Gunster

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

April 20, 2026

BY E-FILING

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

Re: **Docket No. 20260026-GU – Application for Rate Increase by Florida City Gas.**

Dear Mr. Teitzman:

Attached, for electronic filing, on behalf of Florida City Gas, please find the Direct Testimony of Noah Russell, as well as his Exhibits NTR-1 and NTR-2.

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 6 of 27)

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. 20260026-GU: Petition for rate increase by Florida City Gas.

Prepared Direct Testimony of Noah Russell

Date of Filing: April 20, 2026

Table of Contents

I. Introduction

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 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 joined Chesapeake Utilities Corporation in September 2021 as Assistant Vice President and Assistant Treasurer, and in April 2026 I was promoted to Assistant Vice President and Treasurer. 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, and under the direction of Chesapeake Utilities Corporation's Chief Financial Officer, I am responsible for leading the Corporation's finance organization. My areas of responsibility include enterprise capital planning, treasury operations, corporate finance, capital allocation, banking relationships, accessing capital markets, and managing the Corporation's capital structure. I also oversee investment management activities, insurance and risk management functions, credit management, and shareholder services. In addition, I provide support for merger and acquisition activities, including due diligence, integration planning, and acquisition-related financing. I also have responsibility for the oversight and direction of the Corporation's Tax department.

Q. How will you refer to the Company?

A. When referring to the Florida City Gas, I will refer to it as "FCG" 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 and Docket No. 20240099-EI.

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.

II. <u>Purpose of Testimony</u>

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

A. My testimony describes the basis for applying CUC's consolidated capital structure to FCG and the methodology used to determine FCG's long-term debt cost. I also discuss CUC's ability to access competitively priced capital, its investment-grade credit profile, and the benefits this provides to FCG and its customers by ensuring stable liquidity and lower financing costs than FCG could obtain on a stand-alone basis.

My testimony also addresses the Company's insurance and risk-mitigation strategy, including the structure of FCG's casualty, excess liability, executive risk, and property programs. I describe how industry-wide market conditions, reduced carrier capacity, and elevated loss trends have contributed to higher premiums, and how FCG's use of low deductibles, financially strong insurers, and mutual insurance participation helps minimize customer exposure to large or unpredictable losses.

My testimony also explains FCG's self-insurance reserve, including the policy that governs reserve eligibility, the shortfall between recorded expense and actual loss experience, and the resulting adjustment reflected in the Company's filing. I also address the Company's storm reserve, including the Commission-approved accrual and target balance, and the expectation that the next scheduled study will reflect higher costs due to inflationary pressures and the increasing frequency and severity of storm events in Florida.

My testimony evaluates the continued recognition of the acquisition adjustment associated with the 2004 acquisition of FCG. This evaluation considers the Commission's acquisition adjustment factors related to the Company's improved ability to attract capital for system improvements and its lower overall cost of capital as part of a larger, diversified regulated enterprise.

Finally, my testimony describes the methodologies used to calculate income taxes and deferred income taxes for the projected test years, including the treatment of book-tax differences, normalization requirements, and the treatment of deferred tax balances associated with the acquisition.

Taken together, this testimony demonstrates that the capital structure, long-term debt methodology, acquisition adjustment, tax calculations, insurance projections, reserve adjustments, and benchmarking variances included in the Company's filing are reasonable, consistent with Commission precedent, and reflective of prudent financial and risk-management practices.

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 MFR's that I am sponsoring and co-sponsoring.

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

Q. What is the purpose of your testimony with respect to Florida City Gas's cost of capital and long-term debt?

A. My testimony addresses the components of FCG's cost of long-term debt and the basis for applying CUC's consolidated capital structure in this proceeding. I also discuss the long-term debt issued by CUC in connection with the 2023 acquisition of FCG and how a portion of that debt is directly assigned in calculating the cost of debt for ratemaking purposes. In addition, I will explain how the remaining portion of FCG's debt requirement is priced using CUC's overall embedded cost of long-term debt without FCG's direct debt.

