Third Quarter 2020 Earnings Call

Company Participants

- Beth W. Cooper, Executive Vice President, Chief Financial Officer & Assistant Secretary
- Jeffry M. Householder, President & Chief Executive Officer
- James F. Moriarty, Executive Vice President, General Counsel, Corporate Secretary and Chief Policy and Risk Officer

Other Participants

- Tate Sullivan
- Brian Russo
- Roger Liddell

Operator: Welcome to Chesapeake Utilities Corp.'s Third Quarter 2020 Earnings Conference Call. During the presentation all participants will be in a listen-only mode. Afterwards we will conduct a question-and-answer session. At that time, if you have a question, please press the 1 followed by the 4 on your telephone. If at any time during the conference you need to reach an operator, please press star zero. As a reminder, this conference is being recorded Thursday, November 5, 2020. I would now like to turn the conference over to Beth Cooper, Chief Financial Officer. Please go ahead.

Beth Cooper: Thank you, and good afternoon everyone. We appreciate you joining us today to review our third quarter and year-to-date results. We hope that you, your families, and coworkers are doing well and staying safe. We at Chesapeake Utilities continue to operate effectively in this new normal, serving our customers and keeping our employees as safe as possible.

As shown on Slide 2, participating with me on the call today are Jeff Householder, President and Chief Executive Officer, and Jim Moriarty, Executive Vice President, General Counsel, Corporate Secretary and Chief Risk and Compliance Officer. We also have other members of our management team joining us virtually.

Today's presentation can be accessed on our Web site under the Investor section and Events and Webcasts subsection, or via our IR app.

After our prepared remarks, we will open the call up for questions. Our objective for the call is to provide insight into our third quarter and year-to-date results, the estimated impact of COVID-19 on our business to date, as well as an update on our progress on numerous strategic initiatives and our outlook for the future.

Moving to Slide 3, I would like to remind you that matters discussed in this conference call may include forward-looking statements that involve risks and uncertainties. Forward-looking statements and projections could differ materially from our actual results. The safe harbor for forward-looking statements section of the company's 2019 annual report on Form 10-K and our 2020 quarterly reports on Form 10-Q provide further information on the factors that could cause such statements to differ from our actual results.

Now I'll turn the call over to Jeff to provide opening remarks on our second quarter performance, more details on our COVID-19 response, highlights on several strategic growth initiatives, and some insights into our outlook going forward. Jeff?

Jeff Householder: Thank you, Beth. Good afternoon and thank you all for joining our third quarter call.

As we prepared for this call, we reflected on the significant accomplishments that the company achieved during the third quarter. Let me start by highlighting some of our business development initiatives and several key accomplishments that occurred this quarter. I think this list exemplifies the Chesapeake entrepreneurial spirit, along with the collaborative teamwork and drive for results that have long characterized our success. That's especially true as we continue to find ways in the middle of a viral pandemic to keep growing our business. As you all know, the investments and accomplishments we outline today are a catalyst from which we generate future earnings growth.

Slides 4 and 5 include details on the execution of our growth strategy and feature several of our significant projects. The Del-Mar Energy Pathway Pipeline construction project in Maryland is underway. And we placed our Callahan pipeline in Nassau County, Florida in service in late June. So the third quarter was our first full quarter of operations for that pipeline. Our gas distribution systems continue to add customers at a rate that is significantly above the average growth rate for (other) utilities.

We're partnering with several commercial, agricultural and landfill waste bioenergy development firms on renewable natural gas projects in Delaware, Maryland, and Ohio. These projects will support local communities in mitigating the long-term challenge of agricultural waste disposal and landfill methane emissions.

Most recently, we partnered with CleanBay Renewables in support of developing a renewable biogas plant in Westover, Maryland. The facility will produce pipeline-quality renewable natural gas, which we will take into our pipeline system for distribution, and organic fertilizer, both produced from chicken waste. We finalized the agreements for the purchase of gas from the facility and for oil and gas services to transport the RNG to our Eastern Shore Natural Gas Pipeline Interconnect.

We're in the midst of evaluating negotiations for our potential broader participation in the Westover RNG facility. We're excited to support a project that not only contributes to a low carbon energy future but also the long-term environmental footprint of the Delmarva Peninsula.

In Ohio, our Aspire Energy subsidiary partnered with Fortistar and Rumpke Waste & Recycling for a landfill renewable natural gas project. Aspire will build a 17-mile pipeline to transport the RNG into our gathering system.

During the third quarter, the Maryland Public Service Commission approved our acquisition of Elkton Gas. We closed on this transaction at the end of July and welcomed Elkton Gas and its talented team to the Chesapeake family. And we're well underway to integrating Elkton Gas into our business and are already seeing increased growth in the Cecil County, Maryland area.

