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November 25, 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 Prehearing Statement 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,

/s/ Beth Keating
Beth Keating
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ENCL
CC:// (certificate of service)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Florida City	) Docket No.: 20250035-GU
Gas's 2025 Depreciation Study and for	)
Approval to Amortize Reserve Imbalance.	) Filed: November 25, 2025
	)

FLORIDA CITY GAS'S PREHEARING STATEMENT

In accordance with the Order Establishing Procedure for this Docket, Order No. PSC-2025-0366-PCO-GU, issued October 2, 2025, as amended by Order No. PSC-2025-0428-PCO-GU, issued November 20, 2025, Florida City Gas ("FCG," or "Company") hereby files its Prehearing Statement.

A. APPEARANCES

Beth Keating
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B. WITNESSES AND EXHIBITS

i. All Known Witnesses

<u>Witness – Direct</u>	<u>Subject</u>	<u>Issue</u>
Patricia Lee ¹	Florida City Gas's 2025 Depreciation Study: Witness Lee addresses: 1) the need for revised depreciation rates; 2) the process, procedures and analysis associated with the 2025 Depreciation Study she conducted for FCG; 3) the imbalance between theoretical reserve and book reserve that results from application of the updated	1-5

¹ Amended Testimony filed November 4, 2025.

	parameters; 4) the mechanism proposed to address the imbalance and why it aligns with the facts of this case and Commission policy; and the appropriate implementation date for new depreciation rates.	
Matthew Everngam	Requested amortization proposal: Witness Everngam testifies to reasons for FCG's request to amortize the imbalance over a 2 year period.	4
<u>Witness – Rebuttal</u>	<u>Subject</u>	<u>Issue</u>
Patricia Lee	Witness Lee provides testimony in response to that of OPC Witness Dunkel and Staff Witness Kunkler. She testifies regarding the Commission's depreciation rule, past Commission practice, and utility depreciation guidelines to rebut Dunkel's assertions that the 2025 Study should be rejected, that statistical analysis is required, and that amortization of the reserve imbalance is improper. She also addresses Witness Kunkler's reliance on statistical analysis of historical retirements for life determinations and rejects his proposed alternative parameters for Steel Mains and Plastic Services.	1-5
Matthew Everngam	Amortization of reserve imbalance: Witness Everngam further rebuts Witness Dunkel's assertions and analogies regarding the impact of FCG's proposal as it pertains to addressing the reserve imbalance that results from the 2025	4, 6

	Depreciation Study. Available also to confirm that FCG has no ITCs.	
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ii. All Known Exhibits

<u>Witness</u>	<u>Exhibit</u>	<u>Title</u>	<u>Issue</u>
Lee	PSL-1	Curriculum Vitae	1-5
Lee	PSL-2 ²	Depreciation Study and Workbook	1-5
Lee	PSL-3	Life Table example	1-3
Lee	PSL-4	Florida peer gas companies' averages	1-3
Lee	PSL-5	(Composite) Reconciliation Schedules to Annual Reports	1-4
Lee	PSL-6	FCG's response to Staffs Second Set of Interrogatories, No. 26 (List of PSC Orders Approving Amortization of Imbalance over less than remaining life).	4

C. STATEMENT OF BASIC POSITION

FCG's Statement of Basic Position

FCG: FCG filed its initial request for approval of its 2025 Depreciation Study on February 24, 2025. Since then, the Company has provided responses to numerous data requests and formal discovery requests and responded to a series of motions filed by OPC seeking to either delay or dismiss this case. Ultimately, given the level of contention regarding FCG's study, this matter was set for hearing by Order PSC-2025-0366-PCO-GU issued October 2, 2025.

² Amended PSL-2 filed November 4, 2025.

The Commission will hear from FCG's Witness Patricia Lee that she has conducted FCG's 2025 Depreciation Study in accordance with the Commission's Rule 25-7.045, F.A.C., ("Rule"), consistent with guidance in NARUC's Public Utility Depreciation Practices (1996) manual, and using similar processes and analyses utilized in other depreciation studies approved by this Commission. Witness Lee will also explain that the Commission's gas utility depreciation Rule does not require that a utility wait five years before it files a depreciation study and does not require that a gas utility file a depreciation study as part of a rate case, nor has the Commission ever expressed a desire to change its rule or policies in either regard. In the context of gas utilities, in fact, it has been much more common, historically, for depreciation studies to be submitted separately from a rate proceeding.