Q. What is CUC'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, large projects or the placement of long-term financings take longer than projected, which 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 2014-2025 based on balances at December 31st. As the chart shows, the Corporation has consistently achieved our targeted range with only occasional dips due to larger projects or the timing of long-term financings, including equity issuances.

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 FCG acquisition. Since the acquisition, the Corporation has already moved this ratio from approximately 47 percent to above 49.5 percent and is on a path to quickly restore within the target range to 50 percent (in the test year) and proceed toward 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 Navo's testimony. As such, FCG does not issue debt or equity directly. As a result, any funding needs for FCG 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, FCG utilizes CUC's capital structure to determine the rate of return in this proceeding. Use of CUC's overall capital structure also ensures FCG 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 is supported by its solid credit quality, as reflected in the Company's Fitch Ratings Issuer Default Rating of BBB+. This investment-grade rating indicates strong creditworthiness and a low expectation of default risk. The BBB+ rating reflects Fitch's assessment of the Company's regulated business mix, stable cash flows, prudent financial policies, and balanced capital structure. This rating helps ensure access to capital at competitive rates, which benefits both the Corporation and its utility subsidiaries, including Florida City Gas.

Q. Please describe the long-term debt issued to finance CUC's acquisition of FCG.

A. In 2023, CUC issued $550,000,000 of long-term debt, of which $432,239,500 was directly attributable to financing the acquisition of Florida City Gas. Because this debt was issued specifically to fund the purchase of FCG, it is appropriate to directly assign the associated cost of this debt to FCG for ratemaking purposes. This approach ensures that FCG customers bear the cost of the debt that financed the assets and operations from which they directly benefit.

Q. Why is direct assignment of acquisition-related debt appropriate in this case?

A. Direct assignment of the cost rate ensures that only FCG customers bear the cost responsibility for the debt that was incurred to acquire and fund the FCG assets. Direct assignment prevents customers of other CUC utilities, such as Florida Public Utilities Company, and in other jurisdictions—such as Delaware, Maryland, or FERC-jurisdictional operations—from subsidizing the cost of debt issued to support FCG. Assigning the $432,239,500 of acquisition-related debt to FCG aligns cost causation with cost recovery and reflects the fact that FCG customers directly benefit from the assets and operations that this debt financed.

Q. How is the remaining long-term debt cost determined for FCG?

A. As shown on MFR Schedule G3 page 2, after assigning the portion of CUC's long-term debt that was directly issued to fund the Florida City Gas acquisition, the balance of FCG's required long-term debt component is priced using CUC's overall embedded cost of long-term debt. This approach reflects the fact that CUC provides all incremental capital to FCG on a going forward basis. As a result, FCG's capital requirements beyond the directly assigned acquisition debt are funded at CUC's consolidated cost of debt, consistent with how capital is sourced for all of CUC's regulated subsidiaries. Correspondingly, as the acquisition debt is retired, its contribution to the weighted average cost of long-term debt will steadily decline, and the consolidated CUC embedded cost will become the predominant rate applied to FCG's capital structure.

Q. Does the use of direct assignment for the acquisition-related debt change Florida City Gas's overall capital structure?

A. No. While the rate used to price the acquisition-related debt is specific to that issuance, FCG's equity-to-debt ratios continue to be based on CUC's consolidated capital structure. This maintains capital structure consistency across the enterprise and aligns with how CUC finances its utility subsidiaries. The capital structure ratios themselves are not altered by the direct assignment; rather, the cost rate applied to the assigned portion of debt reflects the specific issuance that financed the FCG acquisition. This approach maintains uniformity in capital structure while ensuring accurate, cost-based pricing for the acquisition financing. This methodology is consistent with the use of the lower rate used in the recent electric rate case in Docket No. 20240099-EI where the lower consolidated debt rate, excluding the FCG amounts, was used. The methodology is also consistent with Docket No. 20140025-EI where debt was separated into two categories for the FPUC direct debt and the CUC consolidated debt.

