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, 2022

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)

909 Silver Lake Boulevard, Dover, Delaware 19904
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

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

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

Common Stock, par value $0.4867 — 17,727,326 shares outstanding as of April 29, 2022.

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GLOSSARY OF DEFINITIONS

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

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

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

ASU: Accounting Standards Update issued by the FASB

ATM: At-the-market

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

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

CDD: Cooling Degree-Day

CFG: Central Florida Gas Company

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

CHP: Combined Heat and Power Plant

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

COVID-19: An infectious disease caused by a recently discovered coronavirus

CNG: Compressed natural gas

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

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

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

DRIP: Dividend Reinvestment and Direct Stock Purchase Plan

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

Dts/d: Dekatherms per day

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

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

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

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

ESG: Environmental, Social and Governance

FASB: Financial Accounting Standards Board

FERC: Federal Energy Regulatory Commission

FGT: Florida Gas Transmission Company

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

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

GAAP: Generally Accepted Accounting Principles

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

GRIP: Gas Reliability Infrastructure Program

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

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

HDD: Heating Degree-Day

LNG: Liquefied Natural Gas

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

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

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

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

Peoples Gas: Peoples Gas System, an Emera Incorporated subsidiary

Prudential: Prudential Investment Management Inc., an institutional investment management firm, with which Chesapeake Utilities entered into a previous Shelf Agreement and issued Shelf Notes

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

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

RNG: Renewable natural gas

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

SEC: Securities and Exchange Commission

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

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

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

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

SICP: 2013 Stock and Incentive Compensation Plan

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 shares and per share data)		2022		2021
Operating Revenues				
Regulated Energy	$	**127,891**	$	121,197
Unregulated Energy and other		**94,989**		69,990
Total Operating Revenues		**222,880**		191,187
Operating Expenses				
Regulated natural gas and electric costs		**45,442**		43,043
Unregulated propane and natural gas costs		**51,738**		31,254
Operations		**42,794**		39,437
Maintenance		**4,264**		4,042
Depreciation and amortization		**16,977**		15,365
Other taxes		**6,800**		6,449
Total Operating Expenses		**168,015**		139,590
Operating Income		**54,865**		51,597
Other income, net		**913**		375
Interest charges		**5,339**		5,105
Income Before Income Taxes		**50,439**		46,867
Income Taxes		**13,506**		12,401
Net Income	**$**	**36,933**	**$**	**34,466**
Weighted Average Common Shares Outstanding:				
Basic		**17,678,060**		17,485,866
Diluted		**17,761,119**		17,553,167
Earnings Per Share of Common Stock:				
Basic	**$**	**2.09**	$	1.97
Diluted	**$**	**2.08**	$	1.96

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

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net Income	**$ 36,933**	$ 34,466
Other Comprehensive Income (Loss), net of tax:		
Employee Benefits, net of tax:		
Amortization of prior service cost, net of tax of $(5) and $(5), respectively	**(14)**	(14)
Net gain, net of tax of $11 and $27, respectively	**32**	77
Cash Flow Hedges, net of tax:		
Unrealized gain on commodity contract cash flow hedges, net of tax of $185 and $63, respectively	**529**	166
Unrealized loss on interest rate swap cash flow hedges, net of tax of $(1)	**—**	(2)
Total Other Comprehensive Income, net of tax	**547**	227
Comprehensive Income	**$ 37,480**	$ 34,693

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

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

Assets *(in thousands, except shares and per share data)*	**March 31, 2022**	December 31, 2021
Property, Plant and Equipment		
Regulated Energy	**$ 1,741,731**	$ 1,720,287
Unregulated Energy	**376,468**	357,259
Other businesses and eliminations	**34,692**	35,418
Total property, plant and equipment	**2,152,891**	2,112,964
Less: Accumulated depreciation and amortization	**(427,998)**	(417,479)
Plus: Construction work in progress	**30,487**	49,393
Net property, plant and equipment	**1,755,380**	1,744,878
Current Assets		
Cash and cash equivalents	**5,208**	4,976
Trade and other receivables	**54,683**	61,623
Less: Allowance for credit losses	**(2,842)**	(3,141)
Trade and other receivables, net	**51,841**	58,482
Accrued revenue	**21,532**	22,513
Propane inventory, at average cost	**9,772**	11,644
Other inventory, at average cost	**10,228**	9,345
Regulatory assets	**20,438**	19,794
Storage gas prepayments	**650**	3,691
Income taxes receivable	**11,326**	17,460
Prepaid expenses	**13,754**	17,121
Derivative assets, at fair value	**7,516**	7,076
Other current assets	**703**	1,033
Total current assets	**152,968**	173,135
Deferred Charges and Other Assets		
Goodwill	**44,708**	44,708
Other intangible assets, net	**12,832**	13,192
Investments, at fair value	**11,561**	12,095
Operating lease right-of-use assets	**16,231**	10,139
Regulatory assets	**101,611**	104,173
Receivables and other deferred charges	**14,338**	12,549
Total deferred charges and other assets	**201,281**	196,856
Total Assets	**$ 2,109,629**	$ 2,114,869

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

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

Capitalization and Liabilities *(in thousands, except shares and per share data)*	March 31, 2022	December 31, 2021
Capitalization		
Stockholders' equity		
Preferred stock, par value $0.01 per share (authorized 2,000,000 shares), no shares issued and outstanding	**$ —**	$ —
Common stock, par value $0.4867 per share (authorized 50,000,000 shares)	**8,624**	8,593
Additional paid-in capital	**373,694**	371,162
Retained earnings	**421,344**	393,072
Accumulated other comprehensive income	**1,850**	1,303
Deferred compensation obligation	**6,477**	7,240
Treasury stock	**(6,477)**	(7,240)
Total stockholders' equity	**805,512**	774,130
Long-term debt, net of current maturities	**597,878**	549,903
Total capitalization	**1,403,390**	1,324,033
Current Liabilities		
Current portion of long-term debt	**19,717**	17,962
Short-term borrowing	**140,865**	221,634
Accounts payable	**30,259**	52,628
Customer deposits and refunds	**33,374**	36,488
Accrued interest	**4,950**	2,775
Dividends payable	**8,504**	8,466
Accrued compensation	**9,270**	15,505
Regulatory liabilities	**9,427**	2,312
Derivative liabilities, at fair value	**484**	743
Other accrued liabilities	**22,863**	17,920
Total current liabilities	**279,713**	376,433
Deferred Credits and Other Liabilities		
Deferred income taxes	**241,132**	233,550
Regulatory liabilities	**142,807**	142,488
Environmental liabilities	**3,271**	3,538
Other pension and benefit costs	**23,073**	24,120
Operating lease - liabilities	**14,161**	8,571
Deferred investment tax credits and other liabilities	**2,082**	2,136
Total deferred credits and other liabilities	**426,526**	414,403
Environmental and other commitments and contingencies (Notes 6 and 7)		
Total Capitalization and Liabilities	**$ 2,109,629**	$ 2,114,869

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

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
(in thousands)	**2022**	**2021**
Operating Activities		
Net income	**$ 36,933**	$ 34,466
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**16,977**	15,365
Depreciation and accretion included in other costs	**2,744**	2,568
Deferred income taxes	**7,398**	6,334
Realized gain on commodity contracts and sale of assets	**(4,274)**	(3,514)
Unrealized loss (gain) on investments/commodity contracts	**541**	(389)
Employee benefits and compensation	**(260)**	(173)
Share-based compensation	**2,213**	1,876
Changes in assets and liabilities:		
Accounts receivable and accrued revenue	**7,532**	(484)
Propane inventory, storage gas and other inventory	**4,031**	1,371
Regulatory assets/liabilities, net	**5,774**	14,123
Prepaid expenses and other current assets	**6,626**	4,171
Accounts payable and other accrued liabilities	**(12,918)**	766
Income taxes (payable) receivable	**6,134**	6,093
Customer deposits and refunds	**(3,114)**	(847)
Accrued compensation	**(6,392)**	(5,105)
Other assets and liabilities, net	**(825)**	3,761
Net cash provided by operating activities	**69,120**	80,382
Investing Activities		
Property, plant and equipment expenditures	**(29,887)**	(51,994)
Proceeds from sale of assets	**219**	394
Environmental expenditures	**(267)**	(247)
Net cash used in investing activities	**(29,935)**	(51,847)
Financing Activities		
Common stock dividends	**(8,274)**	(7,513)
Issuance of stock under the Dividend Reinvestment Plan, net of offering fees	**3,242**	2,053
Tax withholding payments related to net settled stock compensation	**(2,838)**	(1,478)
Change in cash overdrafts due to outstanding checks	**1,223**	7
Net advances (repayments) under line of credit agreements	**(82,008)**	(19,528)
Proceeds from long-term debt, net of offering fees	**49,915**	—
Repayment of long-term debt	**(213)**	—
Net cash used in financing activities	**(38,953)**	(26,459)
Net Increase in Cash and Cash Equivalents	**232**	2,076
Cash and Cash Equivalents—Beginning of Period	**4,976**	3,499
Cash and Cash Equivalents—End of Period	**$ 5,208**	$ 5,575

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

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

	Common Stock (1)							
(in thousands, except shares and per share data)	Number of Shares(2)	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Deferred Compensation	Treasury Stock	Total
Balance at December 31, 2020	**17,461,841**	**$ 8,499**	**$ 348,482**	**$ 342,969**	**$ (2,865)**	**$ 5,679**	**$ (5,679)**	**$ 697,085**
Net income	—	—	—	34,466	—	—	—	34,466
Other comprehensive income	—	—	—	—	227	—	—	227
Dividends declared ($0.440 per share)	—	—	—	(7,812)	—	—	—	(7,812)
Dividend reinvestment plan	20,511	10	2,204	—	—	—	—	2,214
Share-based compensation and tax benefit (3) (4)	39,141	19	189	—	—	—	—	208
Treasury stock activities	—	—	—	—	—	1,313	(1,313)	—
Balance at March 31, 2021	**17,521,493**	**$ 8,528**	**$ 350,875**	**$ 369,623**	**$ (2,638)**	**$ 6,992**	**$ (6,992)**	**$ 726,388**
Balance at December 31, 2021	**17,655,410**	**$ 8,593**	**$ 371,162**	**$ 393,072**	**$ 1,303**	**$ 7,240**	**$ (7,240)**	**$ 774,130**
Net income	—	—	—	36,933	—	—	—	**36,933**
Other comprehensive income	—	—	—	—	547	—	—	**547**
Dividends declared ($0.480 per share)	—	—	—	(8,661)	—	—	—	**(8,661)**
Issuance under various plans (5)	24,960	12	3,410	—	—	—	—	**3,422**
Share-based compensation and tax benefit (3) (4)	39,018	19	(878)	—	—	—	—	**(859)**
Treasury stock activities	—	—	—	—	—	(763)	763	—
Balance at March 31, 2022	**17,719,388**	**$ 8,624**	**$ 373,694**	**$ 421,344**	**$ 1,850**	**$ 6,477**	**$ (6,477)**	**$ 805,512**

(1) 2,000,000 shares of preferred stock at $0.01 par value have been authorized. No shares have been issued or are outstanding; accordingly, no information has been included in the statements of stockholders' equity.

(2) Includes 107,518, 116,238, 116,751, and 105,087 shares at March 31, 2022, December 31, 2021, March 31, 2021 and December 31, 2020, respectively, held in a Rabbi Trust related to our Non-Qualified Deferred Compensation Plan.

(3) Includes amounts for shares issued for directors' compensation.

(4) The shares issued under the SICP are net of shares withheld for employee taxes. For the three months ended March 31, 2022 and 2021, we withheld 21,832 and 14,020 shares, respectively, for employee taxes.

(5) Includes the Retirement Savings Plan, DRIP and ATM equity issuances.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Summary of Accounting Policies

Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in compliance with the rules and regulations of the SEC and GAAP. In accordance with these rules and regulations, certain information and disclosures normally required for audited financial statements have been condensed or omitted. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto, included in our latest Annual Report on Form 10-K for the year ended December 31, 2021. 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.

Effects of COVID-19

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

Refer to Note 5, *Rates and Other Regulatory Activities*, for further information on the regulated assets established as a result of the incremental expenses associated with COVID-19.

Recent Accounting Standards Yet to be Adopted

Reference Rate Reform - (ASC 848) - In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which was subsequently amended by ASU 2021-01. The standard provides relief for companies preparing for the discontinuation of interest rates, such as LIBOR, and allows optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The amendments included in this ASU are to be applied prospectively, and are not expected to have a material impact on our financial position or results of operations.

