



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION
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MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Matthew Hartigan, Deputy Director

DATE: June 10, 2016

SUBJECT: IN THE MATTER OF THE DISCLAIMER OF AFFILIATION FILING BY T. ROWE PRICE ASSOCIATES, INC. REGARDING CERTAIN AFFILIATES OF CHESAPEAKE UTILITIES CORPORATION (FILED JUNE 8, 2016) – PSC DOCKET 16-0711

Background:

On November 11, 2015, T. Rowe Price Associates (“Applicant”), Inc. filed a Disclaimer of Affiliation letter with the Delaware Public Service Commission (“PSC” or “Commission”) seeking a disclaimer of control pursuant to 26 Del. C §215(b) regarding their financial interests in affiliates of Chesapeake Utilities Corporation (CPK), including Eastern Shore Natural Gas Company, Peninsula Pipeline Company, Inc., and Sandpiper Energy, Inc., collectively “CPK Delaware”.

26 Del. C §215(b) states, in part,

“No individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust or other entity, whether or not organized under the laws of this State, shall acquire control, either directly or indirectly, of any public utility doing business in this State, without having first obtained the approval of the Commission. Control shall be presumed to exist if any such individual or entity, directly or indirectly, owns 10% or more of the voting securities of the public utility. This presumption may be rebutted by a showing that such ownership does not in fact confer control.”

CPK owns, directly or indirectly, 100% of CPK Delaware. T. Rowe Price Associates, Inc. in their role as an investment advisor serves various “Advisory Clients” including such entities as institutional clients, sub-advised funds, common trust funds, and its proprietary mutual funds. As of September 30, 2015 it owned 8.47% of Chesapeake’s voting securities.

The Applicant states, “there are no material relationships or bases for affiliation between CPK or CPK Delaware and T. Rowe Price”. Additionally, the Applicant has filed a SEC Schedule 13G which avows that the company has acquired the securities in the normal course of business and not with the purpose nor with the effect of changing or influencing the control of the issuer. Finally, in 2006 T. Rowe Price Associates, Inc. filed an application pursuant to Section 203 of the Federal Power Act with the Federal Energy Regulatory Committee (FERC) seeking blanket authorization for certain acquisitions of voting securities of publicly traded utilities and utility holding companies. FERC issued an Order finding the security acquisitions were consistent with the public interest, and renewed the Order in 2010 and 2013.

Request of Applicant:

T. Rowe Price Associates, Inc. requests that the Commission recognize this Disclaimer of Affiliation and allow T. Rowe Price Associates, Inc. approval to acquire up to 20% of CPK’s outstanding voting shares without registration with the Delaware Public Service Commission.

The Applicant states that such a request not be considered to control or be affiliated with CPK or CPK Delaware because:

- a) Its beneficial ownership of CPK’s voting securities is for investment purposes only without the intent or effect of controlling or influencing the conduct of CPK Delaware or CPK.
- b) Economic ownership of the CPK’s voting shares is dispersed among more than twenty T. Rowe Price Advisory Client accounts which are managed by different portfolio managers making independent investment decisions.
- c) T. Rowe Price Associates, Inc. has not sought, nor does it intend, to appoint or have the right to designate any member of CPK or CPK Delaware’s Board of Directors.
- d) T. Rowe Price Associates, Inc. has no material relationships or transactions with CPK or CPK Delaware other than the ownership of CPK’s voting shares described above.

Staff Recommendation:

The Applicant has represented that the proposed filing is in accordance with the law, for a proper purpose, and consistent with the public interest. The Commission may allow this filing to become effective by statutory approval without Commission action. That result seems appropriate under the circumstances. Staff, therefore, recommends that the Commission not act on this filing. Under 26 Del. C §215(b), the effect will be that the filing is deemed to be approved by the Commission.