025
Pipeline Expansions:					
Southern Expansion	**$ 586**	$ —	$ 586	$ 2,344	$ 2,344
Beachside Pipeline Expansion	**603**	—	1,810	2,451	2,414
North Ocean City Connector	**—**	—	—	—	494
St. Cloud / Twin Lakes Expansion	**146**	—	264	584	584
Wildlight	**199**	26	471	2,000	2,038
Lake Wales	**114**	—	265	454	454
Newberry	**—**	—	—	862	2,585
Boynton Beach	**—**	—	—	—	3,342
New Smyrna Beach	**—**	—	—	—	1,710
Total Pipeline Expansions	**1,648**	26	3,396	8,695	15,965
CNG/RNG/LNG Transportation and Infrastructure	**3,435**	3,521	11,181	12,500	13,969
Regulatory Initiatives:					
Florida GUARD program	**589**	—	353	3,231	5,602
FCG SAFE Program	**412**	—	—	2,683	5,293
Capital Cost Surcharge Programs	**831**	720	2,829	3,979	4,374
Florida Rate Case Proceeding [1]	**5,595**	4,097	15,835	17,153	17,153
Maryland Rate Case [2]	**—**	—	—	TBD	TBD
Electric Storm Protection Plan	**630**	206	1,326	2,433	3,951
Total Regulatory Initiatives	**8,057**	5,023	20,343	29,479	36,373
Total	**$ 13,140**	$ 8,570	$ 34,920	$ 50,674	$ 66,307

[1] Includes adjusted gross margin during 2023 comprised of both interim rates and permanent base rates which became effective in March 2023.
[2] Rate case application and depreciation study filed with the Maryland PSC in January 2024. See additional information provided below.

Detailed Discussion of Major Projects and Initiatives

Pipeline Expansions

Southern Expansion

Eastern Shore installed a new natural gas driven compressor skid unit at its existing Bridgeville, Delaware compressor station that provides 7,300 Dts of incremental firm transportation pipeline capacity. The project was placed in service in the fourth quarter of 2023. The project generated additional adjusted gross margin of $0.6 million for the three months ended March 31, 2024, and is expected to produce adjusted gross margin of $2.3 million in 2024 and thereafter.

Beachside Pipeline Expansion

In June 2021, Peninsula Pipeline and FCG 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 Sebastian, Florida. The project went into service in April 2023. Subsequent to the acquisition of FCG, the agreement is now an affiliate agreement. The project generated additional adjusted gross margin of $0.6 million for the three months ended March 31, 2024,

and is expected to produce adjusted gross margin of approximately $2.5 million in 2024 and $2.4 million in 2025 and thereafter.

North Ocean City Connector
Our Delaware natural gas division and Sandpiper installed approximately 5.4 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 of 2023. The Company filed a natural gas rate case application with the PSC for the state of Maryland in January 2024 as discussed below. Adjusted gross margin in connection with this project is contingent upon the completion of the rate case and inclusion of the project in rate base. As a result, we expect this expansion to generate annual adjusted gross margin of approximately $0.5 million beginning in 2025, 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 Dts/d of firm service in the St. Cloud, Florida area. As part of this agreement, Peninsula Pipeline constructed a pipeline extension and regulator station for FPU. The extension supports new incremental load due to growth in the area, including providing service, most immediately, to the residential development, Twin Lakes. The expansion also improves reliability and provides operational benefits to FPU's existing distribution system in the area, supporting future growth. This project was placed into service during July 2023 and generated additional adjusted gross margin of $0.1 million for the three months ended March 31, 2024. We expect this extension to generate additional annual adjusted gross margin of $0.6 million in 2024 and thereafter.

In February 2024, Peninsula Pipeline filed a petition with the Florida PSC for approval of an amendment to its Transportation Service Agreement with FPU for an additional 10,000 Dts/d of firm service in the St. Cloud, Florida area. Peninsula Pipeline will construct pipeline expansions that will allow FPU to serve the future communities that are expected in that area. The Florida PSC approved the projects in May 2024.

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 additional adjusted gross margin of $0.2 million for the three months ended March 31, 2024, and is expected to contribute adjusted gross margin of approximately $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 distribution business, FPU, for an additional 9,000 Dts/d of firm service in the Lake Wales, Florida area. The PSC approved the petition in April 2023 and Peninsula Pipeline completed the acquisition of an existing pipeline in May 2023 that is being utilized to serve both current and new natural gas customers. The project generated additional adjusted gross margin of $0.1 million for the three months ended March 31, 2024, and is expected to contribute adjusted gross margin of approximately $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 Dts/d of firm service in the Newberry, Florida area. The petition was approved by the Florida PSC in the third quarter of 2023. 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. A filing to address the acquisition and conversion of existing Company owned propane community gas systems in Newberry was made in November 2023. The Florida PSC approved it in April 2024. Conversions are anticipated to begin during the second quarter of 2024. The project is expected to contribute adjusted gross margin of approximately $0.9 million in 2024 and $2.6 million in 2025 and beyond.

Worcester Resiliency Upgrade

In August 2023, Eastern Shore filed an application with the FERC requesting authorization to construct the Worcester Resiliency Upgrade, which consists of a mixture of storage and transmission facilities in Sussex County, DE and Wicomico, Worcester, and Somerset Counties in Maryland. The project will provide long-term incremental supply necessary to support the growing demand of the participating shippers. Eastern Shore has requested certificate authorization by December 2024, with a target in-service date by the third quarter of 2025. In December 2023, FERC issued its schedule for preparation of the Environmental Assessment. In April 2024, the FERC issued their environmental assessment with no significant impacts noted.

East Coast Reinforcement Projects

In December 2023, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreements with FPU for projects that will support additional supply to communities on the East Coast of Florida. The projects are driven by the need for increased supply to coastal portions of the state that are experiencing significant population growth. Peninsula Pipeline will construct several pipeline extensions which will support FPU's distribution system in the areas of Boynton Beach and New Smyrna Beach with an additional 15,000 Dts/d and 3,400 Dts/d, respectively. The Florida PSC approved the projects in March 2024. The projects are expected to contribute adjusted gross margin of approximately $5.1 million in 2025 and $6.3 million in 2026 and beyond.

Central Florida Reinforcement Projects

In February 2024, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreements with FPU for projects that will support additional supply to communities located in Central Florida. The projects are driven by the need for increased supply to communities in central Florida that are experiencing significant population growth. Peninsula Pipeline will construct several pipeline extensions which will support FPU's distribution system in the areas of Plant City and Lake Mattie with an additional 5,000 Dts/d and 8,700 Dts/d, respectively. The Florida PSC approved the projects in May 2024.

Pioneer Supply Header Pipeline Project

In March 2024, Peninsula Pipeline filed a petition with the Florida PSC for its approval of Firm Transportation Service Agreements with both FCG and FPU for a project that will support greater supply growth of natural gas service in southeast Florida. The project consists of the transfer of a pipeline asset from FCG to Peninsula Pipeline. Peninsula Pipeline will proceed to provide transportation service to both FCG and FPU using the pipeline asset, which provides opportunities for additional project development.

Alternative Natural Gas Projects

In February 2024, Peninsula Pipeline filed a petition with the Florida PSC for its approval of its Transportation Service Agreements with FCG for projects that will support the transportation of additional supply into FCG's distribution system. The projects are driven by continued growth in the regions and will facilitate additional transportation capacity, including the transportation of pipeline quality gas produced from landfills through FCG's system. Peninsula Pipeline will construct several pipeline extensions which will support FCG's distribution system in Brevard County, Indian-River County, and Miami-Dade County.

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.

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.

We estimate annual adjusted gross margin of approximately $12.5 million in 2024 and $14.0 million in 2025 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.

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.

<u>Regulatory Initiatives</u>

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 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 maintenance and repair equipment and system reliability projects. In August 2023, the Florida PSC approved the GUARD program, which included $205.0 million of capital expenditures projected to be spent over a 10-year period. For the three months ended March 31, 2024, there was $0.6 million of incremental adjusted gross margin generated pursuant to the program. The program is expected to generate $3.2 million of adjusted gross margin in 2024 and $5.6 million in 2025.

FCG SAFE Program
In June 2023, the Florida PSC issued the approval order for the continuation of the SAFE program beyond its 2025 expiration date and inclusion of 150 miles of additional mains and services located in rear property easements. The SAFE program is designed to relocate certain mains and facilities associated with rear lot easements to street front locations to improve FCG's ability to inspect and maintain the facilities and reduce opportunities for damage and theft. In the same order, the Commission approved a replacement of 160 miles of pipe that was used in the 1970s and 1980s and shown through industry research to exhibit premature failure in the form of cracking. The program includes projected capital expenditures of $205 million over a 10-year period. For the three months ended March 31, 2024, there was $0.4 million of incremental adjusted gross margin generated pursuant to the program. The program is expected to generate $2.7 million of adjusted gross margin in 2024 and $5.3 million in 2025.

In April 2024, FCG filed a petition with the Florida PSC to more closely align the SAFE Program with FPU's GUARD program. Specifically, the requested modifications will enable FCG to accelerate remediation related to problematic pipe and facilities consisting of obsolete and exposed pipe. If approved, these efforts will serve to improve the safety and reliability of service to FCG's customers. These modifications, if approved, result in an estimated additional $50.0 million in capital expenditures associated with the SAFE Program which would increase the total projected capital expenditures to $255.0 million over a 10-year period.

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 months ended March 31, 2024, there was $0.1 million of incremental adjusted gross margin generated pursuant to the program. Eastern Shore expects to produce adjusted gross margin of approximately $4.0 million in 2024 and $4.4 million in 2025 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 legacy 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 business 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 months ended March 31, 2024, there was $1.5 million of incremental adjusted gross margin generated pursuant to this proceeding, and it is expected to generate $17.2 million of total adjusted gross margin in 2024 and 2025.

Maryland Natural Gas Rate Case

In January 2024, our natural gas distribution businesses in Maryland, CUC-Maryland Division, Sandpiper Energy, Inc., and Elkton Gas Company (collectively, “Maryland natural gas distribution businesses”) filed a joint application for a natural gas rate case with the Maryland PSC. In connection with the application, we are seeking approval of the following: (i) permanent rate relief of approximately $6.9 million; (ii) authorization to make certain changes to tariffs to include a unified rate structure and to consolidate the Maryland natural gas distribution businesses which we anticipate will be called Chesapeake Utilities of Maryland, Inc.; and (iii) authorization to establish a rider for recovery of the costs associated with our new technology systems. The outcome of the application is subject to review and approval by the Maryland PSC. Rate changes are suspended until December 2024.

Maryland Natural Gas Depreciation Study

In January 2024, our Maryland natural gas distribution businesses filed a joint petition for approval of their proposed unified depreciation rates with the Maryland PSC. The outcome of the filing is subject to review by the Maryland PSC which is expected to be completed in the third quarter of 2024.

Storm Protection Plan

In 2020, the Florida PSC implemented the Storm Protection Plan ("SPP") and Storm Protection Plan Cost Recovery Clause ("SPPCRC"), 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 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 months ended March 31, 2024, this initiative generated additional adjusted gross margin of $0.4 million, and is expected to generate $2.4 million of adjusted gross margin in 2024 and $4.0 million in 2025. We expect continued investment under the SPP going forward.

Other Major Factors Influencing Adjusted Gross Margin

Weather Impact

For the first quarter of 2024, higher consumption driven primarily by weather resulted in a $1.9 million increase in adjusted gross margin compared to the same period in 2023. While temperatures were colder than the prior-year period, they were approximately 11.7 percent and 10.3 percent warmer, respectively, compared to normal temperatures in our Delmarva and Ohio service territories. Assuming normal temperatures, as detailed below, we estimate that operating income would have been

higher by approximately $1.5 million, or $0.05 per share. The following table summarizes HDD and CDD variances from the 10-year average HDD/CDD ("Normal") for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,		
	2024	**2023**	**Variance**
Delmarva Peninsula			
Actual HDD	**1,962**	1,774	188
10-Year Average HDD ("Normal")	**2,221**	2,285	(64)
Variance from Normal	**(259)**	(511)	
Florida			
Actual HDD	**470**	344	126
10-Year Average HDD ("Normal")	**470**	505	(35)
Variance from Normal	—	(161)	
Ohio			
Actual HDD	**2,659**	2,384	275
10-Year Average HDD ("Normal")	**2,965**	2,965	—
Variance from Normal	**(306)**	(581)	
Florida			
Actual CDD	**181**	323	(142)
10-Year Average CDD ("Normal")	**217**	192	25
Variance from Normal	**(36)**	131	

Natural Gas Distribution Growth
The average number of residential customers served on the Delmarva Peninsula and our legacy Florida Natural Gas distribution business increased by approximately 4.2 percent and 3.6 percent, respectively, for the three months ended March 31, 2024.