2. Calculation of Earnings Per Share

	Three Months Ended March 31,	
(in thousands, except shares and per share data)	2022	2021
Calculation of Basic Earnings Per Share:		
Net Income	**$ 36,933**	$ 34,466
Weighted average shares outstanding	**17,678,060**	17,485,866
Basic Earnings Per Share	**$ 2.09**	**$ 1.97**
Calculation of Diluted Earnings Per Share:		
Net Income	**$ 36,933**	$ 34,466
Reconciliation of Denominator:		
Weighted shares outstanding—Basic	**17,678,060**	17,485,866
Effect of dilutive securities—Share-based compensation	**83,059**	67,301
Adjusted denominator—Diluted	**17,761,119**	17,553,167
Diluted Earnings Per Share	**$ 2.08**	**$ 1.96**

3. Acquisitions

Acquisition of Diversified Energy

On December 15, 2021, Sharp acquired the propane operating assets of Diversified Energy for approximately $37.5 million, net of cash acquired. In connection with this acquisition, we recorded a $2.1 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. Included with the acquisition, was approximately $1.7 million of working capital from the Seller consisting predominantly of accounts receivable and propane inventory. We accounted for this acquisition as a business combination within our Unregulated Energy Segment beginning in the fourth quarter of 2021. In January 2022, we recorded a post-closing true-up of $0.8 million related to the provision for working capital valuation at the time of closing. There were multiple strategic benefits to this acquisition including it: (i) expands our propane service territory into North Carolina and South Carolina (ii) builds upon our existing propane presence in Virginia and Pennsylvania, and (iii) includes an established customer base with opportunities for future growth. Through this acquisition, the Company added approximately 19,000 residential, commercial and agricultural customers, along with expected distribution of approximately 10.0 million gallons of propane annually. In connection with this acquisition, we recorded $23.1 million in property plant and equipment, $6.2 million in intangible assets associated with customer relationships and non-compete agreements and $5.9 million in goodwill, all of which is 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.

For the three months ended March 31, 2022, Diversified Energy generated operating revenue and operating income of $10.4 million and $1.5 million, respectively.

4. Revenue Recognition

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

(in thousands)	Three months ended March 31, 2022 Regulated Energy	Unregulated Energy	Other and Eliminations	Total	Three months ended March 31, 2021 Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution								
Delaware natural gas division	**$ 34,481**	**$ —**	**$ —**	**$ 34,481**	$ 33,272	$ —	$ —	$ 33,272
Florida natural gas division	**10,266**	**—**	**—**	**10,266**	8,956	—	—	8,956
FPU electric distribution	**19,089**	**—**	**—**	**19,089**	18,551	—	—	18,551
FPU natural gas distribution	**30,020**	**—**	**—**	**30,020**	26,861	—	—	26,861
Maryland natural gas division	**10,464**	**—**	**—**	**10,464**	10,466	—	—	10,466
Sandpiper natural gas/propane operations	**7,636**	**—**	**—**	**7,636**	8,071	—	—	8,071
Elkton Gas	**3,366**	**—**	**—**	**3,366**	2,635	—	—	2,635
Total energy distribution	**115,322**	**—**	**—**	**115,322**	108,812	—	—	108,812
Energy transmission								
Aspire Energy	**—**	**18,036**	**—**	**18,036**	—	12,905	—	12,905
Aspire Energy Express	**263**	**—**	**—**	**263**	47	—	—	47
Eastern Shore	**20,321**	**—**	**—**	**20,321**	19,972	—	—	19,972
Peninsula Pipeline	**6,772**	**—**	**—**	**6,772**	6,467	—	—	6,467
Total energy transmission	**27,356**	**18,036**	**—**	**45,392**	26,486	12,905	—	39,391
Energy generation								
Eight Flags	**—**	**5,539**	**—**	**5,539**	—	4,329	—	4,329
Propane operations								
Propane delivery operations	**—**	**75,606**	**—**	**75,606**	—	55,264	—	55,264
Compressed Natural Gas Services								
Marlin Gas Services	**—**	**2,209**	**—**	**2,209**	—	2,352	—	2,352
Other and eliminations								
Eliminations	**(14,787)**	**(98)**	**(6,435)**	**(21,320)**	(14,101)	(91)	(4,901)	(19,093)
Other	**—**	**—**	**132**	**132**	—	—	132	132
Total other and eliminations	**(14,787)**	**(98)**	**(6,303)**	**(21,188)**	(14,101)	(91)	(4,769)	(18,961)
Total operating revenues [(1)]	**$ 127,891**	**$ 101,292**	**$ (6,303)**	**$ 222,880**	$ 121,197	$ 74,759	$ (4,769)	$ 191,187

[(1)] Total operating revenues for the three months ended March 31, 2022, include other revenue (revenues from sources other than contracts with customers) of $0.1 million for both Regulated and Unregulated Energy segments, respectively, and $(0.3) million and $0.1 million for our Regulated and Unregulated Energy segments, respectively, for the three months ended March 31, 2021. 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, 2022 and December 31, 2021 were as follows:

(in thousands)	Trade Receivables	Contract Assets (Current)	Contract Assets (Non-current)	Contract Liabilities (Current)
Balance at 12/31/2021	$ 56,277	$ 18	$ 4,806	$ 747
Balance at 3/31/2022	**50,440**	**18**	**4,743**	**504**
Increase (decrease)	$ (5,837)	$ —	$ (63)	$ (243)

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

At times, we receive advances or deposits from our customers before we satisfy our performance obligation, resulting in contract liabilities. Contract liabilities are included in other accrued liabilities in the condensed consolidated balance sheets and relate to non-refundable prepaid fixed fees for our Mid-Atlantic propane delivery operation's retail offerings. Our performance obligation is satisfied over the term of the respective customer retail program on a ratable basis. For the three months ended March 31, 2022 and 2021, we recognized revenue of $0.4 million.

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 March 31, 2022, are expected to be recognized as follows:

(in thousands)	2022	2023	2024	2025	2026	2027	2028 and thereafter
Eastern Shore and Peninsula Pipeline	$ 35,359	$ 44,475	$ 39,677	$ 33,050	$ 29,467	$ 25,228	$ 179,247
Natural gas distribution operations	5,010	5,681	5,458	4,928	4,745	4,406	27,089
FPU electric distribution	489	652	652	275	275	275	275
Total revenue contracts with remaining performance obligations	$ 40,858	$ 50,808	$ 45,787	$ 38,253	$ 34,487	$ 29,909	$ 206,611

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

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

Maryland

Ocean City Maryland Reinforcement: In March 2022, we filed a Section 7(f) - Request for Service Area Determination with the FERC regarding plans to extend our natural gas facilities across the Delaware/Maryland state line from

Sussex County, Delaware, to Worcester County, Maryland, to provide a secondary feed to Sandpiper Energy, Inc.'s (Sandpiper) system. We anticipate resolution of this filing in the second quarter of 2022.

Strategic Infrastructure Development and Enhancement (“STRIDE”) Plan: In March 2021, Elkton Gas filed a strategic infrastructure development and enhancement plan with the Maryland PSC. The STRIDE plan accelerates Elkton Gas' Aldyl-A pipeline replacement program as costs of the plan are recovered through a fixed charge rider which is effective for five years. Under Elkton Gas’ STRIDE plan, the Aldyl-A pipelines will be fully replaced by 2023. In July 2021, Elkton Gas reached a settlement with the Maryland PSC Staff and the Maryland Office of Public Counsel that approved Elkton Gas’ STRIDE plan. The STRIDE plan allows for recovery of the associated revenue requirement through a monthly surcharge, which was implemented effective September 2021.

Florida

Winter Haven Expansion Project: In May 2021, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with CFG for an incremental 6,800 Dts/d of firm service in the Winter Haven, Florida area. As part of this agreement, Peninsula Pipeline will construct a new interconnect with FGT and a new regulator station for CFG. CFG will use the additional firm service to support new incremental load due to growth, including providing service to a new can manufacturing facility, as well as provide reliability and operational benefits to CFG’s existing distribution system in the area. In connection with Peninsula Pipeline’s new regulator station, CFG is also extending its distribution system to connect to the new station. The Transportation Service Agreement was approved by the Florida PSC in September 2021. Construction commenced in February 2021 and the expected in-service date is the second quarter of 2022.

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

Eastern Shore

Southern Expansion Project: In January 2022, Eastern Shore submitted a prior notice filing with the FERC pursuant to blanket certificate procedures, regarding its proposal to install an additional compressor unit and related facilities at Eastern Shore's existing compressor station in Bridgeville, Sussex County, Delaware. The project will enable Eastern Shore to provide additional firm natural gas transportation service to an existing shipper on Eastern Shore's pipeline system, with a projected in-service date by November 2022. We are currently in the midst of the comment and protest phase of the filing of the application process.

Capital Cost Surcharge: In June 2021, Eastern Shore submitted a filing with the FERC regarding a capital cost surcharge to recover capital costs associated with two mandated highway relocate projects that required the replacement of existing Eastern Shore facilities. The capital cost surcharge was an approved item in Eastern Shore’s last rate case. In conjunction with the filing of this surcharge, pursuant to the settlement agreement, a cumulative adjustment to the existing surcharge to reflect additional depreciation was included in this filing. The FERC issued an order approving the surcharge as filed on July 7, 2021. The combined revised surcharge became effective July 15, 2021.

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. Chesapeake Utilities is considered an “essential business,” which allowed us to continue operational activities and construction projects with appropriate safety precautions and personal protective equipment, while being mindful of the social distancing restrictions that were in place.

In response to the COVID-19 pandemic and related restrictions, we experienced reduced consumption of energy largely in the commercial and industrial sectors, higher bad debt expenses and incremental expenses associated with COVID-19, including expenditures associated with personal protective equipment and premium pay for field personnel. The additional operating expenses we incurred supported the ongoing delivery of our essential services during these unprecedented times. In April and May 2020, we were authorized by the Maryland and Delaware PSCs, respectively, to record regulatory assets for COVID-19 related costs which offers 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 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 March 31, 2022 and December 31, 2021, our total COVID-19 regulatory asset balance was $2.0 million and $2.3 million, respectively.

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

Summary TCJA Table

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

	Amount (in thousands)		
Operation and Regulatory Jurisdiction	**March 31, 2022**	**December 31, 2021**	**Status**
Eastern Shore (FERC)	$34,190	$34,190	Will be addressed in Eastern Shore's next rate case filing.
Delaware Division (Delaware PSC)	$12,551	$12,591	PSC approved amortization of ADIT in January 2019.
Maryland Division (Maryland PSC)	$3,806	$3,840	PSC approved amortization of ADIT in May 2018.
Sandpiper Energy (Maryland PSC)	$3,641	$3,656	PSC approved amortization of ADIT in May 2018.
Chesapeake Florida Gas Division/Central Florida Gas (Florida PSC)	$7,986	$8,032	PSC issued order authorizing amortization and retention of net ADIT liability by the Company in February 2019.
FPU Natural Gas (excludes Fort Meade and Indiantown) (Florida PSC)	$19,086	$19,189	Same treatment on a net basis as Chesapeake Florida Gas Division (above).
FPU Fort Meade and Indiantown Divisions (Florida PSC)	$268	$271	Same treatment on a net basis as Chesapeake Florida Gas Division (above).
FPU Electric (Florida PSC)	$5,176	$5,237	In January 2019, PSC issued order approving amortization of ADIT through purchased power cost recovery, storm reserve and rates.
Elkton Gas (Maryland PSC)	$1,091	$1,091	PSC approved amortization of ADIT in March 2018.

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, 2022 and December 31, 2021, we had approximately $4.9 million and $5.2 million, respectively, in environmental liabilities related to the former MGP sites. As of March 31, 2022 and December 31, 2021, we have cumulative regulatory assets of $1.1 million and $1.3 million, respectively, in regulatory assets for future recovery of environmental costs for customers. Specific to FPU's four MGP sites in Key West, Pensacola, Sanford and West Palm Beach. FPU has approval to recover, from insurance and through customer rates, up to $14.0 million of its environmental costs related to its MGP sites. As of March 31, 2022 and December 31, 2021, we had recovered approximately $13.0 million and $12.9 million, respectively, leaving approximately $1.0 million and $1.1 million, respectively, in regulatory assets for future recovery of environmental costs from FPU's customers.

