Risk Factors Comparison 2024-02-21 to 2023-02-22 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Because we do not own all of the land on which our pipelines and facilities have been constructed, we are subject to the possibility of more onerous terms or increased costs to retain necessary land use if we do not have valid rights- of- way or if such rights- of- way lapse or terminate. We obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies for a specific period of time. Our loss of these rights, through our inability to renew right- of- way contracts or otherwise, could have a material adverse effect on our business, financial condition and results of operations ~~We~~ **. Chesapeake Utilities Corporation 2023 Form 10- K Page 17We** operate in a competitive environment, and we may lose customers to competitors. Natural Gas. Our natural gas transmission and distribution operations compete with interstate pipelines when our customers are located close enough to a competing pipeline to make direct connections economically feasible. Customers also have the option to switch to alternative fuels, including renewable energy sources. Failure to retain and grow our natural gas customer base would have an adverse effect on our financial condition, **results of operations and** cash flows ~~and results of operations~~. Electric. Our Florida electric distribution business has remained substantially free from direct competition from other electric service providers but does face competition from other energy sources. Changes in the competitive environment caused by legislation, regulation, market conditions, or initiatives of other electric power providers, particularly with respect to retail electric competition, ~~could~~ **would** adversely affect our **financial condition,** results of operations ~~,~~ **and** cash flows ~~and financial condition~~. Propane. Our propane operations compete with other propane distributors, primarily on the basis of service and price. Our ability to grow the propane operations business is contingent upon capturing additional market share, expanding into new markets, and successfully utilizing pricing programs that retain and grow our customer base. Failure to retain and grow our customer base in our propane operations would have an adverse effect on our **financial condition,** results of operations ~~,~~ **and** cash flows ~~and financial condition~~. Fluctuations in weather may cause a significant variance in our earnings. Our natural gas distribution, propane operations and natural gas transmission operations, are sensitive to fluctuations in weather conditions, which directly influence the volume of natural gas and propane we transport, sell and deliver to our ~~Chesapeake Utilities Corporation 2022 Form 10- K Page 16customers~~ -- **customers** . A significant portion of our natural gas distribution, propane operations and natural gas transmission revenue is derived from the sales and deliveries to residential, commercial and industrial heating customers during the five- month peak heating season (November through March). Other than our Maryland natural gas distribution businesses (Maryland division, Sandpiper Energy and Elkton Gas) which have revenue normalization mechanisms, if the weather is warmer than normal, we **generally** sell and deliver less natural gas and propane to customers, and earn less revenue, which could adversely affect our results of operations, cash flows and financial condition. Conversely, if the weather is colder than normal, we **generally** sell and deliver more natural gas and propane to customers, and earn more revenue, which could positively affect our results of operations, cash flows and financial condition. Variations in weather from year to year can cause our results of operations, cash flows and financial condition to vary accordingly. Our electric distribution operation is also affected by variations in weather conditions and unusually severe weather conditions. However, electricity consumption is generally less seasonal than natural gas and propane because it is used for both heating and cooling in our service areas. ~~Natural disasters, severe~~ **Severe** weather events (such as a major hurricane **, flood or tornado**) **, natural disasters** and acts of terrorism could adversely impact earnings and access to insurance coverage. Inherent in energy transmission and distribution activities are a variety of hazards and operational risks, such as leaks, ruptures, fires, uncontrollable flows of natural gas, explosions, release of contaminants into the environment, sabotage and mechanical problems. ~~Natural disasters and severe~~ **Severe** weather events **and natural disasters** may damage our assets, cause operational interruptions and result in the loss of human life, all of which could negatively affect our earnings, financial condition and results of operations. Acts of terrorism and the impact of retaliatory military and other action by the ~~United States~~ **U. S.