Witness Lee will also address the changes and adjustments to the depreciation study that the Company has made over the past 9 months, which have arisen from issues discovered over the course of responding to Staff's data requests and discovery from both Commission Staff and OPC. The Company has made the appropriate adjustments openly and voluntarily. Furthermore, OPC Witness Dunkel's suggestion that these adjustments, updates and corrections demonstrate that FCG's data and study are suspect belies the fact that such refinement of data over the course of reviewing a depreciation is not uncommon and is a part of the process that this Commission has itself recognized on more than one occasion.³ It also disregards the fact that conducting a depreciation study is both a science and an art that produces a forecast, or projection, of the service lives of a Company's assets. Witness Dunkel's assessment should also be discounted because he did very little in terms of his own analysis, choosing instead to question FCG's filing through the use of oversimplified analogies and by flagging inconsistencies between

³ See, for instance, Order No. PSC-1995-1050-FOF-GU, issued August 24, 1995, in Docket No. 19951776-GU.

FCG's study and its annual reports for which reconciliations had been provided and were otherwise easily explained.

In addition, while both Witness Dunkel and Staff's Witness Edwin A. Kunkler take issue with the fact that Witness Lee did not conduct a historical statistical analysis of the lives of FCG's assets, the Commission should give no weight to these assertions. The plain fact of the matter is that a historical statistical analysis is not required by the Commission's Rule, as Witness Lee explains, and the Commission has approved other depreciation studies, as recently as 2022, that did not incorporate such an analysis. To decide differently in this case would be inconsistent with prior Commission policy and likely necessitate a change to the Rule. Witness Kunkler also takes issue with Witness Lee's parameters for two accounts, Steel Mains and Plastic Services, but Witness Lee also explains that her life parameters can be expected to better reflect the future, actual lives of the assets in those accounts, because she focused her analysis on more current data and input from Company personnel, rather than on the statistical analysis of past lives of the assets conducted in the prior depreciation study upon which Witness Kunkler relied.

Finally, FCG Witnesses Everngam and Lee have both addressed FCG's proposal to correct the reserve imbalance that exists if the depreciation parameters recommended by Witness Lee are approved. The proposal to amortize the imbalance over two years is a legitimate means to correct the imbalance, has been similarly implemented in other Commission cases, and is consistent with the "matching principle" often referenced by the Commission. Witness Dunkel's assertions that this amounts to a cash grab for FCG's shareholders, along with his related analogies, are misleading oversimplifications of what a reserve imbalance is and what amortization does. Witness Lee and Witness Everngam address, respectively, the mechanics of amortization of the imbalance and the Company's rationale for requesting correction of the imbalance in this manner.

They will demonstrate that FCG's proposal is not unique and is appropriate under the circumstances of this case.

In sum, FCG asks that the Commission approve the 2025 Depreciation Study, provided as Witness Lee's amended Exhibit PSL-2. The 2025 Depreciation Study is based on sound data and analysis, is consistent with the Commission's Rule 25-7.045, F.A.C., and provides an appropriate basis for revising FCG's depreciation rates. The Commission should also approve FCG's request to amortize the resulting reserve imbalance over a period of two years. The Commission has allowed amortization of reserve imbalances over less ~~that~~ than the remaining life of assets in prior proceedings and should approve such amortization in this proceeding as well. Moreover, as Witness Everngam explains, this approach will appropriately balance the interests of the utility and its ratepayers by enabling FCG, which is currently underearning, an opportunity to earn at, or near, its allowed earnings range for 2025.

D. FCG's POSITION ON THE ISSUES

ISSUE 1: Should currently prescribed depreciation rates for Florida City Gas be revised?

FCG: Yes. Given the change in ownership of FCG since its last study and other factors, such as the expansion of the SAFE program, it is appropriate to update FCG's depreciation rates based upon the 2025 Depreciation Study sponsored by Witness Lee. Rule 25-7.045, F.A.C., does not require that a gas utility wait 5 years to file a new study, nor does it require that a gas utility submit a depreciation study only when it submits a full request and MFRs, nor has the Commission ever enunciated a policy or rule interpretation to that effect. Approval of the 2025 Depreciation Study results in a net decrease in FCG's depreciation rates compared to the currently prescribed rates,

which decreases annual depreciation and amortization expenses by about \$10.7 million based on January 1, 2025 investments.

ISSUE 2: Based on FCG's 2025 Depreciation Study, what are the appropriate depreciation parameters (e.g., service lives, remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rates for each depreciable plant account?