Environmental liabilities for our MGP sites are recorded on an undiscounted basis based on the estimate of future costs provided by independent consultants. We continue to expect that all costs related to environmental remediation and related activities, including any potential future remediation costs for which we do not currently have approval for regulatory recovery, will be recoverable from customers through rates.

Remediation is ongoing for the MGPs in Winter Haven and Key West in Florida and in Seaford, Delaware and the remaining clean-up costs are estimated to be between $0.3 million to $0.9 million for these three sites. The Environmental Protection Agency has approved a "site-wide ready for anticipated use" status for the Sanford, Florida MGP site, which is the final step before delisting a site. The remaining remediation expenses for the Sanford MGP site are immaterial.

The following is a summary of our remediation status and estimated costs to implement clean-up of our West Palm Beach Florida site:

Status	Estimated Clean-Up Costs
Remedial actions approved by the Florida Department of Environmental Protection have been implemented on the east parcel of the site. Similar remedial actions have been initiated on the site's west parcel, and construction of active remedial systems are expected be completed in 2022.	Between $3.3 million to $14.2 million, including costs associated with the relocation of FPU's operations at this site, and any potential costs associated with future redevelopment of the properties.

7. Other Commitments and Contingencies

Natural Gas, Electric and Propane Supply

In March 2020, our Delmarva Peninsula natural gas distribution operations entered into asset management agreements with a third party to manage their natural gas transportation and storage capacity. The agreements were effective as of April 1, 2020 and expire in March 2023.

FPU natural gas distribution operations and Eight Flags have separate asset management agreements with Emera Energy Services, Inc. to manage their natural gas transportation capacity. These agreements are for a 10-year term that commenced in November 2020 and expire in October 2030.

Chesapeake Utilities' Florida Division has firm transportation service contracts with FGT and Gulfstream. Pursuant to a capacity release program approved by the Florida PSC, all of the capacity under these agreements has been released to various third parties. Under the terms of these capacity release agreements, Chesapeake Utilities is contingently liable to FGT and Gulfstream should any party, that acquired the capacity through release, fail to pay the capacity charge. To date, Chesapeake Utilities has not been required to make a payment resulting from this contingency.

FPU's electric supply contracts require FPU to maintain an acceptable standard of creditworthiness based on specific financial ratios. FPU's agreement with Florida Power & Light Company requires FPU to meet or exceed a debt service coverage ratio of 1.25 times based on the results of the prior 12 months. If FPU fails to meet this ratio, it must provide an irrevocable letter of credit or pay all amounts outstanding under the agreement within five business days. FPU's electric supply agreement with Gulf Power requires FPU to meet the following ratios based on the average of the prior six quarters: (a) funds from operations interest coverage ratio (minimum of 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, 2022, 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, 2022 was $20.0 million. The aggregate amount guaranteed at March 31, 2022 was approximately $13.1 million with the guarantees expiring on various dates through March 30, 2023.

As of March 31, 2022, we have issued letters of credit totaling approximately $5.3 million related to the electric transmission services for FPU's electric division, the firm transportation service agreement between TETLP and our Delaware and Maryland divisions, the capacity agreement between NEXUS and Aspire, and our current and previous primary insurance carriers. These letters of credit have various expiration dates through October 25, 2022. There have been no draws on these letters of credit as of March 31, 2022. We do not anticipate that the counterparties will draw upon these letters of credit, and we expect that they will be renewed to the extent necessary in the future.

8. Segment Information

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

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

- *Regulated Energy*. Includes energy distribution and transmission services (natural gas distribution, natural gas transmission and electric distribution operations). All operations in this segment are regulated, as to their rates and services, by the PSC having jurisdiction in each operating territory or by the FERC in the case of Eastern Shore.
- *Unregulated Energy.* Includes energy transmission, energy generation (the operations of our Eight Flags' CHP plant), propane operations, and mobile compressed natural gas distribution and pipeline solutions subsidiary. 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 is 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:

(in thousands)	Three Months Ended March 31, 2022		2021	
Operating Revenues, Unaffiliated Customers				
Regulated Energy	**$**	**124,058**	$	120,721
Unregulated Energy		**98,822**		70,466
Total operating revenues, unaffiliated customers	**$**	**222,880**	$	191,187
Intersegment Revenues [(1)]				
Regulated Energy	**$**	**3,833**	$	476
Unregulated Energy		**1,996**		4,293
Other businesses		**606**		132
Total intersegment revenues	**$**	**6,435**	$	4,901
Operating Income				
Regulated Energy	**$**	**34,681**	$	32,637
Unregulated Energy		**20,046**		18,983
Other businesses and eliminations		**138**		(23)
Operating income		**54,865**		51,597
Other income (expense), net		**913**		375
Interest charges		**5,339**		5,105
Income before Income Taxes		**50,439**		46,867
Income Taxes		**13,506**		12,401
Net Income	**$**	**36,933**	$	34,466

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

(in thousands)	March 31, 2022		December 31, 2021	
Identifiable Assets				
Regulated Energy segment	**$**	**1,620,209**	$	1,629,191
Unregulated Energy segment		**440,936**		439,114
Other businesses and eliminations		**48,484**		46,564
Total identifiable assets	**$**	**2,109,629**	$	2,114,869

9. Stockholders' Equity

Common Stock Issuances

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

We maintain an effective shelf registration statement with the SEC for the issuance of shares under our DRIP. Depending on our capital needs and subject to market conditions, in addition to other possible debt and equity offerings, we may issue additional shares under the direct stock purchase component of the DRIP. In 2021, we issued just over 0.1 million shares at an average price per share of $125.71 and received net proceeds of $15.2 million under the DRIP. In the first three months of 2022, we issued less than 0.1 million shares at an average price per share of $137.45 and received net proceeds of $3.2 million under the DRIP.

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

Accumulated Other Comprehensive Gain (Loss)

Defined benefit pension and postretirement plan items, unrealized gains (losses) of our propane swap agreements designated as commodity contracts cash flow hedges, and the unrealized gains (losses) of our interest rate swap agreements designated as cash flow hedges are the components of our accumulated other comprehensive income (loss). The following tables present the changes in the balance of accumulated other comprehensive gain (loss) as of March 31, 2022 and 2021. All amounts in the following tables are presented net of tax.

(in thousands)	Defined Benefit Pension and Postretirement Plan Items	Commodity Contracts Cash Flow Hedges	Interest Rate Swap Cash Flow Hedges (1)	Total
As of December 31, 2021	**$ (3,268)**	**$ 4,571**	**$ —**	**$ 1,303**
Other comprehensive income before reclassifications	**—**	**2,498**	**—**	**2,498**
Amounts reclassified from accumulated other comprehensive income/(loss)	**18**	**(1,969)**	**—**	**(1,951)**
Net current-period other comprehensive income	**18**	**529**	**—**	**547**
As of March 31, 2022	**$ (3,250)**	**$ 5,100**	**$ —**	**$ 1,850**
(in thousands)				
As of December 31, 2020	$ (5,146)	$ 2,309	$ (28)	$ (2,865)
Other comprehensive income before reclassifications	—	2,371	1	2,372
Amounts reclassified from accumulated other comprehensive income/(loss)	63	(2,205)	(3)	(2,145)
Net prior-period other comprehensive income/(loss)	63	166	(2)	227
As of March 31, 2021	$ (5,083)	$ 2,475	$ (30)	$ (2,638)

(1) All of our interest rate swaps expired at December 31, 2021.

The following table presents amounts reclassified out of accumulated other comprehensive income (loss) for the three months ended March 31, 2022 and 2021. Deferred gains or losses for our commodity contracts and interest rate swap cash flow hedges are recognized in earnings upon settlement.

(in thousands)	Three Months Ended March 31, 2022	2021
Amortization of defined benefit pension and postretirement plan items:		
Prior service credit [1]	**$ 19**	$ 19
Net loss[1]	**(43)**	(104)
Total before income taxes	**(24)**	(85)
Income tax benefit	**6**	22
Net of tax	**$ (18)**	$ (63)
Gains on commodity contracts cash flow hedges:		
Propane swap agreements [2]	**$ 2,721**	$ 3,047
Income tax expense	**(752)**	(842)
Net of tax	**$ 1,969**	$ 2,205
Gains on interest rate swap cash flow hedges:		
Interest rate swap agreements	**$ —**	$ 4
Income tax expense	**—**	(1)
Net of tax	**$ —**	$ 3
Total reclassifications for the period	**$ 1,951**	$ 2,145

[1] These amounts are included in the computation of net periodic costs (benefits). See Note 10*, Employee Benefit Plans*, for additional details.
[2] These amounts are included in the effects of gains and losses from derivative instruments. See Note 13, *Derivative Instruments*, for additional details.

Amortization of defined benefit pension and postretirement plan items are included in other expense, net gains and losses on propane swap agreements contracts are included in cost of sales, the realized gain or loss on interest rate swap agreements is recognized as a component of interest charges in the accompanying condensed consolidated statements of income. The income tax benefit is included in income tax expense in the accompanying condensed consolidated statements of income.

10. Employee Benefit Plans

Net periodic benefit costs for our pension and post-retirement benefits plans for the three months ended March 31, 2022 and 2021 are set forth in the following tables:

For the Three Months Ended March 31,	Chesapeake Pension Plan 2022	Chesapeake Pension Plan 2021	FPU Pension Plan 2022	FPU Pension Plan 2021	Chesapeake SERP 2022	Chesapeake SERP 2021	Chesapeake Postretirement Plan 2022	Chesapeake Postretirement Plan 2021	FPU Medical Plan 2022	FPU Medical Plan 2021
(in thousands)										
Interest cost	$ —	$ 34	$ 449	$ 429	$ 13	$ 12	$ 6	$ 6	$ 6	$ 6
Expected return on plan assets	—	(40)	(857)	(830)	—	—	—	—	—	—
Amortization of prior service credit	—	—	—	—	—	—	(19)	(19)	—	—
Amortization of net (gain) loss	—	60	124	155	7	7	12	8	—	(2)
Total periodic cost (benefit)	$ —	$ 54	$ (284)	$ (246)	$ 20	$ 19	$ (1)	$ (5)	$ 6	$ 4

In 2019, we began executing a de-risking strategy for the Chesapeake Pension Plan. In line with this strategy, we fully terminated the Chesapeake Pension Plan during the fourth quarter of 2021, and as of December 31, 2021, there were no remaining assets in the Chesapeake Pension Plan. Accordingly, a portion of the pension settlement expense associated with the termination was allocated to our Regulated Energy operations and was recorded as regulatory assets, previously approved in all of the impacted jurisdictions. The remaining portion of the pension settlement expense totaling $0.6 million was recorded in other expense in our consolidated statement of income in the fourth quarter 2021 which reflected the amount allocated to our Unregulated Energy operations or was deemed not recoverable through the regulatory process.

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.

The following tables present the amounts included in the regulatory asset and accumulated other comprehensive income that were recognized as components of net periodic benefit cost during the three months ended March 31, 2022 and 2021:

For the Three Months Ended March 31, 2022	Chesapeake Pension Plan	FPU Pension Plan	Chesapeake SERP	Chesapeake Postretirement Plan	FPU Medical Plan	Total
(in thousands)						
Prior service credit	$ —	$ —	$ —	$ (19)	$ —	$ (19)
Net loss	—	124	7	12	—	143
Total recognized in net periodic benefit cost	—	124	7	(7)	—	124
Recognized from accumulated other comprehensive (income)/loss [(1)]	—	24	7	(7)	—	24
Recognized from regulatory asset	—	100	—	—	—	100
Total	$ —	$ 124	$ 7	$ (7)	$ —	$ 124

For the Three Months Ended March 31, 2021	Chesapeake Pension Plan	FPU Pension Plan	Chesapeake SERP	Chesapeake Postretirement Plan	FPU Medical Plan	Total
(in thousands)						
Prior service credit	$ —	$ —	$ —	$ (19)	$ —	$ (19)
Net loss	60	155	7	8	(2)	228
Total recognized in net periodic benefit cost	60	155	7	(11)	(2)	209
Recognized from accumulated other comprehensive (income)/loss [1]	60	29	7	(11)	—	85
Recognized from regulatory asset	—	126	—	—	(2)	124
Total	$ 60	$ 155	$ 7	$ (11)	$ (2)	$ 209

[1] See Note 9, *Stockholders' Equity*.

During the three months ended March 31, 2022, we did not contribute to the FPU Pension Plan. We expect to contribute approximately $0.3 million to the FPU Pension Plan during 2022, which represents the minimum annual contribution payments required.

