GUNSTER

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

August 22, 2024

BY E-FILING

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

Re: **Docket No. 20240099-EI - Petition for rate increase by Florida Public Utilities Company**

Dear Mr. Teitzman:

Attached, for electronic filing, on behalf of Florida Public Utilities Company, please find the Testimony and Exhibits of Noah Russell.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

(Document 5 of 18)

Sincerely,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 20240099-EI: Petition for rate increase by Florida Public Utilities Company

DIRECT TESTIMONY AND EXHIBITS OF NOAH RUSSELL

Filed: August 22, 2024

Q. Please state your name, occupation and business address.

A. My name is Noah T. Russell. My business address is 100 Commerce Drive, Suite 200, Newark, DE 19713.

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

A. I am employed by Chesapeake Utilities Corporation as the Assistant Vice President and Assistant Treasurer. I was also appointed by the Board of Directors in 2023 to serve as a member of the Corporation's Employee Benefits Committee.

Q. Please describe your educational background and professional experience.

A. In 2002, I received a Bachelor of Science in Accounting from University of Delaware in Newark, Delaware and am a licensed Certified Public Accountant in Pennsylvania. I have been in my current position as Assistant Vice President and Assistant Treasurer of Chesapeake Utilities Corporation since September 2021. Prior to joining Chesapeake Utilities Corporation, I held the role of Assistant Treasurer at Sunoco Logistics Partners LP, which was a subsidiary of Energy Transfer. Sunoco Logistics Partners LP owned and operated midstream assets that served to transport crude oil, refined products and natural gas liquids and had certain assets that were regulated by the FERC and the respective state public service commission where the assets were located. In my role at Sunoco Logistics, I managed a six-person team responsible for long-range planning, cash management and governmental reporting. Under my leadership, we consummated over $7 billion of capital market transactions to fund a significant growth capital program. With my support and guidance, the governmental reporting team prepared and filed all FERC Form 6 and 6Q's for Sunoco Logistics.

Q. Please describe your current responsibilities.

A. In my role I am responsible, under the leadership and guidance of Chesapeake Utilities Corporation's Chief Financial Officer, for leading the Corporation's finance and financial shared services teams. The finance function includes enterprise capital planning, treasury operations, corporate finance and capital allocation, banking relationships, accessing capital and managing the corporate capital structure, investment management activities, insurance/risk management oversight, credit management, shareholder services, as well as providing merger and acquisition diligence and integration support along with acquisition financing. CUC's financial shared services team is responsible for the accounts payable, payroll and procurement functions for the entire organization.

Q. How will you refer to the Company?

A. When referring to the Florida Public Utilities Company Electric Division, I will refer to it as "FPUC" or "the Company". When referring to Chesapeake Utilities Corporation, the parent company, I will refer to it as "CUC" or the "Corporation."

Q. Have you filed testimony before the Florida Public Service Commission in prior cases?

A. I have filed testimony and testified in Docket No. 20220067-GU.

Q. Have you previously provided testimony before other regulatory bodies?

A. Yes, I have also filed testimony in other rate case proceedings before the public service commissions of Delaware and Maryland.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony will discuss CUC's current capital structure allocation, the various components (short-term debt, long-term debt and equity) and how FPUC has benefited from the structure. I will also be providing testimony on CUC's mitigation of risk through our Insurance Programs.

Q. Do you have any exhibits to which you will refer in your testimony?

A. Yes. Exhibit No. NTR-1 which includes various schedules in support of my testimony.

Q. Are you sponsoring any MFRs in this case?

A. Yes. Attached, as Exhibit NTR-2, is a list of MFRs that I am sponsoring.

I. <u>Capital Structure and Financing</u>

Q. What is the Corporation's target capital structure and the components of that structure?

A. CUC's target capital structure is 50 percent-60 percent equity as a percentage of total capitalization (including short-term debt). This target capital structure has been approved by the Board of Directors. Over time, we strive to approximate the midpoint of 55 percent equity to total capitalization. Earnings retained and reinvested in the business partially help the Corporation fund our growth capital construction program. Any capital spend that is in excess of earnings retained is initially funded with short-term debt. As projects come online, we issue additional long-term debt and equity to stay within the target capital range and accordingly, reduce our short-term debt balances. Occasionally, when large projects take longer than projected, that has resulted, in our capital structure falling below the target capital structure for a brief period before resuming within the target range. Exhibit No. NTR-1 Schedule 1 shows CUC's equity as a percentage of total capitalization for 2014-2023 based on balances at December 31. As the chart shows, the Corporation has consistently achieved our targeted range with only occasional dips due to larger projects. Most recently, as further discussed below, the Corporation had achieved an equity to total capitalization ratio of 53 percent as of September 30, 2023, just prior to the Florida City Gas acquisition. Since the acquisition, the Corporation has already moved this ratio from approximately 47 percent to above 48 percent and is on a path to quickly restore within the target range to 50 percent (in the test year) and proceed towards the midpoint.

Q. Why is the parent company capital structure being utilized for the rate case?

A. Funding needs for CUC, its divisions and its operating subsidiaries are managed centrally at the parent level which is also discussed in Witness Galtman's testimony. As such, FPUC does not issue debt or equity directly. As a result, any funding needs for FPUC are recorded via intercompany accounting that does not differentiate between debt and equity proceeds. Since the original source of funding for intercompany borrowings is derived from the equity issuances or debt financing at the parent level, FPUC utilizes CUC's capital structure to determine the rate of return in this proceeding. Use of CUC's overall capital structure also ensures FPUC benefits from a lower cost of capital and has access to capital as needed.

Q. What is CUC's long-term debt profile?

A. CUC's long-term debt carries the NAIC-2B investment credit rating from the National Association of Insurance Commissioners ("NAIC"). The NAIC, through its Securities Valuation Office, has its own credit rating scale that runs from NAIC-1 (lowest risk) to NAIC-6 (highest risk, near or at default). All securities in insurers' portfolios use these designations and their related factors to assess solvency capital requirements. According to the NAIC, NAIC-2B is assigned to high quality obligations with low credit risk. The NAIC-2B rating is equivalent to a BBB/Baa2 investment grade bond rating or above from S&P and Moody's. NTR Schedule 2 Page 1 shows the correlation between the NAIC, Moody's and S&P ratings hierarchies.

Q. What types of short-term debt arrangements does CUC use as temporary financing for capital expenditures?

A. CUC has a syndicated revolver facility for short-term borrowing with six participating banks. CUC may, from time to time, as a result of its relationships and access to capital, add additional lines of credit or term loans to meet short-term financing needs. CUC currently maintains a multi-tranche short-term borrowing facility ("Revolver") with a total capacity of $450,000,000. The two tranches of the facility consist of a $250,000,000 364-day short-term debt tranche and a $200,000,000 five-year tranche, both of which have three (3) one-year extension options. The facility also contains a $150,000,000 accordion provision, which gives

CUC the ability to increase the size of the facility to $600,000,000. As of June 30, 2024, the pricing under the 364-day tranche of the Revolver includes an unused commitment fee of 0.10 percent and maintains an interest rate of 0.90 percent over the Secured Overnight Financing Rate ("SOFR") plus a 10-basis point credit adjustment. As of June 30, 2024, the pricing under the five-year tranche of the Revolver included an unused commitment fee of 0.10 percent and an interest rate of 1.10 percent over SOFR plus a 10-basis point credit adjustment. This pricing is very competitive in the market and comparable to pricing available to many publicly traded electric utilities that also have investment grade debt.

