Q4 and Year End 2018 Earnings Call

Company Participants

• Beth W. Cooper
• Jeffry M. Householder

Other Participants

• Sean McEvilly
• Donald Roger Brooke Liddell

MANAGEMENT DISCUSSION SECTION

Operator

Good morning everyone. My name is Lala and I will be your conference operator today. At this time, I would like to welcome everyone to the Fourth Quarter and 2018 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

Ms. Beth Cooper, you may begin the call.

Beth W. Cooper

Thank you, and good morning everyone. Thank you for joining us on today's earnings conference call. Joining me on the phone today is Jeff Householder, President and CEO. There are also other members of the management team in the room today. Our presentation this morning will focus on our 2018 results and opportunities looking forward.

Turning to slide 2, our normal disclosures are listed related to forward-looking statements concerning the company's future performance. We have provided additional information as it relates to these forward-looking statements in our 2018 Annual Report on Form 10-K and the earnings press release which were filed Tuesday. Today's discussion will include certain non-GAAP measures such as gross margin and adjusted EPS.

I would now like to turn the call over to Jeff Householder.

Jeffry M. Householder

Thanks Beth, and good morning everyone. Before we get into our Q4 and year end 2018 earnings report, I'd like to just say a few words about our recent leadership transition. As you know, the Chesapeake board elected me to succeed Mike McMasters when he retired in January. I think the fact that the board selected an internal candidate to take over for Mike signals several important points that are worth mentioning. One, the board of the management team are committed to continuing the legacy of growth and performance. It really began when Mike's predecessor John Schimkaitis acquired Florida Public Utilities, passed along to Mike the FPU acquisition for integration. And Mike led a billion-dollar transformation of our company over his time as CEO and has passed that along to me and our leadership team. Two, the Chesapeake culture, someone described it to me recently as he secret sauce that makes our company go, really drives an entrepreneurial and customer-focused, safety-first approach to the market and we'll certainly continue that. Three, our disciplined highly-selective capital investment strategy will remain intact. The board has been very clear on that. We've never chased growth for growth's sake. We're always looking for growth that comes with earnings and long-term strategic growth opportunities. So, our strategy continues to be grow the core businesses. We have a long way to go before we exhaust those core growth opportunities. Two, we're always looking to identify and execute on expansion projects similar to Eight Flags CHP and our propane AutoGas businesses that complement or leverage our core units. And three, from time to time, we want to acquire related businesses that we understand and then offer strategic and growth opportunities. We think Chesapeake's long term strategy has worked well for our investors, our customers, and the communities we serve. Our board, our leadership team, and our employees are completely committed to continuing this history of growth and performance.

So, turn to slide 4, if you will. And I think it's pretty clear that over the last several years, we've ramped up our capital expenditures and we represent top quartile performance. We provided superior performance by our growth in earnings and dividends, certainly top quartile return on equity, and our annual shareholder return has exceeded 15% for all periods ended 1/31/2019.

On slide 5, just let me note that a couple of things about our 2018 performance. First of all, we have record capital expenditures that were right at $283 million, and we also saw record margin growth of close to $36 million. Our net income totaled $56.6 million, ended up at $3.45 per share in 2018, compared to $3.55 million reported earnings for 2017, which I would remind you included a significant one-time tax benefit from the TCJA of $0.87 a share. So, we achieved 19.4% EPS growth in 2018 compared to 2017, at least as we look at the adjusted EPS of $2.99 which exceeded our 2018 guidance of 17% growth. Our five-year compound annual growth in earnings per share, right at 8.8%.

We've had several projects in 2018 that are closed or are close to closing that are generating significant margin for us. Our Eastern Shore Natural Gas Pipeline expansion and our Florida Peninsula Pipeline expansion will generate about $23.7 million in annual margin going forward.