We enhanced our strong balance sheet to support continued growth. We established an aftermarket equity program to provide access to new equity as the company continues to manage its capital structure. In late September, Chesapeake Utilities was honored to be included in the S&P Small Cap 600 Index, reflective of our increased market capitalization and steady and reliable earnings and dividend growth.

Near the end of September, our stock was added into this small cap index. At the same time that our stock went into the S&P600, we were able to execute an at-the-market equity offering program, which ultimately resulted in the sale of over $75 million of Chesapeake shares at the end of the quarter. Year to date, through the end of October, Chesapeake has issued $88.6 million of new equity through its ATM and direct stock purchase plans.

We also issued $90 million of new long-term debt, with a 15-year maturity, at an average rate of 2.98%, and reduced our short-term borrowings. Lastly, at the end of September, we have mended and renewed a $375 million syndicated facility with our bank lending group that provides access to short-term debt to meet our capital needs on an interim basis. The additional equity from this offering has rebalanced our equity debt ratio a year ahead of our expected timeframe. Our balance sheet is strong, and we're well-positioned for continued growth.

Also from the third quarter, we announced a partnership with Atlanta Gas Light to build a CNG filling station at the port of Savannah, Georgia. Our Marlin subsidiary will locate a logistics site at this facility, expanding our CNG mobile transport services into new markets in Georgia and the Carolinas.

For the ninth consecutive year, Chesapeake Utilities was named the top workplace in Delaware, representing only one of two companies that has earned this distinguished honor. We're very appreciative of this recognition from our employees.

We reached a settlement agreement with the Office of Public Counsel in Florida for our Hurricane Michael cost recovery proceeding, which was subsequently approved by the Florida Public Service Commission. The agreement generated $2.9 million in incremental year-to-date earnings. And earlier this week, our Sharp Energy Propane subsidiary announced the acquisition of Western Natural Gas Company, a propane company based out of Jacksonville, Florida that serves approximately 4000 customers. And yes, I said that right, it's Western Natural Gas is their name but they are in fact a propane retailer. We're excited about this acquisition as it expands our propane presence in the growing markets in Duvall and St. John counties.

Finally, earlier today our Board of Directors declared our January 2021 dividend of 44 cents per share. It's a significant milestone for Chesapeake Utilities. We've now paid a dividend for 16 consecutive years. These are notable, perhaps even amazing accomplishments given the operational impact on our business as the COVID-19 pandemic continues. All of these initiatives enable us to generate strong third quarter performance and to reaffirm our commitment to our 2022 capital and EPS guidance.

Later in the presentation we'll discuss our major projects, margin contributions table, which now forecast a $50 million of margin in 2020 and $63 million of margin in 2021, given our announced projects and initiatives to date.

I want to spend just a moment specifically on our third quarter and year-to-date results. Our third quarter GAAP earnings per share was 56 cents. That's 22 cents above our 2019 third quarter results. Year to date, GAAP earnings per share increased to $2.97, from $2.59 as reported for the prior period.

Our entire team has worked hard to not only keep meeting customer expectations for reliable service, but as I've just indicated, we're also working hard to keep growing our energy delivery businesses. It's a testament to the dedication and drive of our employees, our contractors and suppliers that, in the face of the COVID-19 pandemic, our results are strong and we continue executing on growth projects that will contribute to future earnings.

Speaking for a moment of COVID-19. For the three and nine months ended September 30, 2020, the estimated impact that COVID-19 had on the company's net earnings was $700,000 and $1.9 million, respectively. Those impacts are primarily driven by reduced consumption of energy, largely in the commercial and industrial sectors, higher bad debt expense, incremental expenses associated with COVID-19, including personal protective equipment, and premium pay for our frontline operations personnel.

The additional operating expenses the company has incurred support the ongoing delivery of our essential services during these unprecedented times. The negative impact of these costs was partially offset by reduced operating expenses related to remote work conditions, restricted travel, and other COVID-19 related cost reductions. Lower federal income tax expenses due to CARES Act, and lower financing costs as a result of the Fed's actions have simultaneously helped the bottom line.

The COVID-19 pandemic is still ongoing, the company has not established regulatory assets associated with incremental medic expense impacts. We do, however, have the regulatory authority in Delaware, Maryland and Florida to establish these regulatory assets. We will communicate on a timely basis updates on the deferral (or) recovery of our net COVID-19 expense impacts as we determine the timing and scope of any regulatory action.

I'll turn the call back to Beth to discuss in more detail our second quarter results. Beth?