The details of the adjusted gross margin increase are provided in the following table:

	Adjusted Gross Margin	
	For the Three Months Ended March 31, 2024	
(in thousands)	**Delmarva Peninsula**	**Florida**
Customer Growth:		
Residential	$ 490	$ 880
Commercial and industrial	156	390
Total Customer Growth [1]	**$ 646**	**$ 1,270**

[1] Customer growth amounts for our legacy Florida operations include the effects of revised rates associated with the Company's natural gas base rate proceeding, but exclude the effects of FCG.

Regulated Energy Segment

For the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Increase (Decrease)
(in thousands)			
Revenue	**$ 168,426**	$ 142,270	$ 26,156
Regulated natural gas and electric costs	**49,918**	55,288	(5,370)
Adjusted gross margin [1]	**118,508**	86,982	31,526
Operations & maintenance	**38,959**	30,336	8,623
Depreciation & amortization	**12,537**	12,952	(415)
FCG transaction and transition-related expenses [2]	**921**	—	921
Other taxes	**7,982**	6,069	1,913
Total operating expenses	**60,399**	49,357	11,042
Operating income	**$ 58,109**	$ 37,625	$ 20,484

[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.
[2] Transaction and transition-related expenses represent costs incurred attributable to the acquisition and integration of FCG including, but not limited to, transition services, consulting, system integration, rebranding and legal fees.

Operating income for the Regulated Energy segment for the first quarter of 2024 was $58.1 million, an increase of $20.5 million, or 54.4 percent, over the same period in 2023. Excluding transaction and transition-related expenses associated with the acquisition and integration of FCG, operating income increased $21.4 million or 56.9 percent compared to the same period in 2023. Higher operating income reflects incremental contributions from FCG, organic growth in our natural gas distribution businesses and continued pipeline expansion projects, and incremental contributions associated with regulatory initiatives. Excluding the transaction and transition-related expenses described above, operating expenses increased by $10.1 million. Increases in depreciation and amortization expense attributable to growth projects and FCG were partially offset by reductions related to revised depreciation rates in the Company's electric depreciation study filing and a $3.4 million RSAM adjustment from FCG.

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

(in thousands)	
Contribution from FCG	$ 24,959
Natural gas growth including conversions (excluding service expansions)	1,916
Natural gas transmission service expansions	1,622
Rate changes associated with the Florida natural gas base rate proceeding [1]	1,498
Contributions from regulated infrastructure programs	1,278
Other variances	253
Quarter-over-quarter increase in adjusted gross margin	**$ 31,526**

[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.

Contribution from Acquisition of FCG
FCG contributed adjusted gross margin of $25.0 million for the three months ended March 31, 2024.

Natural Gas Distribution Customer Growth
We generated additional adjusted gross margin of $1.9 million from natural gas customer growth. Adjusted gross margin increased by $1.3 million for our Florida Natural Gas distribution business and $0.6 million on the Delmarva Peninsula for the three months ended March 31, 2024, as compared to the same period in 2023, due primarily to residential customer growth of 3.6 percent and 4.2 percent in Florida and on the Delmarva Peninsula, respectively, as well as commercial and industrial growth in Florida.

Natural Gas Transmission Service Expansions
We generated increased adjusted gross margin of $1.6 million for the three months ended March 31, 2024 from natural gas transmission service expansions of Peninsula Pipeline and Eastern Shore.

Rate Changes Associated with the Florida Natural Gas Base Rate Proceeding
Permanent rates associated with the Florida Natural Gas base rate proceeding, effective on March 1, 2023, contributed additional adjusted gross margin of $1.5 million for the three months ended March 31, 2024. Refer to Note 5, *Rates and Other Regulatory Activities*, in the condensed consolidated financial statements for additional information.

Contributions from Regulated Infrastructure Programs
Contributions from regulated infrastructure programs generated incremental adjusted gross margin of $1.3 million in the first quarter of 2024. The increase in adjusted gross margin was primarily related to FPU Electric's storm protection plan, Florida's GUARD program and Eastern Shore's capital surcharge program. Refer to Note 5, *Rates and Other Regulatory Activities*, in the condensed consolidated financial statements for additional information.

Operating Expenses
Items contributing to the quarter-over-quarter increase in operating expenses are listed in the following table:

(in thousands)		
FCG operating expenses	$	10,413
FCG transaction and transition-related expenses [1]		921
Other variances		(292)
Quarter-over-quarter increase in operating expenses	**$**	**11,042**

[1] Transaction and transition-related expenses represent costs incurred attributable to the acquisition and integration of FCG including, but not limited to, transition services, consulting, system integration, rebranding and legal fees.

Unregulated Energy Segment

For the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023:

(in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Increase (Decrease)
Revenue	**$ 83,103**	$ 83,165	$ (62)
Unregulated propane and natural gas costs	**37,054**	40,571	(3,517)
Adjusted gross margin [1]	**46,049**	42,594	3,455
Operations & maintenance	**18,578**	19,614	(1,036)
Depreciation & amortization	**4,481**	4,234	247
Other taxes	**1,561**	1,501	60
Total operating expenses	**24,620**	25,349	(729)
Operating Income	**$ 21,429**	$ 17,245	$ 4,184

[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 first quarter of 2024 reflect a $4.2 million improvement compared to the same period in 2023. Adjusted gross margin in the Unregulated Energy segment during the first quarter increased due to increased propane usage and higher propane margins and fees, as well as increased rate margins and customer consumption at Aspire. Additionally, we experienced decreased operating expenses associated with lower employee costs, which was partially offset by increased depreciation and property taxes.

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

(in thousands)	
Propane Operations	
Increased propane customer consumption	$ 1,388
Increased propane margins and service fees	559
Contributions from acquisition	438
Aspire Energy	
Increased margins - rate changes and gathering fees	938
Increased customer consumption	309
Other variances	(177)
Quarter-over-quarter increase in adjusted gross margin	**$ 3,455**

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 increased by $1.4 million due to increased customer consumption due to colder weather during the first three months of the year compared to the first quarter 2023.
- *Increased propane margins and service fees* - Adjusted gross margin increased by $0.6 million for the three months ended March 31, 2024, 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.
- *Contributions from acquisition* - Adjusted gross margin increased by $0.4 million from the acquisition of J.T. Lee and Son's that was completed in December 2023.

Aspire Energy

- *Increased rate margins* - Adjusted gross margin increased by $0.9 million primarily due to favorable rate changes and increased gathering charges associated with a large commercial customer.
- *Increased Customer Consumption* - Adjusted gross margin increased by $0.3 million due to increased customer

consumption compared to the same period in the prior year primarily related to colder weather in the Ohio region during the first quarter of 2024.

Operating Expenses

Items contributing to the quarter-over-quarter decrease in operating expenses are listed in the following table:

(in thousands)		
Decreased payroll, benefits and other employee-related expenses	$	(1,177)
Increased depreciation, amortization and property tax costs		333
Other variances		115
Quarter-over-quarter decrease in operating expenses	**$**	**(729)**

Other Income, Net

For the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023

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, was $0.2 million in the first quarter of 2024 compared to $0.3 million during the prior-year period.

Interest Charges

For the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023

Interest charges for the three months ended March 31, 2024 increased by $9.8 million compared to the same period in 2023, attributable primarily to the Senior Notes issued in November 2023 in connection with the FCG acquisition. These factors were partially offset by higher capitalized interest during the current period of $0.5 million associated with capital projects. The weighted-average interest rate on our Revolver borrowings was 5.8 percent during the quarter ended March 31, 2024 compared to 5.2 percent during the prior-year period as a result of the Federal Reserve raising interest rates throughout 2023.

Income Taxes

For the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023

Income tax expense was $16.6 million and $11.6 million for the quarters ended March 31, 2024 and March 31, 2023, respectively, resulting in an effective income tax rate of 26.4 percent and 24.2 percent, respectively, during the periods then ended. Income tax expense for the quarter ended March 31, 2023 included 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 26.9 percent for the quarter ended March 31, 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 statements with the SEC for the issuance of shares of common stock in various types of equity offerings, including the DRIP and previously, shares of common stock under an ATM equity program. 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 $70.6 million for the three months ended March 31, 2024. In the table below, we have provided the range of our forecasted capital expenditures for 2024:

	2024	
(in thousands)	**Low**	**High**
Regulated Energy:		
Natural gas distribution	$ 150,000	$ 170,000
Natural gas transmission	90,000	120,000
Electric distribution	25,000	28,000
Total Regulated Energy	265,000	318,000
Unregulated Energy:		
Propane distribution	13,000	15,000
Energy transmission	5,000	6,000
Other unregulated energy	13,000	15,000
Total Unregulated Energy	31,000	36,000
Other:		
Corporate and other businesses	4,000	6,000
Total 2024 Forecasted Capital Expenditures	**$ 300,000**	**$ 360,000**

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 2023 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 March 31, 2024 and December 31, 2023:

(in thousands)	March 31, 2024		December 31, 2023	
Long-term debt, net of current maturities	**$ 1,185,166**	**48 %**	$ 1,187,075	49 %
Stockholders' equity	**1,280,903**	**52 %**	1,246,104	51 %
Total capitalization, excluding short-term debt	**$ 2,466,069**	**100 %**	$ 2,433,179	100 %

(in thousands)	March 31, 2024		December 31, 2023	
Short-term debt	**$ 170,355**	**6 %**	$ 179,853	7 %
Long-term debt, including current maturities	**1,203,677**	**46 %**	1,205,580	46 %
Stockholders' equity	**1,280,903**	**48 %**	1,246,104	47 %
Total capitalization, including short-term debt	**$ 2,654,935**	**100 %**	$ 2,631,537	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 48 percent as of March 31, 2024. 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.

In November 2023, in connection with our acquisition of FCG, we completed an equity offering resulting in the issuance of approximately 4.4 million shares of our common stock at a price per share of $82.72 (net of underwriter discounts and commissions). We received net proceeds of $366.4 million which were used to partially finance the acquisition.

During the first three months of 2024, we received net proceeds of $0.1 million under the DRIP. In 2023, there were no issuances under the DRIP.

Shelf Agreements

We have entered into Shelf Agreements with Prudential and MetLife, whom are under no obligation to purchase any unsecured debt, with terms that extend through February 2026. At March 31, 2024, a total of $255.0 million of borrowing capacity was available under these agreements.

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 $375.0 million of short-term debt, as required. At March 31, 2024 and December 31, 2023, we had $170.4 million and $179.9 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 5.83 percent during each period. There were no borrowings outstanding under the sustainable investment sublimit of the 364-day tranche at March 31, 2024.

We have entered into several amendments to our Revolver which resulted in modifications to both tranches of the facility. The amendment in October 2023, increased our funded indebtedness ratio from 65 percent to 70 percent during the quarter in which the acquisition of FCG was consummated and the quarter subsequent to the closing of the acquisition. The amendment in August 2023 renewed the 364-day tranche of the Revolver, providing for $175.0 million of short-term debt capacity. Additionally, the amendment under the 364-day tranche prescribed that borrowings would bear interest (i) based upon SOFR, plus a 10-basis point credit spread adjustment, and an applicable margin of 1.05 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate, solely at our discretion. Further, this amendment provided that borrowings under the 364-day green loan sublimit would bear interest at (i) SOFR rate plus a 10-basis point credit spread adjustment and an applicable margin of 1.00 percent or less, with such margin based on total indebtedness as a percentage of total capitalization or (ii) the base rate plus 0.05 percent or less, solely at our discretion. The amendment entered into in 2022 reset the benchmark interest rate to SOFR and eliminated a previous covenant which capped our investment limit to $150.0 million for investments where we maintain less than 50 percent ownership.

The 364-day tranche of the Revolver expires in August 2024 and the five-year tranche expires in August 2026. 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 March 31, 2024, the pricing under the 364-day tranche of the Revolver included an unused commitment fee of 10 basis points and maintains an interest rate of 80 basis points over SOFR plus a 10-basis point SOFR adjustment. As of March 31, 2024, the pricing under the five-year tranche of the Revolver included a commitment fee of 10-basis points on undrawn amounts and an interest rate of 100 basis points over SOFR plus a 10-basis point SOFR adjustment.

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 as described above. As of March 31, 2024, we were in compliance with this covenant.

Our total available credit under the Revolver at March 31, 2024 was $197.6 million. As of March 31, 2024, we had issued $7.0 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.

In connection with our acquisition of FCG, we entered into a 364-day Bridge Facility commitment with Barclays Bank PLC and other lending parties for up to $965.0 million. Upon closing of the FCG acquisition in November 2023, and with the completion of other financing activities as defined in the lending agreement, this facility was terminated with no funds drawn to finance the transaction. For additional information regarding the acquisition and related financing, see Note 3, *Acquisitions,* Note 9, *Stockholders Equity*, and Note 14, *Long-Term Debt.*

For additional information on interest rate swaps related to our short-term borrowings, see Note 12, *Derivative Instruments*.