We spent a great deal of time and effort responding to Hurricane Michael. We cleaned up and essentially rebuilt our entire electric distribution system in Marianna. Our recovery efforts have totaled something close to $60 million an estimated restoration costs. We believe that all of those costs are recoverable, and we are in the process now of filing a recovery mechanism with the Florida Public Service Commission that we feel will be acted on sometime over the next several months.

We were also successful in adding a couple of acquisitions in 2018 that are going to generate about $5.7 million in margin in 2019, the Marlin CNG Services acquisition in Florida and the R.F. Ohl propane acquisition that we're now folding into our Sharp operations in the Poconos.

Turn to slide 6. Just a reiteration of the strong capital expenditure track record that we've had over the last 10 years and if you look at the chart, in 2009, we acquired Florida Public Utilities and that started a really a pretty significant run for us looking and finding and executing on capital investments across our business, ending up, as we've said earlier, with a record $283 million capital level in 2018. That 2018 capital represented about 83% in our Regulated business sectors.

So, over the last several years, we've invested about $1.37 billion that really propelled growth in this business. Our gross PPE is now about $1.7 billion at the end of 2018 and we started out this latest growth spurt in 2008 with about $382 million of PPE, so a 4.4% growth multiple over the period. We're going to see something very similar, I think, in 2019. We have our current budget amount for capital expenditures of $168 million. I think that's probably going to grow as we complete several development projects that we're in the process of looking at right now.

If you turn to slide 7, capital investment is great, but it has to lead the margin growth, and certainly needs to produce earnings. We've been able to do that. We have 10 years of very strong earnings growth. If you look at our 10-year EPS CAGR, it's about 10.1% over the past five years where we have significantly ramped up capital. It's still averaging 8.8%. That growth activity is occurring across the company in a variety of areas. We're finding development opportunities like the ones we've just mentioned for Eastern Shore and Peninsula Pipeline. We've seen growth in our propane areas. We've seen acquisitions across the company. And one of the things that I'm most proud of is that we have invested significantly in our safety and reliability programs, both with pipeline replacements and with significant reliability improvement on our Eastern Shore pipeline.

If you turn to slide 8, along with that investment activity, we've been delivering very consistent and high returns, our ROE largely over the last 10 years has averaged, on a consolidated basis, above 11%. It's very clear that the board is interested in us keeping that level of return going. We have every intention of doing that.

On slide 9, you see the quadrant slide that we've been showing for the last several years, pure ROE versus capital expenditures. We, as you see on the slide, are up in the quadrant that you'd like to be in, with higher returns and higher investment. Again, we spend a lot of time in this company thinking about strategically how to stay in this quadrant. And that is, in fact, our long-term strategic intent.
Let me turn it over to Beth and she'll take us through the financial review.

Beth W. Cooper

Thank you, Jeff. Turning to slide 11, just a little bit more color and detail regarding some of the numbers that Jeff talked about earlier. As you can see on slide 11 our net income was $56.6 million for the year and $17.8 million for the quarter. Overall, our results were favorable compared to 2017 which, again, included that one-time income tax gain of $0.87 in the fourth quarter of last year. Operating income increased $7.2 million for 2018 and $5.3 million for the fourth quarter. Excluding the TCJA impact for the year, operating income actually increased $16.8 million or 19.2% overall. Diluted earnings per share increased to $345 million or 19% ROCE given higher income in our Regulated and our Unregulated Energy segments when compared to the 2017 adjusted results.

Moving to slide 12, we've provided a snapshot of our adjusted earnings for both the year and the fourth quarter. And this information kind of piggybacks off of what we included in our earnings release. As you can see, the company's reported EPS was $3.45 again compared to $3.55 last year. Looking at adjusted non-GAAP EPS for 2018, that total $3.31 as compared to $2.89 representing a 14.5% growth rate. Looking at just the quarter, our adjusted EPS for the quarter was $1.10, an 18.3% growth rate over the fourth quarter adjusted EPS of $0.93 last year.