Beth Cooper: Thanks, Jeff. Turning to Slide 6. Net income for the quarter was $9.3 million, compared to $5.6 million for the same quarter of last year. Year-to-date earnings were $41.1 million, compared to $42.6 million in 2019.

The tax rate was 24% this year as a result of the CARES Act, compared to 26% last year. The CARES Act enabled us to carry back net operating losses in years with higher federal income rate, resulting in a year-to-date benefit of $1.7 million recorded in the second quarter.

In terms of continuing operations, our EPS for the third quarter compared to the third quarter last year grew by 18 cents to 56 cents per share, from 38 cents, while year-to-date EPS compared to the same period last year growth 29 cents to $2.96 per share.

Slide 7 summarizes the key drivers of our performance for the third quarter as described in detail in our earnings release issued yesterday after the market close. Gross margin increased $8.2 million. We recognized $2.8 million from the Hurricane Michael proceedings settlement that happened shortly after the end of the third quarter. Pipeline expansions contributed $2.7 million. We generated additional gross margin of $2 million from Peninsula Pipeline, Western Palm Beach County, Auburndale, and Callahan projects, and $700,000 from Eastern Shore's Del-Mar Energy Pathway Project. Natural gas growth from initiating service to new customers added $800,000 again this quarter.

Our organic customer growth rates remain significantly above the national average. And for example, our Delmarva residential customer growth reached 4.9% for the quarter. Our Florida GRIP, or Gas Reliability and Infrastructure Program, generated 700,000 in additional gross margin this quarter, and has contributed over $11 million since inception.

Boulden and Elkton Gas acquisitions contributed $700,000 in gross margin as well. And lastly, Marlin Gas Services increased gross margin by $600,000 as the demand for its traditional CNG services resulted in several new contracts.

Management of operating expenses resulted in costs increasing 57% of gross margin gain while managing our businesses in this new normal. The increased operating expenses were driven mostly by acquisitions, growth in our business, depreciation associated with new growth projects, and amortization associated with the Hurricane Michael favorable settlement. If you exclude those expenses tied to new acquisitions, as well as depreciation and amortization, you can see that our increase in operating expenses was not material.

Unusual items resulted in increased gross margin of 700,000. We recognized a $2.7 million net benefit this quarter for the first and second quarters associated with the Hurricane Michael settlement. Interim rates for previously accrued and reserves in the first and second quarters, decreased customer consumption and the unfavorable impact of COVID-19 reduced gross margin $2 million.

Moving to Slide 8, we continue to operate our business in this new normal with adherence to recommendations of the Center for Disease Control, or CDC, and our unwavering focus on protecting our employees and customers, including social distancing, math, remote administrative services, and continued utilization of personal protective equipment. Our growth projects are continuing on schedule without any significant interruption from COVID-19. We do not expect to establish onsite offices for the administrative teams until 2021, and then expect a hybrid solution of onsite and remote work operations for the remainder of 2021 and potentially thereafter.

The operating income impact from COVID-19 for the three and nine months ended September 30th was a negative $1.9 million and $6.7 million, respectively. Bad debt reserves had increased 1.9 million during the pandemic, given governmental restrictions on collection and service discontinuance for non-payment. Year-to-date net income was reduced 1.9 million or 12 cents per share.

Today, as Jeff mentioned earlier, we have not recorded any regulatory assets for the net COVID-19 expense impact as authorized by the three regulatory jurisdictions where our distribution business is. We have looked at various analyses and projections related to this impact and continue to assess recoverability. We will provide further update as we complete our assessment.

The forecast for 2020 capital expenditures remains on target for approximately 200 million. Our band has really narrowed, as shown on Slide 9, and now represents $195 million to $215 million. You will notice that we moved the lower end of our estimated 2020 capital expenditures from $185 million to $195 million given our capital spending to date and our projections for the remainder of the year. The majority of investment, over 75%, remains in our regulated transmission and distribution businesses.

On a year-to-date basis, we have invested just under $144 million. We are well on track to achieve this capital forecast and any variations would be largely attributable to construction timing and would be carried over to next year.

As you can see on Slide 10, as of September 30th, total capitalization was $1.37 billion, comprised of 45% stock voter's equity, 38% long-term debt at fixed rate, and 17% short-term debt, including outstanding borrowings under our short-term evolver and the current portion of long-term debt. Our recent equity issuances have moved us to approximately 50% of total capitalization on a pro forma basis. Recall that the low end of our target equity, the total capitalization range began at 50%. We had indicated that we would be migrating back to our target equity ratio and we were able to make significant strides in that regard.