Long-Term Debt

On November 20, 2023, we issued Senior Notes in the aggregate principal amount of $550.0 million at an average interest rate of 6.54 percent that were used to partially finance our acquisition of FCG which closed during the fourth quarter of 2023. These notes have varying maturity dates of between three and 15 years, and the outstanding principal balance of the notes will be due on their respective maturity dates with interest payments payable semiannually until the principal has been paid in full. These Senior Notes have similar covenants and default provisions as our other Senior Notes.

On March 14, 2023 we issued 5.43 percent Senior Notes due in March 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.

Cash Flows

The following table provides a summary of our operating, investing and financing cash flows for the three months ended March 31, 2024 and 2023:

(in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net cash provided by (used in):		
Operating activities	**$ 97,282**	$ 81,667
Investing activities	**(74,711)**	(42,654)
Financing activities	**(25,780)**	(42,152)
Net (decrease) increase in cash and cash equivalents	**(3,209)**	(3,139)
Cash and cash equivalents—beginning of period	**4,904**	6,204
Cash and cash equivalents—end of period	**$ 1,695**	$ 3,065

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 three months ended March 31, 2024, net cash provided by operating activities was $97.3 million. Operating cash flows were primarily impacted by the following:

- Net income, adjusted for non-cash adjustments, provided a $66.5 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 $10.1 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 $11.9 million; and
- Other working capital changes, impacted primarily by a reduction in net receivables and propane inventory levels, resulted in a $8.8 million source of cash.

Cash Flows Used in Investing Activities

Net cash used in investing activities totaled $74.7 million during the three months ended March 31, 2024, largely driven by $75.5 million for new capital expenditures.

Cash Flows Used in Financing Activities

Net cash used in financing activities totaled $25.8 million during the three months ended March 31, 2024 and included the following:

- A $12.9 million use of cash for dividend payments in 2024;
- Net repayments under lines of credit resulting in a use of cash of $10.2 million; and
- Long-term debt repayments of $2.0 million.

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 March 31, 2024 was $35.0 million. The aggregate amount guaranteed related to our subsidiaries at March 31, 2024 was $24.4 million, with the guarantees expiring on various dates through March 2025. In addition, the Board has authorized us to issue specific purpose corporate guarantees. The amount of specific purpose guarantees outstanding at March 31, 2024 was $4.0 million.

As of March 31, 2024, we have issued letters of credit totaling approximately $7.0 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, the storage agreement between Bay Gas Storage Company and

FCG as well as our primary insurance carriers. These letters of credit have various expiration dates through February 2025 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. 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 2023 Annual Report on Form 10-K.

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 expected 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 8.8 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, 2023 to March 31, 2024:

(in thousands)	Balance at December 31, 2023	Increase in Fair Market Value	Less Amounts Settled	Balance at March 31, 2024
Sharp	$ (376)	$ 1,975	$ (1,084)	**$ 515**

There were no changes in methods of valuations during the three months ended March 31, 2024.

The following is a summary of fair market value of financial derivatives as of March 31, 2024, by method of valuation and by maturity for each fiscal year period.

(in thousands)	2024	2025	2026	Total Fair Value
Price based on Mont Belvieu - Sharp	$ 291	$ 194	$ 30	$ 515

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 March 31, 2024. Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2024, other than the ongoing changes resulting from the FCG acquisition discussed below, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On November 30, 2023, we completed the acquisition of FCG. We are currently integrating processes, procedures, and internal controls related to the acquisition. FCG's total assets and income before taxes represented approximately 30.8 percent and 8.9 percent, respectively, of the Company’s consolidated total assets and earnings before taxes as of March 31, 2024 and for the quarter then ended. See Note 4, *Acquisitions*, to the consolidated financial statements and Management's Report on Internal Control Over Financial Reporting in the Company's 2023 Annual Report on Form 10-K for additional information related to the acquisition of FCG. This exclusion is permitted based upon current guidance of the U.S. Securities & Exchange Commission.

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, 2023, 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 March 31, 2024 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]
January 1, 2024 through January 31, 2024 [1]	**600**	**$ 105.84**	—	—
February 1, 2024 through February 29, 2024	—	—	—	—
March 1, 2024 through March 31, 2024	—	—	—	—
Total	**600**	**$ 105.84**	—	—

[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, 2023.

[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 March 31, 2024, 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

10.1*	Form of Performance Share Agreement dated February 20, 2024 for the period 2024-2026, pursuant to Chesapeake Utilities Corporation 2023 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.
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: May 8, 2024

PERFORMANCE STOCK AWARD AGREEMENT

pursuant to the

CHESAPEAKE UTILITIES CORPORATION
2023 STOCK AND INCENTIVE COMPENSATION PLAN

On February 20, 2024 (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 2023 Stock and Incentive Compensation Plan (the "Plan") has been duly adopted by action of the Company's Board of Directors (the "Board") on February 22, 2023, subject to the approval by the Company's stockholders at a meeting held on May 3, 2023; 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, 2024 to December 31, 2026** (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

(1) 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) growth in long-term earnings, defined as the growth in total capital expenditures as a percentage

Exhibit 10.1

of total capitalization (“Growth”) and (2) earnings performance, defined as average return on equity (“RoE”) and calculated as net income as a percentage of stockholders’ equity, in accordance with procedures established by the Committee. The 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 Growth and RoE Performance Metrics will be compared to the performance of the **2024-2026** Performance Peer Group, shown at Attachment A hereto, and to the **2024-2026** Long-Term Award Resolution (collectively referred to as the “Peer Group”), for the Performance Period. The Company’s performance shall be compared to the Performance Peer Group to determine the percentile ranking and level of payout as shown at Attachment B. For the RoE Performance Metric, the Company is required to achieve a RoE of at least eight (8) percent. Additionally, once the Performance Metrics are calculated, such results are subject to the Total Stockholder Return Modifier, set forth at Attachment B hereto, to determine the final Performance Shares to be issued. In no event can the Modifier result in the final Performance Shares exceeding the Performance Shares set forth in Section 1 above. For the Total Stockholder Return Modifier, the calculation of total stockholder return will utilize the average closing stock price of the Common Stock of the Company from November 1 through December 31 immediately preceding the beginning and at the end of the Performance Period. At the end of the Performance Period, the Committee shall certify the extent to which the Performance Metrics were met during the Performance Period, considering the schedule in subsection (b) below.

(2) 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 and factoring in any impact of the Modifier. The Committee shall confirm the Performance Shares earned 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. If the Performance Metrics for the Performance Period are met, the Grantee shall be entitled to the associated Performance Shares, subject, however, to the Committee’s exercise of discretion to adjust this Award (either up or down) based on business outcomes and objectives established for the 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.

(c) Once established, the Performance Metrics 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 reserves the right, in its discretion, to approve any such other adjustments to this Award and the Performance Shares, including, but not limited to, the establishment and evaluation of the Performance Criteria, the Target Award, or the Maximum Award 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 Control[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.

(8) 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

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Exhibit 10.1

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. 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 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. 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 and Employment Agreement

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. 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 Committee

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:

Exhibit 10.1

2024-2026 Performance Peer Group

The 2024-2026 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

Exhibit 10.1

Performance Criteria

Growth – Capital Expenditures as a percentage of Total Capitalization relative to peer companies

%ile Ranking to Peer Group Payout %
.... 40-49% 50% of Award
.... 50-54% 75% of Award
.... 55-59% 100% of Award
.... 60-64% 125% of Award
.... 65-69% 150% of Award
.... 70-80% 175% of Award
> 80% 200% of Award

Earnings – Average Return on Equity relative to peer companies

%ile Ranking to Peer Group Payout %
.... 40-49% 50% of Award
.... 50-54% 75% of Award
.... 55-59% 100% of Award
.... 60-64% 125% of Award
.... 65-69% 150% of Award
.... 70-80% 175% of Award
> 80% 200% of Award

To earn above Target (100%), a threshold ROE of 8 percent must be achieved.

Relative Total Stockholder Return – Modifier
Total stockholder return is a modifier to the results of the applicable Growth and RoE Performance Metrics. It is based upon the 36 months ended December 31, 2026, with the 60-dav average price used at the beginning and end of the period (11/1/2023-12/31/2023 and 11/1/2026-12/31/2026). The Modifier is applied as follows:

TSR Modifier (+/-20%)	
CPK TSR Percentile Ranking	TSR Modifier
>75%	20.00%
51%-74%	0.80%-19.20%
50%	0%
26%-49%	Interpolated between: -19.20% to -0.80%
<25%	-20.00%

In no event can the Modifier result in the final Performance Shares exceeding the Performance Shares set forth in Section 1 above

Exhibit 10.1

Exhibit 10.1

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 March 31, 2024 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: May 8, 2024

/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 March 31, 2024 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: May 8, 2024

/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 March 31, 2024, 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
May 8, 2024

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.

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 March 31, 2024, 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
May 8, 2024

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.

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: Provide a copy of the "Business Contracts with Officers, Directors and Affiliates" schedule included in the company's most recently filed Annual Report as required by Rule 25-6.135, Florida Administrative Code. Provide any subsequent changes affecting the test year.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Galtman

Line No.	Name of Officer or Director	Name and Address of Affiliated Entity	Relationship With Affiliated Entity	Amount of Contract or Transaction	Description of Product or Service
1					
2					
3					
4					
5	The Company does not have any contracts with officers or directors but does have a contract with an affiliate, Eight Flags Energy LLC for the purchase of energy.				
6	See Attachment F-3a - Officers and Directors & Attachment F-3b Affiliate Eight Flags.				
7	There are no subsequent changes affecting the test year.				
8					
9					
10					
11					
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28					
29					
30					
31					

Supporting Schedules: Recap Schedules:

Business Contracts with Officers, Directors, and Affiliates

Company: Florida Public Utilities Company - Electric Division

For The Year Ended December 31, 2023

List all contracts, agreements, or other business arrangements* entered into during the calendar year (other than compensation- related to position with respondent) between the respondent and each officer and director listed in Part 1 of the Executive Summary. In addition, provide the same information with respect to professional services for each firm, partnership, or organization with which the officer or director is affiliated.

Note* Business agreement, for this schedule, shall mean any oral or written business deal which binds the concerned parties for products or services during the reporting year or future years.

Name of Officer or Director	Name and Address of Affiliated Entity	Amount	Identification of Product or Service
None			

*Business Agreement, for this schedule, shall mean any oral or written business deal which binds the concerned parties for products or services during the reporting year or future years.

Analysis of Diversification Activity
Individual Affiliated Transactions in Excess of $500,000
COMPANY: Florida Public Utilities Company - Electric Division
For The Year Ended December 31, 2023

Provide information regarding individual affiliated transactions in excess of $500,000. Recurring monthly affiliated transactions which exceed $500,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

Name of Affiliate (a)	Description of Transaction (b)	Dollar Amount (c)
Eight Flags Energy LLC	Purchased Power	$ 17,901,184

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: Supply a copy of all NRC safety citations issued against the company within the last two years, a listing of corrective actions and a listing of any outstanding deficiencies. For each citation provide the dollar amount of any fines or penalties assessed against the company and account(s) each are recorded.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Haffecke

Not Applicable

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIE
Consolidated Electric Division
DOCKET NO.:

EXPLANATION: If a projected test year is used, provide a brief description of each method or model used in the forecasting process. Provide a flow chart which shows the position of each model in the forecasting process.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

FORECASTING METHODOLOGY - CUSTOMERS, ENERGY USAGE, PEAK DEMAND

In preparing the forecast for the 2025 test year, we first developed nine years, four months of historical data (Jan 2015 to Apr 2024). The data included the number of customers, sales, and billed peak demands for each rate classification and service territory. The rate classifications are Residential (RS), General Service (GS), General Service Demand (GSD), General Services Large Demand (GSLD), General Service Large Demand 1 (GSLD1), Outdoor Lighting (OL) and Street Lighting (SL).

Forecasts of sales by service classification were developed by building up from separate forecasts for sales per customer and number of customers. We first examined the historical relationship between sales per customer and cooling degree days (CDD), heating degree days (HDD), and a time trend. Sales per customer for 2024 and 2025 were forecast using 10-year average CDD and HDD, and the time trend. Forecasts of the number of customers in each service classification were developed using a time trend based on 2020 to 2023 data and adjusted with a forecast of number of customers by class. Sales by service classification were forecast as the product of the sales per customer forecast and the number of customer forecast for each service classification. We also adjusted projected consumption for the decrease in usage due to fuel increases dating back to 2008.

Forecasts of billing demands by service classification were based on the historical relationship with CDD, HDD, and a time trend, combined with the forecast of the number of customers by class. This method was only used for the GSD and GSLD classes.

Because the class contains only two customers, the Fernandina Beach GSLD 1 class was forecast using direct forecast of KWH purchases, billed KW demand, and kVar. Changes in the operations of these customers in 2022 made data prior to 2022 inappropriate for use in forecasting future billing determinants.

