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November 20, 2025

BY E-PORTAL

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

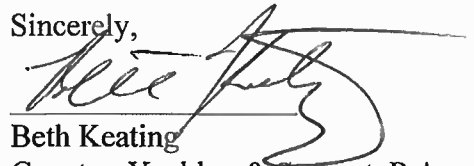
Docket No. 20250035-GU – Petition for approval of 2025 depreciation study and for approval to amortize reserve imbalance, by Florida City Gas.

Dear Mr. Teitzman:

Attached for electronic filing in the above-referenced docket, please find the Rebuttal Testimony of Matthew Evergam on behalf of Florida City Gas.

As always, thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,



Beth Keating
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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE PETITION FOR)
APPROVAL OF 2025 DEPRECIATION STUDY) Docket No. 20250035-GU
AND FOR APPROVAL TO AMORTIZE RESERVE)
IMBALANCE, BY FLORIDA CITY GAS)

**REBUTTAL TESTIMONY
OF MATTHEW EVERNGAM**

**ON BEHALF OF
FLORIDA CITY GAS**

November 20, 2025

1 **Q. Please state your name and business address.**

2 A. My name is Matthew Everngam. My business address is 500 Energy Lane, Dover, DE
3 19901.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Chesapeake Utilities Corporation (“CUC” or “Chesapeake”) as the
6 Assistant Vice President of Regulatory Affairs. In this capacity, I am responsible for
7 overseeing the CUC’s regulatory proceedings in Florida, Maryland, Delaware, Ohio,
8 and at the Federal Energy Regulatory Commission (“FERC”), including those
9 involving Florida City Gas (“FCG” or “Company”).

10 **Q. Did you file direct testimony in this proceeding on behalf of FCG?**

11 A. Yes, on October 3, 2025.

12 **Q. Has your employment status and job responsibilities remained the same since**
13 **discussed in your previous testimony?**

14 A. Yes.

15 **Q. What is the purpose of your rebuttal testimony?**

16 A. The purpose of my rebuttal testimony is to address certain statements made by William
17 Dunkel in his direct testimony filed on November 5, 2025, on behalf of the Office of
18 Public Counsel (“OPC”).

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1 **Q. On page 5 of his direct testimony, Witness Dunkel asserts FCG is proposing to**
2 **“take \$22 million out of the depreciation reserve and give it to the owners”. Is**
3 **this an accurate representation of FCG’s proposal?**

4 A. No, this is a mischaracterization of FCG’s proposal to amortize the excess reserve
5 imbalance that has been identified from this depreciation study. As discussed in
6 Company Witness Patricia Lee’s Direct and Rebuttal Testimonies, correction of
7 reserve imbalances is a common outcome from a depreciation study and the
8 Commission has approved a wide range of amortization periods from several years to
9 remaining life. The Company’s proposal to amortize the reserve imbalance is more in
10 line with traditional correction of reserve surpluses than the mechanism approved in
11 FCG’s last rate case.

12 **Q. At page 6 of his direct testimony, Witness Dunkel testifies that FCG’s proposal**
13 **to remove the depreciation reserve imbalance is the same as a bank owner**
14 **stealing \$10,000 from your retirement account. Is this analogy accurate?**

15 A. No, this analogy is not accurate. Utility base rates are neither itemized, nor charged,
16 to the customer by individual categories such as return, depreciation, operations &
17 maintenance expense, property tax, etc. It is important to understand that base rates
18 aren’t charged for itemized or specific components of the cost to serve, but are
19 recovered from customers in order to pay for the overall cost to serve and provide the
20 Company with a reasonable opportunity to earn its authorized rate of return.

21 The Commission, through quarterly surveillance reports, monitors a company’s
22 earnings and, if that company were to over-earn, the Commission has methods by
23 which such earnings can be addressed. As discussed later in my rebuttal testimony,

1 FCG is currently earning far below its authorized rate of return. meaning that FCG
2 customers are not paying rates that are sufficient to allow the Company to cover
3 operating expenses and earn an appropriate return on its investments. FCG is not
4 therefore over-charging for service, let alone stealing from customers.

5 The assertion that customers, through their monthly bills, are paying into a fund like a
6 retirement account by which they are saving money for future withdrawals is a bad
7 analogy.

