BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE PETITION OF THE DIVISION OF THE PUBLIC ADVOCATE FOR THE OPENING OF A DOCKET TO INVESTIGATE RETURN ON EQUITY AND POTENTIAL REFORMS (FILED OCTOBER 16, 2026)	))))))	PSC DOCKET NO. 26-1045

ORDER NO. 11151

After due notice of time and place, this matter came to a hearing before the Public Service Commission (the "Commission") on November 4, 2026 at the Delaware Public Service Commission Hearing Room, Silver Lake Plaza, Cannon Bldg., Suite 100, 861 Silver Lake Boulevard, Dover, DE 19904. The hearing was open to the public pursuant to 29 *Del. C.* § 10004(a)(1).

BEFORE Harold Gray, Chairman; Dr. Anthony DePrima, Regina A. Iorii, Michael Richard, Robert C. Wheatley, Commissioners, a quorum of the Commission under 29 *Del. C.* § 5908(a).

APPEARANCES

Victoria R. Sweeney
Deputy Attorney General
Counsel for the Commission

Matthew Hartigan
Executive Director

David T. Crumplar
Deputy Attorney General
Counsel for the Delaware
Division of the Public Advocate

Jameson Tweedie
Delaware Public Advocate

BACKGROUND

On October 21, 2026, the Delaware Division of the Public Advocate ("DPA") filed a verified petition ("Petition") with the Commission requesting an order to: (1) Open a docket to investigate whether authorized returns on equity ("ROE") reflect actual utility cost of capital and potential alternative mechanisms for determining appropriate return on equity, including market-based calculations; (2) Conduct hearings with stakeholders, interested parties and expert witnesses; (3) Develop findings and recommendations for Commission action and possible legislative reform; (4) Ensure resulting reforms protect ratepayers while providing utilities with the opportunity to attract capital; and (5) Proceed with the docket in an expedited fashion.

According to the Petition, the *Hope* and *Bluefield*[1] standards which govern the constitutionality of ROEs require a "just and reasonable" rate that will give public utilities the opportunity to earn an ROE sufficient to attract capital. An ROE higher than one that would allow public utilities to attract capital at market conditions, the market-based cost of capital, is a windfall to shareholders at the expense of ratepayers. The DPA alleges in its Petition that Delaware utility customers may be paying unjust and unreasonable rates because authorized ROEs exceed actual based market-based cost of capital by 50% or more, based on broad indexes of U.S. equities, investor behavior, and the low-risk nature of investments in public utilities. The DPA asks the Commission to investigate alternatives to the current ROE formula, noting proposed legislative reforms in Pennsylvania, New Jersey, and New York, the misalignment between ROE and utility cost of capital, and the affordability crisis facing ratepayers.

[1] *Federal Power Commission v. Hope Natural Gas Co*., 320 U.S. 591 (1944); *Bluefield Waterworks & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923).

DISCUSSION

The Commission recognizes that there is a utility affordability crisis facing Delaware ratepayers, and finds that DPA's allegations of misalignment between ROE and utility cost of capital deserve further urgent investigation since current rates may be unjust and unreasonable. Pursuant to 26 *Del. C.* § 206, "[t]he Commission may investigate, upon its own initiative or upon complaint in writing, any matter concerning any public utility." Section 206 grants the Commission broad discretionary authority to conduct investigations concerning public utilities. The Commission further finds that, at this stage, the most efficient and informative course is to retain an independent consultant to conduct a comprehensive review of the methodologies, financial principles, regulatory developments, and other considerations relevant to investigating regulated utilities ROEs, the impacts on ratepayers, and potential reforms. The purpose of this investigation is informational and exploratory, and the consultant shall be authorized to review relevant materials, consult with interested stakeholders, and provide recommendations to the Commission. Accordingly, the Commission concludes as a matter of law that it is necessary to investigate and evaluate current and alternative ROE determination methods and thereafter determine whether any further action is appropriate.

ORDER

AND NOW, this 18th day of November, 2026, by a unanimous vote of 5-0, the Commission grants the DPA's Petition to investigate alternatives to the current method of establishing utility ROEs in part. Rather than open a docket to conduct the investigation, the Commission orders the following:

1. The Commission will seek a consultant and issue a request for proposals ("RFP") if necessary. The consultant will conduct an investigation and issue a report to the Commission

containing the results of its investigation of the following, among other things that the consultant may deem relevant:

a. Whether current ROEs authorize utilities to earn more than their actual cost of capital, resulting in unjust and unreasonable rates; and

b. The various ROE determination methodologies that are being proposed and investigated across the country, including competitive auctions, setting ROEs tied to treasury rate, and formula rates with fixed inputs.

2. The consultant's report shall be submitted to the Commission within 6 months of the date of this Order, or as soon as is practicable.

3. The Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary and proper.

BY ORDER OF THE COMMISSION:

Harold Gray, Chairman

Dr. Anthony DePrima, Commissioner

Regina A. Iorii, Commissioner

Michael Richard, Commissioner

Robert C. Wheatley, Commissioner

ATTEST:

Crystal Beenick, Commission Secretary