Determinants for outdoor lighting and street lighting classes were forecast using the customer growth from their respective service territories. Recent growth in lighting revenues is not expected to be matched in the future, so the growth rate of the number of customers was used as a proxy for the expected growth of lighting determinants. The determinants for SL were frozen at 2023 levels because the rates are closed to new enrollment.

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: If a projected test year is used, provide a brief description of each method or model used in the forecasting process. Provide a flow chart which shows the position of each model in the forecasting process.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Haffecke

CONSTRUCTION BUDGET

Florida Public Utilities' construction budget is based on several different variables. Only a few of which were driven by customer growth and usage. The main goal of the Construction Budget is to ensure prompt service to all new customers while ensuring that the integrity and reliability of the entire distribution system is maintained. Several different factors influencing the Construction Budget are as follows:

1. Customer Growth and Usage

The addition of new customers requires construction based on the customer and the type of usage required. Due to the small growth opportunities, vey little of the construction budget is a result of serving the needs of new customers.

2. Five Year Distribution Plan

This plan is updated on a yearly basis in order to ensure that the long range integrity and reliability of the system is maintained. Total substation and feeder loads are analyzed to determine the best way to serve current and future loads. This analysis also takes into consideration voltage levels, power factors, and construction standards. Substation upgrades and improvements will be implemented based on the analytics of feeder loading and reliability performance. New technology will be incorporated into the distribution system which will provide advanced monitoring and automated operation of equipment. Security upgrades to further enhance and reduce the potential threats of our substation assets will also be included.

3. Reliability Improvement

Based upon increasing concerns over system reliability, reliability indices and related outages were examined which helped to identify key issues with reliability. These areas were indentified and targeted with necessary capital improvements. In certain areas work has been on going but the rate at which completion had occurred was not sufficient. An escalation in the rate of work occurred, combined with continued focus on new projects has allowed significant improvements in all reliability indices. Leveraging "self healing" equipment on the distribution system minimizes customer outages and increases the effectiveness of full restoration. Remote monitoring and automated operation will reduce outage durations and enhance analytical reporting. Based on reliability performance, existing infrastructure will continue to be upgraded to meet new construction standards. Annual pole inspections are completed and replacements are scheduled based on pole integrity.

4. Depreciation

The depreciation, deterioration, and replacement of plant is also considered in determining the total construction budget. This is used to allow replacement of facilities while not adversely affecting total plant.

5. Energy Supply

Work with our power suppliers is essential. Communication concerning future load additions and reliability is ongoing. This allows both parties to look into the future and make appropriate plans. In addition, possible additions that would lower the energy cost to our customers are evaluated.

Each of these factors is considered when developing the yearly construction budgets. Reviews at the Divisional and Corporate levels also provide adequate oversight into the expenditures in this budget.

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITII
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: If a projected test year is used, provide a brief description of each method or model used in the forecasting process. Provide a flow chart which shows the position of each model in the forecasting process.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Napier

OPERATION AND MAINTENANCE EXPENSES WITHOUT PURCHASED POWER

FPU's Operation and Maintenance expenses are calculated using projections based on customer growth, inflation, payroll growth, Inflation & customer growth and payroll and customer growth (see page 2 for details on forecasting this) and special project costs.

Direct projections are noted on the C-7 over/under schedule. These accounts were projected based on specific estimates. Corporate projected expenses as a direct specific calculation. Actual personnel times expected rates of pay were used to project payroll. Remaining costs were directly projected and reflected in budget numbers.

Prior to preparing the O & M Budget, all O & M related special projects are identified. These may include special maintenance projects, small equipment purchases, training, employment, compensation, etc. After these projects are identified and the associated costs are determined, they are compiled with historical values for each account. This combination is then forecast into the test year using projection factors based on customer and payroll growth, and expected inflation. See O & M schedules for summary of factors used, adjustments required, and any specific projections required.

After preparation, the O & M Budget, along with all identified special and new projects, is submitted for Divisional and Corporate review and approval.

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: If a projected test year is used, for each sales forecasting model, give a quantified explanation of the impact of changes in the inputs to changes in outputs.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Line No.		Input Variable	Percent Change (Input)		Output Variable Affected	Percent Change (Output)
1		**Northeast**				
2	Residential			Residential		
3	HDD	Heating Degree Day	1%	UPC	Use-Per-Customer	0.268%
4	CDD	Cooling Degree Day	1%	UPC	Use-Per-Customer	0.644%
5						
6	Commercial Small			Commercial Small		
7	HDD	Heating Degree Day	1%	UPC	Use-Per-Customer	0.114%
8	CDD	Cooling Degree Day	1%	UPC	Use-Per-Customer	0.402%
9						
10	Commercial			Commercial		
11	HDD	Heating Degree Day	1%	UPC	Use-Per-Customer	0.075%
12	CDD	Cooling Degree Day	1%	UPC	Use-Per-Customer	0.203%
13						
14						
15	**Northwest**					
16						
17						
18	Residential			Residential		
19	HDD	Heating Degree Day	1%	UPC	Use-Per-Customer	0.334%
20	CDD	Cooling Degree Day	1%	UPC	Use-Per-Customer	0.656%
21						
22	Commercial Small			Commercial Small		
23	HDD	Heating Degree Day	1%	UPC	Use-Per-Customer	0.186%
24	CDD	Cooling Degree Day	1%	UPC	Use-Per-Customer	0.338%
25						
26	Commercial			Commercial		
27	HDD	Heating Degree Day	1%	UPC	Use-Per-Customer	0.108%
28	CDD	Cooling Degree Day	1%	UPC	Use-Per-Customer	0.223%

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Projected Test Year Ended 12/31/202
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/202
Witness: Taylor

Northeast - Residential
Use-per-Customer Model

UPC_t = Constant + β_1 x Trend + β_2 x HDD_t + β_3 x HDD_{t-1} + β_4 x CDD_t + β_5 x CDD_{t-1}

Data Range: Jan-15 to Apr-24

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9541
R Square	0.9102
Adjusted R Square	0.9060
Standard Error	71.2437
Observations	112

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	5	5,456,515	1,091,303	215	0
Residual	106	538,021	5,076		
Total	111	5,994,536			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept (Constant)	201.19	36.36	5.53	2.2841E-07	129.11	273.27	129.11	273.27
Trend	-0.89	0.21	-4.29	4.0294E-05	-1.31	-0.48	-1.31	-0.48
HDD	1.22	0.10	12.63	7.2874E-23	1.03	1.41	1.03	1.41
HDD(t-1)	1.09	0.10	11.27	7.8257E-20	0.90	1.29	0.90	1.29
CDD	1.39	0.09	14.79	1.5779E-27	1.20	1.57	1.20	1.57
CDD(t-1)	1.15	0.09	12.44	1.8944E-22	0.97	1.34	0.97	1.34

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION
5
COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values f the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Projected Test Year Ended 12/31/202
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/202
Witness: Taylor

Northeast - Commercial Small
Use-per-Customer Model

UPC_t = Constant + β_1 x HDD_t + β_2 x HDD_{t-1} + β_3 x CDD_t + β_4 x CDD_{t-1}

Data Range: Jan-20 to Apr-24

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9359
R Square	0.8759
Adjusted R Square	0.8653
Standard Error	92.8794
Observations	52

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	4	2,861,495	715,374	83	0
Residual	47	405,450	8,627		
Total	51	3,266,945			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept (Constant)	670.14	66.11	10.14	2.0649E-13	537.14	803.14	537.14	803.14
HDD	0.64	0.20	3.30	1.8439E-03	0.25	1.04	0.25	1.04
HDD(t-1)	0.80	0.20	4.04	1.9801E-04	0.40	1.19	0.40	1.19
CDD	0.71	0.18	3.86	3.4182E-04	0.34	1.08	0.34	1.08
CDD(t-1)	1.59	0.18	8.69	2.4434E-11	1.23	1.96	1.23	1.96

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION
25
COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values f the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northeast - Commercial
Use-per-Customer Model

$UPC_t = Constant + \beta_1 \times HDD_t + \beta_2 \times HDD_{t-1} + \beta_3 \times CDD_t + \beta_4 \times CDD_{t-1}$

Data Range: Jan-18 to Apr-24

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9154
R Square	0.8379
Adjusted R Square	0.8288
Standard Error	#########
Observations	76

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	4	1,049,228,015	262,307,004	92	0
Residual	71	202,993,138	2,859,058		
Total	75	1,252,221,153			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept (Constan	16387.18	1009.70	16.23	1.3586E-25	14373.89	18400.47	14373.89	18400.47
HDD	7.54	2.79	2.70	8.6173E-03	1.98	13.11	1.98	13.11
HDD(t-1)	7.60	2.80	2.72	8.3010E-03	2.02	13.18	2.02	13.18
CDD	9.73	2.71	3.60	5.9378E-04	4.34	15.13	4.34	15.13
CDD(t-1)	21.54	2.65	8.12	1.0143E-11	16.25	26.83	16.25	26.83

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION	EXPLANATION:	For each forecasting model used to estimate test year projections	Type of Data Shown:
5		for customers, demand, and energy, provide the historical and projected values for	Projected Test Year Ended 12/31/202
COMPANY: FLORIDA PUBLIC UTILITIES		the input variables and the output variables used in estimating and/or validating	Prior Year Ended 12/31/2024
Consolidated Electric Division		the model. Also, provide a description of each variable, specifying the unit of	Historical Test Year Ended 12/31/202
DOCKET NO.: 20240099-EI		measurement and the time span or cross sectional range of the data.	Witness: Taylor

Northwest - Residential

Use-per-Customer Model

UPC_t = Constant + β_1 x Trend + β_2 x HDD_t + β_3 x HDD_{t-1} + β_4 x CDD_t + β_5 x CDD_{t-1}

Data Range: Jan-19 to Apr-24

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9529
R Square	0.9080
Adjusted R Square	0.9001
Standard Error	68.2960
Observations	64

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	5	2,669,505	533,901	114	0
Residual	58	270,532	4,664		
Total	63	2,940,037			

	Coefficients	*tandard Erro*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept (Constant)	114.07	61.43	1.86	6.8395E-02	-8.89	237.04	-8.89	237.04
Trend	-0.80	0.46	-1.72	9.1334E-02	-1.73	0.13	-1.73	0.13
HDD	1.22	0.12	9.88	4.8876E-14	0.97	1.47	0.97	1.47
HDD(t-1)	1.52	0.12	12.20	1.1727E-17	1.27	1.77	1.27	1.77
CDD	1.14	0.12	9.54	1.7001E-13	0.90	1.38	0.90	1.38
CDD(t-1)	1.40	0.11	12.42	5.5411E-18	1.18	1.63	1.18	1.63

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION
25
COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Projected Test Year Ended 12/31/202
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/202
Witness: Taylor

Northwest - Commercial Small
Use-per-Customer Model

UPC_t = Constant + β_1 x Trend + β_2 x HDD_t + β_3 x HDD_{t-1} + β_4 x CDD_t + β_5 x CDD_{t-1}

Data Range: Jan-19 to Apr-24

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9633
R Square	0.9279
Adjusted R Square	0.9216
Standard Error	60.8734
Observations	64

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	5	2,764,346	552,869	149	0
Residual	58	214,923	3,706		
Total	63	2,979,269			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept (Constant)	361.14	54.75	6.60	1.3954E-08	251.54	470.74	251.54	470.74
Trend	1.38	0.41	3.33	1.5088E-03	0.55	2.21	0.55	2.21
HDD	0.55	0.11	5.03	5.1006E-06	0.33	0.77	0.33	0.77
HDD(t-1)	0.97	0.11	8.75	3.4486E-12	0.75	1.19	0.75	1.19
CDD	0.69	0.11	6.44	2.5374E-08	0.47	0.90	0.47	0.90
CDD(t-1)	1.37	0.10	13.64	9.5087E-20	1.17	1.57	1.17	1.57

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION
25
COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.:

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northwest - Commercial
Use-per-Customer Model

$UPC_t = Constant + \boldsymbol{\beta_1} \times HDD_t + \boldsymbol{\beta_2} \times HDD_{t-1} + \boldsymbol{\beta_3} \times CDD_t + \boldsymbol{\beta_4} \times CDD_{t-1}$

Data Range: Jan-19 to Apr-24

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9570
R Square	0.9159
Adjusted R Squar	0.9102
Standard Error	843.7662
Observations	64

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	4	457,542,466	114,385,617	161	0
Residual	59	42,004,540	711,941		
Total	63	499,547,006			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept (Consta	9649.10	570.14	16.92	2.5869E-24	8508.24	10789.96	8508.24	10789.96
HDD	5.03	1.52	3.30	1.6297E-03	1.98	8.08	1.98	8.08
HDD(t-1)	7.27	1.54	4.73	1.4429E-05	4.19	10.34	4.19	10.34
CDD	7.84	1.47	5.33	1.6014E-06	4.90	10.78	4.90	10.78
CDD(t-1)	14.75	1.40	10.57	3.0970E-15	11.96	17.54	11.96	17.54