** and its allies may lead to increased political, economic and financial market instability and volatility in the price of natural gas, electricity and propane that could negatively affect our operations. Companies in the energy industry may face a heightened risk of exposure to acts of terrorism, which could affect our **financial condition,** results of operations ~~,~~ **and** cash flows ~~and financial condition~~. The insurance industry may also be affected by ~~natural disasters,~~ severe weather events **, natural disasters** and acts of terrorism. As a result, the availability of insurance covering risks against which we and our competitors typically insure may be limited. In addition, the insurance we are able to obtain may have higher deductibles, higher premiums and more restrictive policy terms, which could adversely affect our ~~results of operations,~~ financial condition **, results of operations** and cash flows. Operating events affecting public safety and the reliability of our natural gas and electric distribution and transmission systems could adversely affect our operations and increase our costs. Our natural gas and electric operations are exposed to operational events and risks, such as major leaks, outages, mechanical failures and breakdown, operations below the expected level of performance or efficiency, and accidents that could affect public safety and the reliability of our distribution and transmission systems, significantly increase costs and cause loss of customer confidence. If we are unable to recover all or some of these costs from insurance and / or customers through the regulatory process, our ~~results of operations,~~ financial condition **, results of operations** and cash flows could be adversely affected. **Chesapeake Utilities Corporation 2023 Form 10- K Page 18** A security breach disrupting our operating systems and facilities or exposing confidential information may adversely affect our reputation, disrupt our operations and increase our costs. The cybersecurity risks associated with the protection of our infrastructure and facilities is evolving and increasingly complex. We continue to heavily rely on technological tools that support our business operations and corporate functions while enhancing our security. There are various risks associated with our information technology infrastructure, including hardware and software failure, communications failure, data distortion or destruction, unauthorized access to data, misuse of proprietary or confidential data, unauthorized control through electronic means, cyber- attacks, cyber- terrorism, data breaches, programming mistakes, and other inadvertent errors or deliberate human acts. Further, the U. S. government has issued public warnings that indicate energy assets might be specific targets of cybersecurity threats and / or attacks. Many of our employees, service providers, and vendors have been working, and ~~may~~ continue to work, from remote locations, where cybersecurity protections ~~may~~ **could** be limited and cybersecurity procedures and safeguards ~~may~~ **could** be less effective. As such, we ~~may~~ **could** be subject to a higher risk of cybersecurity breaches than ever before. Therefore, we ~~may~~ **could** be required to expend significant resources to continue to modify or enhance our procedures and controls or to upgrade our digital and operational systems, related infrastructure, technologies and network security. Any such failure, attack, or security breach could adversely impact our ability to safely and reliably deliver services to our customers through our transmission, distribution, and generation systems, ~~subject~~ **subjecting** ~~to~~ us to reputational and other harm, and subject us to legal and regulatory proceedings and claims and demands from third parties, any of which could adversely affect ~~Chesapeake Utilities Corporation 2022 Form 10- K Page 17~~ our business, our earnings, results of operation and financial condition. In addition, the protection of customer, employee and Company data is crucial to our operational security. A breach or breakdown of our systems that results in the unauthorized release of individually identifiable customer **information** or other sensitive data could have an adverse effect on our reputation, results of operations and financial condition and could also materially increase our costs of maintaining our system and protecting it against future breakdowns or breaches. We take reasonable precautions to safeguard our information systems from cyber- attacks and security breaches; however, there is no guarantee that the procedures implemented to protect against unauthorized access to our information systems are adequate to safeguard against all attacks and breaches. We also cannot assure that any redundancies built into our networks and technology, or the procedures we have implemented to protect against cyber- attacks and other unauthorized access to secured data, are adequate to safeguard against all failures of technology or security breaches. **The Company' s business, results of operations, financial condition and cash flows could be adversely affected by interruption of the Company' s information technology or network systems as well as the Company' s implementation of its technology roadmap. Currently, we rely on centralized and local information technology networks and systems, some of which are managed or accessible by third parties, to process, transmit and store electronic information, and to otherwise manage or support our business. Additionally, the Company collects and stores certain data, including proprietary business information, and has access to confidential