



March 23, 2017

**Via Electronic Submission**

Michael S. Piwowar, Acting Chairman  
Securities and Exchange Commission  
100 F. Street, N.E.  
Washington, DC 20549-0609

**Re: Pay Ratio Rule Implementation**

Dear Chairman Piwowar:

Chesapeake Utilities Corporation (the "Company") is a diversified energy company that provides service to over 230,000 customers in various communities through our regulated energy, unregulated energy and other business segments. Our Company is headquartered in Dover, Delaware and primarily serves customers in Delaware, Maryland, Virginia, Florida and Ohio. The Company employs over 900 employees and has a market capitalization of approximately \$1 billion.

We appreciate the opportunity to provide our limited comments (echoing those originally filed on December 17, 2013) on the Securities and Exchange Commission's (the "Commission") Public Statement and the unexpected challenges regarding implementation of the pay ratio disclosure requirement under Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Our comments here and our public filings reflect our efforts to address those challenges and our commitment to all our shareholders.

**No Benefit or Meaningful Information to Our Investors**

The Company believes that the CEO Pay Ratio rule provides little or no benefit to our shareholders or potential investors. In fact, we believe the information may negatively impact the ability of current or potential investors to make fully informed decisions. Specifically, there is no meaningful way to compare the Company's pay ratio to other companies due to significant differences between us and others in employment, geography, organizational structure and the overall approach to compensation. The ratio will inevitably vary widely among industries or businesses without any relevance to the financial or long-term performance of our Company.

Moreover, given the flexibility to determine the median employee, comparisons across companies and industries will not be helpful or informative. We believe this information will not provide appreciable insight into management pay practices and will be a disservice to shareholders and investors who may not fully understand the complexities of the rule, but make investment decisions on its basis.

Alternatively, to limit the flexibility in the calculation would also not be helpful or informative given the disparity in how companies staff and compensate their employees. There would still be significant disclosures required to explain variances and also result in a disservice to shareholders and investors.

### **High Costs to Our Company**

While we appreciate the attempt to provide flexibility in determining the median employee, the Company believes the compliance costs will be even greater than the agency's estimated cost. As proposed, the data gathering, compilation and analyses processes to determine the median employee are burdensome and costly.

### **Counterintuitive Messaging and Unintended Consequences**

In addition, here at our company (as at others), the CEO typically has a substantially larger portion of his pay at risk, which is linked to Company performance metrics, such as Total Shareholder Return ("TSR"), Earnings Per Share ("EPS") and Return on Average Equity ("ROE"), than that of the "median employee". Performance metrics such as TSR, EPS and ROE are intended to measure shareholder value or lead to creation of such value. The result of this rule will be counterintuitive. In strong performance years a company's ratio would go up, and be subject to criticism, while in poor performance years the ratio would go down, and be subject to praise. Reactions to the higher or lower ratio numbers are contradictory to long-term value creation for shareholders. Layered on top of this issue is the perception and negative impact on our employee population, many of whom are shareholders. With this disclosure, our employees will now be able to compare their own compensation to that of the "median employee" as confidential pay information never before available to our employees is now public. The costs associated with internally communicating the message and explaining the calculation to our employees are in addition to those already discussed above.

### **No Additional Helpful Disclosures or Transparency for Investors**

While we recognize the SEC is responding to a Congressional directive, we urge the SEC to consider more fully whether investors would have any benefit from this disclosure. The SEC has already observed that neither the statute nor the legislative history of the rule identified the objectives or intended benefits of the provision or a specific market failure, if any, that it was intended to be remedied. We believe that the purported benefits are unsubstantiated and that our proxy already demonstrates our commitment to providing clear and concise information about how and why compensation decisions are made with respect to our CEO and other top executives.

Our Compensation Committee (the "Committee") ensures that the Company's compensation practices are aligned with shareholder interests. The Committee ensures that best practices are in place, including those related to the management and communication of our compensation programs for our CEO and all other employees. The Committee is diligent in overseeing the design and application of pay programs that support the attraction, retention and motivation of our employees. These programs are intended to be competitive and align compensation with the Company's performance. We also strive to provide compensation public disclosures that describe how our pay programs function and the rationale for decisions and outcomes regarding the compensation of our executives.

The additional Pay Ratio rule will in no way facilitate a better understanding of the design or level

of CEO compensation, or the process by which our Committee thoughtfully determines CEO compensation. Nor will the rule enable investors to make a better informed proxy voting or investment decision.

Thank you for the opportunity to comment on this important issue. If we can provide any additional information that would be useful to the Commission or the staff in this matter, please do not hesitate to contact us.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Moriarty", written in a cursive style.

James F. Moriarty  
Senior Vice President, General Counsel and Corporate Secretary