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

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Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northeast

	Billed (kWh)			Customers			Use-per-Customer (kWh)		
Billed Month	Residental	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
Jan-15	15,298,449	2,483,455	5,840,067	13,806	1,612	238	1,108	1,541	24,538
Feb-15	16,089,510	2,560,110	5,577,260	13,833	1,615	239	1,163	1,585	23,336
Mar-15	14,572,380	2,392,896	5,649,415	13,835	1,619	234	1,053	1,478	24,143
Apr-15	11,643,930	2,304,681	5,828,223	13,894	1,627	235	838	1,417	24,801
May-15	12,196,003	2,401,445	6,029,352	13,906	1,637	231	877	1,467	26,101
Jun-15	16,568,359	2,939,267	6,766,840	13,902	1,642	232	1,192	1,790	29,167
Jul-15	20,842,915	3,557,752	7,793,911	13,948	1,658	218	1,494	2,146	35,752
Aug-15	19,573,050	3,503,162	7,444,466	13,947	1,656	220	1,403	2,115	33,838
Sep-15	17,528,485	3,344,330	6,998,254	13,933	1,672	207	1,258	2,000	33,808
Oct-15	12,479,630	2,838,669	6,024,091	13,933	1,667	204	896	1,703	29,530
Nov-15	11,531,127	2,519,453	5,590,377	13,993	1,667	208	824	1,511	26,877
Dec-15	11,007,528	2,404,624	5,582,290	13,984	1,651	215	787	1,456	25,964
Jan-16	14,635,040	2,530,998	5,817,275	13,998	1,652	216	1,046	1,532	26,932
Feb-16	15,290,941	2,346,936	5,002,671	14,023	1,647	217	1,090	1,425	23,054
Mar-16	12,363,747	2,298,913	5,278,088	14,021	1,641	218	882	1,401	24,211
Apr-16	11,062,286	2,294,381	5,630,090	14,042	1,642	218	788	1,397	25,826
May-16	12,143,878	2,441,204	5,793,005	14,096	1,653	219	862	1,477	26,452
Jun-16	18,246,969	3,113,796	7,107,016	14,107	1,650	219	1,293	1,887	32,452
Jul-16	21,080,456	3,346,409	7,340,733	14,139	1,623	220	1,491	2,062	33,367
Aug-16	20,595,418	3,530,533	7,434,768	14,114	1,625	219	1,459	2,173	33,949
Sep-16	19,692,195	3,432,571	7,742,181	14,131	1,642	219	1,394	2,090	35,352
Oct-16	14,273,113	2,853,766	6,406,321	14,121	1,645	220	1,011	1,735	29,120
Nov-16	10,502,058	2,177,919	5,428,189	14,149	1,647	221	742	1,322	24,562
Dec-16	10,852,359	2,208,575	5,265,419	14,155	1,651	220	767	1,338	23,934

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

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Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northeast

	Billed (kWh)			Customers			Use-per-Customer (kWh)		
Billed Month	Residental	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
Jan-17	13,072,111	2,299,204	5,331,811	14,182	1,641	222	922	1,401	24,017
Feb-17	11,098,994	2,061,366	4,930,336	14,221	1,644	221	780	1,254	22,309
Mar-17	10,699,684	2,091,213	5,274,589	14,277	1,641	222	749	1,274	23,759
Apr-17	12,283,322	2,358,308	5,748,582	14,292	1,631	225	859	1,446	25,549
May-17	12,972,582	2,406,989	5,815,599	14,297	1,632	226	907	1,475	25,733
Jun-17	17,008,606	3,010,985	7,095,117	14,344	1,637	230	1,186	1,839	30,848
Jul-17	20,522,276	3,133,678	7,488,727	14,298	1,621	234	1,435	1,933	32,003
Aug-17	18,741,939	3,148,489	7,368,365	14,365	1,623	241	1,305	1,940	30,574
Sep-17	17,883,397	2,990,943	7,523,337	14,403	1,619	255	1,242	1,847	29,503
Oct-17	15,944,425	2,546,442	6,617,630	14,395	1,610	254	1,108	1,582	26,054
Nov-17	11,477,322	2,311,004	6,009,821	14,386	1,618	255	798	1,428	23,568
Dec-17	11,711,655	2,163,360	5,454,755	14,402	1,618	255	813	1,337	21,391
Jan-18	20,828,687	2,605,279	6,395,041	14,364	1,624	258	1,450	1,604	24,787
Feb-18	14,172,027	2,169,475	5,804,372	14,393	1,614	261	985	1,344	22,239
Mar-18	10,530,732	1,853,471	5,358,841	14,480	1,609	262	727	1,152	20,454
Apr-18	11,478,196	1,986,698	5,796,868	14,441	1,617	264	795	1,229	21,958
May-18	11,597,674	2,029,290	5,945,131	14,448	1,609	265	803	1,261	22,434
Jun-18	17,090,680	2,709,468	7,593,660	14,554	1,613	267	1,174	1,680	28,441
Jul-18	20,015,135	2,930,385	7,919,061	14,564	1,610	268	1,374	1,820	29,549
Aug-18	18,892,639	2,958,937	8,151,041	14,560	1,624	266	1,298	1,822	30,643
Sep-18	20,112,238	3,053,978	8,608,441	14,570	1,608	270	1,380	1,899	31,883
Oct-18	16,834,509	2,640,469	7,489,848	14,600	1,606	274	1,153	1,644	27,335
Nov-18	12,429,763	2,229,640	7,008,822	14,626	1,612	274	850	1,383	25,580
Dec-18	13,093,239	2,018,689	6,144,541	14,610	1,623	270	896	1,244	22,758

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

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Consolidated Electric Division
DOCKET NO.: 20240099-EI

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Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northeast

	Billed (kWh)			Customers			Use-per-Customer (kWh)		
Billed Month	Residental	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
Jan-19	14,236,279	2,012,174	6,201,948	14,676	1,623	272	970	1,240	22,801
Feb-19	13,752,721	1,941,176	5,909,960	14,642	1,615	277	939	1,202	21,336
Mar-19	10,571,204	1,724,471	5,414,383	14,662	1,616	274	721	1,067	19,761
Apr-19	10,947,972	1,888,182	5,669,555	14,737	1,630	270	743	1,158	20,998
May-19	13,901,265	2,254,386	6,893,162	14,751	1,627	273	942	1,386	25,250
Jun-19	18,937,275	2,933,542	8,071,610	14,796	1,632	272	1,280	1,798	29,675
Jul-19	19,547,707	2,853,941	7,929,614	14,814	1,642	269	1,320	1,738	29,478
Aug-19	19,507,546	3,079,731	8,489,971	14,843	1,645	270	1,314	1,872	31,444
Sep-19	19,343,529	2,840,664	8,617,214	14,893	1,647	269	1,299	1,725	32,034
Oct-19	16,177,003	2,703,833	7,011,447	14,902	1,648	265	1,086	1,641	26,458
Nov-19	12,596,355	2,133,309	6,834,473	14,985	1,661	268	841	1,284	25,502
Dec-19	12,365,259	1,955,800	5,893,294	14,972	1,656	266	826	1,181	22,155
Jan-20	13,036,389	1,987,025	6,084,711	15,065	1,669	266	865	1,191	22,875
Feb-20	12,830,484	2,028,102	5,675,492	15,093	1,678	261	850	1,209	21,745
Mar-20	11,808,729	1,830,839	5,506,322	15,157	1,676	262	779	1,092	21,016
Apr-20	12,422,792	1,887,455	5,529,775	15,141	1,680	262	820	1,123	21,106
May-20	13,020,576	1,805,146	5,538,053	15,134	1,683	261	860	1,073	21,219
Jun-20	16,000,669	2,250,919	6,397,070	15,172	1,684	263	1,055	1,337	24,323
Jul-20	21,516,874	2,820,576	8,026,273	15,247	1,688	264	1,411	1,671	30,403
Aug-20	21,609,066	3,007,484	7,683,943	15,196	1,680	262	1,422	1,790	29,328
Sep-20	19,037,353	2,738,372	7,535,097	15,208	1,693	262	1,252	1,617	28,760
Oct-20	14,947,756	2,490,909	6,971,739	15,271	1,696	262	979	1,469	26,610
Nov-20	13,601,406	2,272,155	6,505,131	15,298	1,689	262	889	1,345	24,829
Dec-20	13,797,306	2,027,535	5,783,724	15,279	1,684	262	903	1,204	22,075

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

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Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northeast

	Billed (kWh)			Customers			Use-per-Customer (kWh)		
Billed Month	Residental	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
Jan-21	16,106,357	2,168,007	5,762,732	15,257	1,680	263	1,056	1,290	21,912
Feb-21	15,857,217	2,148,395	5,442,010	15,226	1,689	255	1,041	1,272	21,341
Mar-21	12,140,841	1,884,946	5,044,641	15,320	1,685	255	792	1,119	19,783
Apr-21	11,981,395	2,026,011	5,693,691	15,372	1,696	257	779	1,195	22,154
May-21	13,035,761	2,201,597	6,004,370	15,319	1,697	256	851	1,297	23,455
Jun-21	16,206,910	2,480,001	6,701,436	15,381	1,696	257	1,054	1,462	26,076
Jul-21	19,534,305	2,981,657	7,670,608	15,395	1,708	252	1,269	1,746	30,439
Aug-21	19,466,380	2,982,248	7,840,736	15,381	1,715	252	1,266	1,739	31,114
Sep-21	18,727,582	2,950,703	8,500,705	15,359	1,715	250	1,219	1,721	34,003
Oct-21	15,803,980	2,639,976	6,591,268	15,384	1,704	250	1,027	1,549	26,365
Nov-21	11,765,744	2,114,207	5,970,830	15,366	1,714	249	766	1,233	23,979
Dec-21	12,268,751	1,896,533	5,700,823	15,358	1,705	245	799	1,112	23,269
Jan-22	14,148,408	2,107,650	5,807,653	15,415	1,711	247	918	1,232	23,513
Feb-22	15,840,730	2,065,100	5,679,984	15,384	1,701	253	1,030	1,214	22,451
Mar-22	11,797,451	1,853,757	5,595,187	15,375	1,700	251	767	1,090	22,292
Apr-22	12,148,514	2,018,452	6,328,667	15,400	1,704	251	789	1,185	25,214
May-22	13,479,551	2,168,675	6,469,184	15,465	1,711	249	872	1,267	25,981
Jun-22	18,503,090	2,720,166	7,531,918	15,473	1,710	252	1,196	1,591	29,889
Jul-22	22,065,082	3,157,206	8,677,656	15,467	1,709	252	1,427	1,847	34,435
Aug-22	19,481,090	2,907,746	7,718,948	15,461	1,715	253	1,260	1,695	30,510
Sep-22	19,260,577	3,082,682	8,915,189	15,460	1,714	251	1,246	1,799	35,519
Oct-22	13,169,407	2,243,868	6,468,474	15,466	1,717	249	852	1,307	25,978
Nov-22	11,169,108	1,972,025	6,206,098	15,437	1,710	248	724	1,153	25,025
Dec-22	12,454,506	1,932,850	5,907,678	15,475	1,721	249	805	1,123	23,726

Supporting Schedules: | Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

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Consolidated Electric Division
DOCKET NO.: 20240099-EI

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Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northeast

	Billed (kWh)			Customers			Use-per-Customer (kWh)		
Billed Month	Residental	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
Jan-23	16,679,082	2,282,328	6,134,312	15,453	1,712	250	1,079	1,333	24,537
Feb-23	12,137,490	1,875,370	6,416,615	15,504	1,719	251	783	1,091	25,564
Mar-23	11,263,835	1,880,116	5,368,423	15,528	1,721	254	725	1,092	21,136
Apr-23	12,751,849	2,140,651	6,149,728	15,594	1,723	250	818	1,242	24,599
May-23	12,127,119	2,066,850	6,437,554	15,575	1,722	253	779	1,200	25,445
Jun-23	16,004,438	2,526,235	6,289,648	15,668	1,729	253	1,021	1,461	24,860
Jul-23	21,287,456	3,065,417	8,059,744	15,633	1,727	253	1,362	1,775	31,857
Aug-23	20,090,576	2,952,674	8,224,070	15,609	1,722	252	1,287	1,715	32,635
Sep-23	20,556,740	3,458,990	8,496,969	15,658	1,724	255	1,313	2,006	33,321
Oct-23	13,283,383	2,205,903	6,576,214	15,656	1,725	254	848	1,279	25,891
Nov-23	11,392,111	2,201,532	5,957,152	15,634	1,727	256	729	1,275	23,270
Dec-23	12,244,634	1,962,219	5,665,370	15,670	1,727	258	781	1,136	21,959
Jan-24	16,517,782	2,239,311	5,780,658	15,629	1,726	257	1,057	1,297	22,493
Feb-24	13,879,498	2,055,143	5,333,831	15,645	1,724	258	887	1,192	20,674
Mar-24	11,732,255	1,921,088	5,095,385	15,641	1,723	257	750	1,115	19,826
Apr-24	10,931,192	1,927,331	5,343,137	15,687	1,725	259	697	1,117	20,630

