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October 3, 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 filing, please find the Testimony of Matt Everngam 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)

**DIRECT TESTIMONY
OF MATTHEW EVERNGAM**

ON BEHALF OF
FLORIDA CITY GAS

October 3, 2025

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1 **I. INTRODUCTION & STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Matthew Everngam. My business address is 500 Energy Lane, Dover, DE
4 19901.

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

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

10 **Q. Describe the scope of your responsibilities.**

11 A. My responsibilities include directing the preparation of regulatory strategic planning,
12 development of rates, programs and filings for the Company’s distribution entities in
13 Florida, Maryland, Delaware, and Ohio. I also oversee the preparation of both routine
14 and non-recurring filings for the Corporation and its business units at the Federal
15 Energy Regulatory Commission (FERC). My department also assists in the
16 management of tariffs and rate design for CUC’s state and federally-regulated business
17 units.

18 **Q. Please describe your educational background and professional experience.**

19 A. I received a Bachelor of Science degree in Business Administration with a
20 concentration in Management and a Master of Business Administration from Salisbury
21 University in Salisbury, MD. I was initially hired by Chesapeake as a Regulatory
22 Analyst II in October 2010. Prior to joining Chesapeake, I was employed by Edward
23 Jones Investments as a Financial Advisor. My duties at Edward Jones included

1 investment portfolio construction, financial filings analysis and economic trend
2 monitoring. In this position I held Series 7 and Series 66 licenses with the National
3 Association of Securities Dealers (“NASD”).

4 **Q. Have you previously testified before any state and/or federal regulatory**
5 **commissions?**

6 A. Yes, I have previously testified for CUC before the Public Service Commissions of
7 Florida, Maryland, and Delaware. My most recent testimony before the Florida Public
8 Service Commission was in Docket No. 20220067-GU, Florida Public Utilities
9 Company’s (“FPUC”) Petition for a base rate increase.

10 **Q. What is the purpose of your direct testimony?**

11 A. The purpose of my direct testimony is to further explain Florida City Gas’s (“FCG” or
12 “Company”) depreciation study decisions, associated proposal to address amortization
13 of the reserve imbalance, and potential implications to FCG’s earnings and the
14 Company’s rate case processes.

15 **Q. Are you sponsoring any exhibits?**

16 A. No.

17

18 **II. DEPRECIATION STUDY RESULTS, PROPOSALS, AND IMPLICATIONS**

19 **Q. Can you explain why the Company chose to perform and file the Depreciation**
20 **Study in this Docket?**

21 A. Yes, multiple factors influenced FCG’s decision to file its Depreciation Study in this
22 Docket. Chesapeake Utilities Corporation acquired Florida City Gas in late 2023 and
23 FCG’s most recent rate case was in 2022, prior to the acquisition. In order to establish

1 lives, net salvage values, and reserve balances of FCG's assets which most accurately
2 reflect FCG's current operating environment under CUC ownership, the Company
3 commissioned and filed this new Depreciation Study. Ultimately, a consolidated FCG
4 and FPUC is likely, but until that takes place, updated depreciation parameters for
5 FCG under CUC ownership will allow the Company to more effectively evaluate a
6 potential future consolidated depreciation study or rate case. It was also important to
7 proceed with this depreciation study to ensure that recent capital investments for new
8 construction by FCG, which has taken place under its new ownership by CUC, are
9 accurately depreciated based upon updated lives and salvage values that align with
10 those of FPUC and other, similarly-situated CUC affiliates.

11 **Q. Did the Company initiate a new depreciation study as a means to delay a rate**
12 **case?**

13 A. No. That was not the purpose or design for the depreciation study when we hired Ms.
14 Lee to assist FCG with a completing a new study. As the study neared completion, it
15 became apparent that a surplus reserve imbalance of some magnitude would likely be
16 the result of the study. As such, we discussed different options with Ms. Lee for
17 addressing the surplus. A 2-year amortization of the surplus was determined to be the
18 most appropriate timeframe and methodology to resolve the reserve imbalance.