Q. What is the historic test year 2023 and projected test year 2025 capital structure of the Corporation?

A. The components of the historic test year capital structure reflect investor sources and uses of capital as follows: common equity (excluding accumulated other comprehensive income) of 51.74 percent, long-term debt (including current maturities) of 40.79 percent, and short-term debt of 7.47 percent. However, prior to consummating the Florida City Gas acquisition, as of September 30, 2023, the Corporation had moved closer to its target capital structure with the equity to total capitalization ratio at approximately 53 percent, bringing the 13-month average to 52.5 percent as of September 30, 2023. This highlights the Company's commitment to maintaining 55 percent equity to total capitalization as its target capital structure.

The projected capital structure at the end of the test year is as follows: common equity (excluding accumulated other comprehensive income) of 50.04 percent, long-term debt (including current maturities) of 44.31 percent, and short-term debt of 5.65

percent. But, again, as a Corporation, we strive to approximate 55 percent equity to capitalization, which is the midpoint of the Board-approved range.

Q. Why is accumulated Other Comprehensive Income ("OCI") excluded from the capital structure?

A. The accumulated OCI must be eliminated from the capital structure for rate-setting purposes, because none of the accounting entries that affect accumulated OCI have anything to do with financing the rate base (i.e., they do not generate or consume any cash). OCI instead arises from other sources, including: Minimum Pension Liability ("MPL"), unrealized gains and losses on securities available for sale, interest rate swaps, and other cash flow hedges.

Q. Why does the Corporation believe its target capital structure is appropriate?

A. Using a mix of earnings retained in the business, 50-60 percent equity and 40-50 percent debt allows CUC to retain significant access to competitively priced capital to fund future growth projects. Approximately 55 percent of earnings are retained and reinvested in the business. Any growth capital spending above and beyond these retained amounts are initially funded with our $450 million syndicated Revolver. When projects go into service, we seek to align the permanent financing (long-term debt and equity) with the introduction of service for these projects. This allows us to better align earnings from projects and long-term financing costs. Using this approach, we have continued to see cost effective, competitive pricing under the Revolver, long-term debt placements and equity capital markets. This structure also keeps us in compliance under the covenants contained in the Revolver and with all of the private placement senior notes.

Q. **Have FPUC and their customers benefitted from CUC's ability to finance capital for utility projects at competitive rates?**

A. Yes. CUC consistently finds access to low-cost long-term debt, short-term debt and equity financing. As shown on Exhibit No. NTR-1, Page 1 of my Schedule 3, CUC has effectively managed its balance sheet, issuing $1.1 billion in long-term unsecured debt over the past 8 years. Over this same period, the weighted average interest rate was 4.97 percent. Rates have increased only in recent years resulting in a blended cost of 5.90 percent. Given current Treasury forward rates, the Corporation continues to evaluate the potential acceleration into 2024 of a portion of the long-term debt issuances forecasted in 2025. The 16 CUC issuances shown on Exhibit No. NTR-1, Page 1 of my Schedule 3 have been consummated at attractive rates on an unsecured basis.

As I mentioned earlier in my testimony, CUC's Revolver provides cost-effective, competitive financing. Short-term debt capacity benefits FPUC by providing capital availability for utility projects during construction before obtaining permanent long-term financing for projects once fully in service. In August 2024, the Corporation was able to successfully upsize the Revolver by $75 million, to $450 million, and extend the maturity dates for the 364-day and 5-year tranches to August 2025 and August 2029, respectively. This was a very successful outcome, as CUC was able to increase the size of the facility, extend the maturity and keep existing pricing due to the Corporation's strong balance sheet, track record around successful execution of our growth plans, and reputation amongst the bank group.

As seen on Exhibit No. NTR-1, Schedule 4, since December 31, 2015, CUC's stock price has increased by approximately 103 percent and has traded between $86 and $119 per share over the last 12 months. CUC has generated consistent earnings over this period of time, enabling the Corporation to strategically and competitively access the equity capital market, as needed, for new issuances associated with increased capital investment.

Q. Does CUC continue to have access to competitively priced capital?

A. Yes. We maintain an effective shelf registration statement with the Securities Exchange Commission ("SEC") for the issuance of shares of common stock in various types of equity offerings, including shares of common stock that can be issued under an overnight equity offering or an At-the-Market equity program, as well as an effective registration statement with respect to the Dividend Reinvestment and Direct Stock Purchase Plan.

CUC has also entered into Shelf Agreements with Prudential and MetLife, two of our current long-term debt holders, who are under no obligation to purchase any unsecured long-term debt. Under these Shelf Agreements, in the aggregate, these parties have indicated an interest in issuing unsecured senior notes totaling $255 million. These Shelf Agreements expire in the first quarter of 2026.

Finally, as mentioned earlier in my testimony, CUC has a multi-tranche Revolver totaling $450,000,000. The 364-day tranche of the facility ($250,000,000) expires in August 2025, and the five-year tranche ($200,000,000 million) expires in August 2029.

Q. How do current Treasury rates compare to the overall cost rate for long-term debt included in MFR schedules D-4a?

A. As shown on Exhibit No. NTR-1, Page 1 of Schedule 5, current Treasury rates for 3, 5, 7 and 10-year durations remain elevated and slightly below the rate on MFR Schedule D-4a, 25 supplemental. Also, the Treasury rates on Schedule 5 represent the risk-free rate of interest. If CUC were to place any new long-term debt, the all-in rate would include a spread that supports the Corporation's NAIC-2B rating. In addition, as the Corporation works towards the equity to total capitalization ratio of 55 percent, CUC expects the NAIC 2B to adjust accordingly, although there is typically a delay.

Q. How will these elevated 10-Year Treasury rates impact CUC's long-term debt rate?

A. With any new issuance, these elevated treasury rates will drive the average rate for long-term debt above the 4.51 percent included in the test period on MFR Schedule D-4a, 25 supplemental and, therefore, increase our weighted average cost of debt and weighted average rate of return.

Q. Have any adjustments been made to CUC's long-term debt included in MFR Schedules D-4a?

A. Yes. The Company has included Schedule D-4a for each year in the filing and a Schedule D-4a Supplement for each year. Schedule D-4a calculates the cost of debt using the traditional consolidated cost of debt. Schedule D-4a Supplement includes an alternate calculation of the cost of debt. As witness Crowley also discusses, the proceeds from the $550 million senior notes priced on October 31, 2023, were used predominantly to finance the acquisition of Florida City Gas. Of that $550 million, $300 million of these senior notes have maturities of seven years or less. Most economic forecasts suggest short-term and long-term debt rates will decline from recent high levels over the next several years, but stay elevated above recent historically low interest rates that existed pre- and post- COVID. CUC will have the opportunity to refinance a portion of the debt at a time when rates are forecasted to slightly decline. With a portion of these proceeds used to finance the acquisition during a period of elevated interest rates and considering the overall operational benefits across the entire enterprise, the Company is requesting the use of MFR Schedules D-4a supplement. This calculation of the long-term debt interest rate only includes approximately 21 percent of these senior notes to determine the overall long-term interest rate for purposes of this rate case filing. The rates calculated in the D-4a supplement are carried forward into a Schedule D-1a supplement, which calculates the average cost of capital, and to Schedule A-1 Supplement that calculates the revenue requirement using this rate. Thus, for FPUC's electric division, the calculation of the interest rate only includes the 21 percent of these six notes that relates to funding overall operations. By using this methodology, the revenue requirement for FPUC in this proceeding is reduced by approximately $500,000. As these notes expire or are refinanced, the new notes will return to the Company's traditional calculation of debt as shown on MFR Schedules D-4a. If, however, the Commission does not approve this methodology, we request the cost of debt, cost of capital and the revenue requirement used for ratemaking purposes be those provided in Schedules D-1a, D-4a, and A-1.