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

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DOCKET NO.: 20240099-EI

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Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northwest

	Billed (kWh)			Customers			Use-per-Customer (kWh)		
Billed Month	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
Jan-15	12,108,705	2,445,595	6,472,084	10,072	2,137	367	1,202	1,144	17,635
Feb-15	12,318,725	2,504,482	6,261,356	10,098	2,129	367	1,220	1,176	17,061
Mar-15	10,464,487	2,380,000	6,053,362	10,109	2,128	360	1,035	1,118	16,815
Apr-15	7,738,557	2,222,796	6,278,058	10,149	2,138	363	762	1,040	17,295
May-15	8,047,074	2,366,965	6,251,831	10,137	2,140	355	794	1,106	17,611
Jun-15	10,442,185	2,889,141	6,639,072	10,146	2,156	340	1,029	1,340	19,527
Jul-15	13,229,109	3,702,473	8,120,551	10,144	2,183	319	1,304	1,696	25,456
Aug-15	13,828,095	3,825,238	8,582,786	10,186	2,190	322	1,358	1,747	26,655
Sep-15	11,855,074	3,301,478	7,925,803	10,152	2,177	339	1,168	1,517	23,380
Oct-15	8,193,082	2,788,156	6,429,590	10,090	2,201	309	812	1,267	20,808
Nov-15	7,469,967	2,541,597	5,875,122	10,150	2,207	313	736	1,152	18,770
Dec-15	8,617,076	2,461,245	5,528,173	10,125	2,210	315	851	1,114	17,550
Jan-16	11,689,917	2,758,358	6,101,726	10,142	2,207	316	1,153	1,250	19,309
Feb-16	11,149,613	2,635,363	5,583,577	10,149	2,197	316	1,099	1,200	17,670
Mar-16	8,793,637	2,458,248	5,418,899	10,169	2,192	318	865	1,121	17,041
Apr-16	7,220,840	2,404,982	5,661,674	10,161	2,190	319	711	1,098	17,748
May-16	7,864,824	2,596,814	5,961,865	10,191	2,208	320	772	1,176	18,631
Jun-16	11,332,812	3,204,916	7,490,682	10,207	2,193	320	1,110	1,461	23,408
Jul-16	12,889,394	3,545,332	7,682,910	10,239	2,196	318	1,259	1,614	24,160
Aug-16	12,705,330	3,405,441	7,646,593	10,242	2,203	321	1,241	1,546	23,821
Sep-16	12,933,464	3,647,609	8,200,309	10,237	2,194	320	1,263	1,663	25,626
Oct-16	10,081,084	3,247,169	6,980,590	10,217	2,197	321	987	1,478	21,746
Nov-16	7,400,630	2,587,514	5,624,989	10,222	2,198	320	724	1,177	17,578
Dec-16	8,853,589	2,473,470	5,592,782	10,190	2,198	327	869	1,125	17,103

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northwest

	Billed (kWh)			Customers			Use-per-Customer (kWh)		
Billed Month	Residental	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
Jan-17	10,308,808	2,560,846	5,817,121	10,190	2,201	337	1,012	1,163	17,261
Feb-17	8,392,596	2,159,399	5,546,331	10,200	2,195	344	823	984	16,123
Mar-17	7,754,107	2,011,606	5,715,956	10,242	2,168	357	757	928	16,011
Apr-17	8,062,887	2,206,521	6,112,419	10,268	2,159	347	785	1,022	17,615
May-17	8,150,121	2,274,885	6,315,746	10,300	2,157	354	791	1,055	17,841
Jun-17	10,820,526	2,740,766	7,708,622	10,244	2,148	365	1,056	1,276	21,120
Jul-17	12,480,669	2,915,476	8,157,985	10,258	2,146	376	1,217	1,359	21,697
Aug-17	12,133,065	2,840,909	8,133,139	10,278	2,144	385	1,180	1,325	21,125
Sep-17	12,127,227	2,836,155	8,391,681	10,282	2,124	400	1,179	1,335	20,979
Oct-17	10,055,297	2,542,044	7,547,000	10,283	2,117	402	978	1,201	18,774
Nov-17	8,197,127	2,134,731	6,626,563	10,247	2,122	403	800	1,006	16,443
Dec-17	9,611,756	1,997,288	6,030,239	10,232	2,114	404	939	945	14,926
Jan-18	14,923,857	2,614,599	7,048,674	10,200	2,114	398	1,463	1,237	17,710
Feb-18	10,747,032	2,181,807	6,206,393	10,226	2,105	405	1,051	1,036	15,324
Mar-18	7,325,694	1,797,499	5,678,697	10,269	2,115	406	713	850	13,987
Apr-18	7,705,821	1,907,783	6,031,253	10,228	2,101	408	753	908	14,782
May-18	7,756,656	1,981,988	6,294,440	10,202	2,097	409	760	945	15,390
Jun-18	11,053,809	2,636,892	7,944,511	10,269	2,109	412	1,076	1,250	19,283
Jul-18	12,719,771	2,912,826	8,282,094	10,269	2,111	411	1,239	1,380	20,151
Aug-18	12,150,704	2,689,753	8,548,695	10,239	2,101	422	1,187	1,280	20,258
Sep-18	12,324,343	2,766,165	8,837,338	10,231	2,100	423	1,205	1,317	20,892
Oct-18	9,615,497	2,497,271	7,348,342	9,961	2,095	422	965	1,192	17,413
Nov-18	(9,593,612)	(2,491,151)	(7,348,342)	9,961	2,095	422	(963)	(1,189)	(17,413)
Dec-18	23,464,792	5,521,852	#########	9,961	2,095	422	2,356	2,636	40,285

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

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Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northwest

	Billed (kWh)			Customers			Use-per-Customer (kWh)		
Billed Month	Residental	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
Jan-19	9,842,502	1,849,461	5,850,412	9,854	2,020	424	999	916	13,798
Feb-19	9,935,275	1,981,130	5,620,744	9,649	1,915	403	1,030	1,035	13,947
Mar-19	7,172,592	1,662,193	4,873,151	9,654	1,916	403	743	868	12,092
Apr-19	7,132,439	1,769,365	6,102,497	9,767	1,928	408	730	918	14,957
May-19	8,683,668	2,113,644	6,705,671	9,764	1,933	411	889	1,093	16,316
Jun-19	12,755,787	2,786,897	8,243,417	9,775	1,941	410	1,305	1,436	20,106
Jul-19	12,505,657	2,718,598	7,742,723	9,761	1,957	392	1,281	1,389	19,752
Aug-19	12,915,035	2,963,675	8,322,260	9,747	1,954	389	1,325	1,517	21,394
Sep-19	13,717,409	3,073,715	8,705,664	9,813	1,959	396	1,398	1,569	21,984
Oct-19	11,674,071	2,749,532	7,926,750	9,824	1,963	388	1,188	1,401	20,430
Nov-19	8,773,643	2,148,661	6,539,551	9,816	1,973	389	894	1,089	16,811
Dec-19	9,453,898	1,995,957	5,645,765	9,779	1,980	392	967	1,008	14,402
Jan-20	9,830,656	2,026,522	5,801,220	9,798	1,980	393	1,003	1,023	14,761
Feb-20	9,440,619	1,988,243	5,621,554	9,755	1,965	386	968	1,012	14,564
Mar-20	8,000,138	1,805,875	5,436,512	9,812	1,971	384	815	916	14,158
Apr-20	8,371,871	1,906,540	5,622,975	9,754	1,978	389	858	964	14,455
May-20	8,431,571	1,875,842	5,503,508	9,778	1,974	384	862	950	14,332
Jun-20	10,533,219	2,267,028	6,777,578	9,876	1,980	385	1,067	1,145	17,604
Jul-20	13,567,591	2,855,725	8,215,147	9,870	1,979	391	1,375	1,443	21,011
Aug-20	13,717,965	2,890,967	8,167,916	9,897	1,981	393	1,386	1,459	20,784
Sep-20	12,106,846	2,702,790	7,607,707	9,893	1,990	392	1,224	1,358	19,407
Oct-20	9,124,531	2,230,097	6,584,494	9,935	1,992	395	918	1,120	16,670
Nov-20	8,663,797	2,123,050	6,322,706	9,952	1,988	398	871	1,068	15,886
Dec-20	9,602,269	1,961,313	5,773,644	9,951	2,002	399	965	980	14,470

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

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Consolidated Electric Division
DOCKET NO.: 20240099-EI

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Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northwest

	Billed (kWh)			Customers			Use-per-Customer (kWh)		
Billed Month	Residental	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
Jan-21	13,004,599	2,208,084	6,159,494	9,975	2,000	395	1,304	1,104	15,594
Feb-21	10,881,877	2,103,887	5,818,979	9,994	2,010	395	1,089	1,047	14,732
Mar-21	8,256,002	1,912,110	5,229,210	9,981	2,002	398	827	955	13,139
Apr-21	7,741,993	1,815,655	6,146,860	10,053	2,015	398	770	901	15,444
May-21	8,000,352	2,001,915	6,139,915	10,023	2,004	400	798	999	15,350
Jun-21	10,241,203	2,393,414	7,151,421	10,037	2,020	403	1,020	1,185	17,745
Jul-21	12,139,428	2,821,243	7,992,153	10,024	2,026	392	1,211	1,393	20,388
Aug-21	12,564,125	2,816,930	7,788,063	10,048	2,053	389	1,250	1,372	20,021
Sep-21	12,571,487	2,963,253	8,264,392	10,016	2,032	392	1,255	1,458	21,083
Oct-21	9,136,525	2,387,584	7,178,823	9,979	2,022	393	916	1,181	18,267
Nov-21	8,080,852	2,090,191	5,856,679	9,975	2,034	394	810	1,028	14,865
Dec-21	8,721,569	1,952,092	5,821,451	9,941	2,027	392	877	963	14,851
Jan-22	10,991,641	2,208,257	6,309,449	9,985	2,029	391	1,101	1,088	16,137
Feb-22	11,820,530	2,335,319	5,861,124	10,027	2,044	393	1,179	1,143	14,914
Mar-22	7,963,248	1,947,099	5,537,688	10,009	2,047	394	796	951	14,055
Apr-22	7,615,219	2,104,167	6,146,303	10,057	2,054	394	757	1,024	15,600
May-22	8,248,805	2,178,536	6,345,430	10,074	2,061	398	819	1,057	15,943
Jun-22	11,267,310	2,826,179	7,826,190	10,083	2,056	400	1,117	1,375	19,565
Jul-22	14,122,684	3,368,944	9,023,980	10,099	2,061	402	1,398	1,635	22,448
Aug-22	11,960,271	2,928,117	7,783,047	10,121	2,062	402	1,182	1,420	19,361
Sep-22	12,627,161	3,146,672	8,587,009	10,147	2,059	403	1,244	1,528	21,308
Oct-22	8,992,316	2,561,962	6,902,278	10,121	2,066	407	888	1,240	16,959
Nov-22	7,500,106	2,109,125	5,985,623	10,100	2,069	406	743	1,019	14,743
Dec-22	8,966,590	2,160,382	5,908,093	10,090	2,062	409	889	1,048	14,445

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

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Consolidated Electric Division
DOCKET NO.: 20240099-EI

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Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Northwest

	Billed (kWh)			Customers			Use-per-Customer (kWh)		
Billed Month	Residental	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
Jan-23	12,104,616	2,527,695	6,404,442	10,093	2,059	412	1,199	1,228	15,545
Feb-23	8,680,988	2,086,238	5,686,446	10,155	2,069	406	855	1,008	14,006
Mar-23	7,650,452	1,993,000	5,742,152	10,114	2,064	403	756	966	14,249
Apr-23	8,234,155	2,252,801	6,222,887	10,132	2,059	403	813	1,094	15,441
May-23	7,568,263	2,077,630	6,065,885	10,134	2,055	406	747	1,011	14,941
Jun-23	10,149,534	2,618,688	7,453,938	10,161	2,057	407	999	1,273	18,314
Jul-23	13,304,579	3,145,651	8,419,059	10,191	2,054	410	1,306	1,531	20,534
Aug-23	13,397,808	3,197,367	8,365,315	10,123	2,067	410	1,324	1,547	20,403
Sep-23	14,062,182	3,447,935	9,052,315	10,133	2,050	410	1,388	1,682	22,079
Oct-23	8,452,149	2,353,971	6,560,531	10,079	2,042	409	839	1,153	16,040
Nov-23	7,488,715	2,090,771	6,037,642	10,060	2,055	409	744	1,017	14,762
Dec-23	9,205,658	2,051,332	5,836,862	10,068	2,060	410	914	996	14,236
Jan-24	12,429,277	2,458,689	6,111,180	10,083	2,061	410	1,233	1,193	14,905
Feb-24	9,932,697	2,218,747	5,528,465	10,056	2,049	409	988	1,083	13,517
Mar-24	7,529,386	1,936,327	5,389,618	10,059	2,050	411	749	945	13,113
Apr-24	6,841,334	1,878,337	5,354,018	10,047	2,048	408	681	917	13,123