Moving on to slide 13. This highlights some of the key gross margin drivers, which are identified here and which added about $1.17 per share in 2018 compared to 2017. This compares favorably when you look at our operating expense increase, which was $0.82. Margin increases in our natural gas transmission and distribution businesses from new projects being put into service as well as organic customer growth in Delmarva and Florida were huge drivers.

Our regulatory initiatives related to our investments in Eastern Shore Natural Gas, Florida's electric reliability and GRIP programs had a combined margin increase of $8.6 million. Again, we recorded GAAP earnings per share of $3.45 which meant we generated additional earnings that overcame all but $0.10 of the $0.87 one-time gain in 2017.

Moving on to slide 14. Chesapeake is fortunate to be operating in two regions, both Delmarva and Florida that are continuing to see strong customer growth. In 2018 customer growth alone added $3.9 million in gross margin from residential, commercial and industrial customers. Of this amount, $1 million is associated with the Northwest expansion, and $2.9 million is associated with core organic growth. This level of incremental growth is comparable to what we achieved in 2017. Colder weather and increased usage by our industrial customers added $2 million in incremental margin as a result of higher volume.

Moving on to slide 15, in terms of our balance sheet. Given the record investment and capital expenditures that Jeff talked about earlier in 2018 and prior years, we have financed these growth projects with retained earnings and our credit facilities. On slide 16, you can see our capital structure at the end of 2018. During 2018, we added $100 million in private placement debt, these are 20-year facilities with 10 years of interest only and then 10-year amortization of premium and – or, excuse me, principal thereafter, at an average rate of 3.53%. We also have a commitment for a similar Term Note for $100 million at 3.98% with a delayed draw to fund before August of 2019. We have $250 million still available to us in private placement shelf facilities that we have in place. We have $430 million in committed bank credit facilities, including $60 million of intermediate term loans that we added to finance the restoration costs for Hurricane Michael.

As you can see on this slide, our equity to total capitalization was 45% at the end of the year. Excluding the borrowing that was required for Hurricane Michael, our equity to total capital was 48%. We will be finalizing our financing plans for the latter part of this year and 2020 once we have a better indication as to the timing of certain projects that are in that development stage that Jeff talked about earlier, as well as the outcome of several rate proceedings related to Hurricane Michael. We do expect to migrate back closer to our target capital structure as we move through the year and into 2020.

On slide 16, this provides a little bit more information about our dividend growth over the last five years. As you can see, our 2018 annualized dividend increased $0.18 or 13.8% to reach $1.48, as illustrated on slide 16. Our board approved the dividend last year considering the earnings impact of TCJA. They were committed to our shareholders also benefiting from this one-time tax impact. Our five-year annualized dividend growth is 7.6%, our three-year dividend growth rate is even higher at 8.8%. Our dividend growth has been in the top quartile for the past 10 years and, combined with similar EPS performance, we have been able to keep our payout ratio low, below 50%, and retain earnings to invest back into the company to fuel future earnings growth. Should earnings decline at some point in the future relative to what we have experienced, we would have the capacity to continue to grow the dividend further.

Moving on to slide 17. An update as it relates to our regulatory filings associated with the TCJA. And on this slide, you'll note that we've highlighted the changes in green since our last quarterly earnings conference call. Overall, the 2017 TCJA resulted in a lower effective tax rate for Chesapeake. Our Unregulated business segment can retain those lower benefits, always though subject to competitive pressures. Our Regulated Energy segment had a combined $90 million in deferred taxes that were reclassified as regulatory liabilities related to the TCJA. We are addressing these liabilities through our various regulatory channels.

We have recently completed discussions in Delaware and Florida, as shown on this slide. The Delaware PSC followed a similar approach as the Maryland PSC and FERC in regards to adjusting custom rates because of the lower income taxes. Similarly, we will be amortizing and returning the dollars associated with accumulated deferred income taxes established as a regulatory liability at the time of the enactment of the TCJA.