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 the Chesapeake SERP for the three months ended March 31, 2022 were immaterial. We expect to pay total cash benefits of approximately $0.2 million under the Chesapeake SERP in 2022. Cash benefits paid under the Chesapeake Postretirement Plan, primarily for medical claims for the three months ended March 31, 2022 were $0.1 million. We estimate that approximately $0.1 million will be paid for such benefits under the Chesapeake Postretirement Plan in 2022. Cash benefits paid under the FPU Medical Plan, primarily for medical claims for the three months ended March 31, 2022, were immaterial. We estimate that approximately $0.1 million will be paid for such benefits under the FPU Medical Plan in 2022.

11. Investments

The investment balances at March 31, 2022 and December 31, 2021, consisted of the following:

(in thousands)	March 31, 2022	December 31, 2021
Rabbi trust (associated with the Non-Qualified Deferred Compensation Plan)	**$ 11,534**	$ 12,069
Investments in equity securities	**27**	26
Total	**$ 11,561**	$ 12,095

We classify these investments as trading securities and report them at their fair value. For the three months ended March 31, 2022 and 2021, we recorded a net unrealized loss of $0.5 million and a net unrealized gain of $0.4 million, respectively, in other income, net in the condensed consolidated statements of income related to these investments. For the investment in the Rabbi Trust, we also have recorded an associated liability, which is included in other pension and benefit costs in the consolidated balance sheets and is adjusted each period for the gains and losses incurred by the investments in the Rabbi Trust.

12. Share-Based Compensation

Our non-employee directors and key employees are 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, 2022 and 2021:

(in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Awards to non-employee directors	$ **234**	$ 188
Awards to key employees	**1,979**	1,688
Total compensation expense	**2,213**	1,876
Less: tax benefit	**(571)**	(487)
Share-based compensation amounts included in net income	$ **1,642**	$ 1,389

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. In May 2021, after the most recent election of directors, each of our non-employee directors received an annual retainer of 683 shares of common stock under the SICP for service as a director through the 2022 Annual Meeting of Stockholders; accordingly, 6,830 shares, with a weighted average fair value of $117.11 per share, were issued and vested in 2021.

On October 15, 2021, a newly appointed member of the Board of Directors received a pro-rated retainer of 342 shares of common stock under the SICP to serve as a non-employee director through the 2022 Annual Meeting of Stockholders. These shares vested immediately upon issuance in October 2021, had a weighted average fair value of $129.09 per share, and will be expensed over the remaining service period ending on the date of the 2022 Annual Meeting of Stockholders.

At March 31, 2022, there was approximately $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 of 2022.

Key Employees

The table below presents the summary of the stock activity for awards to key employees for the three months ended March 31, 2022:

	Number of Shares	Weighted Average Fair Value
Outstanding—December 31, 2021	197,398	$ 94.15
Granted	63,382	$ 123.68
Vested	(60,850)	$ 90.60
Expired	557	$ 91.42
Outstanding—March 31, 2022	200,487	$ 105.32

During the three months ended March 31, 2022, we granted awards of 63,382 shares of common stock to key employees under the SICP, including awards granted in February 2022 and to key employees appointed in officer positions. The shares granted are multi-year awards that will vest no later than the three-year service period ending December 31, 2024. All of these stock awards are earned based upon the successful achievement of long-term financial results, which are comprised of market-based and performance-based conditions or targets. The fair value of each performance-based condition or target is equal to the market price of our common stock on the grant date of each award. For the market-based conditions, we used the Monte Carlo valuation to estimate the fair value of each market-based award granted.

In March 2022, 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 February 2022 for the performance period ended December 31, 2021, paid the balance of such awarded shares to each such executive officer net cash remitted to the appropriate taxing authorities. We withheld 21,832 shares, based on the value of the shares on their award date. Total combined payments for the employees' tax obligations to the taxing authorities were approximately $2.8 million.

At March 31, 2022, the aggregate intrinsic value of the SICP awards granted to key employees was approximately $27.6 million. At March 31, 2022, there was approximately $9.4 million of unrecognized compensation cost related to these awards, which will be recognized through 2024.

Stock Options

There were no stock options outstanding or issued during the three months ended March 31, 2022 and 2021.

13. 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, 2022, our natural gas and electric distribution operations did not have any outstanding derivative contracts.

Volume of Derivative Activity

As of March 31, 2022, 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	15.5	Cash flows hedges	June 2024
Sharp	Propane (gallons)	Sales	3.8	Cash flows hedges	March 2023

Sharp entered into futures and swap agreements to mitigate the risk of fluctuations in wholesale propane index prices associated with the propane volumes that are expected to be purchased and/or sold during the heating season. Under the futures and swap agreements, Sharp will receive the difference between (i) the index prices (Mont Belvieu prices in March 2022 through June 2024) 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 flows hedges. The change in the fair value of the swap agreements is recorded as unrealized gain (loss) in other comprehensive income (loss) and later recognized in the statement of income in the same period and in the same line item as the hedged transaction. We expect to reclassify approximately $4.3 million from accumulated other comprehensive income to earnings during the next 12-month period ended March 31, 2023.

Interest Rate Swap Activities

We manage interest rate risk by entering into derivative contracts to hedge the variability in cash flows attributable to changes in the short-term borrowing rates. In the fourth quarter of 2020, we entered into two $30.0 million interest rate swaps with a total notional amount of $60.0 million through September and December 2021 with pricing of 0.205 and 0.20 percent, respectively, for the period associated with our outstanding borrowing under the Revolver. In February 2021, we entered into an additional interest rate swap with a notional amount of $40.0 million through December 2021 with pricing of 0.17 percent. Our short-term borrowing is based on the 30-day LIBOR rate. The interest swaps were cash settled monthly as the counter-party pays us the 30-day LIBOR rate less the fixed rate. At December 31, 2021 all of our interest rate swaps had expired and we have not entered into any new derivative contracts associated with our outstanding short-term borrowings.

We designated and accounted for interest rate swaps as cash flows hedges. Accordingly, unrealized gains and losses associated with the interest rate swaps were recorded as a component of accumulated other comprehensive income (loss). When the interest rate swaps settled, the realized gain or loss were recorded in the income statement and 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 as follows:

(in thousands)	Balance Sheet Location	March 31, 2022	December 31, 2021
Sharp	Other Accrued Liabilities	**$ 3,669**	$ 4,081

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 March 31, 2022 and December 31, 2021, are as follows:

	Derivative Assets		
		Fair Value As Of	
(in thousands)	Balance Sheet Location	March 31, 2022	December 31, 2021
Derivatives not designated as hedging instruments			
Propane swap agreements	Derivative assets, at fair value	**$ —**	$ 16
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative assets, at fair value	**7,516**	7,060
Total Derivative Assets		**$ 7,516**	$ 7,076

	Derivative Liabilities		
		Fair Value As Of	
(in thousands)	Balance Sheet Location	March 31, 2022	December 31, 2021
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative liabilities, at fair value	**$ 484**	$ 743

The effects of gains and losses from derivative instruments on the condensed consolidated financial statements are as follows:

		Amount of Gain (Loss) on Derivatives: For the Three Months Ended March 31,	
(in thousands)	Location of Gain (Loss) on Derivatives	2022	2021
Derivatives not designated as hedging instruments			
Propane swap agreements	Unregulated propane and natural gas costs	**$ 56**	$ —
Derivatives designated as fair value hedges			
Propane put options	Unregulated propane and natural gas costs	**—**	(24)
Derivatives designated as cash flow hedges			
Propane swap agreements	Revenues	**(826)**	—
Propane swap agreements	Unregulated propane and natural gas costs	**3,547**	3,047
Propane swap agreements	Other comprehensive income (loss)	**714**	229
Interest rate swap agreements	Interest expense	**—**	4
Interest rate swap agreements	Other comprehensive income (loss)	**—**	(3)
Total		**$ 3,491**	$ 3,253

14. 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, 2022 and December 31, 2021:

		Fair Value Measurements Using:		
As of March 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	$ 27	$ 27	$ —	$ —
Investments—guaranteed income fund	2,104	—	—	2,104
Investments—mutual funds and other	9,430	9,430	—	—
Total investments	11,561	9,457	—	2,104
Derivative assets	7,516	—	7,516	—
Total assets	$ 19,077	$ 9,457	$ 7,516	$ 2,104
Liabilities:				
Derivative liabilities	$ 484	$ —	$ 484	$ —

As of December 31, 2021 *(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	$ 26	$ 26	$ —	$ —
Investments—guaranteed income fund	2,036	—	—	2,036
Investments—mutual funds and other	10,033	10,033	—	—
Total investments	12,095	10,059	—	2,036
Derivative assets	7,076	—	7,076	—
Total assets	$ 19,171	$ 10,059	$ 7,076	$ 2,036
Liabilities:				
Derivative liabilities	$ 743	$ —	$ 743	$ —

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

(in thousands)	Three months ended March 31, 2022	2021
Beginning Balance	**$ 2,036**	$ 2,156
Purchases and adjustments	**131**	22
Transfers	**—**	—
Distribution	**(71)**	(38)
Investment income	**8**	8
Ending Balance	**$ 2,104**	$ 2,148

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

At March 31, 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 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 3 measurement).

At March 31, 2022, long-term debt, which includes current maturities but excludes debt issuance costs, had a carrying value of approximately $618.6 million, compared to the estimated fair value of $584.2 million. At December 31, 2021, long-term debt, which includes the current maturities but excludes debt issuance costs, had a carrying value of approximately $568.8 million, compared to a fair value of approximately $597.2 million. The fair value was calculated using a discounted cash flow methodology that incorporates a market interest rate based on published corporate borrowing rates for debt instruments with similar terms and average maturities, and with adjustments for duration, optionality, and risk profile. The valuation technique used to estimate the fair value of long-term debt would be considered a Level 3 measurement.

15. Long-Term Debt

Our outstanding long-term debt is shown below:

(in thousands)	March 31, 2022	December 31, 2021
Uncollateralized senior notes:		
5.93% note, due October 31, 2023	**$ 6,000**	$ 6,000
5.68% note, due June 30, 2026	**14,500**	14,500
6.43% note, due May 2, 2028	**4,900**	4,900
3.73% note, due December 16, 2028	**14,000**	14,000
3.88% note, due May 15, 2029	**40,000**	40,000
3.25% note, due April 30, 2032	**70,000**	70,000
3.48% note, due May 31, 2038	**50,000**	50,000
3.58% note, due November 30, 2038	**50,000**	50,000
3.98% note, due August 20, 2039	**100,000**	100,000
2.98% note, due December 20, 2034	**70,000**	70,000
3.00% note, due July 15, 2035	**50,000**	50,000
2.96% note, due August 15, 2035	**40,000**	40,000
2.49% notes Due January 25, 2037	**50,000**	50,000
2.95% notes Due March 15, 2042	**50,000**	—
Equipment security note		
2.46% note, due September 24, 2031	**9,165**	9,378
Less: debt issuance costs	**(970)**	(913)
Total long-term debt	**617,595**	567,865
Less: current maturities	**(19,717)**	(17,962)
Total long-term debt, net of current maturities	**$ 597,878**	$ 549,903

Notes Purchase Agreement

On March 15, 2022 we issued 2.95 percent Senior Notes due March 15, 2042 to MetLife in the aggregate principal amount of $50 million. We used the proceeds received from the issuances of the Senior Notes to reduce short-term borrowings under the revolving credit facility and to fund capital expenditures. These Senior Notes have similar covenants and default provisions as the existing senior notes, and have an annual principal payment beginning in the eleventh year after the issuance.

Equipment Security Note

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

Shelf Agreements

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

(in thousands)	Total Borrowing Capacity	Less: Amount of Debt Issued	Less: Unfunded Commitments	Remaining Borrowing Capacity
Shelf Agreement				
Prudential Shelf Agreement [1]	$ 370,000	$ (220,000)	$ —	$ 150,000
MetLife Shelf Agreement [1]	150,000	(50,000)	—	100,000
Total Shelf Agreements as of March 31, 2022	$ 520,000	$ (270,000)	$ —	$ 250,000

[1] The Prudential and MetLife Shelf Agreements expire in April 2023 and May 2023, respectively.

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

16. Short-Term Borrowings

We are authorized by our Board of Directors to borrow up to $400.0 million of short-term debt, as required. At March 31, 2022 and December 31, 2021, we had $140.9 million and $221.6 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 1.17 percent and 0.83 percent, respectively.

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

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 these agreements. We are required by the financial covenants in the Revolver to maintain, at the end of each fiscal year, a funded indebtedness ratio of no greater than 65 percent. As of March 31, 2022, we are in compliance with this covenant.