or personal information that is subject to privacy and security laws, regulations and customer- imposed controls. The processing and storage of personal information is increasingly subject to privacy and data security regulations. The interpretation and application of data protection laws in the U. S. are continuing to evolve and may be different across jurisdictions. Violations of these laws could result in criminal or civil sanctions and even the mere allegation of such violations, could harm the Company' s reputation. Information technology system and / or network disruptions, whether caused by acts of sabotage, employee error, malfeasance or otherwise, could have an adverse impact on the Company' s operations as well as the operations of the Company' s customers and suppliers. As a result, the Company may be subject to legal claims or regulatory proceedings which could result in liability or penalties under privacy laws, disruption in the Company' s operations, and damage to the Company' s reputation, adversely affecting the Company' s business, results of operations, financial condition and cash flows. The Company is also implementing a technology roadmap that will significantly advance our technological capabilities. The implementation of new software in multiple phases is a complex process that involves several risks. Some of the common risks include: • Expectations of what the software can do is not achieved and requires additional spending, resources and time; • Inadequate planning, including changes in implementation plans, can lead to delays, cost overruns, and poor outcomes; • Ensuring continued team engagement is critical as technology and systems projects are significant and involve many resources within the Company as well as the use of various third parties; • Implementing new software can expose the organization to new security risks; and • Integrating new software with existing systems can be challenging, as a result of compatibility issues, data migration and system downtime. Chesapeake Utilities Corporation 2023 Form 10- K Page 19 Concerns relating to the responsible use of new and evolving technologies, such as artificial intelligence (AI), may result in reputational or financial harm and liability. While providing significant benefits, AI poses emerging legal, social, and ethical issues and presents risks and challenges. If we utilize AI solutions that have unintended consequences or may be deemed controversial, or if we are unable to develop effective internal policies and frameworks relating to the responsible use of AI, we may experience brand or reputational harm, competitive harm or legal liability. Complying with regulations related to AI could increase our cost of doing business, may change the way that we operate in certain jurisdictions, or may impede our ability to offer services in certain jurisdictions if we are unable to comply with regulations.** Failure to attract and retain an appropriately qualified employee workforce could adversely affect operations. Our ability to implement our business strategy and serve our customers depends upon our continuing ability to attract, develop and retain talented professionals and a technically skilled workforce in a manner competitive with current market conditions, and transfer the knowledge and expertise of our workforce to new employees as our existing employees retire. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or the future availability and cost of contract labor could adversely affect our ability to manage and operate our business. If we were unable to hire, train and retain appropriately qualified personnel, our results of operations could be adversely affected. A strike, work stoppage or a labor dispute could adversely affect our operations. We are party to collective bargaining agreements with labor unions at some of our Florida operations. A strike, work stoppage or a labor dispute with a union or employees represented by a union could cause interruption to our operations and our results could be adversely affected. Our businesses are capital- intensive, and the increased costs and / or delays of capital projects may adversely affect our future earnings. Our businesses are capital- intensive and require significant investments in ongoing infrastructure projects. ~~Our~~ **These projects are subject to state and federal regulatory oversight and require certain property rights, such as easements and rights- of- way from public and private owners, as well as regulatory approvals, including environmental and other permits and licenses. There is no assurance that we will be able to obtain the necessary property rights, permits and licenses and approvals in a timely and cost- efficient manner, or at all, which may result in the delay or failure to complete a project. In addition, the availability of the necessary materials and qualified vendors could also impact our** ability to complete **such** ~~our infrastructure~~ projects on a timely basis and manage the overall ~~cost~~ **costs** ~~of those~~ **. Failure to complete any pending or future infrastructure** projects **could have a** ~~may be affected by the availability of the necessary materials~~ -- **material** ~~and qualified vendors. Our future earnings could be adversely~~ -- **adverse** ~~affected if~~ **impact on our financial condition, results