19 **Q. Why did the Company propose the more traditional amortization method to**
20 **address the reserve imbalance rather than the previously approved Reserve**
21 **Surplus Amortization Mechanism ("RSAM")?**

22 A. Given that the prior rate case and the establishment of an RSAM remains on appeal
23 before the Supreme Court, the Company proposed amortization of the net reserve

1 surplus in a manner that aligns more directly with traditional commission practice and
2 precedent. The Company does not oppose establishment of an RSAM-type
3 mechanism, but in this instance, straight amortization of the imbalance seemed to be
4 the simpler, more practical approach.

5 **Q. How may the results of the depreciation study and a 2-year amortization of the**
6 **reserve imbalance provide a benefit to customers and impact a future rate case?**

7 A. While FCG's depreciation study and resulting lives, rates, and imbalances, stand on
8 their own merits, the outcome of the study may also impact the Company's returns
9 and future rate case considerations beyond the potential to support FCG's earnings
10 pending the filing of the rate case. For instance, any amortization of the excess reserve
11 included in the Company's historic test year in its next base rate case would put
12 downward pressure on interim rates resulting from the amortization. Additionally, any
13 depreciation expense reduction, consistent with that reflected in FCG's study, would
14 put downward pressure on both interim and final rates in the next rate case. Current
15 FCG customers would benefit in both instances.

16 Furthermore, as the Commission has stated previously "the matching principle argues
17 for a quick correction of any surplus; the quicker the better so that the ratepayers who
18 may have overpaid would have a chance of benefitting". As there is a potential for
19 future consolidation of FCG and FPU, it is advantageous in this case to proceed with
20 a 2-year amortization period so that current FCG customers receive the benefit. This
21 would avoid potential future intergenerational or intercompany inequities.

22 **Q. Would amortization of the reserve surplus allow FCG to delay a rate case for two**
23 **years?**

1 A. No. At this point, it would not.

2 **Q. Why would amortization of a surplus consistent with that shown in FCG's**
3 **depreciation study no longer enable FCG to delay its next rate case?**

4 A. In hindsight, had FCG known that this depreciation study would take longer than
5 anticipated to be resolved, it would have likely filed a rate case in 2025. As evidenced
6 by its most recent twelve months ended June 2025 earnings surveillance report and its
7 pro-forma 2024 year-end report, FCG is currently operating at an earned rate of return
8 that falls well below the low-end range of its authorized rate of return. While numerous
9 factors impact a company's earnings, in recent years FCG has experienced expense
10 increases which were not contemplated in the 2022 rate case and over which the
11 Company had no control.

12 **Q. In addition to the previously mentioned customer benefit of FCG's depreciation**
13 **study, would amortization of the surplus reflected in the study provide any**
14 **additional benefits?**

15 A. Yes. To the extent that any amortization of the reserve imbalance brings FCG's
16 earnings back up into its authorized ROR range, that amortization would be acting as
17 a bridge to provide FCG the ability to earn at or nearer its approved ROR until the
18 required rate case documentation can be prepared for filing with the Commission.
19 While, as previously discussed, this would not allow FCG to stay out for an extended
20 period of time, it may still provide some delay to FCG's next case filing and the
21 associated rate increase impacts to customers.

22 **III. CONCLUSION**

23 **Q. Do you have any concluding remarks?**

1 A. The Company's depreciation study produces accurate and updated depreciation rates
2 reflective of the lives, net salvage values, and reserve balances of FCG's assets, as set
3 forth in the testimony of FCG Witness Patricia Lee. This depreciation update was
4 necessary given the updates to FCG's operations, investments and ownership structure
5 since its last depreciation study. The best way to address the resulting reserve
6 imbalance in a manner that benefits both the Company and its customers is to amortize
7 the surplus over a period of two years. This ensures that a correction occurs for the
8 generation of rate payers most responsible for the imbalance, and not drawn out over
9 a longer period of time.

10 **Q. Does this conclude your direct testimony?**

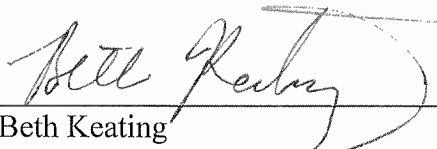
11 A. Yes, it does.

12

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served upon the following by Electronic Mail this 3rd day of October, 2025.

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