The 364-day tranche of the Revolver expires in August 2022 and the five-year tranche expires in August 2026 both are available to provide funds for our short-term cash needs to meet seasonal working capital requirements and to temporarily fund portions of our capital expenditures. Borrowings under both tranches of the Revolver are subject to a pricing grid, including the commitment fee and the interest rate charged. Our pricing is adjusted each quarter based upon a total indebtedness to total capitalization ratio. As of March 31, 2022, the pricing under the 364-day tranche of the Revolver does not include an unused commitment fee and maintains an interest rate of 0.70 percent over LIBOR. As of March 31, 2022, the pricing under the five-year tranche of the Revolver included an unused commitment fee of 0.09 percent and an interest rate of 0.95 percent over LIBOR.

Our total available credit under the Revolver at March 31, 2022 was $256.3 million. As of March 31, 2022, we had issued $5.3 million in letters of credit to various counterparties under the syndicated Revolvers. 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 our syndicated Revolver.

In the fourth quarter of 2020, we entered into two $30.0 million interest rate swaps with a notional amount of $60.0 million through September and December 2021 at a pricing of 0.205 and 0.20 percent, respectively. In February 2021, we entered into an additional interest rate swap with a notional amount of $40.0 million through December 2021 with pricing of 0.17 percent. Our short-term borrowing is based on the 30-day LIBOR rate. At December 31, 2021, all of our interest rate swaps had expired and we have not entered into any new derivative contracts associated with our outstanding short-term borrowings.

17. Leases

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

Some of our leases are subject to annual changes in the Consumer Price Index ("CPI"). While lease liabilities are not re-measured as a result of changes to the CPI, changes to the CPI are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred. A 100-basis-point increase in CPI would not have resulted in material additional annual lease costs. 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, 2022, pertaining to the right-of-use assets and lease liabilities, are measured based on our current expectations of exercising our available renewal options. Our existing leases are not subject to any restrictions or covenants that would preclude our ability to pay dividends, obtain financing or enter into additional leases. As of March 31, 2022, we have not entered into any leases, which have not yet commenced, that would entitle us to significant rights or create additional obligations. The following table presents information related to our total lease cost included in our consolidated statements of income:

		Three Months Ended March 31,	
(in thousands)	**Classification**	**2022**	**2021**
Operating lease cost [(1)]	Operations expense	**$651**	$523

[(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, 2022 and December 31, 2021:

(in thousands)	**Balance sheet classification**	**March 31, 2022**	**December 31, 2021**
Assets			
Operating lease assets	Operating lease right-of-use assets	**$ 16,231**	$ 10,139
Liabilities			
Current			
Operating lease liabilities	Other accrued liabilities	**$ 2,552**	$ 1,996
Noncurrent			
Operating lease liabilities	Operating lease - liabilities	**14,161**	8,571
Total lease liabilities		**$ 16,713**	$ 10,567

The following table presents our weighted-average remaining lease terms and weighted-average discount rates for our operating and financing leases at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Weighted-average remaining lease term (*in years*)		
Operating leases	**8.76**	8.10
Weighted-average discount rate		
Operating leases	**3.4 %**	3.6 %

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

	Three Months Ended March 31,	
(in thousands)	2022	2021
Operating cash flows from operating leases	**$ 609**	$ 471

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

(in thousands)	Operating Leases [(1)]
Remainder of 2022	**$ 2,195**
2023	**2,804**
2024	**2,592**
2025	**2,265**
2026	**1,758**
2027	**1,509**
Thereafter	**6,080**
Total lease payments	**19,203**
Less: Interest	**(2,490)**
Present value of lease liabilities	**$ 16,713**

(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, 2021, 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 2021 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 inherent hazards and risks involved in transporting and distributing natural gas, electricity and propane;
- the economy in our service territories or markets, the nation, and worldwide, including the impact of economic conditions (which we do not control) on demand for natural gas, electricity, propane or other fuels;
- risks related to cyber-attacks or cyber-terrorism that could disrupt our business operations or result in failure of information technology systems or result in the loss or exposure of confidential or sensitive customer, employee or Company information;
- adverse weather conditions, including the effects of hurricanes, ice storms and other damaging weather events;
- customers' preferred energy sources;
- industrial, commercial and residential growth or contraction in our markets or service territories;
- the effect of competition on our businesses from other energy suppliers and alternative forms of energy;
- the timing and extent of changes in commodity prices and interest rates;
- the effect of spot, forward and future market prices on our various energy businesses;
- the extent of our success in connecting natural gas and electric supplies to our transmission systems, establishing and maintaining key supply sources, and expanding natural gas and electric markets;
- the creditworthiness of counterparties with which we are engaged in transactions;
- the capital-intensive nature of our regulated energy businesses;
- our ability to access the credit and capital markets to execute our business strategy, including our ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general economic conditions;
- the ability to successfully execute, manage and integrate a merger, acquisition or divestiture of assets or businesses and the related regulatory or other conditions associated with the merger, acquisition or divestiture;
- the impact on our costs and funding obligations, under our pension and other post-retirement benefit plans, of potential downturns in the financial markets, lower discount rates, and costs associated with health care legislation and regulation;
- the ability to continue to hire, train and retain appropriately qualified personnel;

- the availability of, and competition for, qualified personnel supporting our natural gas, electricity and propane businesses;
- the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; and
- the impacts associated with the outbreak of a pandemic, including the duration and scope of the pandemic the corresponding impact on our supply chains, our personnel, our contract counterparties, general economic conditions and growth, the financial markets and any costs to comply with governmental mandates.

Introduction

We are an energy delivery company engaged in the distribution of natural gas, electricity and propane; the transmission of natural gas; the generation of electricity and steam, and in providing related services to our customers.

Our strategy is focused on growing earnings from a stable regulated energy delivery foundation and investing in related businesses and services that provide opportunities for returns greater than traditional utility returns. We seek to identify and develop opportunities across the energy value chain, with emphasis on midstream and downstream investments that are accretive to earnings per share, consistent with our long-term growth strategy and create opportunities to continue our record of top tier returns on equity relative to our peer group.

Currently, our growth strategy is focused on the following platforms, including:

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

Due to the seasonality of our business, results for interim periods are not necessarily indicative of results for the entire fiscal year. Revenue and earnings are typically greater during the first and fourth quarters, when consumption of energy is normally highest due to colder temperatures.

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

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

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

	For the Three Months Ended March 31, 2022			
(in thousands)	**Regulated Energy**	**Unregulated Energy**	**Other and Eliminations**	**Total**
Operating Revenues	**$ 127,891**	**$ 101,292**	**$ (6,303)**	**$ 222,880**
Cost of Sales:				
Natural gas, propane and electric costs	(45,442)	(58,008)	6,270	(97,180)
Depreciation & amortization	(13,086)	(3,881)	(10)	(16,977)
Operations & maintenance expense [1]	(8,176)	(7,063)	(401)	(15,640)
Gross Margin (GAAP)	**61,187**	**32,340**	**(444)**	**93,083**
Operations & maintenance expense [1]	8,176	7,063	401	15,640
Depreciation & amortization	13,086	3,881	10	16,977
Adjusted Gross Margin (Non-GAAP)	**$ 82,449**	**$ 43,284**	**$ (33)**	**$ 125,700**

	For the Three Months Ended March 31, 2021			
(in thousands)	**Regulated Energy**	**Unregulated Energy**	**Other and Eliminations**	**Total**
Operating Revenues	**$ 121,197**	**$ 74,759**	**$ (4,769)**	**$ 191,187**
Cost of Sales:				
Natural gas, propane and electric costs	(43,043)	(35,983)	4,729	(74,297)
Depreciation & amortization	(12,030)	(3,323)	(12)	(15,365)
Operations & maintenance expense [1]	(8,335)	(6,371)	352	(14,354)
Gross Margin (GAAP)	**57,789**	**29,082**	**300**	**87,171**
Operations & maintenance expense [1]	8,335	6,371	(352)	14,354
Depreciation & amortization	12,030	3,323	12	15,365
Adjusted Gross Margin (Non-GAAP)	**$ 78,154**	**$ 38,776**	**$ (40)**	**$ 116,890**

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

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

Gross Margin (GAAP) for the Regulated Energy segment for the first quarter of 2022 was $61.2 million, an increase of $3.4 million, or 5.9 percent, compared to the first quarter of 2021. Higher gross margin reflects continued pipeline expansions by Eastern Shore and Peninsula Pipeline, contributions from the new Guernsey pipeline, organic growth in the natural gas distribution businesses and operating results from the 2021 Escambia Meter acquisition. These increases were partially offset by higher depreciation and amortization related to recent capital investments and acquisitions as well as, increased payroll, benefits and other employee related costs.

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

Gross Margin (GAAP) for the Unregulated Energy segment for the first quarter of 2022 was $32.3 million, an increase of $3.3 million, or 11.2 percent, compared to the first quarter of 2021. Higher gross margin is a result of contributions from the propane acquisition of Diversified Energy completed in 2021, increased propane margins per gallon and service fees, along with higher rates for Aspire Energy. These increases were partially offset by higher depreciation, amortization and property taxes related to recent capital investments and acquisitions, increased payroll, benefits and employee related costs and higher vehicle expenses primarily driven by increased fuel costs.

Results of Operations for the Three Months Ended March 31, 2022

Overview

Chesapeake Utilities is a Delaware corporation formed in 1947. We are a diversified energy company engaged, through our operating divisions and subsidiaries, in regulated energy, unregulated energy and other businesses. We operate primarily on the east coast of the United States and provide natural gas distribution and transmission; electric distribution and generation; propane gas distribution; mobile compressed natural gas services; steam generation; and other energy-related services.

In March 2020, the CDC declared a national emergency due to the rapidly growing outbreak of COVID-19. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These restrictions significantly impacted economic conditions in the United States beginning in 2020 and persisted throughout 2021, though to a lesser extent. Chesapeake Utilities is considered an “essential business,” which allowed us to continue operational activities and construction projects while social distancing restrictions were in place.

As of March 31, 2022, these restrictions have predominantly been lifted as vaccines have become widely available in the United States. Previously existing states of emergency in all of our service territories expired during the second and third quarters of 2021, eliminating a majority of restrictions initially implemented to slow the spread of the virus. The expiration of the states of emergency along with the settlement of our limited proceeding in Florida, has concluded our ability to defer incremental pandemic related costs for consideration through the applicable regulatory process. We have adjusted our operating practices accordingly to ensure the safety of our operations and will take the necessary actions to comply with the CDC, and the Occupational Safety and Health Administration, as new developments occur.

Environmental, Social and Governance Initiatives

ESG initiatives are at the core of our well-established culture, guiding our strategy and informing our ongoing business decisions. In February 2022, Chesapeake Utilities published its inaugural sustainability report. In the report, we outline our ESG commitments:

- Chesapeake Utilities will be a leader in the transition to a lower carbon future.
- We will continue to promote a diverse and inclusive workplace and further the sustainability of the communities we serve.
- Our businesses will be operated 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 our company and the relationships we have with our stakeholders. We encourage our investors to review the report and welcome feedback as we continue to enhance our ESG disclosures.

During the first quarter, some of our most recent ESG advancements included:

Environmental:
- Successfully completed first test of hydrogen and natural gas blend to fuel our Eight Flags' CHP
- Marlin Gas Services opened its first CNG fueling station near the Port of Savannah, capable of distributing RNG for fleet vehicles

Social:
- Named a 2022 Top Workplaces USA award recipient for mid-sized companies for the second consecutive year
- Initiated two new Employee Resource Groups within the Company

Governance:
- Increased transparency with the enhancement of our director skills matrix in the Proxy Statement distributed to shareholders in March 2022
- In April 2022, we joined governance leaders as a member of the Advisory Board for the John L. Weinberg Center for Corporate Governance

Additionally, we established our Environmental Sustainability Office ("ESO") and ESG Committee ("ESGC") during the first quarter of 2022. The ESO was established to identify and manage emission-reducing projects both internally, as well as those that support our customers’ sustainability goals. The ESGC was established to bring together a cross-functional team of leaders across the organization to identify, assess, execute and advance the Company’s strategic ESG initiatives. We look forward to highlighting the progress of these initiatives in future sustainability reports.

