



February 18, 2026

BY HAND DELIVERY

The Honorable Gabriella Passidomo Smith
Chairman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Florida City Gas – Test Year Notification
Pursuant to Rule 25-7.140, Florida Administrative Code

Dear Chairman Passidomo Smith:

Florida City Gas (“FCG” or the “Company”) hereby submits this Test Year Notification pursuant to Rule 25-7.140, Florida Administrative Code. This letter is provided as notification to the Florida Public Service Commission (“Commission”) that FCG intends to seek a general base rate increase pursuant to the provisions of Section 366.06(3), Florida Statutes. The Company currently contemplates a filing date on or after April 20, 2026, based on a projected test year ending December 31, 2027.

FCG is a natural gas utility subject to regulation by the Commission pursuant to Chapter 366, Florida Statutes. FCG's local distribution operations have been active since 1949. Since November 30, 2023, FCG has been a subsidiary of Chesapeake Utilities Corporation, which owns and operates other natural gas utilities in Florida, Maryland and Delaware. FCG provides safe and reliable service to approximately 123,000 residential, commercial, and industrial customers in counties across the state, including Miami-Dade, Broward, Brevard, Palm Beach, Hendry, Martin, St. Lucie and Indian River counties.

FCG's last general rate case was filed on May 31, 2022, in Docket No. 20220069-GU. In its decision addressing FCG's request, Order No. PSC-2023-0177-FOF-GU¹, the Commission authorized the Company to implement new base rates and charges, effective May 1, 2023, and approved, among other things, a return on equity (“ROE”) range of 8.50% to 10.5%, as well as new depreciation parameters for the Company and a Reserve Surplus Amortization Mechanism (RSAM).

For the period from January 1, 2024 through December 31, 2025, FCG invested approximately \$116 million and projects to invest an additional \$62 million over the next two years (2026 through 2027) excluding SAFE investments, in infrastructure and other capital investments to support

¹ Subsequent Order clarifying decision and denying Motion for Reconsideration, Order No. PSC-2023-0299-FOF-GU, issued October 2, 2023. Aspects of the prior orders remain on appeal before the Florida Supreme Court in Case No. SC2023-0988.



customer growth, enhance customer service, comply with increasing regulatory compliance requirements, and enhance the reliability of its system.

Since its acquisition by Chesapeake Utilities Corporation, FCG has taken proactive steps to manage costs through a variety of efficiency measures and efforts, including leveraging synergies among Chesapeake's natural gas operations in Florida. While these steps have improved operational efficiencies, allowing us to enhance the quality of our customer service, the Company has, nevertheless, seen a significant increase in operating expenses. This increase in expenses has made it challenging for the Company to continue to provide safe and reliable service to its customers at the high standard they have come to expect and meet its compliance requirements.

The key drivers necessitating the Company's request for a rate increase are the increased O&M costs, including the impact of inflation on labor and materials. The Company has also made significant investments in capital projects to ensure reliability in significant growth areas of its system, as well as investments necessary to enhance our customers' service experience and to safeguard our customers' data. The further impact of escalating insurance costs and property taxes has exacerbated the need to seek rate relief now.

Since the implementation of new rates approved in its last rate case, excluding the utilization of RSAM mechanism, FCG has earned below its authorized range of return. As reflected on the Company's quarterly earnings surveillance reports filed with the Commission, the RSAM is now depleted and FCG is earning and expects to continue to earn well below the bottom of its authorized ROE range. FCG is considering a mechanism similar to RSAM for inclusion with this upcoming base rate case filing given that RSAM did provide a mechanism to help manage the impact of increasing costs and inflation. While no company wants to seek a rate increase, FCG has determined that it is imperative that it seek rate relief now to ensure it is able to continue to provide safe and reliable natural gas service with the high level of customer service and communications that its customers have come to expect. For these reasons, FCG has determined it must seek an increase in base rates.

FCG is finalizing its 2027 revenue requirements but currently estimates a net incremental base rate revenue increase of approximately \$35 million will be required. FCG submits that these additional revenues are appropriate and necessary for the Company to continue to meet the natural gas needs of existing and new customers; continue to provide safe, reliable, and high-quality customer service; and have a reasonable opportunity to earn a fair rate of return on the Company's investments. FCG also intends to request approval to move its current SAFE assets into rate base, which will have an impact on the Company's revenue request. It's important to note, however, that this portion of the Company's request will be revenue neutral in that there will be a corresponding reduction to the current SAFE surcharge. FCG, therefore, submits this Test Year Notification letter, along with the following required information.



A. Test Year Selection

In accordance with Rule 25-7.140, Florida Administrative Code, the Company has selected the twelve-month period ending December 31, 2027, as the projected test year for purposes of the Company's request for a permanent base rate increase. The Company's request will seek an effective date for new rates of January 1, 2027. The Company believes that the requested test year is appropriate in that it will: (1) best reflect the economic conditions impacting the Company during the first 12-month period that the new rates will be in effect; and (2) provide the most accurate picture of revenues as compared to the Company's cost to serve during the initial period new rates would be placed into effect.