In Florida, for our natural gas businesses, with the exception of our GRIP program, we have achieved a very different positive outcome given our current actual versus allowed ROE. We expect to include more disclosures in our first quarter Form 10-Q once we are through any contest period. But overall, there will be a positive impact in 2019 and beyond.

On slide 18 just a little bit more information in regards to Jeff's comments on Hurricane Michael. We have expended over $60 million, again, to rebuild our entire system in Northwest Florida. We are working on a filing related to recovery of these expenditures and expect that to be complete in the latter part of this quarter, or possibly early in the second quarter.

We monitor key performance metrics to ensure we stay focused on generating above average performance. These measures include capital investment to total capitalization, earnings per share growth, return on equity, dividends per share growth, earnings retention, and total shareholder return. Our team exhibits a culture of financial discipline where results matter for each and every one of our employees. As you can see on slide 19, for the six metrics measured over the 1-, 3-, 5-, and 10- year periods, we had top quartile performance in 19 and 22 metrics out of the 24 metrics, when compared both to our peer group and to a larger peer group over 30 companies of electric, gas, and combination companies, respectively. The table on page 20 has become a hallmark of our financial reporting over the years. It is intended to give investors and stock analysts a glimpse of the

growth projects we have been working on. We show only those projects that are underway and generating margin growth. For 2019, we expect margin growth of $19 million, as shown on the slide, which will be two years of growth approximating $40 million from these major projects and initiatives.

The table does not show previous projects that have been put into full service and continue to provide the same level of margin annually year-over-year, nor does it include margin increases from organic growth across our business segments. In addition, the table does not include new projects under development which should be forthcoming later in this year. Once projects have been approved, et cetera, we will include them in our forecast of margin for 2019, 2020 and beyond depending on the service stage.

I'll now turn the call back over to Jeff. He will emphasize the current projects across our businesses and also talk about our ambitious goals for capital investments, earnings per share performance, and return on equity over the next few years driven by Chesapeake's high performance culture.

Jeffry M. Householder

Thanks, Beth. We've spent a fairly significant amount of time and effort over the last couple of years on our natural gas transmission businesses, both on Delmarva and in Florida. On slide 22, we talk a little bit about the current Eastern Shore Natural Gas projects, and we've highlighted a couple of them here. One is the 2017 project that you've heard a fair amount about into the last year or so. We are virtually complete with that project. We have a handful of things remaining to do, but most of it is up and running at this point. It's about $117 million investment, 23 miles of pipeline looping, 17 miles of new mainline extension, some new compression. We increased the total capacity on the Eastern Shore system by about 26%. It is a project that really transforms, in many respects, our Eastern Shore delivery capabilities and will allow both continued growth of our distribution systems at the end of the Peninsula but also will allow for significant industrial growth as it develops on the Delmarva Peninsula.

We're also in the process of looking at what we're calling the Del-Mar Energy Pathway project which, again, pushes – or will push additional gas farther south into the Peninsula allowing us to serve emerging growth in Southern Delaware and on the Eastern Shore at Maryland. That project is at FERC right now and we are hoping for a speedy transition through FERC if we – if that's possible to get anymore. We're hoping for that. We think we'll be successful there. So, those combined projects with an estimated capital investment of about $166 million through years 2021. And combined incremental margin, that's close to $21 million a year.

On slide 23, in our Florida Peninsula Pipeline business, we've also had several significant projects. We've listed three here. The first is the Northwest Florida Expansion over in the Pensacola Florida area, about a $43 million, $44 million total investment, $6.5 million in annual margin. We brought that project in service in May of 2018. One of the great things about that project is that it – it's certainly, with the margins that are listed there, providing a reasonable return on investment. But we also have about 30,000 dekatherms of additional capacity yet to be sold on that project. And we are looking at delivering additional services to a number of industrial customers over in the Pensacola area.