We continue to utilize our traditional equity plans this year to issue stock and increase equity beyond our earnings that we reinvested back in the business. We stood up the 75 million ACM on August 17th and successfully utilized the ATM in late September, into early October, to issue $52.5 million of new equity as detailed on the following slide.

Slide 11 shows that being prepared with the ATM program was a tremendous benefit for the company in regards to raising new equity capital. We expected to use the ATM at our discretion over time. That was a good plan until CPK, Chesapeake, was added to the S&P Small Cap 600 Index effective October 1st. This S&P Small Cap 600 Index is considered the benchmark for small companies with a market cap similar to us.

The addition to the index gave significant momentum to Chesapeake volume as investors sought to add our stock to their index portfolio holdings. Chesapeake traded volume was about 5 million shares over the last three days of September, compared to volume of 58,900 the day before the index add.

Given the equity we were able to issue under the ATM and our dividend reinvestment and direct stock purchase plan, our balance sheet is now better-positioned to support additional growth opportunities we are pursuing for 2021 and beyond.

I'll now turn the call back to Jeff to discuss our current and future prospects for growth. Jeff?

Jeff Householder: Thanks, Beth. Slide 12 shows the growth platforms associated with our strategic plan that we update every year. Our growth strategy is fairly straightforward. We manage our regulated businesses to provide stable, predictable earnings, solid foundation over the long term, and continually seek opportunities to expand our footprint.

We look for non-regulated investments to meet three fundamental criteria -- investments that are, one, strategically relevant and related to our core energy businesses. Two, that they meet our return targets. And three, that exhibit risk profiles that are consistent with our existing non-regulated businesses.

We seek to provide total shareholder return in the upper quartile of our peers in both short and long-term performance, the product of earnings and dividend growth driven by capital projects that can achieve an adequate return on investment at our prescribed targets.

On this slide we've identified the primary drivers of growth that we are constantly pursuing. I can envision us expanding this diagram further next year as we pursue opportunities across the value chain for CNG, RNG, and eventually LNG.

Projects completed or underway are highlighted on Slide 13. As Beth noted, in regards to our capital forecast for 2020, we still primarily invest in regulated businesses, most notably transmission pipelines and distribution mains to add services to new customers and existing or expanding geographic areas.

We're also comfortable with strategic investments in our unregulated businesses, propane distribution acquisitions like Boulden and Western Natural Gas, the Marlin Gas Services, Eight Flags, Aspire, all have similar characteristics to the regulated utility but have consistently generated increased returns above the allowed regulated utility returns.

For us, our non-regulated businesses are core to who we are and to what we do. They are the means for achieving our higher-than-regulated ROEs and also support our EPS growth track record and projected EPS growth profile.

As shown on this slide, we've been able to complete numerous projects and acquisitions and successfully integrate them into the Chesapeake family. And we're actively engaged with many other projects that we believe position us for future growth. Our pipeline investments in particular give us the opportunity to expand local gas distribution for new customers and transport renewable natural gas.

Let me provide a little more detail on our most recent propane acquisition, on Slide 14. On October 26th we completed the acquisition of Western Natural Gas, a family-owned business founded in the 1940s. Western Natural in the Jacksonville, Florida area, adjacent to our northeast Florida service territory in Nassau County and on Amelia Island, the business will operate under the Sharp brand, with current volume of about a million gallons annually, serves approximately 4000 customers.

With the commitment of Sharp and the legacy Western Natural Gas team to provide quality service will be an advantage to increase the customer base as that important market continues to grow. We're also excited about the opportunities to market our gas offering and leverage other programs and services that have been key to Sharp's success.

As shown on Slide 15, our regulatory team successfully settled with Florida Public Service Commission on the Hurricane Michael limited proceeding in September. (Florida PSC) approved our proposed settlement to recover the costs and rates associated with our restoration of electric distribution services in our northwest Florida division.

We recorded strong costs with 45.8 million as a regulatory asset, including interest to be amortized over six years. That resulted in a surcharge of $7.7 million annually. In addition to that, we're also collecting an annual increase in base revenue of 3.3 million to cover the rate base related capital costs associated with that hurricane.

On Slide 16 is a table we included in our third quarter press release. Given the various components with the settlement, we thought it would be useful to lay out the details. As you can see, the operating income generated from the settlement approximates the net income impact for both the quarter and year to date. We note the gross margin year to date of 8.3 million and projected for the year of 11 million in the following key projects table.

Our latest key projects and initiatives table is shown at Slide 17, including pipeline expansions, virtual pipeline growth, acquisitions, and various regulatory initiatives. Key projects are expected to generate approximately 50 million and 63 million for the years 2020 and 2021, respectively.