B. Major Factors Necessitating Base Rate Increase

The following factors are the key drivers necessitating the Company's request for a base rate increase:

1. In order to respond to customer growth and demand, improve system safety, and enhance system resiliency, FCG has an obligation to make prudent and necessary infrastructure investments that provide a safe and reliable natural gas distribution system in the communities served. FCG projects its adjusted rate base in 2027 to be nearly \$786 million, which is an increase of approximately \$299 million (or approximately 61%) since the last base rate proceeding.
2. The Company has also made significant technology investments since the last rate proceeding. These investments were necessary to enhance the service reliability of the Company's internal network, its billing systems, its communications systems, and to address cyber security measures, including protecting customer information.
3. In addition to technology investments, the Company has also had to make significant investments in areas such as safety and compliance. The safety of our employees and customers remains our primary focus. To that end, the Company is introducing Advanced Mobile Leak Detection (AML D) vehicles across our service territories to enhance our ability to identify and respond to potential system issues. FCG has also adopted cutting edge software platforms that leverage artificial intelligence and machine learning to help prevent asset damage, improve safety performance, and reduce operational risk.
4. Finally, FCG has experienced increased costs resulting from high inflation, which is notable in areas such as cost of materials and labor. In addition, FCG also experienced increased costs in insurance premiums and property taxes.

It is an honor to provide safe and reliable natural gas service to our customers, and the Company strives to do so with the highest level of customer service.. In order to maintain this high level of service, and ensure that new customers have access to natural gas service, FCG needs to be able



to continue to invest in its system and respond to rising costs.

C. Efforts and Actions Taken to Avoid a Base Rate Increase

FCG has undertaken every effort to avoid seeking a base rate increase, as outlined below:

1. The Company has implemented several cost containment measures that have been successful at limiting cost increases, and even reducing costs, in many areas. In addition, as a result of the recent acquisition by CUC, FCG has already been able to optimize various synergies with FPUC, such as:
 - a. One Regional Manager now has responsibility for Operations Centers in both the FCG and FPUC territories, which provides operational consistency between these groups.
 - b. Operations and maintenance manuals have been consolidated to help standardize maintenance procedures and materials.
 - c. Standardization of construction procedures and materials is helping control costs of materials and warehousing.
 - d. Merging FCG into CUC's Itron FCS platform to collect meter reads.
 - e. Availability of FPUC's Safety Town training facility to FCG employees ensures consistent training for all Florida CUC employees at a reduced cost to FCG over prior training venues.
2. The Company endeavored to leverage the reserve surplus resulting from its most recent depreciation study to delay its request for a rate increase.

D. Interim Rates and Procedure

The Company will also be requesting interim rate relief in accordance with Section 366.071, Florida Statutes, using the period January 1, 2025 through December 31, 2025, as the test period. The Company will be seeking interim relief to allow the Company the opportunity to earn within its authorized range while its request for permanent rate relief is processed. The period January 1, 2025 through December 31, 2025 will serve as both the Company's interim test year, as well as its historic test year period for purposes of the Petition.

Furthermore, the Company does not intend to request that its rate case petition be processed as a proposed agency action case under Section 366.06(4), F.S.



Conclusion

The Company anticipates filing its Petition for an increase to base rates as soon as practicable after the expiration of the notification period, but in any instance not before April 20, 2026. If the Company is unable to file on April 20, 2026 the Company will so notify the Commission in writing prior to that date, including an explanation as to the reasons for the delayed filing and an indication of the revised target date.

The Company has only undertaken this request upon thoughtful deliberation and considerable study. While the Company has made significant efforts to control its expenses, it will be unable to maintain high quality service to its customers at its current base rates. A base rate increase is necessary in order to ensure that the Company maintains a reliable and safe natural gas system, improves services provided to customers and continues to support the expansion of natural gas demanded by new customers, all of which ultimately inures to the benefit of the Company's customers.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew Everngam", written over a horizontal line.

Matthew Everngam
Assistant Vice President, Regulatory Affairs
Florida City Gas/Chesapeake Utilities Corporation

cc: // (via email) Honorable Gary F. Clark, Commissioner
Honorable Mike La Rosa, Commissioner
Honorable Ana Ortega, Commissioner
Honorable Bobby Payne, Commissioner
Braulio Baez, Executive Director
Adria Harper, General Counsel
Elisabeth Draper, Director/Economics
Mark Cicchetti, Director/Accounting and Finance
Tom Ballinger, Director/Engineering
Cayce Hinton, Director/Industry Development and Market Analysis
Commission Clerk (Teitzman)
Office of Public Counsel (Trierweiler)
Beth Keating (Gunster Law Firm)