Operational Highlights

Our net income for the three months ended March 31, 2022 was $36.9 million, or $2.08 per share, compared to $34.5 million, or $1.96 per share, for the same quarter of 2021. Operating income for the three months ended March 31, 2022 increased by $3.3 million, or 6.3 percent, over the same period in 2021. Higher performance in the first quarter of 2022 was generated from the 2021 acquisitions of Diversified Energy and the Escambia Meter Station, continued pipeline expansion projects, increased investment in various regulated infrastructure programs, natural gas distribution growth, contributions from increased margins and fees from our propane distribution business and Aspire Energy. These increases were partially offset by reduced consumption in our propane operations in the first quarter compared to the same period in 2021. We recorded higher depreciation, amortization and property taxes related to recent capital investments and higher operating expenses associated primarily with growth initiatives and recent acquisitions including payroll, benefits and other employee-related expenses.

	Three Months Ended March 31,		Increase
(in thousands except per share)	**2022**	**2021**	**(decrease)**
Adjusted Gross Margin			
Regulated Energy segment	**$ 82,449**	$ 78,154	$ 4,295
Unregulated Energy segment	**43,284**	38,776	4,508
Other businesses and eliminations	**(33)**	(40)	7
Total Adjusted Gross Margin	**$ 125,700**	$ 116,890	$ 8,810
Operating Income			
Regulated Energy segment	**$ 34,681**	$ 32,637	$ 2,044
Unregulated Energy segment	**20,046**	18,983	1,063
Other businesses and eliminations	**138**	(23)	161
Total Operating Income	**54,865**	51,597	3,268
Other income, net	**913**	375	538
Interest charges	**5,339**	5,105	234
Income from Before Income Taxes	**50,439**	46,867	3,572
Income Taxes	**13,506**	12,401	1,105
Net Income	**$ 36,933**	$ 34,466	$ 2,467
Basic Earnings Per Share of Common Stock	**$ 2.09**	$ 1.97	$ 0.12
Diluted Earnings Per Share of Common Stock	**$ 2.08**	$ 1.96	$ 0.12

Key variances between the first quarter of 2022 and the first quarter of 2021, included:

(in thousands, except per share data)	Pre-tax Income	Net Income	Earnings Per Share
First Quarter of 2021 Reported Results	**$ 46,867**	**$ 34,466**	**$ 1.96**
Increased (Decreased) Adjusted Gross Margins:			
Contributions from 2021 acquisitions*	4,225	3,093	0.17
Natural gas transmission service expansions*	1,227	899	0.05
Natural gas growth (excluding service expansions)	1,194	874	0.05
Higher operating results from Aspire Energy	929	680	0.04
Contributions from regulated infrastructure programs *	924	677	0.04
Increased propane margins and fees	722	529	0.03
Reduced customer consumption - primarily weather related	(435)	(318)	(0.02)
	8,786	6,434	0.36
(Increased) Decreased Operating Expenses (Excluding Natural Gas, Propane, and Electric Costs):			
Operating expenses from recent acquisitions	(2,450)	(1,794)	(0.10)
Depreciation, amortization and property tax costs	(1,607)	(1,176)	(0.07)
Payroll, benefits and other employee-related expenses	(846)	(620)	(0.04)
Vehicle expenses	(255)	(187)	(0.01)
	(5,158)	(3,777)	(0.22)
Interest charges	(234)	(172)	(0.01)
Net other changes	178	(18)	0.01
Change in shares outstanding due to 2021 and 2022 equity offerings	—	—	(0.02)
	(56)	(190)	(0.02)
First Quarter of 2022 Reported Results	**$ 50,439**	**$ 36,933**	**$ 2.08**

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

Summary of Key Factors

Recently Completed and Ongoing Major Projects and Initiatives

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

	Adjusted Gross Margin				
	Three Months Ended March 31,		Year Ended December 31,	Estimate for Fiscal	
in thousands	**2022**	2021	2021	2022	2023
Pipeline Expansions:					
Western Palm Beach County, Florida Expansion [1]	**$ 1,307**	1,167	$ 4,729	$ 5,227	$ 5,227
Del-Mar Energy Pathway [1] [2]	**1,722**	884	4,584	6,980	6,867
Guernsey Power Station	**263**	47	187	1,380	1,486
Southern Expansion	**—**	—	—	375	2,344
Winter Haven Expansion	**33**	—	—	401	976
Beachside Pipeline Expansion	**—**	—	—	—	1,825
North Ocean City Connector	**—**	—	—	—	400
Total Pipeline Expansions	**3,325**	2,098	9,500	14,363	19,125
Virtual Pipeline Solutions (CNG/RNG/LNG)	**2,142**	2,077	7,566	8,500	9,500
RNG Infrastructure	**91**	—	—	1,000	1,000
Acquisitions:					
Diversified Energy	**3,975**	—	603	11,300	12,000
Escambia Meter Station	**250**	—	583	1,000	1,000
Total Acquisitions	**4,225**	—	1,186	12,300	13,000
Regulatory Initiatives:					
Florida GRIP	**4,851**	4,065	16,995	18,797	19,475
Capital Cost Surcharge Programs	**517**	136	1,199	2,018	1,936
Elkton Gas STRIDE Plan	**74**	—	26	241	354
Total Regulatory Initiatives	**5,442**	4,201	18,220	21,056	21,765
Total	**$ 15,225**	$ 8,376	$ 36,472	$ 57,219	$ 64,390

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

Detailed Discussion of Major Projects and Initiatives

Pipeline Expansions

West Palm Beach County, Florida Expansion

Peninsula Pipeline is constructing four transmission lines to bring additional natural gas to our distribution system in West Palm Beach, Florida. The first phase of this project was placed into service in December 2018 with multiple phases placed into service leading up to the project's final completion in the fourth quarter of 2021. The project generated incremental adjusted gross margin of $0.1 million during the first quarter 2022 compared to the first quarter 2021. We estimate that the project will generate annual adjusted gross margin of $5.2 million in 2022 and beyond.

Del-Mar Energy Pathway

In December 2019, the FERC issued an order approving the construction of the Del-Mar Energy Pathway project. The project was placed into service in the fourth quarter of 2021. The new facilities: (i) include an additional 14,300 Dts/d of firm service to four customers, (ii) provide additional natural gas transmission pipeline infrastructure in eastern Sussex County, Delaware, and (iii) represent the first extension of Eastern Shore's pipeline system into Somerset County, Maryland. Including interim services in advance of completion, the project generated additional adjusted gross margin of $0.8 million for the three months ended March 31, 2022. The estimated annual adjusted gross margin from this project, including natural gas distribution service in Somerset County, Maryland, is approximately $7.0 million in 2022 and growing each year thereafter, as the distribution system serving Somerset County further expands to meet demand.

Guernsey Power Station
Guernsey Power Station and the Company's affiliate, Aspire Energy Express, entered into a precedent agreement for firm transportation capacity whereby Guernsey Power Station will construct a power generation facility and Aspire Energy Express will provide firm natural gas transportation service to this facility. Guernsey Power Station commenced construction of the project in October 2019. Aspire Energy Express completed construction of the gas transmission facilities in the fourth quarter of 2021. This project added $0.2 million of adjusted gross margin in the first quarter and is expected to produce adjusted gross margin of approximately $1.4 million in 2022 and $1.5 million in 2023 and beyond.

Southern Expansion
Pending FERC authorization, Eastern Shore plans to install a new natural gas driven compressor skid unit at its existing Bridgeville, Delaware compressor station that will provide 7,300 Dts of incremental firm transportation pipeline capacity. The project is currently estimated to go into service in the fourth quarter of 2022. Eastern Shore expects the Southern Expansion project to generate annual adjusted gross margin of $0.4 million in 2022 and $2.3 million in 2023 and thereafter.

Winter Haven Expansion
In May 2021, Peninsula Pipeline filed a petition with the Florida PSC for approval of its Transportation Service Agreement with CFG for an incremental 6,800 Dts/d of firm service in the Winter Haven, Florida area. As part of this agreement, Peninsula Pipeline will construct a new interconnect with FGT and a new regulator station for CFG. The additional firm service will be used to support new incremental load due to growth in the area, including providing service, most immediately, to a new can manufacturing facility, as well as reliability and operational benefits to CFG's existing distribution system in the area. In connection with Peninsula Pipeline's new regulator station, CFG is also extending its distribution system to connect to the new station. We expect this expansion to generate additional adjusted gross margin of $0.4 million in 2022 and $1.0 million in 2023 and thereafter.

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

North Ocean City Connector
Pending receipt of the remaining permits, we expect to begin construction beginning in the second quarter of 2022 of an extension of service into North Ocean City, Maryland. The Delaware Division and Sandpiper plan to install approximately 5.7 miles of pipeline across southern Sussex County, Delaware to Fenwick Island, Delaware and Worcester County, Maryland. The project will produce additional capacity to serve new customers and reinforce our existing system in Ocean City, Maryland. We expect this expansion to generate additional annual adjusted gross margin of $0.4 million in 2023 and beyond.

Virtual Pipeline Solutions (CNG, RNG & LNG)

Marlin Gas Services provides CNG, RNG and liquefied natural gas ("LNG") temporary hold services, contracted pipeline integrity services, emergency services for damaged pipelines and specialized gas services for customers who have unique requirements. For the quarter ended March 31, 2022, Marlin Gas Services generated additional adjusted gross margin of $0.1 million compared to the quarter ended March 31, 2021. We estimate that Marlin Gas Services will generate annual adjusted gross margin of approximately $8.5 million in 2022, and $9.5 million in 2023, with potential for additional growth in future years. Marlin Gas Services continues to actively expand the territories it serves, as well as leverage its patented technology to serve other markets, including pursuing liquefied natural gas transportation opportunities and renewable natural gas transportation opportunities from diverse supply sources to various pipeline interconnection points, as further outlined below.

RNG Infrastructure

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

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

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

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

At the present time, we expect to generate adjusted gross margin of $1.0 million in 2022 and beyond from renewable natural gas transportation. As we continue to finalize contract terms associated with some of these projects, additional information will be provided regarding incremental margin at a future time.

Acquisitions

Diversified Energy
On December 15, 2021, Sharp Energy acquired the propane operating assets of Diversified Energy Company for approximately $37.5 million net of cash acquired. There are multiple strategic benefits to this acquisition including it: (i) expands the Company's propane territory into North Carolina and South Carolina while also expanding our existing footprint in Pennsylvania and Virginia, and (ii) includes an established customer base with opportunities for future growth. Through this acquisition, the Company added approximately 19,000 residential, commercial and agricultural customers, along with distribution of approximately 10.0 million gallons of propane annually. For the three months ended March 31, 2022, Diversified Energy contributed $4.0 million in adjusted gross margin and is expected to generate $11.3 million of additional adjusted gross margin in 2022 and $12.0 million in 2023.

Escambia Meter Station
In June 2021, Peninsula Pipeline purchased the Escambia Meter Station from Florida Power and Light and entered into a Transportation Service Agreement with Gulf Power Company to provide up to 530,000 Dts/d of firm service from an interconnect with FGT to Florida Power & Light's Crist Lateral pipeline. The Florida Power & Light Crist Lateral provides gas supply to their natural gas fired power plant owned by Florida Power & Light in Pensacola, Florida. The Company generated $0.3 million in additional adjusted gross margin for the three months ended March 31, 2022 and estimates that this acquisition will generate adjusted gross margin of approximately $1.0 million in 2022 and beyond.

Regulatory Initiatives

Florida GRIP
Florida GRIP is a natural gas pipe replacement program approved by the Florida PSC that allows automatic recovery, through rates, of costs associated with the replacement of mains and services. Since the program's inception in August 2012, the Company has invested $189.5 million of capital expenditures to replace 348 miles of qualifying distribution mains, including $23.6 million of new pipes during 2021. GRIP generated additional gross margin of $0.8 million for the quarter ended March 31, 2022 compared to March 31, 2021. We are currently projecting to complete this program in 2022 and expect to generate adjusted gross margin of $18.8 million and $19.5 million in 2022 and 2023, respectively. The adjusted gross margin

on GRIP investments will continue until the Company requests the remaining net GRIP investment, and the associated expenses, be included in its next base rate proceeding.

Capital Cost Surcharge Programs
In December 2019, the FERC approved Eastern Shore's capital cost surcharge to become effective January 1, 2020. The surcharge, an approved item in the settlement of Eastern Shore's last general rate case, allows Eastern Shore to recover capital costs associated with mandated highway or railroad relocation projects that required the replacement of existing Eastern Shore facilities. For the first quarter of 2022, there was $0.4 million of adjusted gross margin generated pursuant to the program. Eastern Shore expects to produce adjusted gross margin of approximately $2.0 million in 2022 and 2023 from relocation projects, which is ultimately dependent upon the timing of filings and the completion of construction.

