

CHESAPEAKE UTILITIES CORP
Form 10-Q
November 09, 2006

**United States
Securities and Exchange Commission
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-11590

Chesapeake Utilities Corporation

(Exact name of registrant as specified in its charter)

| | |
|------------------------|--------------------------|
| <u>Delaware</u> | <u>51-0064146</u> |
| (State or other | (I.R.S. |
| jurisdiction of | Employer |
| incorporation | Identification |
| or organization) | No.) |

909 Silver Lake Boulevard, Dover, Delaware 19904
(Address of principal executive offices, including Zip Code)

(302) 734-6799
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer Accelerated filer Non-accelerated filer

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

Common Stock, par value \$0.4867 — 5,990,582 shares outstanding as of October 31, 2006.

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PART I — FINANCIAL INFORMATION**Item 1. Financial Statements****Chesapeake Utilities Corporation and Subsidiaries****Condensed Consolidated Statements of Income (Unaudited)****For the Three Months Ended****September 30,**

| | 2006 | 2005 |
|---------------------------|----------------------|----------------------|
| Operating Revenues | \$ 35,141,530 | \$ 35,155,121 |

Operating Expenses

| | | |
|---|--------------------|-------------|
| Cost of sales, excluding costs below | 21,758,558 | 21,957,971 |
| Operations | 9,446,616 | 9,815,819 |
| Maintenance | 513,356 | 461,586 |
| Depreciation and amortization | 2,044,179 | 1,889,266 |
| Other taxes | 1,216,684 | 1,129,628 |
| Total operating expenses | 34,979,393 | 35,254,270 |
| Operating Income (Loss) | 162,137 | (99,149) |
| Other income (loss) net of other expenses | (12,091) | 19,493 |
| Interest charges | 1,340,879 | 1,272,196 |
| Loss Before Income Taxes | (1,190,833) | (1,351,852) |
| Income taxes | (534,254) | (658,078) |
| Net Loss | (\$656,579) | (\$693,774) |

Earnings Per Share of Common Stock:

| | | |
|--|------------------|-----------|
| Basic | (\$0.11) | (\$0.12) |
| Diluted | (\$0.11) | (\$0.12) |
| Basic weighted average shares outstanding | 5,973,149 | 5,851,926 |
| Diluted weighted average shares outstanding | 5,973,149 | 5,851,926 |

Cash Dividends Declared Per Share of Common Stock:

| | | |
|--|-----------------|----------|
| | \$ 0.290 | \$ 0.285 |
|--|-----------------|----------|

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

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

For the Nine Months Ended

| September 30, | 2006 | 2005 |
|--------------------------------------|----------------|----------------|
| Operating Revenues | \$ 170,395,955 | \$ 155,220,745 |
| Operating Expenses | | |
| Cost of sales, excluding costs below | 116,188,846 | 101,453,132 |
| Operations | 27,899,729 | 29,325,623 |
| Maintenance | 1,540,963 | 1,279,820 |
| Depreciation and amortization | 6,058,529 | 5,701,357 |
| Other taxes | 3,903,155 | 3,730,674 |
| Total operating expenses | 155,591,222 | 141,490,606 |
| Operating Income | 14,804,733 | 13,730,139 |
| Other income net of other expenses | 130,208 | 330,354 |
| Interest charges | 4,335,568 | 3,823,140 |
| Income Before Income Taxes | 10,599,373 | 10,237,353 |
| Income taxes | 4,027,027 | 3,902,407 |
| Net Income | \$ 6,572,346 | \$ 6,334,946 |

Earnings Per Share of Common
Stock:

| | | |
|--|-----------|-----------|
| Basic | \$ 1.11 | \$ 1.09 |
| Diluted | \$ 1.10 | \$ 1.07 |
| Basic weighted average shares outstanding | 5,945,119 | 5,823,144 |
| Diluted weighted average shares outstanding | 6,069,893 | 5,982,303 |

Cash Dividends Declared Per
Share of Common Stock:

| | | |
|--|----------|----------|
| | \$ 0.865 | \$ 0.850 |
|--|----------|----------|

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

Chesapeake Utilities Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

For the Nine Months Ended

September 30,

| | 2006 | 2005 |
|---|--------------|--------------|
| <i>Operating Activities</i> | | |
| Net Income | \$ 6,572,346 | \$ 6,334,946 |
| Adjustments to reconcile net income to net operating cash: | | |
| Depreciation and amortization | 6,058,529 | 5,701,357 |
| Depreciation and accretion included in other costs | 2,288,509 | 2,006,726 |
| Deferred income taxes, net | (2,304,070) | (922,437) |
| Unrealized loss on commodity contracts | (708,915) | (630,560) |
| Unrealized loss on investments | (65,810) | |