



February 24, 2026

HOUSE ENVIRONMENT & TRANSPORTATION COMMITTEE
HB 981 – Investor–Owned Public Service Companies – Base Rate Proceeding – Equity Market Return

Statement in Opposition

Chesapeake Utilities of Maryland, Inc. (“Chesapeake”) provides natural gas local distribution service to approximately 33,000 customers across Maryland’s Eastern Shore (including Cecil, Dorchester, Caroline, Wicomico, Worcester and Somerset counties). Chesapeake respectfully **OPPOSES** HB 981 which requires the Maryland Public Service Commission (“Commission”) to incorporate a standardized equity market benchmark when setting rates for certain investor-owned utilities during base rate proceedings. HB 981 ties utility rate-setting more explicitly to a market-based equity return benchmark. While the Commission retains discretion to adjust for company-specific risk, HB 981 requires it to anchor its analysis to a standardized the “current average expected” 10-year equity market return using “multiple objective sources.”

HB 981 will bring no real benefit, transparency or predictability to utility ROE determinations.

HB 981 is vague and will simply add to the number of issues for argument during rate cases. HB 981 does not: (a) define what qualifies as “multiple objective sources;” (b) explain how to calculate the “average;” or (c) explain whether forward-looking equity risk premiums, historical returns, or survey-based forecasts qualify. These ambiguous terms will increase litigation, lead to inconsistent applications across rate cases and create additional regulatory uncertainty. Also, HB 981 provides no real predictability because it provides the Commission with the discretion to deviate from the 10-year equity market return benchmark when setting a utility ROE. This is no different than how the Commission operates today. The Commission currently sets utility ROEs on a case-by-case basis and may deviate from the financial modeling methods (e.g., DCF, CAPM, risk premium) when supported by substantial record evidence. Accordingly, it is unclear what benefits (if any) HB 981 provides.

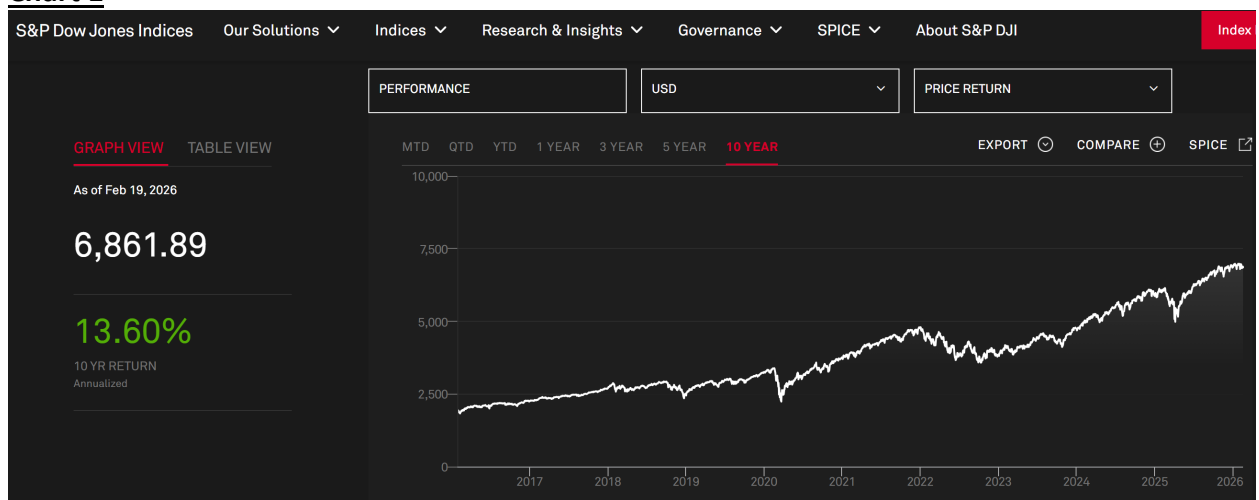
Long-term forecasting is fraught with uncertainty.

Long-term market return forecasts vary widely depending on methodology and there is not a universally accepted “correct” expected return estimate. Forecasts are inherently speculative and the accuracy of any forecast decreases in proportion to the applicable time horizon. 10 years is a long time horizon for a forecast. Moreover, forecasts in the equity markets (compared to other markets) are even more unpredictable. This combination calls into question exactly what problem HB 981 is trying to solve.



Additionally, this bill has the potential to significantly increase rates to Maryland’s utility customers. While future expectations of equity returns are entirely speculative, historical data provides insight into the potential ramifications of this bill. As of February 19, 2026, the historical 10-year equity market return for the S&P 500 was 13.60% (See Chart 1). And the NASDAQ equity return average over the last ten years is over 17% (See Chart 2). With Commission-authorized utility returns on equity commonly being below 10%, if the previous 10-year average return were forecasted correctly, and ROEs set accordingly under the language of this bill, Maryland customers would have paid significantly more in rates than current equity rate practices have led to.

Chart 1





NASDAQ Composite PR USD

Quote Performance Risk Portfolio

Performance

Growth of 10,000



Annual Returns

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Index	7.50	28.24	-3.88	35.23	43.64	21.39	-33.10	43.42	28.64

Trailing Returns

Day End as of 02/18/2026

	1-Day	1-Week	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year
Index	0.78	-1.36	-3.24	1.43	-2.10	13.53	24.51	10.41	17.63

Chesapeake doubts that during rate case proceedings ten years ago, the Commission (or other entities for that matter) would have correctly predicted the 10-year actual historical equity returns in the markets. However, if 10-year averages were correctly predicted, the language of this bill may have increased rates and utility bills to Maryland households.

In addition, a broad equity market comparison may not capture differences between gas and electric companies and risks associated with other industries. Accordingly, HB 981 could be used as an unrealistic comparison to cap rates or to artificially increase or reduce utility ROEs without justification.

On behalf of Chesapeake, our customers, and our thousands of employees and their families who contribute every day in the communities where they live, work and serve, we respectfully request an unfavorable report on HB 981.

Chesapeake Utilities Corporation
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