of operations and cash flows. Where** we are ~~unable~~ -- **able** to ~~manage such capital~~ **successfully complete pending or future infrastructure** projects ~~effectively~~ , ~~or~~ **our** ~~if full recovery~~ **revenues may not increase immediately upon the expenditure** of ~~such capital costs~~ **funds on a particular project or as anticipated over the life of the project. As a result, there** is **the risk that new and expanded infrastructure may** not ~~permitted in future regulatory proceedings~~ **achieve our expected investment returns, which could have a material adverse effect on our business, financial condition and results of operations** . Our regulated energy business may be at risk if franchise agreements are not renewed, or new franchise agreements are not obtained, which could adversely affect our future results or operating cash flows and financial condition. Our regulated natural gas and electric distribution operations hold franchises in each of the incorporated municipalities that require franchise agreements in order to provide natural gas and electricity. Ongoing financial results would be adversely impacted in the event that franchise agreements were not renewed. If we are unable to obtain franchise agreements for new service areas, growth in our future earnings could be negatively impacted. Slowdowns in customer growth may adversely affect earnings and cash flows. Our ability to increase revenues in our natural gas, propane and electric distribution businesses is dependent upon growth in the residential construction market, adding new commercial and industrial customers and conversion of customers to natural gas, electricity or propane from other energy sources. Slowdowns in growth may adversely affect our **financial condition,** results of operations ~~,~~ **and** cash flows ~~and financial condition~~ . Chesapeake Utilities Corporation ~~2022~~ **2023** Form 10- K Page ~~18~~ **20** Energy conservation ~~, including the effects of environmental, social, and governance (ESG) initiatives~~ could lower energy consumption, which would adversely affect our earnings. Federal and state legislative and regulatory initiatives to promote energy efficiency, conservation and the use of alternative energy sources could lower consumption of natural gas and propane by our customers. For example, on August 16, 2022, the Inflation Reduction Act of 2022 ~~(" IRA ")~~ was signed into law, with hundreds of billions of dollars in incentives for the development of renewable energy, clean hydrogen, and clean fuels, amongst other provisions. These incentives could further accelerate the transition of the U. S. economy away from the use of fossil fuels towards lower- or zero- carbon emissions alternatives and impact demand for our products and services. In addition, increasing attention to climate change, societal expectations on companies to address climate change, investor and societal expectations ~~regarding voluntary ESG~~ **including mandatory climate related** disclosures, and the aforementioned demand for alternative forms of energy, may result in increased costs and reduced demand for our products **and services** . While we cannot predict the ultimate effect that the development of alternative energy sources and related laws might have on our operations, we may be subject to reduced profits, increased investigations and litigation against us, and negative impacts on our stock price and access to capital markets. In addition, higher costs of natural gas, propane and electricity may cause customers to conserve fuel. To the extent ~~a PSC or the FERC does not allow the~~ recovery through customer rates of higher costs or lower consumption from energy efficiency or conservation **is not allowed** , and our propane retail prices cannot be increased due to market conditions, our **financial condition,** results of operations ~~,~~ **and** cash flows **could** ~~and financial condition may~~ be adversely affected. Commodity price increases may adversely affect the operating costs and competitive positions of our natural gas, electric and propane operations, which may adversely affect our results of operations, cash flows and financial condition. Natural Gas ~~/~~ **and** Electricity. Higher natural gas prices can significantly increase the cost of gas billed to our natural gas customers. Increases in the cost of natural gas and other fuels used to generate electricity can significantly increase the cost of electricity billed to our electric customers. Damage to the production or transportation facilities of our suppliers, which decreases their supply of natural gas and electricity, could result in increased supply costs and higher prices for our customers. Such cost increases generally have no immediate effect on our revenues and net income because of our regulated fuel cost recovery mechanisms. However, our net income may be reduced by higher expenses that we may incur for uncollectible customer accounts and by lower volumes of natural gas and electricity deliveries when customers reduce their consumption. Therefore, increases in the price of natural gas and other fuels can adversely affect our **financial condition, results of** ~~operating~~ **operations and** cash flows ~~, results of operations and financial condition~~ , as well as the competitiveness of natural gas and