II. Insurance and Risk Mitigation

Q. What resources at CUC are dedicated to insurance?

A. Within the Treasury organization, CUC has one full-time resource dedicated to our insurance programs, which is in addition to the time both our Director of Finance and I spend on this function. Under my guidance and oversight in this area, the Insurance Manager is responsible for preparing all underwriting applications, securing and administering the corporate insurance programs for all divisions and subsidiaries of CUC, engaging with our broker's team and our carriers, evaluating any potential new types of coverage, maintaining insurance compliance, and overseeing claims management. As mentioned above, the Corporation also utilizes an insurance broker, who augments our internal capabilities.

Q. What types of insurance coverage does the Corporation carry?

A. The types of insurance carried by CUC can be broken down into three major buckets: casualty, executive risk and property. The casualty program includes workers' compensation, commercial general liability and excess liability coverage. Workers' compensation insurance provides wage replacement and medical benefits to employees injured in the course and scope of their employment. Commercial general liability provides coverage to third parties for bodily injury and property damage caused by the business' operations/products. Excess liability coverage encompasses liability coverage in excess of CUC's underlying general liability policies.

CUC's executive risk policies include directors' and officers' liability, crime, employment practices liability, fiduciary and cyber coverages. The Corporation's directors' and officers' policy is standard liability insurance payable to our directors and officers, or to the Corporation itself, as indemnification (reimbursement) for losses or advancement of defense costs in the event an insured suffers such a loss as a result of a legal action brought for alleged wrongful acts in their capacity as directors and officers. The crime coverage addresses the loss of money, securities, and other assets resulting from dishonesty, theft or fraud. The Corporation's employment practices liability policy covers wrongful acts arising from the employment process. Fiduciary coverage protects employee benefit plan fiduciaries against claims, including, but not limited to, a breach of fiduciary duties, negligent administration, careless plan management, poor investment decisions, and improper use of retirement funds. Finally, CUC's cyber coverage protects/indemnifies the Corporation from data breaches and other cyber security issues.

CUC's properties are insured through a broad form property insurance policy. The policy provides expansive coverage for the direct physical loss or damage to the Corporation's properties. In addition to coverage for physical losses, the policy extends coverage for the loss of business income that results from an insured loss.

Q. Does directors' and officers' liability insurance benefit our customers?

A. Yes. Directors & Officers ("D&O") insurance provides benefits to multiple stakeholders including customers, employees, creditors, vendors, shareholders, and regulators. Without D&O insurance, the Corporation's assets are at risk. It provides coverage for lawsuits brought by other parties. A D&O policy mitigates this risk by covering the legal fees and other costs the Corporation may incur as a result of such a suit.

Additionally, many officers and non-employee directors would refuse to accept a position with a company that doesn't have a D&O policy and refuses to purchase one. Establishing an appropriate D&O insurance policy for officers and non-employee directors, serves to attract and retain qualified candidates with the necessary experience and skillsets to provide oversight and governance around the changing environment that impacts all of the Corporation's business units.

Q. How has insurance coverage changed since the last rate case in 2014?

A. Casualty market rates for U.S. utilities have risen dramatically, while capacity has reduced. Numerous carriers have left the U.S. Power & Utility marketplace. Others have reduced the capacity that they will provide to U.S. Power & Utility insureds. Those who remained in the marketplace have reduced total limits offered and restricted coverages in their offerings, while raising rates in the process.

Q. How does the Corporation ensure that it secures the right amount of coverage at the best cost?

A. With the help of our Insurance Broker, CUC assesses the Corporation's current risks, insurance needs and costs in determining the appropriate level of insurance coverage. The Audit Committee of CUC's Board of Directors reviews the Corporation's insurance coverage, the current insurance environment and related information to ensure it has secured the appropriate level of coverage, given our risk profile and the feedback from our enterprise risk management process, at a reasonable cost. Through the use of internal and external parties (our brokers, the insurance carriers and the Audit Committee), we have been able to manage CUC's insurance programs effectively and efficiently. We do expect our levels of coverage to continue to increase given the benchmarking we have reviewed and the Corporation continues to grow.

Q. Does CUC take additional steps to ensure that it has the right coverage from the right carriers?

A. Yes. CUC also implements various other strategies to ensure we retain the right amount of coverage at advantageous pricing. The Corporation engages directly with carriers to ensure they know us and understand our business. When possible, CUC also tries to lock in premiums (in terms of rate per dollar of coverage) for longer than one year. We have occasionally been able to do this and most recently were able to lock in the primary casualty insurance rates for the 2023/2024 and 2024/2025 insurance periods. The Corporation's insurance broker frequently goes out to the market and seeks bids from new carriers. The insurance broker also provides CUC with peer benchmarking information to help assess proper levels and types of coverage. The Corporation also maintains relationships with former and prospective brokers and engages with them from time to time. Finally, the Corporation continues to evaluate alternative risk instruments and markets (i.e., London, Bermuda) as possible vehicles for obtaining insurance savings. To date, CUC has structured its insurance program in the most cost-effective manner considering all of these factors. From time to time, the Corporation performs a Request for Proposal ("RFP") for broker services. The last RFP process was carried out during the months leading up to the 2021 casualty insurance program renewal, and the Corporation approached various brokers in an attempt to re-configure its casualty insurance program and lower the cost of insurance. Through the RFP process, we identified and changed to a new broker, which saved the Corporation approximately $1 million in premiums for the 2021/2022 insurance period.

Q. In spite of these savings, has CUC experienced recent insurance cost increases?

A. Yes. Even with the strategies CUC has in place, the Corporation is not immune to increases in insurance premiums. Changes in insurance premiums are driven by increased exposure due to the continued growth of the Corporation, fewer insurance carriers, and overall market conditions in the power and utility sector. Over the last five years, CUC has experienced cost increases across all areas of coverage.

Excluding excess liability coverage, primary casualty insurance has experienced a six percent increase in premiums over the last five years. Throughout the market, there has been a reduction in the number of carriers, driven by industry consolidation. Most recently, our premiums have been positively impacted by the redesign of our liability insurance structure, discussed earlier in my testimony, which reduced premiums by approximately $1 million in 2021. In 2019, excess liability coverage for the power and utility space was impacted by increased industry claims activity and several high-profile claims (i.e. PG&E, Columbia Gas, etc.) which resulted in significant rate increases. At the same time, CUC's excess liability carrier at that time decided to cease coverage of utilities, forcing CUC to utilize an alternative carrier. These are the primary drivers behind the approximate 425 percent increase in CUC's excess liability premium over the last five years. Like the casualty space, few key players currently provide coverage due to continued consolidation and several parties declining to offer utility coverage. Most recently, the wildfire exposure that many carriers (which are structured in the form of mutual insurance companies) have been exposed to is being passed along in the form of global industry increases. This trend is expected to continue into the foreseeable future.