A key addition on this table is the Hurricane Michael proceedings settlement accounting for $11 million incremental gross margin. We particularly note the margin estimates of a million dollars in 2021 for renewable natural gas transportation, $1.2 million in 2020, and 4 million for 2021 for Elkton Gas, and 300,000 and 1.8 million for Western Natural Gas in 2020 and 2021, respectively.

In total, the incremental margin growth from these key projects and initiatives represents approximately $27 million for 2020, and 14 million for 2021.

As a reminder, we only include definitive projects in this table until markets reach maturity. And we don't include organic margin growth from distribution and customer additions. To date this organic growth has represented $2.5 million, with Delmarva representing 1.4 million and Florida representing 1.1 million.

Residential growth has generated over 75% of the margin on Delmarva. While that growth has been split fairly evenly in Florida between residential and commercial/industrial growth. And we've added approximately 2500 natural gas customers in the nine months ended September 30, 2020.

Let me turn the call over to Jim now to discuss the - I think - exciting RNG projects we're developing and how they fit with our overall strategy to support environmental sustainability. Jim?

Jim Moriarty: Thank you, Jeff, and good afternoon everyone. We are excited to be ushering in an era here at Chesapeake Utilities where several RNG projects are being readied for launch. These projects are indicative of our commitment to sustainability. We are working to reduce the carbon footprint of the communities we serve by lowering greenhouse gas emissions.

The first opportunity I would like to discuss is our relationship with Bioenergy DevCo, a leading global developer of anaerobic digestion facilities that produces renewable energy and healthy soil products from organic material. The project involves removing excess organics from poultry waste and converting it into RNG. The resources generated from organic waste at this digestion facility in Delaware will become utility-quality RNG once it is processed by a $6 million gas processing plant. This new plant will be built, owned and operated by Chesapeake Utilities.

Eastern Shore Natural Gas Company and Marlin Gas Services will also make incremental investments associated with the transport and receipt of RNG totaling $7 million. The RNG will ultimately be delivered through Chesapeake Utilities' distribution system for use by our natural gas customers.

The second project includes our partnership with CleanBay Renewables, an environment tech company focused on the production of sustainable, renewable natural gas which will generate greenhouse gas credits associated with vehicular usage, and provide Chesapeake Utilities a second opportunity to bring additional renewable natural gas to our Delmarva operations.

Our newest RNG project represents a partnership with Fortistar and Rumpke Waste and Recycling to generate renewable natural gas in Ohio. This project will extract and capture waste methane from the landfill in Ohio and transform it into renewable natural gas. The RNG will be distributed through our Aspire Energy pipelines.

The fuel will be dispensed in fueling stations for natural gas vehicles via the (TruStar Energy), a Fortistar portfolio company. This project will capture 20,000 tons of methane emissions, the equivalent of 50,000 tons of carbon dioxide per year in the production of the RNG. Instead of simply flaring or burning the methane, the naturally occurring gas will generate sustainable energy, producing about 7 million gallons of gasoline gallon equivalence per year. That's enough to fuel 725 biofuel trucks, displacing diesel fuel for those vehicles.

Additionally, the project will create valuable job opportunities in the community. These RNG projects show the expanding scope and value proposition of Chesapeake's business units -- Marlin Transportation, Eastern Short, Aspire Transmission, and Delmarva LDC -- each contributing to the value chain that delivers RNG from the source to the end-user.

We are excited to help support the critical agri-business industry -- poultry production, poultry processing, and grain farmers on Delmarva, while enhancing the environmental sustainability of the Chesapeake Bay. We are equally excited to displace diesel fuel and support the conversion of fleets to RNG, while also reducing the methane emissions in Ohio. We are helping to bring natural gas service for the first time to Somerset County, Maryland as well, where we're going to be replacing fuel oil and wood chips. These projects reflect our established commitment to environmental sustainability.

As shown on Slide 20, Chesapeake Utilities continues to build on our bedrock commitment to ESG, a focus on environmental stewardship, dedication to social justice, and sound governance principles. This is how we work every day. Our recognition as a top workplace for the ninth consecutive year speaks volumes about our diverse and inclusive culture, one which continues to promote the growth and development of our employees and the active engagement of our communities.

Strong corporate governance has been essential to creating long-term value and safeguarding our commitment to all stakeholders. Our Board and its committees have adopted guidelines and other policies that have provided a framework for ongoing effective governance. Active and informed engagement, which is embedded in our people, beginning with our Board of Directors, and extending throughout the company, could not be more important as we continue together to chart the road ahead.