We've completed another project in New Smyrna Beach, essentially displacing an old Florida gas transmission lateral that we purchased several years ago. This project not only provides a great margin for Peninsula Pipeline but it really bolsters the distribution capabilities of our system in and around New Smyrna Beach and allows for expansion and growth there that we have not been able to do because we have limited pressure and flow capabilities.

And under construction, are several projects in our Western Palm Beach service territory. The growth in Western Palm Beach is pretty spectacular at this point. There are some large city-sized developments going in in Western Palm Beach and we are expanding our Peninsula Pipeline capabilities to deliver gas off of both the Gulfstream and the Florida Gas Transmission interstate pipeline systems to serve the development. We're listing about a $30 million total capital investment, that's a Peninsula Pipeline investment level. What's not shown here are the distribution system investments that will follow as we take gas to the residences and businesses in this area. We're anticipating at least an additional $10 million in distribution investment over the next few years in Western Palm Beach.

One of the things on slide 24 that I'm really very bullish about is our acquisition of Marlin Gas Services, a compressed natural gas transport business. We have been looking at this business for a number of years, hoping to acquire it. And finally, we're able to work the deal out with the principal owner. We are – in our Florida Public Utilities and Central Florida Gas operating areas, we're large customers of Marlin. We believe that the services that this company provides will be in significant demand for many years to come, not only on an emergency services basis, but providing temporary services for companies that are doing scheduled maintenance. And we are finding a number of other opportunities to provide services from Marlin.

We use them in our distribution systems to hold distribution systems before we can get a pipeline extended out and make a permanent interconnection into our system. We did that for several months with our expansion on – in Fernandina Beach, on Amelia Island. We currently, I believe, have about eight of the Marlin tube trailers that you see in the picture on slide 24 scattered about our distribution systems especially in Western Palm Beach holding subdivisions until we can get the pipeline there. Now, we're also finding additional market opportunities for this business in transporting, for example, biogas from landfills into distribution facilities or pipeline facilities for other customers. So, I think there are great growth opportunities for Marlin. I believe the $4.5 million in margin that we've listed here in 2019 is actually going to be significantly low compared to what we achieve by the end of the year.

Sharp Energy, on slide 25, continues to grow through acquisitions. We mentioned the Ohl acquisition up in the Poconos adding the 2,500 customers. That is – has been fairly easily integrated into Sharp's existing operations in that area. We're also seeing a significant expansion of our AutoGas business which is leading us into areas that allow us to expand our retail services into Virginia and into other areas around the Peninsula here at Delmarva. Turning to slide 26. One of the things that makes all this possible, we believe, and I mentioned this earlier, is a very strong culture that looks at sustained growth and we have great employees in this company and they're always bringing ideas, they're always bringing creative thinking to the table on how we can grow the business. And I think it really is one of the things that characterizes our company and differentiates us from most of the other Regulated utilities. Certainly that I've been a part of over the years. And we'll work very hard to continue to sustain that company or that culture and promote it.

Just a couple of final thoughts on our capital spending forecast on slide 27. I think Beth has wandered around talking about spending $1 billion or investing $1 billion over the next five years starting in 2018. We're obviously on a pretty good run to do that with a record year of $283 million in 2018. We originally offered a – an investment band that ranged from $600 million on the low end to about $1 billion through 2022, and we've recently adjusted that low end of the band up to $750 million. We feel very comfortable in that forecast. I believe it probably will hit $1 billion, but the $750, I think, is a number that we're comfortable with. And so, you can see us providing some guidance here on our capital over the next few years.

And the same thing is true on slide 28 with our earnings per share outlook. We had originally provided a band ranging from 7.75% to 9.5%. And I think that that is still something that we would hold to be accurate at this point. We're certainly going to revisit that projected band once we complete the regulatory actions related to the TCJA tax dispositions. But again, I think we will be in that general band. And as Beth mentioned earlier, we're working to maintain our target equity to total capitalization ratio in that 50% to 60% range; our dividend payout ratio in the 45% range; and our dividend share growth certainly has been supported, and we continue to believe it will be supported by our earnings per share growth.