Excluding cyber insurance, the Corporation's executive risk policies have also experienced tightening insurance markets with carriers pushing more risk sharing toward clients by requiring higher retention levels and premiums. Due to these factors, we have seen the Corporation's deductible double and the executive risk policy premiums, excluding cyber, increase by approximately 70 percent over the last five years.

The increase in cyber insurance premiums over the same time period has been driven by two factors. In 2018 and 2023, CUC increased its cyber coverage from $5 million to $10 million and then $10 million to $15 million respectively, which directly contributed to increased premiums. Secondly, cyber coverage continues to increase as overall claims frequency is increasing and severity remains high driven by ransomware. Losses have accelerated pricing pressure even on loss-free accounts, like the Corporation, with good controls. These two factors have directly contributed to the 218 percent increase in premiums over the last five years. In discussions with CUC's insurance broker, cyber premiums are expected to remain elevated for the next few renewals.

For property insurance, existing markets are also not expanding and there are limited new carriers entering this market. This particular line of coverage has also been impacted by losses in storm impacted states, furthering escalating premium increases. Correspondingly, CUC's property insurance premiums have increased on average by 17 percent per year over the past five renewals.

Q. Does the Corporation anticipate insurance will continue to rise?

A. Yes. The Corporation is anticipating that its total insurance premiums will continue to rise in the foreseeable future. At a minimum, CUC plans to carry the same levels of insurance coverage for the Corporation's casualty, executive risk and property programs. The Corporation is continuously reviewing our policies, deductibles and limits to ensure we efficiently and effectively mitigate the risk for CUC and all of its subsidiaries. Any increases to the limits carried for any of the Corporation's policies would drive increased premiums for CUC in future years. Based on market conditions, continued growth of the Corporation and potential increases to limits, CUC believes total insurance premiums will increase by approximately 15 percent to 25 percent per year, although as discussed above, the rate increases have the potential to be even higher. In addition to securing higher limits because of growth, the Corporation also continues to evaluate other new potential areas of coverage to mitigate risk further (similar to the Corporation adding cyber insurance coverage within the last five years). Therefore, Schedule C-7 (2025) p. 8 includes an increase for Account 924 -Property Insurance for 2025 of $78,149 and for Account 925-Injuries and Damages for 2025 of $244,020.

III. Self-Insurance

Q. Does FPUC have a Self-Insurance reserve?

A. Yes. FPUC has a self-insurance reserve, with oversight provided by our CFO and me, to absorb expenses associated with losses incurred from our electric operations.

Furthermore, the Corporation has an internal policy, Exhibit No. NTR-1 Schedule 6, it uses to document what types of expenses can be booked against the self-insurance reserve liability. Expenses applied to this reserve are those that are not reimbursable under current insurance policies. These expenses may be charges within the deductible level of the applicable policy, charges exceeding the policy limits or charges lying outside of policy coverage (i.e., self-insurance for any physical damage that occurs to our traditional vehicle fleet). Current deductibles on the policies discussed above, which can be applied to the self-insurance reserve, range from $100,000 to $500,000 per occurrence. In addition to the types of cost mentioned above, the self-insurance reserve may include increased premium costs incurred by the Corporation to secure adequate property, casualty and liability coverage that are in excess of those embedded in our base rates or test year for rate proceedings that end in a settlement.

Q. Can you explain the reason for the self-insurance reserve adjustment?

A. Yes. The current annual expense recorded for a self-insurance reserve for FPUC has been short of the actual claims. In addition, there were changes to the deductible limits for the workers' compensation policy that necessitate an increase for the reserve. To determine the shortfall, we analyzed claims for three years for FPUC. A three-year average was used to account for today's increasing insurance market and to accurately account for the higher deductibles for workers' compensation which have only been in place for the last few years. The adjustment is the total of the shortfall, or excess of the average claims, compared to the annual expense and the changes due to the workers' compensation limits.

Q. Are you supporting any adjustments to operating expenses for the self-insurance reserve?

A. Yes. I am supporting an adjustment on Schedule C-7 (2025) page 8, which relates to the self-insurance reserve.

Q. Can you explain the reason for this self-insurance?

A. Yes. As mentioned earlier in my testimony, the current annual expense recorded for the self-insurance reserve for FPUC has been short of the actual claims. Plus, CUC has experienced changes to the deductible limits for the workers' compensation policy that would increase the reserve. The self-insurance adjustment is increasing the self-insurance reserve to account for this shortfall. The total adjustment is $189,342.

Q. Please explain lines 25 and 26 on Schedule D-4a page 1 to 6.

A. Shortly after the FPUC acquisition, CUC refinanced FPUC's long-term debt at more competitive rates and on an unsecured basis. This refinanced debt was issued in the form of CUC unsecured senior notes. The difference in interest rates, or make-whole premium, to prepay the FPUC debt early was treated as part of the acquisition adjustment and established as a regulatory asset that would be amortized over 30 years. The 13-month average balance shown on Line 25 of Schedule D-4a Page 1 to 6 represents the remaining, unamortized portion ending December 31, 2023, December 2024 and December 2025, respectively.

CUC has also entered into Shelf Agreements with Prudential and MetLife, neither of which is obligated to purchase any unsecured debt. These Shelf Agreements allow the Corporation to efficiently issue private placement debt at competitive pricing. In order to put these Shelf Agreements in place, the Corporation incurred administrative and legal fees. These fees are amortized over a 15-year period. Line 26 of Schedule D-4a Page 1 to 6 represent the amounts deferred for the Shelf Agreements on average (over the last 13 months) as of December 31, 2023, December 2024 and December 2025, respectively.

Q. Can you please summarize your testimony?

A. CUC has a strong balance sheet which has enabled it to access competitively-priced capital to finance its capital expenditures. The Corporation has cultivated an environment focused on management efficiency and financial discipline to provide reliable and safe energy delivery services to new and existing customers in its service territories. The Corporation's growth has enabled the Company to avoid continual rate increases for customers over the years, despite a challenging economic environment. The Corporation has not been in before the FPSC on a repeated basis despite ever increasing costs.

Through consultation with internal and external experts, peer benchmarking and ongoing risk assessments and monitoring, CUC has implemented the appropriate processes to ensure the Corporation is carrying the pertinent and necessary levels of insurance coverage. The Corporation will continue to evaluate new lines of coverage and changes to existing lines of coverage to determine the best ways to mitigate risk as both the utility marketplace and the insurance markets continue to evolve.