FCG: The appropriate depreciation parameters and resulting depreciation rates are those set forth in amended PSL-2, which is the 2025 Depreciation Study conducted by Witness Lee on behalf of FCG. The parameters set forth therein are based upon the sound depreciation analysis of Witness Lee, who is a member and former president of the Society of Depreciation Professionals and a co-author of NARUC's Public Utility Depreciation Practices (1996) manual. Witness Lee analyzed current plant and reserve data, historic average retirement rates for the plant accounts, consulted with FCG personnel responsible for the installation, operation, and removal of the assets, and reviewed the service lives for similar assets owned by similarly situated, Florida natural gas utilities. The process utilized by Witness Lee was much like the process she has used to conduct depreciation studies that have been approved for other Florida natural gas utilities and resulted in a complete, reliable depreciation study that should be approved by the Commission. Furthermore, Commission Rule 25-7.045, F.A.C., does not require that a statistical analysis be included in a depreciation study nor is FCG aware of any depreciation study for a Florida gas or electric utility that has been rejected on the basis that it did not include a statistical analysis.

ISSUE 3: Based on the application of the depreciation parameters that the Commission has deemed appropriate to FCG's data, and the comparison of the theoretical reserves to the book reserves, what, if any, are the resulting imbalances?

FCG: The application of the depreciation parameters set forth in the 2025 Depreciation Study results in an imbalance between the theoretical and book reserves in the amount of a \$19.2 million surplus.

ISSUE 4: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 3?

FCG: FCG believes that amortization of the reserve surplus over two years is appropriate in this case. This action will correct the reserve imbalance quickly by way of an annual credit to depreciation expense. In this way, reserve imbalance will be corrected for the current the generation of ratepayers, consistent with the matching principle. It will also establish more appropriate depreciation rates, as well as an expedited mechanism to correct the reserve imbalance, in advance of FCG's anticipated rate case, and allow FCG the opportunity to earn within its currently allowed earnings range for 2025. FCG's proposal to amortize the reserve imbalance over less than the remaining lives of the assets is an accepted depreciation practice that has been approved for other utilities by this Commission in prior cases. Furthermore, arguments that such proposal could harm ratepayers in the next rate case should be taken with a grain of salt, because such arguments focus only on the limited impact to rate base and fail to consider the multiple other factors, costs, and projections that are involved in a full rate case proceeding. FCG's proposal makes sense, would not be a unique approach to resolve a reserve imbalance, and provide a fair outcome for both FCG and its ratepayers.

ISSUE 5: What should be the implementation date for revised depreciation rates and amortization schedules?

FCG: The appropriate implementation date is January 1, 2025. All data contained in FCG's depreciation study matches that date.

ISSUE 6: Should the current amortization of investment tax credits (ITCs) and flow back of excess deferred income taxes (EDITS) be revised to reflect the approved depreciation rates and amortization schedules?

FCG: If the Commission approves the 2025 Depreciation Study, the flow back of excess deferred income taxes should be revised to reflect the depreciation rates and amortization schedules ultimately approved by the Commission in this proceeding. Currently, however, FCG does not have any investment tax credits.

ISSUE 7: Should this docket be closed?

FCG: Upon approval of the 2025 Depreciation Study submitted by FCG in this proceeding, this docket should be closed.

VI. OTHER

e. Stipulated Issues

While not a party to stipulations at this time, FCG believes that it should be possible to reach a stipulation on each of the issues as they pertain to FCG.

f. Pending Motions

FCG's Motion to Strike Exhibit EAK-5 of Staff Witness Edwin A. Kunkler IV.

g. Pending Confidentiality Claims or Requests

FCG has no pending motions at this time.

h. Objections to Witness Qualifications as an Expert

FCG has no objections to any witnesses' qualifications at this time.

i. Request for Sequestration of Witnesses

FCG has no pending request.

j. Compliance with Order No. PSC-2025-0366-PCO-GU, Order No. PSC-2025-0428-PCO-GU

FCG has complied with all requirements of the Order Establishing Procedure entered in this docket, as well as the subsequent orders issued modifying that Order.

RESPECTFULLY submitted this 25th day of November, 2025, by:

/s/Beth Keating

Beth Keating

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Attorneys for Florida City Gas

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida City Gas Prehearing Statement has been furnished by Electronic Mail to the following parties of record this 25th day of November, 2025:

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