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION
COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

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Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

Customer Forecast

	Northeast Customers			Northwest Customers			Total		
	Residental	Commercial Small	Commercial	Residential	Commercial Small	Commercial	Residential	Commercial Small	Commercial
May-24	15,611	1,723	254	10,211	2,060	409	25,822	3,783	663
Jun-24	15,666	1,724	255	10,228	2,065	411	25,894	3,789	666
Jul-24	15,657	1,727	254	10,239	2,067	409	25,896	3,794	663
Aug-24	15,642	1,730	254	10,232	2,081	408	25,874	3,811	662
Sep-24	15,650	1,730	253	10,233	2,068	409	25,883	3,798	662
Oct-24	15,660	1,728	252	10,194	2,064	411	25,854	3,792	663
Nov-24	15,637	1,730	252	10,179	2,073	411	25,816	3,803	663
Dec-24	15,614	1,728	252	10,177	2,073	411	25,791	3,801	663
Jan-25	15,626	1,724	254	10,144	2,060	411	25,770	3,784	665
Feb-25	15,638	1,722	256	10,170	2,065	409	25,808	3,787	665
Mar-25	15,641	1,722	256	10,151	2,064	409	25,792	3,786	665
Apr-25	15,673	1,724	254	10,212	2,069	408	25,885	3,793	662
May-25	15,688	1,727	255	10,217	2,069	411	25,905	3,796	666
Jun-25	15,740	1,729	256	10,235	2,069	413	25,975	3,798	669
Jul-25	15,723	1,729	256	10,254	2,071	414	25,977	3,800	670
Aug-25	15,708	1,730	256	10,236	2,080	414	25,944	3,810	670
Sep-25	15,727	1,731	256	10,249	2,069	414	25,976	3,800	670
Oct-25	15,732	1,731	255	10,209	2,067	416	25,941	3,798	671
Nov-25	15,707	1,730	255	10,190	2,076	416	25,897	3,806	671
Dec-25	15,678	1,732	256	10,199	2,078	416	25,877	3,810	672

Supporting Schedules: Recap Schedules:

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Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

HDD & CDD Data - Jacksonville (KJAX) and Tallahassee (KTLH)

	Monthly by Calandar			
	KJAX (NE)		KTLH (NW)	
Month	HDD	CDD	HDD	CDD
Jan-14	505	13	543	6
Feb-14	270	39	275	40
Mar-14	260	59	243	63
Apr-14	69	165	91	166
May-14	25	286	27	341
Jun-14	0	399	-	475
Jul-14	-	467	-	505
Aug-14	-	485	-	555
Sep-14	1	340	1	398
Oct-14	77	197	102	209
Nov-14	314	47	366	42
Dec-14	294	37	313	42
Jan-15	403	18	407	18
Feb-15	404	12	406	10
Mar-15	137	112	123	151
Apr-15	17	198	9	250
May-15	20	308	15	409
Jun-15	-	428	-	471
Jul-15	-	481	-	578
Aug-15	-	446	-	543
Sep-15	1	352	3	413
Oct-15	33	181	32	246
Nov-15	81	160	83	176
Dec-15	120	143	148	130

	Monthly by Calandar			
	KJAX (NE)		KTLH (NW)	
Month	HDD	CDD	HDD	CDD
Jan-16	452	6	443	9
Feb-16	323	46	331	38
Mar-16	111	137	116	130
Apr-16	66	155	64	192
May-16	27	307	20	362
Jun-16	1	458	-	510
Jul-16	-	563	-	566
Aug-16	-	513	-	557
Sep-16	1	388	1	459
Oct-16	40	217	51	294
Nov-16	183	89	175	127
Dec-16	230	63	227	64
Jan-17	258	64	294	61
Feb-17	171	81	171	84
Mar-17	199	108	178	120
Apr-17	69	219	71	222
May-17	25	337	31	339
Jun-17	1	384	1	391
Jul-17	-	505	-	493
Aug-17	-	483	-	502
Sep-17	0	388	2	381
Oct-17	51	304	79	288
Nov-17	125	95	188	79
Dec-17	292	57	352	45

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSI(
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COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

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Historical Test Year Ended 12/31/2023
Witness: Taylor

HDD & CDD Data - Jacksonville (KJAX) and Tallahassee (KTLH)

	Monthly by Calandar			
	KJAX (NE)		KTLH (NW)	
Month	HDD	CDD	HDD	CDD
Jan-18	497	22	538	13
Feb-18	103	100	102	82
Mar-18	238	65	246	68
Apr-18	85	138	104	144
May-18	14	315	9	357
Jun-18	-	435	0	466
Jul-18	-	464	-	489
Aug-18	-	481	-	458
Sep-18	-	478	-	473
Oct-18	38	296	39	295
Nov-18	178	100	247	61
Dec-18	276	43	314	30
Jan-19	370	34	409	26
Feb-19	121	79	135	67
Mar-19	183	86	211	81
Apr-19	76	191	101	172
May-19	3	401	5	419
Jun-19	-	483	-	479
Jul-19	-	490	-	508
Aug-19	-	510	-	516
Sep-19	-	460	-	526
Oct-19	13	318	20	322
Nov-19	234	64	272	56
Dec-19	211	57	276	44

	Monthly by Calandar			
	KJAX (NE)		KTLH (NW)	
Month	HDD	CDD	HDD	CDD
Jan-20	261	76	311	50
Feb-20	229	69	266	46
Mar-20	70	213	78	192
Apr-20	50	213	66	198
May-20	29	325	30	326
Jun-20	1	399	-	435
Jul-20	-	481	-	513
Aug-20	-	467	-	496
Sep-20	5	385	5	390
Oct-20	14	272	25	294
Nov-20	85	135	105	142
Dec-20	426	23	466	14
Jan-21	367	34	411	22
Feb-21	266	48	281	34
Mar-21	172	112	167	119
Apr-21	105	129	110	134
May-21	40	269	25	310
Jun-21	2	382	2	430
Jul-21	-	450	-	473
Aug-21	-	540	-	481
Sep-21	4	346	3	368
Oct-21	45	223	51	232
Nov-21	274	34	299	44
Dec-21	177	79	189	82

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

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Historical Test Year Ended 12/31/2023
Witness: Taylor

HDD & CDD Data - Jacksonville (KJAX) and Tallahassee (KTLH)

	Monthly by Calandar			
	KJAX (NE)		KTLH (NW)	
Month	HDD	CDD	HDD	CDD
Jan-22	420	23	471	22
Feb-22	254	65	284	53
Mar-22	142	113	163	113
Apr-22	68	161	78	176
May-22	15	326	7	341
Jun-22	0	454	-	518
Jul-22	-	474	-	470
Aug-22	-	453	-	457
Sep-22	2	354	2	397
Oct-22	92	171	128	189
Nov-22	111	110	143	118
Dec-22	330	45	349	47
Jan-23	293	64	302	50
Feb-23	135	124	157	103
Mar-23	136	150	136	157
Apr-23	47	207	48	196
May-23	18	281	15	327
Jun-23	0	410	-	451
Jul-23	-	544	-	557
Aug-23	-	565	-	617
Sep-23	1	367	3	415
Oct-23	56	195	65	221
Nov-23	186	67	207	74
Dec-23	282	35	308	24

	Monthly by Calandar			
	KJAX (NE)		KTLH (NW)	
Month	HDD	CDD	HDD	CDD
Jan-24	364	37	402	22
Feb-24	273	38	284	40
Mar-24	110	110	120	116
Apr-24	70	185	84	190

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Taylor

HDD & CDD Data - Jacksonville (KJAX) and Tallahassee (KTLH)

	Monthly by Calandar			
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	Monthly by Calandar			
	KJAX (NE)		KTLH (NW)	
Month	HDD	CDD	HDD	CDD
Jan-24	364	37	402	22
Feb-24	273	38	284	40
Mar-24	110	110	120	116
Apr-24	70	185	84	190

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION COMPANY: FLORIDA PUBLIC UTILITIES Consolidated Electric Division DOCKET NO.: 20240099-EI	EXPLANATION: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. As a minimum, state assumptions used for balance sheet, income statement and sales forecast.	Type of Data Shown: Projected Test Year Ended 12/31/2025 Prior Year Ended 12/31/2024 Historical Test Year Ended 12/31/2023 Witness: Napier, Galtman, Haffecke

I. BALANCE SHEET (13-Month Average)

The Consolidated Electric Operations is an operating division of Florida Public Utilities Company (FPU) and therefore, the balance sheet of the electric division does not contain debt or equity. Many of the other than retained earnings. The division is funded through intercompany receivables and payables in addition to the retained earnings changes.
In addition, there are some assets and liabilities related to FPUC prior to acquisition which are kept in a "Florida Common" balance sheet. These amounts are allocated to the electric division.
There are also some assets, mainly related to information technology and vehicles that are in a shared corporate account. These assets were also allocated along with accumulated depreciation and depreciation expense.

Schedule B-3 reflects the 13 month average electric balance sheet along with Schedule B-3A which shows the Florida Common balance sheet. B-3A has additional columns showing the allocation percent applicable to electric and the allocated amount of working capital and deferred taxes. Schedules B-7, B-8, B-9, and B-10 contain both the total amounts of plant and accumulated depreciation for the Florida Common and the Corporate Common amounts and then the allocated amounts to the electric division. These totals were included in the B-3 Schedule on lines 8-10 with the offset being recorded to intercompany payables. Because the allocation percentage changes yearly, the December balance from the prior year has been adjusted to the new allocation rate for consistency.
The detail of plant data is contained on the various B-8, B-9, and B-13 Schedules. The detail of all Accumulated Depreciation is in Schedules B-9 and B-10.
Detail of working capital components, including adjustments and eliminations is contained on Schedule B-17. Projected balance sheet accounts use various direct projection methods, as well as various projection factors including customer growth, inflation and plant.

Since the division doesn't obtain its own debt or stock, Common Equity, Long-Term Debt, and Notes Payable were allocated to the Consolidated Electric Division as a pro-rata share of total Chesapeake capitalization as compared to total Electric Division rate base. The amount prorated is equivalent to the intercompany payable/receivable and the retained earnings after rate base adjustments.

II. INCOME STATEMENT

OPERATING REVENUES

Operating revenues are directly charged to the the Consolidated Electric Division. Projected revenues are based on the billing determinant forecast described on Schedules F-5 and F-6. Please refer to John Taylor's testimony. Revenues are calculated by multiplying the KWH sales by the rates approved by the Florida Public Service Commission for base rates, fuel, conservation, Hurricane Michael Recovery, and Storm Protection Plan Recovery. Since the 2025 conservation and fuel rates were not approved at the time the filing was prepared, the 2024 approved conservation rate was used for 2025 revenue amounts. An estimated rate was determined for fuel revenues based on projected fuel costs. All revenue and expense amounts estimated for 2024 and 2025 for fuel, conservation, hurricane Michael, and the Storm Protection Plan clause were removed with no net effect to the base rate filing.

OPERATION AND MAINTENANCE EXPENSES

Most of these expenses are directly charged to the Consolidated Electric Division except for allocations from Chesapeake Utilities for corporate clearing and allocations of FPU common costs. These costs were allocated to the Consolidated Electric Division based upon various percentages. These percentages are based on payroll, functions, customers, Modified Massachusetts Method, etc. Please refer to Mike Galtman's testimony. Projected expenses are based on either direct forecasts, or projection factors applied to the historic year 12/31/2023. See MFR Schedule C-7 for the historic year's related factors and methodologies.

DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation was calculated by using the existing Florida Public Service Commission approved depreciation rates. Amortization expenses were based on direct projections as shown on MFR Schedule C-19.

TAXES

Income taxes, current and deferred, were computed using an effective tax rate of 25.345%. Schedules C-22 was adjusted for both interest synchronization and income tax synchronization consistent with prior cases.
Taxes other than income taxes were projected based on various trends using the historical year ended December 31, 2023 as a basis. Payroll related expenses were trended based on payroll and customer growth.
Taxes other than income taxes were projected based on various factors and franchise fees were projected based on trended revenues, property taxes were trended using inflation and plant growth. See MFR Schedule C-20.

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: Supply a proposed public notice of the company's request for a rate increase suitable for publication.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Napier

NOTICE TO CUSTOMERS

It is our honor to provide energy that makes life better for the people and communities we serve. You are a valued customer and we appreciate your business.