Q. Does this conclude your testimony?

A. Yes, this concludes my testimony.

Florida Public Utilities Company Electric Division

Exhibits
To Accompany
The Direct Testimony
Of

Noah T. Russell

Florida Public Utilities Company Electric Division
Index of Schedules

Chesapeake Utilities Corporation
Historical Equity to Total Capitalization
(thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Equity (excluding AOCI)	$ 305,998	$ 363,978	$ 450,964	$ 490,566	$ 525,152	$ 567,844	$ 699,950	$ 772,827	$ 834,180	$ 1,248,842
LTD (Including Current Portion)	167,595	158,491	149,053	206,816	327,955	485,768	522,099	558,488	591,354	1,197,947
Permanent Capital	473,593	522,469	600,017	697,382	853,107	1,053,612	1,222,049	1,331,315	1,425,534	2,446,789
Short-term Debt	88,231	173,397	209,871	250,969	294,458	247,371	175,644	221,634	202,157	179,345
Total Capital	$ 561,824	$ 695,866	$ 809,888	$ 948,351	$ 1,147,565	$ 1,300,983	$ 1,397,693	$ 1,552,949	$ 1,627,691	$ 2,626,134

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Equity/Total Capitalization	54.5%	52.3%	55.7%	51.7%	45.8%	43.6%	50.1%	49.8%	51.2%	47.6%

Credit Rating Providers - Generic Rating Symbol Mapping (*)

(Pursuant to the guidance in this Manual; particularly, Part One, "The Use of Credit Ratings of NRSROs in NAIC Processes," "Filing Exemptions," "Policies Applicable to Specific Asset Classes," and Part Three, "Procedure Applicable to Filing Exempt (FE) Securities and Private Letter (PL) Rating Securities")

NAIC Designation	NAIC Designation Modifier	NAIC Designation Category	Moody's Investor's Service	Standard and Poor's	Fitch Ratings	Dominion Bond Rating Service	A.M. Best Company	Morningstar Credit Ratings, LLC	Kroll Bond Rating Agency	Egan Jones Rating Company	HR Ratings de Mexico, S.A. de C.V.
1	A	1.A	Aaa	AAA	AAApre, AAA	AAA, Pfd-1 (high)	aaa	AAA	AAA	AAA	HR AAA (G)
1	B	1.B	Aa1	AA+	AA+	AA (high), Pfd-1	aa+	AA+	AA+	AA+	HR AA+ (G)
1	C	1.C	Aa2	AA	AA	AA, Pfd-1 (low)	aa	AA	AA	AA	HR AA (G)
1	D	1.D	Aa3	AA-	AA-	AA (low), Pfd-1	aa-	AA-	AA-	AA-	HR AA- (G)
1	E	1.E	A1	A+	A+	A (high)	a+	A+	A+	A+	HR A+ (G)
1	F	1.F	A2	A	A	A	a	A	A	A	HR A (G)
1	G	1.G	A3	A-	A-	A (low)	a-	A-	A-	A-	HR A- (G)
2	A	2.A	Baa1	BBB+	BBB+	BBB (high), Pfd-2 (high)	bbb+	BBB+	BBB+	BBB+	HR BBB+ (G)
2	B	2.B	Baa2	BBB	BBB	BBB, Pfd-2	bbb	BBB	BBB	BBB	HR BBB (G)
2	C	2.C	Baa3	BBB-	BBB-	BBB (low), Pfd-2 (low)	bbb-	BBB-	BBB-	BBB-	HR BBB- (G)
3	A	3.A	Ba1	BB+	BB+	BB (high), Pfd-3 (high)	bb+	BB+	BB+	BB+	HR BB+ (G)
3	B	3.B	Ba2	BB	BB	BB, Pfd-3	bb	BB	BB	BB	HR BB (G)
3	C	3.C	Ba3	BB-	BB-	BB (low), Pfd-3 (low)	bb-	BB-	BB-	BB-	HR BB- (G)
4	A	4.A	B1	B+	B+	B (high), Pfd-4 (high)	b+	B+	B+	B+	HR B+ (G)
4	B	4.B	B2	B	B	B, Pfd-4	b	B	B	B	HR B (G)
4	C	4.C	B3	B-	B-	B (low), Pfd-4 (low)	b-	B-	B-	B-	HR B- (G)
5	A	5.A	Caa1	CCC+	CCC+	CCC (high), Pfd-5 (high)	ccc+	CCC+	CCC+	CCC+	HR C+ (G)
5	B	5.B	Caa2	CCC	CCC	CCC, Pfd-5	ccc	CCC	CCC	CCC	HR C (G)
5	C	5.C	Caa3	CCC-	CCC-	CCC (low), Pfd-5 (low)	ccc-	CCC-	CCC-	CCC-	HR C- (G)
6		6	Ca	CC	CC	CC (high)	cc	CC	CC	CC	HR D (G)
6		6	C	C	C	CC	c	C	C	C	
6		6		D	DDD	CC (low)	d	D	D	D	
6		6			DD	C (high)					
6		6			D	C					
6		6				C (low)					
6		6				D					

Source: https://content.naic.org/sites/default/files/inline-files/Master%20NAIC%20Designation%20and%20Category%20grid%20-%202020.pdf

Chesapeake Long-term Debt Issuances since 12/31/2015[1]
(in thousands)

	Original Issuance	Outstanding at 3/31/24	Weighted Average Cost on Original Issuance Dollars
3.25% due 2032	70,000	57,750	
3.48% due 2038	50,000	50,000	
3.58% due 2038	50,000	50,000	
3.98% due 2039	100,000	100,000	
2.98% due 2034	70,000	70,000	
3.00% due 2035	50,000	50,000	
2.96% due 2035	40,000	40,000	
2.49% due 2037	50,000	50,000	
2.95% due 2042	50,000	50,000	
5.43% due 2038	80,000	80,000	
6.39% due 2026	100,000	100,000	
6.44% due 2027	100,000	100,000	
6.45% due 2028	100,000	100,000	
6.62% due 2030	100,000	100,000	
6.71% due 2033	100,000	100,000	
6.73% due 2038	50,000	50,000	
	$ 1,160,000	$ 1,147,750	4.97%

Chesapeake Long-term Debt Issuances since 12/31/2020
(in thousands)

	Original Issuance	Outstanding at 3/31/24	Weighted Average Cost on Original Issuance Dollars
2.49% due 2037	50,000	50,000	
2.95% due 2042	50,000	50,000	
5.43% due 2038	80,000	80,000	
6.39% due 2026	100,000	100,000	
6.44% due 2027	100,000	100,000	
6.45% due 2028	100,000	100,000	
6.62% due 2030	100,000	100,000	
6.71% due 2033	100,000	100,000	
6.73% due 2038	50,000	50,000	
	$ 730,000	$ 730,000	5.90%

(1) See Schedule 2 Page 2 of 3 and Page 3 of 3 to determine new debt issuances by Chesapeake since 12/31/2015

12. Long-term Debt

Our outstanding long-term debt is shown below:

(in thousands)	As of December 31, 2016	2015
FPU secured first mortgage bonds:		
9.08% bond, due June 1, 2022	$ 7,978	$ 7,973
Uncollateralized Senior Notes:		
6.64% note, due October 31, 2017	2,727	5,455
5.50% note, due October 12, 2020	8,000	10,000
5.93% note, due October 31, 2023	21,000	24,000
5.68% note, due June 30, 2026	29,000	29,000
6.43% note, due May 2, 2028	7,000	7,000
3.73% note, due December 16, 2028	20,000	20,000
3.88% note, due May 15, 2029	50,000	50,000
Promissory notes	168	230
Capital lease obligation	3,471	4,824
Less: debt issuance costs	(291)	(233)
Total long-term debt	149,053	158,157
Less: current maturities	(12,099)	(9,151)
Total long-term debt, net of current maturities	$ 136,954	$ 149,006

Source: Chesapeake Utilities Corporation 2016 10-K

14. Long-Term Debt

Our outstanding long-term debt is shown below:

(in thousands)	March 31, 2024	December 31, 2023
Uncollateralized senior notes:		
5.68% notes, due June 30, 2026	$ 8,700	$ 8,700
6.43% notes, due May 2, 2028	3,500	3,500
3.73% notes, due December 16, 2028	10,000	10,000
3.88% notes, due May 15, 2029	30,000	30,000
3.25% notes, due April 30, 2032	57,750	59,500
3.48% notes, due May 31, 2038	50,000	50,000
3.58% notes, due November 30, 2038	50,000	50,000
3.98% notes, due August 20, 2039	100,000	100,000
2.98% notes, due December 20, 2034	70,000	70,000
3.00% notes, due July 15, 2035	50,000	50,000
2.96% notes, due August 15, 2035	40,000	40,000
2.49% notes, due January 25, 2037	50,000	50,000
2.95% notes, due March 15, 2042	50,000	50,000
5.43% notes, due March 14, 2038	80,000	80,000
6.39% notes, due December 2026	100,000	100,000
6.44% notes, due December 2027	100,000	100,000
6.45% notes, due December 2028	100,000	100,000
6.62% notes, due December 2030	100,000	100,000
6.71% notes, due December 2033	100,000	100,000
6.73% notes, due December 2038	50,000	50,000
Equipment security note		
2.46% note, due September 24, 2031	7,409	7,633
Less: debt issuance costs	(3,682)	(3,753)
Total long-term debt	1,203,677	1,205,580
Less: current maturities	(18,511)	(18,505)
Total long-term debt, net of current maturities	$ 1,185,166	$ 1,187,075

Sc

Chesapeake Utilities Corporation Stock Price

Date	Open	High	Low	Close
12/31/2014	51.00	51.53	49.62	49.66
12/31/2015	60.05	60.15	55.25	56.75
12/30/2016	67.35	67.70	66.45	66.95
12/29/2017	79.05	79.45	78.30	78.55
12/31/2018	79.67	81.43	78.81	81.30
12/31/2019	94.84	95.83	94.84	95.83
12/31/2020	106.40	108.64	106.40	108.21
12/31/2021	144.00	146.07	143.97	145.81
12/30/2022	120.76	121.27	117.22	118.18
12/29/2023	106.07	106.54	104.27	105.63
8/7/2024	114.52	115.72	113.95	115.01

103% **Increase in share price**

Source: Yahoo Finance

Daily Treasury Par Yield Curve Rates

https://home.treasury.gov/resource-center/data-chart-center/interest-

	3 Yr	5 Yr	7 Yr	10 Yr
Average Since 8/1/23	4.50	4.33	4.34	4.33
Average Last 30 Days	4.34	4.19	4.21	4.25

Date	3 Yr	5 Yr	7 Yr	10 Yr
7/31/2024	4.10	3.97	4.00	4.09
7/30/2024	4.16	4.03	4.06	4.15
7/29/2024	4.19	4.05	4.08	4.17
7/26/2024	4.20	4.06	4.10	4.20
7/25/2024	4.26	4.13	4.18	4.27
7/24/2024	4.24	4.12	4.20	4.28
7/23/2024	4.26	4.15	4.18	4.25
7/22/2024	4.29	4.17	4.20	4.26
7/19/2024	4.28	4.16	4.18	4.25
7/18/2024	4.24	4.11	4.14	4.20
7/17/2024	4.19	4.07	4.09	4.16
7/16/2024	4.21	4.09	4.11	4.17
7/15/2024	4.23	4.13	4.16	4.23
7/12/2024	4.22	4.10	4.13	4.18
7/11/2024	4.26	4.13	4.15	4.20
7/10/2024	4.38	4.24	4.24	4.28
7/9/2024	4.37	4.24	4.25	4.30
7/8/2024	4.40	4.23	4.23	4.28
7/5/2024	4.39	4.22	4.23	4.28
7/3/2024	4.48	4.33	4.33	4.36
7/2/2024	4.54	4.39	4.40	4.43
7/1/2024	4.58	4.44	4.45	4.48
6/28/2024	4.52	4.33	4.33	4.36
6/27/2024	4.49	4.29	4.27	4.29
6/26/2024	4.53	4.32	4.32	4.32
6/25/2024	4.45	4.25	4.23	4.23
6/24/2024	4.46	4.27	4.25	4.25
6/21/2024	4.45	4.26	4.25	4.25

Daily Treasury Par Yield Curve Rates

https://home.treasury.gov/resource-center/data-chart-center/interest-

6/20/2024	4.45	4.26	4.25	4.25
6/18/2024	4.43	4.24	4.22	4.22
6/17/2024	4.50	4.30	4.28	4.28
6/14/2024	4.41	4.22	4.20	4.20
6/13/2024	4.42	4.24	4.23	4.24
6/12/2024	4.48	4.32	4.31	4.31
6/11/2024	4.57	4.41	4.40	4.39
6/10/2024	4.62	4.48	4.47	4.47
6/7/2024	4.65	4.46	4.45	4.43
6/6/2024	4.49	4.29	4.28	4.28
6/5/2024	4.50	4.31	4.29	4.29
6/4/2024	4.55	4.35	4.33	4.33
6/3/2024	4.62	4.42	4.41	4.41
5/31/2024	4.69	4.52	4.52	4.51
5/30/2024	4.74	4.57	4.57	4.55
5/29/2024	4.79	4.63	4.63	4.61
5/28/2024	4.75	4.56	4.56	4.54
5/24/2024	4.71	4.53	4.49	4.46
5/23/2024	4.71	4.52	4.50	4.47
5/22/2024	4.64	4.47	4.44	4.43
5/21/2024	4.61	4.43	4.42	4.41
5/20/2024	4.62	4.46	4.44	4.44
5/17/2024	4.60	4.44	4.43	4.42
5/16/2024	4.58	4.40	4.39	4.38
5/15/2024	4.51	4.35	4.35	4.36
5/14/2024	4.62	4.46	4.45	4.45
5/13/2024	4.66	4.50	4.49	4.48
5/10/2024	4.65	4.52	4.51	4.50
5/9/2024	4.60	4.47	4.46	4.45
5/8/2024	4.63	4.50	4.49	4.48
5/7/2024	4.60	4.48	4.47	4.47
5/6/2024	4.64	4.48	4.48	4.49
5/3/2024	4.63	4.48	4.49	4.50
5/2/2024	4.71	4.57	4.57	4.58
5/1/2024	4.79	4.64	4.64	4.63