We take very seriously our responsibility to operate in a safe and environmentally friendly matter that furthers our stewardship and facilitates sustainable practices across our organization. Our team, with input from the Board of Directors, discusses key risks and mitigating factors identified as part of our vibrant enterprise risk management program. Embedded with our ERM program are ESG-related focus areas and emerging risks.

In regards to safety, we are committed to providing a safe workplace for employees and to make safety a priority in our interactions with each other, our customers, and the communities we serve. The achievement of superior safety performance is an important strategic initiative both in the short term and the long term. Safety is not only our top priority and our first strategic objective, it is the center of who we are.

We are committed to providing a work environment that values diversity in background, experiences, and skill sets. All of our employees is highlighted on Slide 21. In continuing our bedrock commitment to equity, diversity and inclusion, our newly-formed EDI Council is very engaged and instrumental in helping to guide a path forward.

The vision of our EDI Council is for all our employees to embrace and share their diverse experiences and backgrounds with the mission to help improve the communities we serve and to make us a better company. The EDI Council is central to who we are and who we want to be, and will further enhance the collaboration around our workplace culture that is the engine driving our businesses.

We work hard every day to ensure that the communities we serve continue receiving the value and benefits of clean, plentiful and affordable energy delivery services, so that no one is left behind, whether (you're ceasing non-pay) discounts, working with our customers to craft payment plans that enable them to bring their accounts current, providing funds for local community aid organizations to help in the midst of the pandemic, we are doing our part. In addition, we have donated various contributions and aid to local organizations in the midst of the pandemic.

We are excited about the projects underway by our diverse and engaged teams to reduce the carbon footprint of the communities we serve. Our commitment remains steadfast to take the steps necessary to deliver energy where and when it is needed, while continuing to advance our environment stewardship.

Our newest projects in RNG are a very clear example of lowering the carbon footprint and also ensuring we do our part to ensure a more sustainable future for our local communities.

I appreciate being with you all today and will now turn the call back to Jeff. Jeff?

Jeff Householder: Thanks, Jim. I'm pleased to report that we continue to reaffirm our five-year capital expenditure guidance of up to $1 billion for the years 2018 through 2022, as depicted on Slide 22.

We also reaffirm our 2022 earnings guidance of $4.70 to $4.90, shown on Slide 23, which is in line with our EPS growth expectation of 7.75% to 9.5%.

We're poised to achieve our 2022 financial targets. Growth that represents that is underpinned by our five-year capital investment plan to invest in utility infrastructure, complementary opportunities and regulated businesses, and sustainable energy solutions like RNG.

We'll continue our longstanding track record of delivering top returns for investors and we will maintain a strong balance sheet that ensures access to capital for growth.

On Slide 24, our annual shareholder return for the periods ending October 31 2020 as compared to our peers. As you can see, we've generated top quartile shareholder return. Chesapeake Utilities, like other gas LDCs, was not immune to their recent market volatility. Fortunately, our stock prices rebounded nicely, particularly since we joined the S&P Small Cap 600 Index.

We're currently trading near our all-time high. We believe this recent price appreciation reflects investors' understanding of our strategy, that we have a strong utility foundation and that we consistently stay true to investments in unregulated businesses that are complementary to our regulated business, and that enable us to consistently generate above utility returns.

We believe natural gas is a key component to the country's long-term energy strategy. We also believe that the markets we serve value the energy services we deliver, whether those are natural gas or propane. Our customers have spoken quite loudly in this regard.

At the same time, we have opportunities given our business mix, expertise and strategic approach to capitalize on new opportunities like RNG that provide a bridge from the here and now to a more sustainable future. We'll continue to pursue growth opportunities like RNG, but we are anchored in our foundation and believe the changes create new opportunities, and sometimes they may be challenging. But we believe the market really is rife with opportunity for us.

We stand prepared to continue executing on our strategy and delivering top quartile shareholder returns.

On Slide 25 we have a graph of stock price and market capitalization. Our stock prices hit an all-time today on November 5th, moving our market capitalization for a time at least to a not-so-small $1.8 billion.

I'm very proud of our employees. They've done so much to generate our strong results to date for 2020 and to set us up well for the rest of the year. When I think about everything we've done during the third quarter, a quarter which typically is fairly not eventful, it's truly remarkable. Achieving all of this in normal circumstances will be difficult enough, but adding on a pandemic, it represents a special accomplishment.

In closing, let me thank all of our dedicated Chesapeake Utilities employees again. I take great pride in the work done on the frontlines and their ongoing commitment to identifying and delivering intermediate solutions for the delivery of clean, reliable and safe energy to our customers is next to none.

Thank you and we would be happy to address any questions that you might have.

