December 17, 2013

<u>Via E-mail: rule-comments@sec.gov</u>

Securities and Exchange Commission
100 F. Street, N.E.
Washington, DC 20549-0609

Attention: Elizabeth M. Murphy, Secretary, Securities and Exchange Commission

**Re: Comments on Proposed Rules for Pay Ratio Disclosure
File Number S7-07-13**

Dear Ms. Murphy:

Chesapeake Utilities Corporation (the "Company") is a diversified energy company that provides service to nearly 208,000 customers and communities through our regulated energy, unregulated energy and other business segments. The Company is headquartered in Dover, Delaware and primarily serves customers on the Delmarva Peninsula and across Florida. The Company employs approximately 738 employees and has a market capitalization of approximately $550 million.

We appreciate the opportunity to provide our comments on certain aspects of the Securities and Exchange Commission's (the "Commission") proposed rules regarding the pay ratio disclosure requirement under Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The following are being provided for consideration by the Commission:

- *<u>Our cost of compliance will be significant; using Form W-2 total compensation as a ranking methodology or statistical sampling to define the median employee would ease the burden.</u>* While we do not yet know our full costs of compliance, we have determined that significant additional internal resources will be needed and external costs will be incurred. We support the Commission's proposal to give registrants flexibility in their methods of identifying the median employee, which we expect will assist us in minimizing our overall cost of compliance with the rules. To cite one specific example, using Form W-2 total compensation to identify our median employee would enable us to avoid the very significant costs inherent in calculating the change in pension values and perquisites for all employees. In addition, we support the proposed flexibility in allowing companies to calculate the employee median pay through statistical sampling. We believe that the most important factor to consider in regards to the utilization of statistical sampling or other ranking methodologies is that it be flexible; we think it will be important for companies to have the ability to adjust the methodology as experience and insight are gained over time. We would expect the Commission to require

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companies to provide comparisons among the methodologies as they change, with explanations as to the reasons to support the change in methodology.

- *Differences in employment status and workplace demographics will reduce stockholder usability*. Given the nature of the Company's utility operations and our commitment to being key constituents in the communities we serve, we have a workforce largely comprised of full-time domestic employees. We believe that the inclusion of part-time and seasonal employees in calculating the pay ratio would be misleading to stockholders and other users of pay ratio information. In particular, including those employees without annualizing their compensation for ratio calculation purposes would distort the information that the ratio imparts, since the compensation reflected for the principal executive officer will always be premised on a full-time role.

We appreciate the Commission's recognition of the vagaries inherent in comparing pay ratio information across companies. Nonetheless, investors, and perhaps more significantly, non-investors with agendas other than making investment decisions, will certainly make these comparisons. Comparing results among companies with only domestic operations in various regions and companies with non-domestic operations would show a significant disparity from a regional perspective with no explanation to stockholders. This would further distort comparisons across companies.

- *Purchasing another company could increase compliance costs*. If a company were to purchase another company, the acquiring company would be required to include all employees acquired in the transaction to comply with the proposed disclosure rules. Working to understand and incorporate new payroll systems and compensation programs for this purpose during the integration process would be extremely burdensome, and would distract from more important aspects of the integration process that are necessary to enhance stockholder value. In response to the Commission's request for comment number 54, we would recommend that the Commission permit, at an acquiring company's election, one full fiscal year transition period before it has to consider the acquired company's employee information for purposes of determining the median employee.

- *The pay ratio information should be "furnished" and not "filed."* The rules should not require that the pay ratio information be "filed" with the Commission; instead it should be "furnished." Because of the vast amount of data to be reviewed and the estimates, assumptions and judgments required to determine pay ratios, we believe it would impose undue liability to treat the information as filed.

- *There should be ample time after the rules become effective for compliance*. We agree that, as proposed, the pay ratio disclosure should not be required earlier than the 2016 proxy statement if final rules are adopted in 2014. Although we have a December 31 fiscal year, we recognize that non-calendar year companies could be subjected to a much shorter transition period and would suggest that the SEC provide adequate transition time for all issuers. In addition, especially for the first year of compliance, many companies are likely to face challenges in acquiring year-end data and compiling the compensation information required for the pay ratio disclosure in time to be included in their proxy statements. We would recommend that the SEC permit companies to furnish the pay ratio information on a Form 8-K subsequent to the filing of the proxy statement if complete and accurate information is not available at the time of the proxy statement filing.

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 contact me at [redacted]

Sincerely,

Beth W. Cooper
Senior Vice President and Chief Financial Officer