Daily Treasury Par Yield Curve Rates

https://home.treasury.gov/resource-center/data-chart-center/interest-

4/30/2024	4.87	4.72	4.71	4.69
4/29/2024	4.80	4.65	4.64	4.63
4/26/2024	4.84	4.68	4.68	4.67
4/25/2024	4.85	4.70	4.71	4.70
4/24/2024	4.78	4.64	4.66	4.65
4/23/2024	4.76	4.63	4.62	4.61
4/22/2024	4.81	4.66	4.65	4.62
4/19/2024	4.81	4.66	4.65	4.62
4/18/2024	4.83	4.68	4.67	4.64
4/17/2024	4.77	4.62	4.61	4.59
4/16/2024	4.83	4.69	4.69	4.67
4/15/2024	4.78	4.65	4.65	4.63
4/12/2024	4.70	4.54	4.53	4.50
4/11/2024	4.77	4.61	4.60	4.56
4/10/2024	4.77	4.61	4.59	4.55
4/9/2024	4.52	4.37	4.38	4.36
4/8/2024	4.60	4.43	4.43	4.42
4/5/2024	4.54	4.38	4.39	4.39
4/4/2024	4.46	4.30	4.31	4.31
4/3/2024	4.48	4.34	4.36	4.36
4/2/2024	4.51	4.35	4.37	4.36
4/1/2024	4.51	4.34	4.33	4.33
3/28/2024	4.40	4.21	4.20	4.20
3/27/2024	4.36	4.18	4.18	4.20
3/26/2024	4.38	4.22	4.23	4.24
3/25/2024	4.39	4.23	4.25	4.25
3/22/2024	4.36	4.20	4.22	4.22
3/21/2024	4.42	4.26	4.28	4.27
3/20/2024	4.41	4.25	4.28	4.27
3/19/2024	4.47	4.31	4.31	4.30
3/18/2024	4.52	4.36	4.35	4.34
3/15/2024	4.51	4.33	4.33	4.31
3/14/2024	4.46	4.29	4.30	4.29
3/13/2024	4.37	4.19	4.20	4.19
3/12/2024	4.33	4.15	4.16	4.16

Daily Treasury Par Yield Curve Rates

https://home.treasury.gov/resource-center/data-chart-center/interest-

3/11/2024	4.26	4.08	4.09	4.10
3/8/2024	4.25	4.06	4.08	4.09
3/7/2024	4.28	4.07	4.09	4.09
3/6/2024	4.32	4.12	4.12	4.11
3/5/2024	4.32	4.13	4.15	4.13
3/4/2024	4.39	4.21	4.23	4.22
3/1/2024	4.32	4.17	4.20	4.19
2/29/2024	4.43	4.26	4.28	4.25
2/28/2024	4.44	4.26	4.28	4.27
2/27/2024	4.50	4.32	4.34	4.31
2/26/2024	4.48	4.29	4.32	4.28
2/23/2024	4.45	4.28	4.28	4.26
2/22/2024	4.49	4.33	4.35	4.33
2/21/2024	4.43	4.30	4.33	4.32
2/20/2024	4.38	4.25	4.28	4.27
2/16/2024	4.43	4.29	4.31	4.30
2/15/2024	4.36	4.22	4.25	4.24
2/14/2024	4.38	4.25	4.27	4.27
2/13/2024	4.44	4.31	4.33	4.31
2/12/2024	4.25	4.13	4.16	4.17
2/9/2024	4.25	4.14	4.17	4.17
2/8/2024	4.22	4.12	4.15	4.15
2/7/2024	4.16	4.06	4.09	4.09
2/6/2024	4.14	4.03	4.07	4.09
2/5/2024	4.27	4.13	4.16	4.17
2/2/2024	4.14	3.99	4.02	4.03
2/1/2024	3.96	3.80	3.83	3.87
1/31/2024	4.05	3.91	3.95	3.99
1/30/2024	4.14	4.00	4.03	4.06
1/29/2024	4.10	3.97	4.02	4.08
1/26/2024	4.15	4.04	4.10	4.15
1/25/2024	4.12	4.01	4.07	4.14
1/24/2024	4.19	4.06	4.14	4.18
1/23/2024	4.16	4.06	4.11	4.14
1/22/2024	4.14	4.03	4.07	4.11

Daily Treasury Par Yield Curve Rates

https://home.treasury.gov/resource-center/data-chart-center/interest-

1/19/2024	4.18	4.08	4.12	4.15
1/18/2024	4.13	4.04	4.10	4.14
1/17/2024	4.12	4.02	4.07	4.10
1/16/2024	4.02	3.95	4.01	4.07
1/12/2024	3.92	3.84	3.91	3.96
1/11/2024	4.02	3.90	3.95	3.98
1/10/2024	4.10	3.99	4.01	4.04
1/9/2024	4.09	3.97	4.00	4.02
1/8/2024	4.11	3.97	3.99	4.01
1/5/2024	4.17	4.02	4.04	4.05
1/4/2024	4.14	3.97	3.99	3.99
1/3/2024	4.07	3.90	3.92	3.91
1/2/2024	4.09	3.93	3.95	3.95
12/29/2023	4.01	3.84	3.88	3.88
12/28/2023	4.02	3.83	3.84	3.84
12/27/2023	3.97	3.78	3.81	3.79
12/26/2023	4.05	3.89	3.91	3.89
12/22/2023	4.04	3.87	3.92	3.90
12/21/2023	4.06	3.87	3.91	3.89
12/20/2023	4.06	3.86	3.88	3.86
12/19/2023	4.15	3.94	3.96	3.93
12/18/2023	4.15	3.94	3.97	3.95
12/15/2023	4.13	3.91	3.94	3.91
12/14/2023	4.09	3.90	3.93	3.92
12/13/2023	4.18	4.00	4.04	4.04
12/12/2023	4.42	4.23	4.24	4.20
12/11/2023	4.42	4.25	4.27	4.23
12/8/2023	4.45	4.24	4.28	4.23
12/7/2023	4.31	4.11	4.16	4.14
12/6/2023	4.33	4.12	4.16	4.12
12/5/2023	4.33	4.14	4.20	4.18
12/4/2023	4.40	4.23	4.30	4.28
12/1/2023	4.31	4.14	4.22	4.22
11/30/2023	4.48	4.31	4.38	4.37
11/29/2023	4.40	4.22	4.28	4.27

Daily Treasury Par Yield Curve Rates

https://home.treasury.gov/resource-center/data-chart-center/interest-

11/28/2023	4.49	4.29	4.36	4.34
11/27/2023	4.60	4.38	4.43	4.39
11/24/2023	4.67	4.49	4.51	4.47
11/22/2023	4.62	4.44	4.46	4.42
11/21/2023	4.60	4.41	4.44	4.41
11/20/2023	4.62	4.44	4.46	4.42
11/17/2023	4.64	4.45	4.47	4.44
11/16/2023	4.59	4.43	4.47	4.45
11/15/2023	4.68	4.52	4.56	4.53
11/14/2023	4.56	4.42	4.45	4.44
11/13/2023	4.80	4.66	4.69	4.63
11/10/2023	4.80	4.65	4.68	4.61
11/9/2023	4.77	4.65	4.68	4.62
11/8/2023	4.65	4.51	4.54	4.49
11/7/2023	4.64	4.53	4.58	4.58
11/6/2023	4.72	4.60	4.66	4.67
11/3/2023	4.62	4.49	4.55	4.57
11/2/2023	4.78	4.65	4.68	4.67
11/1/2023	4.76	4.67	4.75	4.77
10/31/2023	4.90	4.82	4.89	4.88
10/30/2023	4.87	4.80	4.88	4.88
10/27/2023	4.84	4.76	4.83	4.84
10/26/2023	4.89	4.79	4.86	4.86
10/25/2023	4.98	4.89	4.98	4.95
10/24/2023	4.91	4.82	4.86	4.83
10/23/2023	4.89	4.81	4.87	4.86
10/20/2023	4.93	4.86	4.93	4.93
10/19/2023	5.01	4.95	5.00	4.98
10/18/2023	5.03	4.92	4.95	4.91
10/17/2023	5.01	4.86	4.88	4.83
10/16/2023	4.87	4.72	4.74	4.71
10/13/2023	4.80	4.65	4.66	4.63
10/12/2023	4.82	4.69	4.73	4.70
10/11/2023	4.73	4.59	4.61	4.58