Operator: Thank you. If you would like to register a question, please press the 1 followed by the 4 on your telephone. You will hear a three-tone prompt to acknowledge your request. If your question has been answered and you would like to withdraw your registration, please press the 1 followed by the 3. One moment please for the first question.

Our first question comes from the line of Brian Russo with Sidoti. Please proceed with your question.

Brian Russo: Hi, good afternoon.

Beth Cooper: Good afternoon, Brian.

Brian Russo: Hey, just with the, curious, with the looks like 65 million out of the 75 million of the ATM program accomplished, are you just going to opportunistically possibly, you know, look to issue that remaining 10 million, or is it really not even necessary given where you are on the equity capitalization?

Beth Cooper: Sure. So maybe just to highlight. So we did issue $62-1/2 million under the ATM program. In total for September and October, we actually issued a total though closer to about $75 million. And that's inclusive of shares that were issued under our dividend reinvestment and direct stock purchase plan.

You're right, Brian, as I mentioned in my comments, it enabled us to move that closer to the low end of our target range. So I think you will continue to see us try to make sure that we stay closed to our target. And as we continue to undertake new opportunities from time to time as appropriate, we'll adjust our capital structure so that we can stay around that target range.

So, you know, we're there right now but that doesn't mean from time to time, you know, we may not consider issuing both debt and equity capital to make sure that our capital structure stays balanced.

Brian Russo: Okay, great. And then just to follow up on the - it seems that now you have a little bit of flexibility to pursue growth opportunities in 2021. The flexibility is from a size perspective relative to what you've done recently. You know, maybe you could just talk more specifically on regulated expansion projects versus, you know, unregulated opportunities in RNG maybe with your existing relationships you discussed earlier.

Beth Cooper: I'll begin and then I would just ask, you know, Jeff to jump in if there's anything he wants to add. But what I would say is, you know, when you look at us consistently year after year, you know, we continue to have opportunities to grow our regulated businesses. And I think with some of the projects that we've included in our margin table, you'll see that, you know, there's regulated and unregulated growth that's going to continue to happen throughout the company. And we're fortunate in that regard.

I don't, you know, I don't see, Brian, when you look out over time, I think you can expect we're going to continue to have organic growth, we're going to continue to have distribution system expansions. We've got some pipeline projects that are going to finish up. There's new pipeline projects that we're looking at. But that doesn't mean that there's not going to be opportunities simultaneously on the propane side, potentially acquisitions. There's also core growth that's going on in that business because of the startups we've done. We're also expanding Marlin services.

But at the end of all of that, you get to a (MIPS web), you know, that you're not going to see because of our utility foundation and because of the opportunities that we have, you're going to continue to see kind of the same level of MIPS from a capital investment similar to what we've experienced over time. You know, we've been anywhere from, you know, 70% to 90% regulated investments every year. So that's not going to be changing.

Jeff, I don't know if there's anything you want to add.

Jeff Householder: No, that's covered it pretty effectively.

Brian Russo: Great. Great, thank you. And then just on the Fortistar RNG announcement made earlier in the month, you touched on that. Are there any financial implications or impacts that you could discuss at this time? You mentioned GHG - but I'm not sure if that's what's related to Fortistar or something else.

Beth Cooper: That was actually, the comments that Jim made around that were related to the Fortistar-Rumpke project where Aspire is participating. Yes, we will have additional financial information forthcoming as we come out, you know, come out with our yearend results. We've not at this point put any of that information out in the public domain. But you'll see us add them to our gross margin table at the end of the year.

Brian Russo: Okay, great. Thank you very much.

Beth Cooper: Sure.

Operator: There are no further questions registered at this time. However, as a reminder, please press the 1 followed by the 4 on your telephone keypad to register for a question. Our next question comes from the line of Tate Sullivan with Maxim Group. Please proceed with your question.

Tate Sullivan: Hi, thank you. Thanks. And Jeff, just on the propane (acquisition), can you talk about your total propane customer mix now after the acquisition of the company in Florida? Why is operating a propane business in Florida meaningfully different than the mid-Atlantic and why - how did you identify that opportunity to expand in Florida, please?

Jeff Householder: Sure. It's really fairly straightforward. This business is closely aligned with our other Florida opportunities (or other Florida) operations. You know, we're serving somewhere in the neighborhood of 17,000 or so propane customers in Florida. That's in addition to the customers that we serve in our Sharp operations. And so we're actually folding this 4000 customers into Sharp and we'll brand it as such. It serves a different kind of discrete market area around Jacksonville and the Duvall and St. Johns county areas from what we're doing (as our full gas) operation in Nassau County.