Elkton Gas STRIDE Plan
In June 2021, we reached a settlement with the Maryland PSC Staff and the Maryland Office of the Peoples Counsel regarding a five-year plan to replace Aldyl-A pipelines and recover the associated costs of those replacements through a fixed charge rider.The STRIDE plan went into service in September 2021 and is expected to generate $0.2 million of adjusted gross margin in 2022 and $0.4 million annually thereafter.

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 will allow us to seek recovery of these costs in the next base rate proceedings. In November 2020, the Office of Public Counsel filed a protest to the order approving the establishment of this regulatory asset treatment. The Company's Florida regulated business units reached a settlement with the Florida OPC in June 2021. The settlement allowed 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 will amortize the amount over two years beginning January 1, 2022 and recover the regulatory asset through the Purchased Gas Adjustment and Swing Service mechanisms for the natural gas business units and through the Fuel Purchased Power Cost Recovery clause for the electric division. This results in annual additional adjusted gross margin of $1.0 million that will be offset by a corresponding amortization of regulatory asset expense for both 2022 and 2023.

Florida Natural Gas Base Rate Proceeding
On March 24, 2022, our Florida natural gas distribution business units, FPU, the Florida Division of Chesapeake Utilities, FPU – Indiantown Division, and FPU – Fort Meade (jointly, "the Florida Natural Gas Companies"), filed a joint notification with the Florida PSC, stating their intent to file a consolidated natural gas base rate proceeding and request consolidation of the Florida distribution operations under FPU for all Florida regulatory purposes. Our Florida Natural Gas Companies anticipates filing the consolidated base rate case as soon as practicable after the expiration of the notification period, but not before May 24, 2022.

We estimate that an increase in the revenue requirement of $18 million to $21 million is necessary to produce sufficient revenues to allow the Florida Natural Gas Companies, once consolidated, to continue to provide the safe and reliable natural gas service our customers deserve and have come to expect, while continuing to invest in the safety of our employees, customers, and communities, as well as the natural gas distribution system itself. Our request will seek an effective date for new rates of January 1, 2023. We will also be requesting interim rate relief, subject to refund, in accordance with the applicable statute using the period January 1, 2021 through December 31, 2021, as the test period. We currently cannot estimate the ultimate outcome of the consolidated base rate proceeding.

Other major factors influencing adjusted gross margin

Weather Impact
For the three months ended March 31, 2022, weather conditions accounted for $0.4 million of decreased adjusted gross margin compared to the same period in 2021. Assuming normal temperatures, as detailed below, adjusted gross margin would have been higher by $0.9 million. The following table summarizes HDD and CDD variances from the 10-year average HDD/CDD ("Normal") for the three months ended March 31, 2022 and 2021.

	Three Months Ended March 31,		
	2022	2021	Variance
Delmarva Peninsula			
Actual HDD	**2,181**	2,186	(5)
10-Year Average HDD ("Normal")	**2,255**	2,280	(25)
Variance from Normal	**(74)**	(94)	
Florida			
Actual HDD	**497**	503	(6)
10-Year Average HDD ("Normal")	**497**	506	(9)
Variance from Normal	**—**	(3)	
Ohio			
Actual HDD	**2,926**	2,772	154
10-Year Average HDD ("Normal")	**2,912**	2,959	(47)
Variance from Normal	**14**	(187)	
Florida			
Actual CDD	**195**	184	11
10-Year Average CDD ("Normal")	**197**	195	2
Variance from Normal	**(2)**	(11)	

Natural Gas Distribution Adjusted Gross Margin Growth

Customer growth for our natural gas distribution operations, as a result of the addition of new customers and the conversion of customers from alternative fuel sources to natural gas service, generated $1.2 million of additional adjusted gross margin for the three months ended March 31, 2022. The average number of residential customers served on the Delmarva Peninsula increased by 5.3 percent for the three months ended March 31, 2022, while Florida customers increased by 4.0 percent, for the same period. A larger percentage of the adjusted gross margin growth was generated from residential growth given the expansion of natural gas into new housing communities and conversions to natural gas as our distribution infrastructure continues to build out. We anticipate continued customer growth, as new communities continue to build out due to population growth and additional infrastructure is added to support the growth. The details for the three months ended March 31, 2022 are provided in the following table:

	Three Months Ended March 31, 2022	
(in thousands)	Delmarva Peninsula	Florida
Customer Growth:		
Residential	$ 760	$ 375
Commercial and industrial	—	59
Total Customer Growth	$ 760	$ 434

Regulated Energy Segment

For the quarter ended March 31, 2022, compared to the quarter ended March 31, 2021:

(in thousands)	Three Months Ended March 31, 2022	2021	Increase (decrease)
Revenue	**$ 127,891**	$ 121,197	$ 6,694
Regulated natural gas and electric costs	**45,442**	43,043	2,399
Adjusted gross margin [(1)]	**82,449**	78,154	4,295
Operations & maintenance	**29,149**	28,233	916
Depreciation & amortization	**13,086**	12,030	1,056
Other taxes	**5,533**	5,254	279
Total operating expenses	**47,768**	45,517	2,251
Operating income	**$ 34,681**	$ 32,637	$ 2,044

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

Operating income for the Regulated Energy segment for the first quarter of 2022 was $34.7 million, an increase of $2.0 million, or 6.3 percent, over the same period in 2021. Higher operating income reflects continued pipeline expansions by Eastern Shore and Peninsula Pipeline, organic growth in our natural gas distribution businesses, incremental contributions from regulated infrastructure programs, and operating results from the Escambia Meter Station acquisition completed in 2021. Operating expenses increased by $2.3 million compared to the prior year quarter due to higher depreciation, amortization and property taxes, payroll, benefits and other employee related expenses.

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

(in thousands)	
Natural gas transmission service expansions	$ 1,227
Natural gas growth (excluding service expansions)	1,194
Contributions from regulated infrastructure programs	924
Escambia Meter Station acquisition	250
Other variances	700
Quarter-over-quarter increase in adjusted gross margin	**$ 4,295**

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

Natural Gas Transmission Service Expansions

We generated increased adjusted gross margin of $1.2 million from natural gas transmission service expansions including, Peninsula Pipeline's Western Palm Beach County project, Eastern Shore's Del-Mar Energy Pathway project and the Guernsey pipeline expansion for the three months ended March 31, 2022

Natural Gas Distribution Customer Growth

We generated additional adjusted gross margin of $1.2 million from natural gas customer growth. Adjusted gross margin increased by $0.4 million in Florida and $0.8 million on the Delmarva Peninsula for the three months ended March 31, 2022, as compared to the same period in 2021, due primarily to residential customer growth of 5.3 percent and 4.0 percent on the Delmarva Peninsula and in Florida, respectively.

Contributions from Regulated Infrastructure Programs

Contributions from regulated infrastructure programs generated incremental adjusted gross margin of $0.9 million in the first quarter of 2022 The increase in adjusted gross margin was primarily related to continued investment in the Florida GRIP, Eastern Shore's capital surcharge program and the Elkton Gas STRIDE Plan. Refer to Note 5, *Rates and Other Regulatory Activities*, in the condensed consolidated financial statements for additional information.

Acquisitions

Adjusted gross margin increased by $0.3 million due to the acquisition of the Escambia Meter Station which was consummated in June 2021.

Operating Expenses
Items contributing to the quarter-over-quarter increase in operating expenses are listed in the following table:

(in thousands)		
Depreciation, amortization and property taxes	$	1,403
Payroll, benefits and other employee related costs		485
Other variances		363
Quarter-over-quarter increase in operating expenses	**$**	**2,251**

Unregulated Energy Segment

For the quarter ended March 31, 2022, compared to the quarter ended March 31, 2021:

(in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Increase (decrease)
Revenue	**$ 101,292**	$ 74,759	$ 26,533
Unregulated propane and natural gas costs	**58,008**	35,983	22,025
Adjusted gross margin [(1)]	**43,284**	38,776	4,508
Operations & maintenance	**18,090**	15,284	2,806
Depreciation & amortization	**3,881**	3,323	558
Other taxes	**1,267**	1,186	81
Total operating expenses	**23,238**	19,793	3,445
Operating Income	**$ 20,046**	$ 18,983	$ 1,063

[(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 2022 increased by $1.1 million or, 5.6 percent compared to the same period in 2021.

Higher operating results during the first quarter were driven by contributions from the acquisition of Diversified Energy, margin improvement from Aspire Energy and increased propane margins including higher service fees. These increases were partially offset by reduced consumption in our propane operations. Additionally, we experienced increased operating expenses associated with the acquisition of Diversified Energy as well as increased employee related expenses, depreciation, amortization and property taxes, and increased vehicle expenses due to rising fuel costs.

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

(in thousands)	
Propane Operations	
Diversified Energy acquisition (completed in December 2021)	$ 3,975
Increased propane margins and service fees	722
Decreased customer consumption - intra-quarter weather volatility	(649)
Decreased customer consumption due to conversion of customers to our natural gas system	(351)
Aspire Energy	
Increased margins - rate changes and natural gas liquid processing	929
Increased customer consumption - primarily weather related	403
Other variances	(521)
Quarter-over-quarter increase in adjusted gross margin	**$ 4,508**

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

Propane Operations

- *Acquisition of Diversified Energy* - Adjusted gross margin increased by $4.0 million due to the acquisition of Diversified Energy, which was acquired by Sharp in December 2021.
- *Increased Retail Propane Margins and Service Fees* - Adjusted gross margin increased by $0.7 million for the three months ended March 31, 2022, mainly due to increased customary service fees. Propane margins also increased due to gains with our SWAP agreements. These market conditions, which include market pricing and competition with other propane suppliers, as well as the availability and price of alternative energy sources, may fluctuate based on changes in demand, supply and other energy commodity prices.
- *Decreased Customer Consumption due to weather* - Adjusted gross margin decreased by $0.6 million due to reduced

customer consumption during the first quarter of 2022 compared to the same period in 2021 due to intra-quarter weather volatility.

- *Decreased customer consumption due to conversion of customers to natural gas* - Adjusted gross margin decreased by $0.4 million as more customers converted from propane to natural gas.

Aspire Energy

- *Increased Margins* - Adjusted gross margin increased by $0.9 million during the first quarter of 2022 over the same period in 2021, including rate changes and improvements from natural gas liquid processing.

- *Increased Customer Consumption Primarily Weather Related* **-** Adjusted gross margin increased by $0.4 million due to higher consumption of gas as weather in Ohio was approximately 6 percent colder during the first quarter of 2022 over the same period in 2021.

Operating Expenses

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

(in thousands)		
Operating expenses from the Diversified Energy acquisition	$	2,450
Increased payroll, benefits and other employee-related expenses		396
Increased depreciation, amortization and property tax costs		212
Increased vehicle expenses due to higher fuel costs		186
Other variances		201
Quarter-over-quarter increase in operating expenses	**$**	**3,445**

OTHER INCOME, NET

For the quarter ended March 31, 2022 compared to the quarter ended March 31, 2021

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, increased by $0.5 million in the first quarter of 2022, compared to the same period in 2021.

INTEREST CHARGES

For the quarter ended March 31, 2022 compared to the quarter ended March 31, 2021

Interest charges for the three months ended March 31, 2022 increased by $0.2 million, compared to the same period in 2021, attributable primarily to an increase of $0.3 million in interest expense as a result of a long-term debt placement in 2022 and $0.1 million of an amortization credit/increase in interest expense associated with a regulatory liability that was established in connection with the Hurricane Michael regulatory proceeding settlement in 2020. Partially offsetting the interest charges was a $0.2 million decrease in lower interest expense from lower levels of outstanding borrowings under our revolving credit facilities. During the first quarter of 2022, the interest rate associated with our Revolver increased by 0.34 percent as a result of Federal Reserve raising interest rates. Any additional increases in interest rates by the Federal Reserve would have a corresponding increase in the interest rates charged under our Revolver.

INCOME TAXES

For the quarter ended March 31, 2022 compared to the quarter ended March 31, 2021

Income tax expense was $13.5 million for the quarter ended March 31, 2022, compared to $12.4 million for the quarter ended March 31, 2021. Our effective income tax rate was 26.8 percent and 26.5 percent, for the three months ended March 31, 2022 and 2021, respectively.