Daily Treasury Par Yield Curve Rates

https://home.treasury.gov/resource-center/data-chart-center/interest-

10/10/2023	4.74	4.62	4.66	4.66
10/6/2023	4.87	4.75	4.79	4.78
10/5/2023	4.82	4.68	4.73	4.72
10/4/2023	4.85	4.72	4.75	4.73
10/3/2023	4.95	4.80	4.84	4.81
10/2/2023	4.88	4.72	4.73	4.69
9/29/2023	4.80	4.60	4.61	4.59
9/28/2023	4.83	4.62	4.63	4.59
9/27/2023	4.89	4.67	4.69	4.61
9/26/2023	4.84	4.62	4.62	4.56
9/25/2023	4.83	4.62	4.61	4.55
9/22/2023	4.80	4.57	4.53	4.44
9/21/2023	4.85	4.61	4.57	4.49
9/20/2023	4.82	4.52	4.46	4.35
9/19/2023	4.79	4.51	4.47	4.37
9/18/2023	4.74	4.46	4.41	4.32
9/15/2023	4.72	4.45	4.41	4.33
9/14/2023	4.68	4.42	4.38	4.29
9/13/2023	4.64	4.39	4.34	4.25
9/12/2023	4.66	4.41	4.36	4.27
9/11/2023	4.64	4.40	4.37	4.29
9/8/2023	4.68	4.39	4.35	4.26
9/7/2023	4.66	4.38	4.35	4.27
9/6/2023	4.73	4.44	4.39	4.30
9/5/2023	4.65	4.37	4.35	4.27
9/1/2023	4.57	4.29	4.27	4.18
8/31/2023	4.54	4.23	4.19	4.09
8/30/2023	4.57	4.27	4.22	4.12
8/29/2023	4.56	4.26	4.21	4.12
8/28/2023	4.69	4.38	4.32	4.20
8/25/2023	4.72	4.44	4.37	4.25
8/24/2023	4.69	4.39	4.34	4.23
8/23/2023	4.64	4.36	4.30	4.19

Daily Treasury Par Yield Curve Rates

https://home.treasury.gov/resource-center/data-chart-center/interest-

8/22/2023	4.75	4.49	4.44	4.34
8/21/2023	4.70	4.46	4.42	4.34
8/18/2023	4.63	4.38	4.34	4.26
8/17/2023	4.67	4.42	4.38	4.30
8/16/2023	4.68	4.42	4.37	4.28
8/15/2023	4.64	4.36	4.31	4.21
8/14/2023	4.64	4.36	4.29	4.19
8/11/2023	4.56	4.31	4.26	4.16
8/10/2023	4.47	4.21	4.17	4.09
8/9/2023	4.41	4.12	4.07	4.00
8/8/2023	4.36	4.10	4.06	4.02
8/7/2023	4.44	4.16	4.13	4.09
8/4/2023	4.45	4.15	4.10	4.05
8/3/2023	4.58	4.30	4.26	4.20
8/2/2023	4.54	4.24	4.17	4.08
8/1/2023	4.57	4.24	4.15	4.05

Self-Insurance Reserve Guidelines

Chesapeake Utilities Corporation has established a self-insurance reserve to account for:

- expenses associated with losses incurred from our natural gas and electric distribution and transmission operations that are not reimbursable by the Company's insurance carriers or covered by another regulatory mechanism such as a storm reserve (Part I); and
- a portion of the Company's increasing insurance premiums for property, casualty and liability coverage that are driven by changing market conditions that are in excess of those embedded in our base rates or test year for rate proceedings that end in a settlement (Part II).

Part I Criteria

In regards to expenses associated with losses incurred from our natural gas and electric distribution and transmission operations that are not reimbursable by the Company's insurance carriers or covered by another regulatory mechanism such as a storm reserve, these expenses may be charges within the deductible level of the applicable policy, charges exceeding the policy limits (including expenses), or charges lying outside of policy coverage, (i.e., self-insured). Applicable losses are defined as occurrences, accidents, or wrongful acts, excluding any form of pollution that is not sudden or accidental, which result in damage to the Company's property or in a claim of liability against the Company or an event that results in an unrecoverable financial exposure. Policy deductibles and limits will vary by coverage. The Company's current insurance program includes the policies listed below.

POLICY TYPE

Commercial Automobile Liability & Physical Damage
Commercial General Liability
Umbrella/Excess Liability
Property and Boiler-Machinery
Directors & Officers Liability
Non-Owned Aircraft Liability
Fiduciary Liability
Comprehensive Crime
Credit Insurance
Employment Practices Liability
Cyber Insurance
Workers Compensation

Other new forms of insurance as well as additional types of property/casualty/liability insurance policies which may be purchased by the Company at some future date shall also be subject to the Self-Insurance Reserve.

In addition to charges for claims within the deductible or exceeding policy limits, charges to the Self-Insurance Reserve may be permitted for self-insured charges lying outside of traditional policy coverage for claims exceeding $500,000 per loss.

Part II Criteria

In addition to Part I criteria, charges to the Self-Insurance Reserve may include increased premium costs incurred by the Company to secure adequate property, casualty and liability coverage that are in excess of those embedded in our base rates or test year for rate proceedings that end in a settlement in each regulatory jurisdiction.

Minimum Balance Targets

As of the end of every calendar year, the Company targets a Self-Insurance Reserve balance that represents at least six months of the PSC authorized self-insurance expense. However, a significant claim or aggregation of claims, pursuant to Part I above, have the potential to exceed the recorded reserve liability. The Company can defer those losses in the reserve for recovery at the next base rate proceeding through an adustment of the annual authorized self-insurance expense.

Effective: January 1, 2024

Witness Noah Russell's MFRs

SCHEDULE	TITLE	WITNESS
C-23	Interest in Tax Expense Calculation	Russell
D-1a	Cost of Capital - 13 Month Average	Russell
D-1a Supplement	Cost of Capital - 13 Month Average With Adjusted Rate	Russell
D-1b	Cost of Capital - Adjustments	Russell
D-2	Cost of Capital - 5 Year History	Russell
D-3	Short-Term Debt	Russell
D-4a	Long-Term Debt Outstanding	Russell
D-4a Supplement	Long-Term Debt Outstanding Adjusted	Russell
D-4b	Reacquired Bonds	Russell
D-5	Preferred Stock Outstanding	Russell
D-7	Common Stock Data	Russell
D-8	Financing Plans-Stock and Bond Issues	Russell
D-9	Financial Indicators-Summary	Russell
G-14	Interim Parent(s) Debt Information	Russell
G-19a	Interim Cost of Capital - 13 Month Average	Russell
G-19b	Interim Cost of Capital - Adjustments	Russell

Docket No. 20240099-EI
Florida Public Utilities

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing filing has been served by Electronic Mail this 22nd day of August, 2024, upon the following:

Walter Trierweiler, Public Counsel
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Rm 812
Tallahassee, FL 32399-1400
Trierweiler. walt@leg.state.fl.us

By: ______________________

Beth Keating g
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706