electricity as energy sources. Propane. Propane costs are subject to changes as a result of product supply or other market conditions, including weather, economic and political factors affecting crude oil and natural gas supply or pricing. For example, weather conditions could damage production or transportation facilities, which could result in decreased supplies of propane, increased supply costs and higher prices for customers. Such increases in costs can occur rapidly and can negatively affect profitability. There is no assurance that we will be able to pass on propane cost increases fully or immediately, particularly when propane costs increase rapidly. Therefore, average retail sales prices can vary significantly from year- to- year as product costs fluctuate in response to propane, fuel oil, crude oil and natural gas commodity market conditions. In addition, in periods of sustained higher commodity prices, declines in retail sales volumes due to reduced consumption and increased amounts of uncollectible accounts may adversely affect net income. Refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk for additional information. Our use of derivative instruments may adversely affect our results of operations. Fluctuating commodity prices may affect our earnings and financing costs because our propane operations use derivative instruments, including forwards, futures, swaps, puts, and calls, to hedge price risk. While we have risk management policies and operating procedures in place to control our exposure to risk, if we purchase derivative instruments that are not properly matched to our exposure, our results of operations, cash flows, and financial condition may be adversely affected. **In addition, fluctuations in market prices could result in significant unrealized gains or losses, which could require margins to be posted on unsettled positions and impact our financial position, results of operations and cash flows.** A substantial disruption or lack of growth in interstate natural gas pipeline transmission and storage capacity or electric transmission capacity may impair our ability to meet customers' existing and future requirements. In order to meet existing and future customer demands for natural gas and electricity, we must acquire sufficient supplies of natural gas and electricity, interstate pipeline transmission and storage capacity, and electric transmission capacity to serve such requirements. We must contract for reliable and adequate upstream transmission capacity for our distribution systems while considering the dynamics of the interstate pipeline and storage and electric transmission markets, our own on- system resources, as well as the characteristics of our markets. Our financial condition and results of operations would be materially **Chesapeake Utilities Corporation 2023 Form 10- K Page 21** and adversely affected if the future availability of these capacities were insufficient to meet future customer demands for ~~Chesapeake Utilities Corporation 2022 Form 10- K Page 19~~ natural gas and electricity. Currently, our ~~Florida~~ natural gas ~~operation~~ **operations** ~~relies~~ **in Florida rely** primarily on two pipeline systems, FGT and Peninsula Pipeline ~~,~~ **(** our intrastate pipeline subsidiary **),** for most of ~~its~~ **their** natural gas supply and transmission. Our Florida electric operation secures electricity from external parties. Any continued interruption of service from these suppliers could adversely affect our ability to meet the demands of our customers, which could negatively impact our ~~earnings,~~ financial condition ~~and~~ **,** results of operations **and cash flows** . Our ability to grow our businesses could be adversely affected if we are not successful in making acquisitions or integrating the acquisitions we have completed. One of our strategies is to grow through acquisitions of complementary businesses. **On November 30, 2023, we completed the acquisition of FCG, a regulated natural gas distribution utility serving approximately 120, 000 residential and commercial natural gas customers in Florida, for $ 923. 4 million in cash, pursuant to the previously disclosed stock purchase agreement with Florida Power & Light Company. Our** ~~Acquisitions~~ **acquisitions , including FCG as well as future acquisitions,** involve a number ~~or~~ **of** risks including, but not limited to, the ~~assumption~~ **following: • We may fail to realize the benefits and growth prospects anticipated as a result** of **the acquisition; • We may not identify all** material **facts, issues and / or** liabilities ~~,~~ **in due diligence; accurately anticipate required capital expenditures; or design and implement an effective internal control environment with respect to acquired businesses; • We may experience difficulty in integrating** the ~~diversion~~ **technology, systems, policies, processes or operations and retaining the employees, including key personnel** of **the acquired business; • The historical financial results of acquisitions may not be representative of our future financial condition, results of operations and cash flows, and may not deliver the expected strategic and operational benefits; • An acquisition may divert** management' s attention ~~from the management of daily operations~~ to ~~the~~ integration ~~of~~ **activities