Financial Position, Liquidity and Capital Resources

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

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 $25.6 million for the three months ended March 31, 2022. In the table below, we have provided an updated range of our forecasted capital expenditures for 2022:

	2022	
(dollars in thousands)	**Low**	**High**
Regulated Energy:		
Natural gas distribution	$ 87,000	$ 92,000
Natural gas transmission	60,000	67,000
Electric distribution	7,000	12,000
Total Regulated Energy	154,000	171,000
Unregulated Energy:		
Propane distribution	10,000	14,000
Energy transmission	5,000	6,000
Other unregulated energy	4,000	5,000
Total Unregulated Energy	19,000	25,000
Other:		
Corporate and other businesses	2,000	4,000
Total Other	2,000	4,000
Total 2022 Forecasted Capital Expenditures	**$ 175,000**	**$ 200,000**

The 2022 forecast, excluding acquisitions, includes capital expenditures associated with the following: Pipeline expansions related to the Eastern Shore Southern Expansion project and the Florida Beachside Pipeline as well as amounts for the expansion into Somerset County, Maryland. Furthermore, the 2022 forecast includes continued expenditures under the Florida GRIP, the capital cost surcharge program and the Elkton Gas STRIDE program as well as further expansion of our natural gas distribution and transmission systems, information technology systems, and other strategic initiatives and investments.

The capital expenditure projection is subject to continuous review and modification. Actual capital requirements may vary from the above estimates due to a number of factors, including changing economic conditions, capital delays that are greater than currently anticipated, customer growth in existing areas, regulation, new growth or acquisition opportunities and availability of capital. 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, 2022 and December 31, 2021:

(in thousands)	**March 31, 2022**		December 31, 2021	
Long-term debt, net of current maturities	**$ 597,878**	**43 %**	$ 549,903	42 %
Stockholders' equity	**805,512**	**57 %**	774,130	58 %
Total capitalization, excluding short-term debt	**$ 1,403,390**	**100 %**	$ 1,324,033	100 %

(in thousands)	**March 31, 2022**		December 31, 2021	
Short-term debt	**$ 140,865**	**9 %**	$ 221,634	14 %
Long-term debt, including current maturities	**617,595**	**39 %**	567,865	36 %
Stockholders' equity	**805,512**	**52 %**	774,130	50 %
Total capitalization, including short-term debt	**$ 1,563,972**	**100 %**	$ 1,563,629	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 52 percent as of March 31, 2022. 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 2022, we issued less than 0.1 million shares at an average price per share of $137.45 and received net proceeds of $3.2 million under the DRIP. See Note 9, *Stockholders' Equity*, in the condensed consolidated financial statements for additional information on commissions and fees paid in connection with these issuances.

Shelf Agreements

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

(in thousands)	**Total Borrowing Capacity**	**Less: Amount of Debt Issued**	**Less: Unfunded Commitments**	**Remaining Borrowing Capacity**
Shelf Agreement				
Prudential Shelf Agreement [1]	$ 370,000	$ (220,000)	$ —	$ 150,000
MetLife Shelf Agreement [1]	150,000	(50,000)	—	100,000
Total Shelf Agreements as of March 31, 2022	$ 520,000	$ (270,000)	$ —	$ 250,000

[1] The Prudential and MetLife Shelf Agreements expire in April 2023 and May 2023.

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

Short-term Borrowings

We are authorized by our Board of Directors to borrow up to $400.0 million of short-term debt, as required. At March 31, 2022 and December 31, 2021, we had $140.9 million and $221.6 million, respectively, of short-term borrowings outstanding at a weighted average interest rate of 1.17 percent and 0.83 percent respectively.

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

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 these agreements. We are required by the financial covenants in the Revolver to maintain, at the end of each fiscal year, a funded indebtedness ratio of no greater than 65 percent. As of March 31, 2022, we are in compliance with this covenant.

The 364-day tranche of the Revolver expires in August 2022 and the five-year tranche expires in August 2026. Both tranches are available to provide funds for our short-term cash needs to meet seasonal working capital requirements and to temporarily fund portions of our capital expenditures. Borrowings under both tranches of the Revolver are subject to a pricing grid, including the commitment fee and the interest rate charged. Our pricing is adjusted each quarter based upon total indebtedness to total capitalization ratio. As of March 31, 2022, the pricing under the 364-day tranche of the Revolver does not include an unused commitment fee and maintains an interest rate of 0.70 percent over LIBOR. As of March 31, 2022, the pricing under the five-year tranche of the Revolver included an unused commitment fee of 0.09 percent and an interest rate of 0.95 percent over LIBOR.

Our total available credit under the Revolver at March 31, 2022 was $256.3 million. As of March 31, 2022, we had issued $5.3 million in letters of credit to various counterparties under the syndicated Revolvers. 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 our syndicated Revolver.

In the fourth quarter of 2020, the Company entered into two $30.0 million interest rate swaps with a total notional amount of $60.0 million through December 2021 with pricing of 0.205 and 0.20 percent, respectively. In February 2021, we entered into an additional interest rate swap with a notional amount of $40.0 million through December 2021 with pricing of 0.17 percent. Our short-term borrowing is based on the 30-day LIBOR rate. At December 31, 2021, all of our interest rate swaps had expired and we have not entered into any new derivative contracts associated with our outstanding short-term borrowings.

Long-Term Debt

On March 15, 2022 we issued $50 million of 2.95 percent Senior Notes due March 15, 2042 to MetLife. We used the proceeds received from the issuances of the Senior Notes to reduce short-term borrowings under our revolving credit facility and to fund capital expenditures. These Senior Notes have similar covenants and default provisions as the existing senior notes, and have an annual principal payment beginning in the eleventh 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, 2022 and 2021:

	Three Months Ended March 31,	
(in thousands)	**2022**	**2021**
Net cash provided by (used in):		
Operating activities	**$ 69,120**	$ 80,382
Investing activities	**(29,935)**	(51,847)
Financing activities	**(38,953)**	(26,459)
Net increase in cash and cash equivalents	**232**	2,076
Cash and cash equivalents—beginning of period	**4,976**	3,499
Cash and cash equivalents—end of period	**$ 5,208**	$ 5,575

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 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, 2022, net cash provided by operating activities was $69.1 million. Operating cash flows were primarily impacted by the following:

- Net income, adjusted for non-cash adjustments, provided a $58.9 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 $7.4 million;
- Changes in net regulatory assets and liabilities due primarily to the change in fuel costs collected through the various cost recovery mechanisms generated a $5.8 million inflow of cash;
- Working capital changes, impacted primarily by propane inventory purchases and hedging activities, resulted in a $9.1 million use of cash; and
- An increase in income tax receivables reduced cash inflows by $6.1 million.

Cash Flows Used in Investing Activities

Net cash used in investing activities totaled $29.9 million during the three months ended March 31, 2022. Key investing activities included:

- Cash used to pay for capital expenditures was $29.9 million.

Cash Flows Used in Financing Activities

Net cash used in financing activities totaled $39.0 million during the three months ended March 31, 2022. Net cash used in financing activities:

- Repayments under lines of credit resulted in a use of cash of $82.0 million;
- Net increase in long-term debt borrowings resulted in a source of cash of $49.7 million to permanently finance investment in growth initiatives;
- Source of cash of $3.2 million from issuance of stock under the DRIP; and
- A use of cash of $8.3 million for dividend payments in 2021.

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, 2022 was $20.0 million. The aggregate amount guaranteed at March 31, 2022 was $13.1 million, with the guarantees expiring on various dates through March 30, 2023.

As of March 31, 2022, we have issued letters of credit totaling approximately $5.3 million related to the electric transmission services for FPU's electric division, the firm transportation service agreement between TETLP and our Delaware and Maryland divisions, to our current and previous primary insurance carriers. These letters of credit have various expiration dates through October 25, 2022. We have not drawn upon these letters of credit as of March 31, 2022 and do not anticipate that the counterparties will draw upon these letters of credit. We expect that they will be renewed to the extent necessary in the future. Additional information is presented in Note 7*, Other Commitments and Contingencies,* in the condensed consolidated financial statements.

Contractual Obligations

There has been no material change in the contractual obligations presented in our 2021 Annual Report on Form 10-K, except for commodity purchase obligations entered into in the ordinary course of our business. The following table summarizes commodity purchase contract obligations at March 31, 2022:

(in thousands)	Payments Due by Period				
	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Purchase obligations - Commodity [1]	$ 26,157	$ 16,848	$ —	$ —	**$ 43,005**
Total	**$ 26,157**	**$ 16,848**	**$ —**	**$ —**	**$ 43,005**

[1] In addition to the obligations noted above, we have agreements with commodity suppliers that have provisions with no minimum purchase requirements. There are no monetary penalties for reducing the amounts purchased; however, the propane contracts allow the suppliers to reduce the amounts available in the winter season if we do not purchase specified amounts during the summer season. Under these contracts, the commodity prices will fluctuate as market prices fluctuate.

Rates and Regulatory Matters

Our natural gas distribution operations in Delaware, Maryland and Florida and electric distribution operation in Florida are subject to regulation by the respective state PSC; Eastern Shore is subject to regulation by the FERC; and Peninsula Pipeline and Aspire Energy Express, our intrastate pipeline subsidiaries, are subject to regulation (excluding cost of service) by the Florida PSC and Public Utilities Commission of Ohio, respectively. We regularly are involved in regulatory matters in each of the jurisdictions in which we operate. Our significant regulatory matters are fully described in Note 5*, Rates and Other Regulatory Activities*, to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Recent Authoritative Pronouncements on Financial Reporting and Accounting

Recent accounting developments, applicable to us, and their impact on our financial position, results of operations and cash flows are described in Note 1*, Summary of Accounting Policies*, to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

INTEREST RATE RISK

Long-term debt is subject to potential losses based on changes in interest rates. We evaluate whether to refinance existing debt or permanently refinance existing short-term borrowings based in part on the fluctuation in interest rates. Increases in interest rates expose us to potential increased costs we could incur when we (i) issue new debt instruments or (ii) provide financing and liquidity for our business activities. We utilize interest rate swap agreements to mitigate short-term borrowing rate risk. Additional information about our long-term debt and short-term borrowing is disclosed in Note 15, *Long-Term Debt,* and Note 16, *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 8.9 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, 2021 to March 31, 2022:

(in thousands)	**Balance at December 31, 2021**	**Increase (Decrease) in Fair Market Value**	**Less Amounts Settled**	**Balance at March 31, 2022**
Sharp	$ 6,333	$ (2,079)	$ 2,778	**$ 7,032**

There were no changes in methods of valuations during the three months ended March 31, 2022.

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

(in thousands)	**2022**	**2023**	**2024**	**Total Fair Value**
Price based on Mont Belvieu - Sharp	$ 2,279	$ 3,541	$ 1,212	$ 7,032

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 13, *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, 2022. 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, 2022.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2022, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

As disclosed in Note 7*, Other Commitments and Contingencies*, of the condensed consolidated financial statements in this Quarterly Report on Form 10-Q, we are involved in certain legal actions and claims arising in the normal course of business. We are also involved in certain legal and administrative proceedings before various governmental or regulatory agencies concerning rates and other regulatory actions. In the opinion of management, the ultimate disposition of these proceedings and claims will not have a material effect on our condensed consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

Our business, operations, and financial condition are subject to various risks and uncertainties. The risk factors described in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K, for the year ended December 31, 2021, 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

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, 2022 through January 31, 2022[1]	**390**	**$ 142.49**	—	—
February 1, 2022 through February 28, 2022	—	—	—	—
March 1, 2022 through March 31, 2022	—	—	—	—
Total	**390**	**$ 142.49**	—	—

[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 9*, Employee Benefit Plans,*" in our latest Annual Report on Form 10-K for the year ended December 31, 2021. During the quarter ended March 31, 2022, 390 shares were purchased through the reinvestment of dividends on deferred stock units.

[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

None.

Item 6. Exhibits

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 3, 2022

Exhibit 31.1

CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Jeffry M. Householder, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2022 of Chesapeake Utilities Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2022

/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, 2022 of Chesapeake Utilities Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2022

/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, 2022, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake.

/s/ JEFFRY M. HOUSEHOLDER

Jeffry M. Householder
May 3, 2022

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certificate of Chief Financial Officer

of

Chesapeake Utilities Corporation

(pursuant to 18 U.S.C. Section 1350)

I, Beth W. Cooper, Executive Vice President, Chief Financial Officer, Treasurer and Assistant Corporate Secretary of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Chesapeake Utilities Corporation ("Chesapeake") for the period ended March 31, 2022, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake.

/S/ BETH W. COOPER

Beth W. Cooper
May 3, 2022

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.