And so, you know, we see that as a really nice market area. I mean, there's a lot of new growth there at Jacksonville, and that county is of the high growth areas in the State of Florida. There are a lot of areas that are not reached by a natural gas distribution. We're actually getting a little heat load up here in the northern part of Florida. And so we see it as a very attractive opportunity.

We had a deep relationship with this company going back for a number of years. And so it was, you know, when they decided that the family was finished, they, you know, as a fairly obvious opportunity for us, they called and we answered. And it looks like we'll fold that in quite nicely.

Tate Sullivan: Okay, thank you for that background. And then last for me is, the RNG projects, and it sounds like you have many others that you're evaluating, what is the timeline to inject, or are you already injecting RNG into your pipeline from any of those projects?

((Crosstalk))

Jeff Householder: The Delmarva projects are probably in the first quarter of 2022, we might see something come online a little before that in one of them. But we're looking in that kind of - that general direction before we see gas coming into the system. And that's not too far or different for the project in Ohio, the landfill project that we talked about. We can firm that up and I'm sure Beth will as she provides additional information on those capital opportunities.

Tate Sullivan: Okay, thank you all. Have a good rest of the night.

Beth Cooper: Thank you.

Operator: Our next question comes from the line of Roger Liddell with Clear Harbor Asset Management. Please proceed with your question.

Roger Liddell: Yes, good afternoon. I wanted to continue the RNG project discussion. It's obviously commendable, there's no question about that. But the company is at some risk of a greenwash, in being viewed as greenwashing, if it's not of sufficient scale to make a difference, however that is defined. I mean, a real difference. Can you lay out your strategic thinking in terms of what percent of intake of gas supply could you foresee looking out over whatever time period you choose? But what is your view on the renewable, green gas as a percent?

Jeff Householder: Well, let me back up two steps, Roger, and answer that in this way. We became interested in RNG projects, especially on the Delmarva Peninsula, but also in Ohio and we're looking at a few in Florida as well, as you might imagine, primarily because of the waste cleanup environmental benefit. It wasn't really the production of RNG that drove us down this path initially. You know, the RNG was a nice thing to get out of the backend of these projects, but we thought the (original) environmental benefit was on protecting watersheds in the Delmarva, for example, and collecting and accumulating the chicken waste and processing it so that the methane was not released and that, you know, it wasn't running off or being used as fertilizer and running into some of the waterways.

And so that was our first interest, and frankly was kind of the states, the Maryland and Delaware, as far as interest.

The second thing we looked at, and not to be crass here I guess, but the second thing we looked at was the opportunity for profit-taking on those facilities. Was it an investment, you know, that would meet our criteria, however we ultimately decide to invest in these projects? You know, right now we've looked at and announced things like Marlin hauling gas from the projects into our distribution facility through Eastern Shore. We've announced an Eastern Shore Interconnect that will be dedicated to the receipt of RNG and LNG from any source. And so those are all profitable ventures for us.

We've also looked at the gas coming into our distribution system, to get to your question specifically. And there's a couple of ways to look at that. First of all, in some of these instances, the green attributes and the fuel are being sold under the California low-carbon fuel standard vehicle market. And so what you're ending up with is, you know, gas distributors and vehicles driving in California paying for the, you know, the creation of these facilities in the Delmarva, which is an interesting thing to contemplate. And what we end up getting is a local production of methane that's not fracked and it's not fossil fuel. And we're putting that into our pipeline and selling it to customers. And we're getting that fuel at a price per dekatherm that is in, you know, pretty close to what we're buying in a traditional fuel supply for.

And so, again, I didn't mean to go around the barn three times, but to answer your specific question, you know, how much gas is that? We think that over time we could see sufficient quantities of gas on the Delmarva, just in that production area, that would essentially supplant the traditional fuel supplies on our distribution system for every residential customer that we serve.

And so I think, you know, I think that's a significant, you know, we may not - it maybe doesn't get allocated that way, we'll see how that works. But it would be equal to the, essentially, the full, you know, demand requirements of our residential accounts, and then some, frankly.

Roger Liddell: That's very interesting. Appreciate the texture in that answer, and I'm sure I'll have other questions in future calls.

Jeff Householder: Sure. Sure.

Operator: There are no further questions registered at this time. However, as a reminder, press the 1 followed by the 4 on your telephone keypad to ask a question.

Mr. Householder, there do not appear to be any further questions at this time. I will now turn the call back to you.

Jeff Householder: Okay. Well, thank you very much for attending our third quarter call. We appreciate the interest as always in Chesapeake. If you have additional questions, with myself or Beth or Jim, or her team, we're certainly standing by to answer them. So, just give us a call. Thank you very much. Good evening.

Operator: That does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your line.