or disrupt ongoing** operations **;** ~~, difficulties in the assimilation~~ and **• We may** ~~retention of employees and difficulties in the assimilation of different cultures and internal controls. Future acquisitions could also result in, among other things, the failure to identify material issues during due diligence, the risk of overpaying~~ --- **overpay** for assets, ~~unanticipated capital expenditures,~~ **which could result in** the ~~failure to maintain effective internal control over financial reporting,~~ recording **of excess** goodwill and other intangible assets at values that ultimately may be subject to impairment charges ~~and fluctuations in quarterly results~~ . ~~There~~ **These factors** ~~can also be no assurance that our past and future acquisitions will deliver the strategic~~ , **amongst others, could impact our ability** ~~financial and operational benefits that we anticipate. The failure~~ to successfully ~~integrate acquisitions~~ **grow our business which** could have ~~an~~ **a material** adverse effect on our **financial condition,** results of operations ~~,~~ **and** cash flows **. An impairment of our assets including long- lived assets, goodwill** and **other intangible assets, could negatively impact our** financial condition **and** ~~. An impairment of our assets could result~~ **results of operations** ~~in a significant charge to earnings~~ . In accordance with GAAP, goodwill, ~~intangible~~ **intangibles** , and other long- lived assets are tested for impairment annually or whenever events or changes in circumstances indicate impairment may have occurred. **The testing of assets for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These values may be impacted by significant negative industry or economic trends, changes in technology, regulatory or industry conditions, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant change or planned changes in use of our assets, changes in the structure of our business, divestitures, market capitalization declines or changes in economic conditions or interest rates.** If the testing performed indicates that impairment has occurred, we are required to record an impairment charge for the difference between the carrying value of the applicable asset and the implied fair value in the period the determination is made. ~~The testing of assets for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including: future business operating performance, changes in economic conditions and interest rates, regulatory, industry or market conditions, changes in business operations, changes in competition or changes in technologies.~~ Any changes in key assumptions, or actual performance compared with key assumptions, about our business and its future prospects could affect the fair value of one or more of our assets, which may result in an impairment charge **and could negatively affect our financial condition and results of operations** . REGULATORY, LEGAL AND ENVIRONMENTAL RISKS Regulation of our businesses, including changes in the regulatory environment, may adversely affect our **financial condition,** results of operations ~~,~~ **and** cash flows ~~and financial condition~~ . The Delaware, Maryland, Ohio and Florida PSCs regulate our utility operations in those states. Eastern Shore is regulated by the FERC. The PSCs and the FERC set the rates that we can charge customers for services subject to their regulatory jurisdiction. Our ability to obtain timely rate increases and rate supplements to maintain current rates of return depends on regulatory approvals, and there can be no assurance that our regulated operations will be able to obtain such approvals or maintain currently authorized rates of return. When earnings from our regulated utilities exceed the authorized rate of return, the respective regulatory authority may require us to reduce our rates charged to customers in the future. **Chesapeake Utilities Corporation 2023 Form 10- K Page 22** We may face certain regulatory and financial risks related to pipeline safety legislation. We are subject to a number of legislative proposals at the federal and state level to implement increased oversight over natural gas pipeline operations and facilities to inspect pipeline facilities, upgrade pipeline facilities, or control the impact of a breach of such facilities. Additional operating expenses and capital expenditures may be necessary to remain in compliance. If new legislation is adopted and we incur additional expenses and expenditures, our financial condition, results of operations and cash flows could be adversely affected, particularly if we are not authorized through the regulatory process to recover from customers some or all of these costs and ~~our~~ **earn at an** authorized rate of return. Pipeline integrity programs and repairs may impose significant costs and liabilities on the Company. The ~~U. S. Pipeline and Hazardous Materials Safety Administration (~~ PHMSA ~~)~~ requires pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines and to take additional measures to protect pipeline segments located in areas where a leak or rupture could potentially do the most harm. **The** PHMSA constantly updates its ~~Chesapeake Utilities Corporation 2022 Form 10- K Page 20~~ regulations to ensure the highest levels of pipeline safety. As the operator of