Turning to slide 29, total shareholder return. You've seen this comparison to broader market S&P 500 companies and our peer group several times in our earnings reports in the past. I think the obvious point here is that we have continued to exceed the peer group. We are continuing to show up in the 75th percentile for all periods shown. And it's one of the key objectives that we have in the company, is to maintain this level of earnings performance.

So, at the end of the day, my goal and I think the goal of our entire team is to be sitting here 10 years from now having continued to generate the same level of performance that you've seen out of us over the past 10 years. I'm excited about the enthusiasm and the drive that I see throughout the company in all of our operating areas. I know that our employees can accomplish great things. We've already done that. I know that we will continue to do that. So, thank you very much for joining us today and we'll take any questions that you might have.

Q&A

Operator

Thank you, presenters. [Operator Instructions] There are no further questions at this time. Presenters, you may continue.
<A - Jeffry M. Householder>: Okay. Well, thank you very much. I'm sorry.

Operator

Excuse me, presenter. We do have one question here. Do you want to entertain it or answer the question?
<A - Jeffry M. Householder>: Okay, sure.

Operator

Okay. It comes from the line of Sean McEvilly. Your line is open.

<Q - Sean McEvilly>: Hi, guys. Thanks for taking my call today.

<A - Beth W. Cooper>: Hi, Sean. Good morning.

<Q - Sean McEvilly>: Good morning. So, I just have a quick question on the target capital structure. Do you think that's going to happen via just natural cash flows from the business or do you – are you expecting some external financing needs?

<A - Beth W. Cooper>: I think given where the capital structure is sitting and given the capital expenditures that we have identified even thus far for this year, and again, that doesn't include some of the other things that we're looking at. I think we're going to be in a position at some point that we're going to have to be accessing the external market. I think we're just trying to make sure that we align it with the projects, some of the project determination, and also kind of getting behind some of the projects that are already under construction today. But yes, I think at some point we will be accessing the market. We've done that on the debt side repeatedly over the last several years and I think, given the balance of our short-term debt coupled with where our equity ratio is, you'll have to see us at some point access the markets again.

<Q - Sean McEvilly>: Hi Okay. And then, as far as – perfect. As far as the Hurricane Michael, have you guys quantified how much debt you guys have issued and how do you guys expect to recoup that cash from customers?

<A - Beth W. Cooper>: So, two comments. One is, we've expended a little more than $60 million. And so, Sean, because we knew there was going to be a gap between when the restoration efforts occur and when you get the filing and then it's ruled on by the PSC. What we've done there is we entered into those two loans for $30 million each. They're specifically targeted for the hurricane. And so, we've assigned those directly to the electric operations. And so, that's debt that's been set aside for that. And then, we will be filing to seek recovery of the dollars that we've expended which include dollars that have been allocated to the storm reserve as well as dollars that we're looking to include in plant. But at this point, the regulatory filing isn't done and it will take some time for them to finalize and issue an order on the PSC side.

<Q - Sean McEvilly>: Okay, perfect. Thank you so much. Have a good weekend.

<A - Beth W. Cooper>: You do the same. Thank you, Sean.

<A - Jeffry M. Householder>: Thank you.

Operator

Your next question comes from the line of Roger Liddell. Your line is open.

<Q - Donald Roger Brooke Liddell>: Yes. Good morning.

<A - Beth W. Cooper>: Good morning, Roger.

<Q - Donald Roger Brooke Liddell>: Congratulations on the comprehensive material, the slides in this presentation. My question involves the – truly, it's broad scale, the Florida opportunities and I'm fully aware of what you're just speaking of minutes ago on the number of initiatives and the growth rates seen in Western Palm, et cetera. But turning to the hurricane aspect, Irma, what, a year and a half ago now, spawned a number of regulatory and governmental initiatives, some of which are of great interest to the company [ph] in the big (00:36:30) gas industry. In the aftermath of Hurricane Michael which was, well, an electric event, in essence, do you expect any meaningful response that accelerates or expands what was in place post Irma?