On August 19, 2024, the Company filed a petition for a rate increase with the Florida Public Service Commission ("PSC") seeking a permanent increase in rates and charges to produce an additional $12,593,450 million in revenues. While rates vary from rate class to rate class, the proposed increase, if approved, would increase a typical residential customer using 1,000 kWH by $17.91/month, or 10.66%. The Company is also requesting interim rate relief to temporarily increase its revenues by $1,812,869 million pending the Commission's decision on the Company's request for a permanent increase. The Commission will consider the Company's request for interim rate relief at its November 5, 2024, Agenda Conference. If the request is granted, any interim increase will be placed into effect subject to refund, with interest, 30 days after approval.

The Docket Number assigned by the PSC for this proceeding is Docket No. 20240099-EI.

While the Company has been able to delay its filing through cost saving measures, certain key factors have now made it necessary to seek rate relief. These key factors include: (1) significant investments in its electric distribution and transmission in order to enhance the reliability of service to customers; (2) significant technology investments to upgrade the reliability of the Company's internal network, its billing and communications systems, and to address cyber security measures, as well as protect customer information; (3) significant investments tied to enhancing safety for the Company and its customers, as well as investment necessary to respond to changes in facility compliance requirements; and (4) the impact of historically high inflation, particularly for insurance premiums, cost of materials, and labor.

The PSC will conduct customer service hearings virtually and in-person to receive comments from customers regarding the Company's quality of service and request for a base rate increase. The dates and locations of those service hearings will be published in a separate notice.

Information regarding the Company's requested rate increase is available by visiting the Company's website at www.fpuc.com or calling the Company at 1-800-524-1495. You may also obtain information about this request by calling the Florida Public Service Commission at 1-800-342-3552 or visiting the Commission's website at: www.floridapsc.com/clerks-office-dockets-level2?DocketNo=20240099.

Any written customer comments regarding the Company's proposed rate increase should include the docket number assigned to this case, Docket No. 20240099-EI, and should be addressed to:

Office of Commission Clerk
Florida Public Service PSC
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

EXPLANATION: Supply a proposed public notice of the company's request for a rate increase suitable for publication.

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Napier

Proposed Final Customer Facilities Charge		Current Charges		Proposed Interim Charges		Proposed Final Charges	
		Customer Charge		Customer Charge		Customer Charge	
Residential (RS)		$16.95		$18.20		$24.20	
General Service (GS)		$27.85		$29.91		$40.00	
General Service Demand (GSD)		$82.35		$88.44		$138.99	
General Service Large Demand (GSLD)		$157.42		$169.06		$265.69	
General Service Large Demand (GSLD1)		$974.80		$1,046.86		$1,242.99	
Standby (SB)		$974.80		$1,046.86		NA	
		Energy Charge		Energy Charge		Energy Charge	
Residential (RS)	$/KWH <= 1000 kwh	$0.02373	$/KWH	$0.02548	$/KWH	$0.03419	$/KWH <= 1000 kwh
	$/KWH > 1000 kwh	$0.03887	$/KWH	$0.04174	$/KWH	$0.05600	$/KWH > 1000 kwh
General Service (GS)		$0.02903	$/KWH	$0.03118	$/KWH	$0.05433	$/KWH
General Service Demand (GSD)		$0.00547	$/KWH	$0.00587	$/KWH	$0.00923	$/KWH
General Service Large Demand (GSLD)		$0.00254	$/KWH	$0.00273	$/KWH	$0.00429	$/KWH
General Service Large Demand (GSLD1)		$0.00000	$/KWH	$0.00000	$/KWH	$0.00000	$/KWH
Standby (SB)		$0.00000	$/KWH	$0.00000	$/KWH	NA	$/KWH
		Demand Charge		Demand Charge		Demand Charge	
Residential (RS)		$0.00	$/KW	$0.00	$/KW	$0.00	$/KW
General Service (GS)		$0.00	$/KW	$0.00	$/KW	$0.00	$/KW
General Service Demand (GSD)		$4.49	$/KW	$4.82	$/KW	$7.58	$/KW
General Service Large Demand (GSLD)		$6.42	$/KW	$6.89	$/KW	$10.84	$/KW
General Service Large Demand (GSLD1)		$1.82	$/KW	$1.95	$/KW	$2.88	$/KW
General Service Large Demand (GSLD1)		$0.44	$/kVAR	$0.47	$/kVAR	$0.56	$/kVAR
Standby (SB)		$0.79	$/KW	$0.85	$/KW	NA	$/KW
Lighting Service		Various -See Page 3		Various -See Page 3		Various -See Page 3	
		Service Charges		Service Charges		Service Charges	
Initial Establishment of Service		$61.00		$61.00		$125.00	
Re-establish Service or Make Changes to Existing Account		$26.00		$26.00		$45.00	
Temporary Disconnect then Reconnect Service Due to Customer Request		$65.00		$65.00		$81.00	
Reconnect After Disconnect for Rule Violation (normal hours)		$52.00		$52.00		$70.00	
Reconnect After Disconnect for Rule Violation (after hours)		$178.00		$178.00		$325.00	
Temporary Service		$85.00		$85.00		$135.00	
Collection Charge		$16.00		$16.00		$50.00	
Returned Check Charge		Per Statute		Per Statute		Per Statute	
Late Fees		Per Statute		Per Statute		Per Statute	

Supporting Schedules: C-7 Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATIO Supply a proposed public notice of the company's request for a rate increase suitable for publication.

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 20240099-EI

Type of Data Shown:
Projected Test Year Ended 12/31/2025
Prior Year Ended 12/31/2024
Historical Test Year Ended 12/31/2023
Witness: Napier

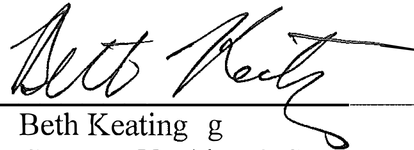
Type of Facility	Present Rates - Lighting Service				INTERIM Proposed Rates -Lighting Service				Proposed Rates - Lighting Service			
	Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge	Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge	Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge
High Pressure Sodium Lights (Closed to New Customers):												
150w HPS Acorn	19.69	3.19	2.49	25.37	21.15	3.43	2.67	27.25	25.18	4.08	3.18	32.44
150w HPS ALN 440	28.07	3.19	3.32	34.58	30.14	3.43	3.57	37.14	35.9	4.08	4.25	44.23
100w HPS Amer Rev	9.66	2.15	3.29	15.10	10.37	2.31	3.53	16.22	12.36	2.75	4.21	19.32
150w HPS Am Rev	9.05	3.19	3.33	15.57	9.72	3.43	3.58	16.72	11.57	4.08	4.26	19.91
100w HPS Cobra Head	7.25	2.15	2.11	11.51	7.79	2.31	2.27	12.36	9.27	2.75	2.70	14.72
200w HPS Cobra Head	9.78	4.26	2.53	16.57	10.50	4.57	2.72	17.79	12.51	5.45	3.24	21.20
250w HPS Cobra Head	11.63	5.30	3.33	20.26	12.49	5.69	3.58	21.76	14.87	6.78	4.26	25.91
400w HPS Cobra Head	10.86	8.54	2.77	22.17	11.66	9.17	2.97	23.81	13.89	10.92	3.54	28.35
250w HPS Flood	11.37	5.30	2.42	19.09	12.21	5.69	2.60	20.50	14.54	6.78	3.10	24.42
400w HPS Flood	17.85	8.54	2.27	28.66	19.17	9.17	2.44	30.78	22.83	10.92	2.90	36.65
1000w HPS Flood	22.36	21.30	3.00	46.66	24.01	22.87	3.22	50.11	28.6	27.24	3.84	59.68
100w HPS SP2 Spectra	24.81	2.15	3.10	30.06	26.64	2.31	3.33	32.28	31.73	2.75	3.96	38.44
Metal Halide Lights (Closed to New Customers):												
175w MH ALN 440	26.86	3.77	2.61	33.24	28.85	4.05	2.80	35.70	34.35	4.82	3.34	42.51
400w MH Flood	12.12	8.54	2.21	22.87	13.02	9.17	2.37	24.56	15.5	10.92	2.83	29.25
1000w MH Flood	20.61	21.30	2.92	44.83	22.13	22.87	3.14	48.14	26.36	27.24	3.73	57.33
175w MH Shoebox	22.68	3.77	2.93	29.38	24.36	4.05	3.15	31.55	29.01	4.82	3.75	37.58
250w MH Shoebox	24.14	5.30	3.28	32.72	25.92	5.69	3.52	35.14	30.88	6.78	4.20	41.86
100w MH SP2 Spectra -OL2	24.62	2.15	3.00	29.77	26.44	2.31	3.22	31.97	31.49	2.75	3.84	38.08
1000w MH Vert Shoebox - OL2	25.45	21.30	3.32	50.07	27.33	22.87	3.57	53.77	32.55	27.24	4.25	64.04
Light Emitting Diode Lights												
50W Outdoor Light (100W Equivalent)	6.58	0.89	2.08	9.55	7.07	0.96	2.23	10.26	8.42	1.14	2.66	12.22
50W Cobra Head (100W Equivalent)	8.31	0.89	2.59	11.79	8.92	0.96	2.78	12.66	10.63	1.14	3.31	15.08
82W Cobra Head (200W Equivalent)	7.78	1.47	2.43	11.68	8.36	1.58	2.61	12.54	9.95	1.88	3.11	14.94
130W Cobra Head (250W Equivalent)	7.75	2.36	2.42	12.53	8.32	2.53	2.60	13.46	9.91	3.02	3.10	16.03
210W Cobra Head (400W Equivalent)	13.55	3.78	3.95	21.28	14.55	4.06	4.24	22.85	17.33	4.83	5.05	27.21
26W American Revolution Decorative (100W Equivalent)	7.78	0.47	2.72	10.97	8.36	0.50	2.92	11.78	9.95	0.6	3.48	14.03
44W American Revolution Decorative (150W Equivalent)	7.71	0.79	2.69	11.19	8.28	0.85	2.89	12.02	9.86	1.01	3.44	14.31
90W Acorn Decorative (150W Equivalent)	11.14	1.63	3.71	16.48	11.96	1.75	3.98	17.70	14.25	2.08	4.75	21.08
60W Post Top Decorative (150W	19.74	1.10	6.25	27.09	21.20	1.18	6.71	29.09	25.25	1.41	7.99	34.65
80W Flood (250W Equivalent)	10.80	1.42	3.40	15.62	11.60	1.52	3.65	16.77	13.81	1.82	4.35	19.98
170W Flood (400W Equivalent)	10.80	3.05	3.40	17.25	11.60	3.28	3.65	18.53	13.81	3.9	4.35	22.06
150w Flood (350W Equivalent)	10.80	2.73	3.40	16.93	11.60	2.93	3.65	18.18	13.81	3.49	4.35	21.65
290W Flood (1,000W Equivalent)	10.80	5.25	3.40	19.45	11.60	5.64	3.65	20.89	13.81	6.71	4.35	24.87
150w Shoe Box	9.52	2.73	3.23	15.48	10.22	2.93	3.47	16.62	N/A	N/A	N/A	N/A
131W Shoe Box (250W Equivalent)	10.72	2.36	3.59	16.67	11.51	2.53	3.86	17.90	13.71	3.02	4.59	21.32
82W Shoe Box(175W Equivalent)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12.14	1.87	4.34	18.35
Mercury Vapor Lights (Closed to New Customers):												
175w MV Cobra Head -OL	1.39	3.70	1.24	6.33	1.49	3.97	1.33	6.80	1.78	4.73	1.59	8.10
400w MV Cobra Head-OL	1.53	7.95	1.32	10.80	1.64	8.54	1.42	11.60	1.96	10.17	1.69	13.82
10' Alum Deco Base	18.56			18.56	19.93	-	-	19.93	23.74			23.74
13' Decorative Concrete	14.14			14.14	15.19	-	-	15.19	18.09			18.09
18' Fiberglass Round	9.98			9.98	10.72	-	-	10.72	12.76			12.76
20' Decorative Concrete	16.41			16.41	17.62	-	-	17.62	20.99			20.99
30' Wood Pole Std	5.36			5.36	5.76	-	-	5.76	6.86			6.86
35' Concrete Square	15.83			15.83	17.00	-	-	17.00	20.25			20.25
40' Wood Pole Std	10.72			10.72	11.51	-	-	11.51	13.71			13.71
30' Wood pole	4.82			4.82	5.18	-	-	5.18	6.16			6.16

Docket No. 20240099-EI
Florida Public Utilities

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing filing has been served by Electronic Mail this 22nd day of August, 2024, upon the following:

Walter Trierweiler, Public Counsel
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Rm 812
Tallahassee, FL 32399-1400
Trierweiler. walt@leg.state.fl.us

By: 

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