8 **Q. On page 6 of his direct testimony, Witness Dunkel states that the Company's**
9 **proposed two-year amortization of the reserve imbalance would "go to the**
10 **owners as earnings". Would the amortization of the reserve imbalance impact**
11 **earnings and how should any earning impact the Company be viewed?**

12 **A.** Yes. But it is important to remember that it is just one of many factors that will impact
13 a company's earnings. Even so, that does not equate to enabling shareholders to
14 pocket a dividend; rather, it would enable the Company to earn closer to, or within, its
15 allowable range. The impact on the Company's earnings, would, of course, be
16 transparent to the Commission through the Company's earnings surveillance reports;
17 moreover, given the Company's intent to file a rate case in the near future, the
18 Commission will have a forthcoming opportunity to review the Company's earnings,
19 plant and expenses.

20 FCG's most recent Surveillance Report, filed with the PSC on 10/02/2025, for the
21 twelve months ended 06/30/2025, reflects that the Company is under-earning on its
22 cost to serve (at the mid-point ROR) by over \$10.81 million, as seen in the following
23 table:

1

6/30/2025 Earnings Surveillance Report	
Net Operating Income	\$ 29,382,040
Average Rate Base	\$ 525,338,368
Average Rate of Return	5.59%
<u>Required Rates of Return</u>	
Low	7.18%
Midpoint	7.65%
High	8.12%
<u>Over/(Under) Earnings</u>	
Low	\$ (8,337,255)
Midpoint	\$ (10,806,345)
High	\$ (13,275,435)

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3 Customers are currently receiving a significant benefit by underpaying for service, of
4 which depreciation is just one of the components, in the amount of approximately
5 \$10.81 million annually (at the Company's mid-point target). Furthermore, FCG's
6 filed projected pro-forma calendar year 2025 surveillance report, filed with the PSC
7 on 03/06/2025, anticipates an even greater under-earning at the approved midpoint by
8 year end.

9 Any impact to earnings would simply allow the Company a more reasonable
10 opportunity to recover its cost to serve and to earn within its authorized rate of return
11 range. Under FCG's proposal, at no time will the Company earn a return above its
12 authorized, fair rate of return.

13 **Q. On Page 6, Witness Dunkel offers another analogy, proposing that "if for some**
14 **reason you overpaid your dentist, the dentist would not take that overpayment**
15 **out of your account and put it in his or her pocket. The dentist would use it as a**

1 **credit to reduce your future charges”. How does that analogy align with the fact**
2 **that FCG is underearning?**

3 A. Witness Dunkel’s analogy implies, again, that customers are overpaying for service
4 (whether that be a dentist’s services or those of a utility company) and would be due a
5 refund because of that. His view is, however, limited to depreciation expense, which
6 consequently, makes his analogy inapplicable. While an imbalance surplus indicates
7 that customers have paid a fair share of depreciation expense, that does not correlate
8 to the need for a refund, because, again, the Company is not over-earning, and again,
9 the rates that customers pay are not compartmentalized by individual component.
10 Instead, it calls for a correction to that depreciation imbalance and amortization of the
11 imbalance in a prompt fashion, as Witness Lee further discusses.

12 **Q. Beginning on page 8 of his direct testimony, Witness Dunkel asserts that the**
13 **Company’s proposed correction of the reserve imbalance would harm**
14 **ratepayers. What is your response to these statements?**

15 A. While Ms. Lee will address this assertion more specifically, I believe Witness Dunkel
16 is incorrect. My understanding is that correcting the reserve imbalance based on
17 results from this depreciation study represents the action necessary to recognize an
18 accurate depreciation reserve and rate base on the Company’s books.

19 Witness Dunkel included charts as Figure 1 and 2 in his testimony, which he stated
20 show the impact to rates that would result from correcting the reserve imbalance.
21 Based on that same logic, the chart below illustrates an actual current underpayment
22 in rates from customers due to a net rate base that is currently understated by the
23 reserve imbalance surplus.

1

Current Net Plant per 6/30/2025 ESR	
Plant in Service	\$ 685,672,614
Accum Depr & Amort	\$ (212,749,295)
Net Plant in Service	\$ 472,923,319
Add Back Depreciation Reserve	
Plant in Service	\$ 685,672,614
Accum Depr & Amort	\$ (212,749,295)
Reserve Surplus	\$ 19,244,380
Net Plant in Service	\$ 492,167,699
Reduced Rate Base	\$ (19,244,380)
Rate of Return	6.44%
Required NOI	\$ (1,239,338)
Revenue Expansion Factor	1.3527
Underpayment from surplus	\$ (1,676,453)

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The Company's annual under-earning of \$10.81 million, based on 06/30/2025 as noted in the previous question's response, is based on a rate base that has not been corrected for the reserve imbalance. Applying Witness Dunkel's rationale, the Company is not recovering its fair rate of return on the actual understated rate base is approximately \$1.67 million annually. Thus, the overall current benefit to customers on an annual basis is approximately \$12.48 million. See table below:

Annual Under-Recovery as of 06/30/2025			
Earnings Below Mid-Point	Reduced Rate Base Recovery	Total	
\$ (10,806,345)	\$ (1,676,453)	\$	(12,482,798)

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Again, I point back to Witness Dunkel's analogy in which he framed the Company's depreciation study proposal as akin to overpaying your dentist. In this case, the opposite is true of what customers are paying in rates versus FCG's cost to serve.