<A - Beth W. Cooper>: And I'm – Roger, are you speaking more from the PSC side or are you speaking overall from like a governmental landscape?

<Q - Donald Roger Brooke Liddell>: Well, I think the there was some governmental initiatives directly like that for healthcare facilities. But let's say, PSC is effectively driving your life, so PSC itself.

<A - Beth W. Cooper>: Well, I think we – I mean, we are – and I don't want to say fortunately in the wrong way here. But I mean, there were multiple utilities that were impacted, I mean, we had a severe impact on our Northwest Florida operation. But I think we have a great, we feel, like a great relationship with the regulatory staff at the PSC. And I think – I don't know – to some degree, there could be some outcomes in regards to how they view this. I mean, in particular when you look at it, for us, we've got a very small number of customers in that area that – and so, could there be outcomes to try to look at something broader? I don't think we know that yet. I think we'll be bundled with the other utilities that are trying to seek relief for this. Jeff, I don't know if there's...

<A - Jeffry M. Householder>: Yeah, I think that's right. There's a long history, as you all know, in Florida of hurricane damage, especially on the electric side being recovered through the mechanisms that are decades old in Florida. So, I don't think that we believe that we have a significant risk that these costs will not be recoverable in one way or another. I think we will have a debate with the regulator as to what goes into capital versus what flows through the storm reserve and over what period we would recover that storm reserve. And so, those are the issues that we're anticipating debating here. But as to actually recovering in one way or another the entirety of the expenses that we incurred, I don't think that there's much concern there.

<Q - Donald Roger Brooke Liddell>: Well, I wasn't really challenging that part. To your point, if the mechanisms that's been in place for decades, even if the storm reserve was, if I read it correctly, alternately relative to the damage you've already incurred, but it's much more looking forward, the lessons, the vulnerabilities of the above ground electric structure and how gas flowing that – so, it's a forward look that is my concern not the recovery mechanism, however it precisely plays out.

<A - Jeffry M. Householder>: I see. And you're right, there is a fairly robust discussion about undergrounding systems and how we storm-harden these systems. And in fact, one of the real success stories most of us experienced in Hurricane Michael is that very few of our storm-hardened facilities, especially the larger sized poles that we had installed in the last several years, were negatively impacted. So, there's a nice track record of success for the work that we've done in storm-hardening these systems and I think we'll continue. But you're right, we've had a continuing discussion with regulators and others about undergrounding systems, about distributed generation, about substituting gas for electricity, and all the things I think that you're describing there. I have no idea where that conversation will ultimately go. There's even been some discussion about a universal fund that would provide restoration recovery costs and charge that across all electric utilities in Florida, which would require some legislative action. So, I don't know where that goes either.

<Q - Donald Roger Brooke Liddell>: Interesting. That's parallel to what, at least, several states have done on pipeline replacement, whether it's water or natural gas and...

<A - Jeffry M. Householder>: Yes.

<Q - Donald Roger Brooke Liddell>: ...spreading those costs across the state. That's a very creative way of looking at things.

<A - Jeffry M. Householder>: Yes.

<Q - Donald Roger Brooke Liddell>: Okay. Thank you. Excellent. Up and away ladies and gentlemen.

<A - Jeffry M. Householder>: Thank you.

<A - Beth W. Cooper>: Thank you, Roger.

Operator
[Operator Instructions] There are no further questions at this time. Presenters, you may continue.

Jeffry M. Householder
All right. Thank you very much for your continued support of the company. It's a very exciting time for all of us here to be with Chesapeake, and we look forward to great success as we move forward. Have a wonderful weekend. Good bye.

Jeffry M. Householder
Thank you.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect. Presenters, please stay on the line.