

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120

**Re: Bureau of Technical Utility Services
Report to the Commission Regarding
Quarterly Earnings of Pennsylvania Utilities
for the Year Ended December 31, 2025**

**Public Meeting: June 18, 2026
3061962-TUS
Docket No. M-2026-3061962**

**JOINT STATEMENT OF COMMISSIONER RALPH V. YANORA AND
COMMISSIONER JOHN F. COLEMAN, JR.**

Before the Pennsylvania Public Utility Commission (Commission) today for consideration is the Bureau of Technical Utility Services (TUS) Report on the Quarterly Earnings of Jurisdictional Utilities (Quarterly Earnings Report) for the year ended December 31, 2025.

The Return on Equity (ROE) that the Commission sets in this report is essential to continuing approved infrastructure improvement work and to avoid the filing of rate cases. This report establishes the return authorized for the Distribution System Improvement Charge (DSIC) investment and an earnings cap for DSIC eligibility. This ROE must be fair to customers and provide a sufficient incentive for accelerated repair and replacement of infrastructure to ensure safe, reliable, and adequate public utility service.

Consistent with Commission precedent since 2013, the PUC has consistently, on a bipartisan basis, issued a DSIC ROE commensurate with the Discounted Cash Flow (DCF) and Capital Asset Pricing Model (CAPM). A barometer group is set based on criteria set in the working group convened during the implementation of Act 11 of 2012,¹ and the DCF is calculated so that we have a measure of what returns are being earned by enterprises with corresponding risks. The *Hope*² and *Bluefield*³ cases establish constitutional requirements for utility ratemaking, including the right to an opportunity to earn a return similar to that being earned by other enterprises with corresponding risks.

The QER ROE and the DCF results for this quarter are as follows:

	QER ROE	DCF	Difference
Electric	10.05%	10.55%	-0.50%
Gas	10.25%	11.10%	-0.85%
Water	9.75%	10.65%	-0.90%

¹ See Docket No. M-2012-2293611

² *FPC v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944)

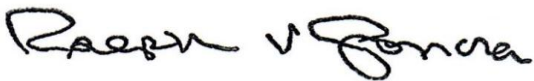
³ *Bluefield Water Works & Improvements Co. v. Public Service Comm. of West Virginia*, 262 U.S. 679, 692-93 (1923)

We would have supported some upward adjustment of the QER ROE to keep pace with the DCF results and comply with *Hope* and *Bluefield*. If it is believed the DCF is not a fair way to measure the market, we should be discussing what changes should be made, not ignoring the results. The DSIC is an affordability tool in and of itself. Lowering the DSIC ROE, and thereby disincentivizing infrastructure improvements in the Commonwealth, will not only erode reliability but, in the long run, increase rates. Additionally, allowing the DSIC ROE to keep pace with the DCF will have no immediate substantive impact on customer bills. A five-basis point decrease or increase in the DSIC ROE only results in an actual bill impact of about \$0.002 per year for the average residential customer. We should not give up on the DSIC at a time when infrastructure replacement is essential to provide adequate, reliable service.

The Commission must balance both the principle that a utility is allowed the opportunity to earn a fair return with the principle that customers should be charged a reasonable rate. While the DSIC ROE is an important part of ratemaking, we need to keep in perspective that the *total* DSIC rate is capped at 5% of distribution revenues (with some utilities allowed up to 7.5%). The return on equity is about half of the total rate of return which is made up of debt and equity. A 10% DSIC ROE would first be calculated with a company's debt rate to make up an overall return of less than 10%. In essence, when assessing the DSIC ROE impact on overall ratepayer "affordability," the actual impact of a change to the DSIC ROE is a percent of a percent of total revenue.

The infrastructure work the DSIC supports has been approved by the Commission in each company's Long Term Infrastructure Improvement Plan and is essential for the reliability and safety of utility systems across the Commonwealth. Allowing at-risk pipe to remain in a distribution system or pole replacements to fall behind not only puts the public at risk but balloons the cost for recovery when a catastrophic event happens. The continued steady replacement of pipes, poles, and wires helps to keep rates affordable by keeping systems in good operating condition and avoiding expensive crises.

We believe the DSIC is an essential tool to incentivize utilities to steadily repair and replace infrastructure so that customers continue to receive safe and reliable service at just and reasonable rates. To that end, the DSIC ROE must be consistent with the market to properly signal that this Commission expects utilities to continue their essential infrastructure replacement work in this Commonwealth.



RALPH V. YANORA
COMMISSIONER



JOHN F. COLEMAN, JR.
COMMISSIONER

DATE: June 18, 2026