1 As discussed in my direct testimony, had FCG known that this depreciation study
2 would take longer than anticipated to be resolved, it would have likely filed a rate case
3 in 2025. FCG is currently operating at an earned rate of return that falls well below
4 the low-end range of its authorized rate of return.

5 As I have highlighted in this testimony, the annual under-payment benefit to customers
6 is approximately \$12.48 million as of 06/30/2025 (and potential even greater when
7 looking at FCG's filed projected pro-forma calendar year 2025 surveillance).
8 Therefore, when looked at as an average monthly amount (\$12.48 million / 12 months
9 = \$1.04 million), for every month that FCG has delayed filing, and may continue to
10 delay, the customers have received a benefit of approximately \$1 million dollars.
11 Customers are not overpaying the utility or the hypothetical dentist.

12 **Q. At pages 8-11 of his direct testimony, Mr. Dunkel asserts that ratepayers are**
13 **harmed by removing the \$22.3 million imbalance from the depreciation reserve**
14 **because the depreciation reserve is a deduction to net rate base amount. Do you**
15 **agree?**

16 A. No. While it is true that the understated rate base will be corrected, it is a correction
17 that needs to be made. What Mr. Dunkel fails to acknowledge is that at some point,
18 under any imbalance scenario, the depreciation reserve imbalance will be corrected
19 (thereby increasing rate base) and that FCG's proposed 2-year amortization of the
20 imbalance aligns more closely with the matching principle of ratemaking. As the
21 Commission has stated previously "the matching principle argues for a quick
22 correction of any imbalance; the quicker the better so that the ratepayers who may
23 have overpaid would have a chance of benefitting". By aligning the benefits derived

1 from an asset to the payment of the cost of that asset, the matching principle promotes
2 generational equity in ratemaking. If the Commission were to establish a longer
3 amortization of the imbalance, generational equity would suffer.

4 Note that the removal of the depreciation reserve imbalance is required under any
5 scenario and the current rate base is understated by the reserve imbalance; the only
6 question is the length of the amortization period that will be approved by the
7 Commission.

8 **Q. At page 49 of his direct testimony, Witness Dunkel asserts that the 2025**
9 **Depreciation Study should be rejected and FCG should be required to file a new**
10 **depreciation study in conjunction with its next rate case so that base rates are**
11 **changed at the same time as depreciation rates. Is that necessary?**

12 **A.** No. As Witness Lee testifies, the depreciation study filed by FCG in this proceeding
13 is complete, complies with the Commission's Rule, and proposes the correct changes
14 in service lives and depreciation rates. Furthermore, as Witness Dunkel noted at page
15 22 of his direct testimony, Rule 25-7.045(4)(a), F.A.C. requires that regulated gas
16 companies file a depreciation study at least once every five years – measured from the
17 submission date of the previous depreciation study. There is no requirement that
18 depreciation studies be filed in conjunction with a rate case. Witness Dunkel also
19 notes that FCG's depreciation study is not due until May 31, 2027, which clearly is
20 not tied to the filing of a rate case. However, his testimony reflects that he is also
21 aware that FCG anticipates filing a rate case well before that date. Moreover,
22 irrespective of when FCG files its depreciation study, ratepayers are protected from
23 the Company overearning because of the guardrails placed around the Company's

1 earned rate of return. If FCG under-earns because of a change to depreciation rates,
2 it may file for recovery, and if it over-earns, the Company may be required to refund
3 any excess earnings. This is true of any change in expense; depreciation is only one of
4 many factors in the Company's cost to serve customers. Earnings are monitored on a
5 quarterly basis through surveillance reports; allowing the staff to periodically review
6 and ensure the Company is not over earning.

7 **Q. Does this conclude your rebuttal testimony?**

8 A. Yes, it does.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Rebuttal Testimony of Matthew Everngam on behalf of Florida City Gas has been furnished by Electronic Mail to the following parties of record this 20th day of November, 2025:

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