pipelines, we are required to: perform ongoing assessments of pipeline integrity; identify and characterize applicable threats to pipelines; improve data collection, integration and analysis; repair and remediate the pipelines as necessary; and implement preventative and mitigating actions. These new and any future regulations adopted by **the** PHMSA may impose more stringent requirements applicable to integrity management programs and other pipeline safety aspects of our operations, which could cause us to incur increased capital and operating costs and operational delays. Moreover, should we fail to comply with the PHMSA rules and regulations, we could be subject to significant penalties and fines which may adversely affect our **financial condition,** results of operations ~~,~~ **and** cash flows ~~and financial condition~~ . We are subject to operating and litigation risks that may not be fully covered by insurance. Our operations are subject to the operating hazards and risks normally incidental to handling, storing, transporting, transmitting and delivering natural gas, electricity and propane to end users. From time to time, we are a defendant in legal proceedings arising in the ordinary course of business. We maintain insurance coverage for our general liabilities in the amount of $ 52 million, which we believe is reasonable and prudent. However, there can be no assurance that such insurance will be adequate to protect us from all material expenses related to potential future claims for personal injury and property damage or that such levels of insurance will be available in the future at economical prices. Costs of compliance with environmental laws may be significant. We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These evolving laws and regulations may require expenditures over a long period of time to control environmental effects at our current and former operating sites, especially former MGP sites. To date, we have been able to recover, through regulatory rate mechanisms, the costs associated with the remediation of former MGP sites. However, there is no guarantee that we will be able to recover future remediation costs in the same manner or at all. A change in our approved rate mechanisms for recovery of environmental remediation costs at former MGP sites could adversely affect our **financial condition,** results of operations ~~,~~ **and** cash flows ~~and financial condition~~ . Further, existing environmental laws and regulations may be revised, or new laws and regulations seeking to protect the environment may be adopted and be applicable to us. Revised or additional laws and regulations could result in additional operating restrictions on our facilities or increased compliance costs, which may not be fully recoverable. Any such increase in compliance costs could adversely affect our financial condition ~~and~~ **,** results of operations **and cash flows** . Compliance with these legal obligations requires us to commit capital. If we fail to comply with environmental laws and regulations, even if such failure is caused by factors beyond our control, we may be assessed administrative, civil, or criminal penalties and fines, imposed with investigatory and remedial obligations, or issued injunctions all of which could impact our financial condition ~~and~~ **,** results of operations **and cash flows** . See Item 8, Financial Statements and Supplementary Data (see Note 19, Environmental Commitments and Contingencies, in the consolidated financial statements). Unanticipated changes in our tax provisions or exposure to additional tax liabilities could affect our profitability and cash flow. We are subject to income and other taxes in the U. S. and the states in which we operate. Changes in applicable state or U. S. tax laws and regulations, or their interpretation and application, including the possibility of retroactive effect, could affect our tax expense and profitability. In addition, the final determination of any tax audits or related litigation could be materially different from our historical income tax provisions and accruals. Changes in our tax provision or an increase in our tax liabilities, due to changes in applicable law and regulations, the interpretation or application thereof, future changes in the tax rate or a final determination of tax audits or litigation, could have a material adverse effect on our financial position, results of operations ~~or~~ **and** cash flows. **Chesapeake Utilities Corporation 2023 Form 10- K Page 23** Our business may be subject in the future to additional regulatory and financial risks associated with global warming and climate change. There have been a number of federal and state legislative and regulatory initiatives proposed in recent years in an attempt to control or limit the effects of global warming and overall climate change, including greenhouse gas emissions ~~, such as carbon dioxide~~ . The direction of future U. S. climate change regulation is difficult to predict given the potential for policy changes under different Presidential administrations and Congressional leadership. The ~~EPA~~ **Environmental Protection Agency, or other Federal agencies,** may or may not continue developing regulations to reduce greenhouse gas emissions. Even if federal efforts in this area slow, states, cities and local jurisdictions may continue pursuing climate regulations. Any laws or regulations that may be adopted to restrict or reduce emissions of greenhouse gases could require us to incur additional operating costs, such as costs to purchase and operate emissions controls, to obtain emission allowances or to pay emission taxes, and **could** reduce demand for our energy delivery services. Federal, state and local legislative initiatives to implement renewable portfolio standards or to further subsidize the cost of ~~Chesapeake Utilities Corporation 2022 Form 10- K Page 21~~ solar, wind and other renewable power sources may change the demand for natural gas. We cannot predict the potential impact that such laws or regulations, if adopted, may have on our future business, financial condition or financial results. Climate changes may impact the demand for our services in the future and could result in more frequent and more severe weather events, which ultimately could adversely affect our financial results. Significant ~~climatic~~ **climate** change creates physical and financial risks for us. Our customers' energy needs vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent their largest energy use. To the extent weather conditions may be affected by climate change, customers' energy use could increase or decrease depending on the duration and magnitude of any changes. To the extent that climate change adversely impacts the economic health or weather conditions of our service territories directly, it could adversely impact customer demand or our customers’ ability to pay. Changes in energy use due to weather variations may affect our financial condition through volatility and / or decreased revenues and cash flows. Extreme weather conditions require more system backups and can increase costs and system stresses, including service interruptions. Severe weather impacts our operating territories primarily through thunderstorms, tornadoes, hurricanes, and snow or ice storms. Weather conditions outside of our operating territories could also have an impact on our revenues and cash flows by affecting natural gas prices. To the extent the frequency of extreme weather events increases, this could increase our costs of providing services. We may not be able to pass on the higher costs to our customers or recover all the costs related to mitigating these physical risks. To the extent financial markets view climate change and emissions of greenhouse gases as a financial risk, this could adversely affect our ability to access capital markets or cause us to receive less favorable terms and conditions in future financings. Our business could be affected by the potential for investigations and lawsuits related to or against greenhouse gas emitters based on the claimed connection between greenhouse gas emissions and climate change, which could impact adversely our business, results of operations and cash flows ~~. We face risks associated with widespread public health crises, epidemics, or pandemics which may have material adverse impacts on the Company' s operations, financial condition, liquidity and results of operations. The Company is subject to the impacts of widespread public health crises, epidemics and pandemics, including the recent COVID- 19 outbreak. Such impacts may include, but are not limited to, effects on the national and local economy, capital and credit markets, the workforce, customers and suppliers. There is no assurance that the Company’ s businesses will be able to operate without material adverse impacts depending on the nature of the public health crisis, epidemic or pandemic. The ultimate severity, duration and impact of public health crises, epidemics and pandemics cannot be predicted. Additionally, there is no assurance that vaccines, or other treatments, are or will be widely available or effective, or that the public will be willing to participate, in an effort to contain the spread of disease. Actions taken in response to such crises by federal, state and local government or regulatory agencies may have a material adverse impact on the Company’ s business, financial condition, liquidity and results of operations. While most restrictions related to the COVID- 19 pandemic have been lifted in the United States, we remain committed to providing products and services to our customers in a safe and reliable manner, and will continue to do so in compliance with any mandated restrictions in each of the markets we serve~~ . Our certificate of incorporation and bylaws may delay or prevent a transaction that stockholders would view as favorable. Our certificate of incorporation and bylaws, as well as Delaware law, contain provisions that could delay, defer or prevent an unsolicited change in control of Chesapeake Utilities, which may negatively affect the market price of our common stock or the ability of stockholders to participate in a transaction in which they might otherwise receive a premium for their shares over the then current market price. These provisions may also prevent changes in management. In addition, our Board of Directors is authorized to issue preferred stock without stockholder approval on such terms as our Board of Directors may determine. Our common stockholders will be subject to, and may be negatively affected by, the rights of any preferred stock that may be issued in the future.