Q. How has the cost of debt been shown on MFR Schedule G3 page 3?

A. Total CUC consolidated debt is shown on MFR Schedule G3 page 3a. The total debt on this schedule is shown on MFR Schedule G3 page 2 to calculate the debt equity ratios used to allocate rate base.

The remaining portion of the 2023 issuances attributed to FCG are shown on MFR Schedule G3 page 3b and the amount of debt and rate calculated for this schedule is used as the amount and rate on MFR Schedule G3 page 2 for the direct portion of debt. MFR Schedule G3 page 3c shows the CUC debt excluding the amounts on MFR Schedule G3 page 3b. The rate calculated on MFR Schedule G3 page 3c is used on schedule G3 page 2 for the "Long Term Debt-CUC".

Q. Please explain lines 25 and 26 on MFR Schedule D-2 page 1 of 4 and lines 26 and 27 on MFR Schedule G3 page 3a.

A. Following a prior acquisition involving CUC (and not the FCG acquisition), a portion of the acquired debt was refinanced to obtain more favorable interest rates and to transition the obligations to an unsecured structure. The refinanced obligations were issued in the form of unsecured senior notes of the parent entity. The interest rate differential, including the make-whole premium associated with the early retirement of the prior debt, was recorded as a regulatory asset and is being amortized over a 30-year period consistent with established ratemaking practice. The 13-month average balance shown on Line 26 of Schedule D-2, Page 1 of 4 and on Line 27 of Schedule G3 page 3a, reflects the remaining unamortized balance as of December 31, 2025, and December 31, 2027, 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. The 13-month average balance shown on MFR Schedule D-2 page 1 of 4 and on MFR Schedule G3 page 3a represents the remaining, unamortized portion ending December 31, 2025, and December 2027, respectively.

Q. What types of short-term debt arrangements does CUC utilize to provide 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 facility consists of two tranches: a $250,000,000 364-day short-term debt tranche, which includes two (2) one-year extension options, and a $200,000,000 five-year tranche, which includes 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 December 31, 2025, 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 0.80 percent over the Secured Overnight Financing Rate ("SOFR") plus a 10-basis point credit adjustment. As of December 31, 2025, the pricing under the five-year tranche of the Revolver included an unused commitment fee of 0.10 percent and an interest rate of 1.00 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 base year 2025 and projected test year 2027 capital structure of the Corporation?

A. The components of the historic base year capital structure reflects investor sources and uses of capital as follows: common equity (excluding accumulated other comprehensive income) of 49.46 percent, long-term debt (including current maturities) of 44.45 percent, and short-term debt of 6.09 percent as shown in MFR Schedule D1 page 1. 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 50.14 percent, long-term debt (including current maturities) of 44.31 percent, and short-term debt of 5.55 percent as shown on MFR Schedule G3 page 2. 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 is it appropriate to use CUC's consolidated capital structure for FCG?

A. CUC provides all external capital needed to support FCG's operations, including long-term debt, short-term debt, and equity contributions. Using the consolidated CUC capital structure reflects the actual financial framework under which FCG operates and accurately represents the capital supporting the utility. This methodology is consistent with regulatory precedent and ensures that the financial risk profile presented in this proceeding reflects the actual risks borne by FCG, rather than a hypothetical stand-alone capitalization.

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 $450,000,000 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 the private placement senior notes.

Q. How does applying the pro rata adjustment across all capital structure components ensure consistency with the prior Florida City Gas rate cases?

A. Consistent with Florida City Gas prior rate cases, the pro rata adjustment is applied across the full capital structure — including common equity, long-term debt, short-term debt, customer deposits, deferred taxes, and regulatory liabilities.

This ensures that the capital structure used for ratemaking aligns with the actual sources of capital used to fund jurisdictional rate base. Because customer deposits, deferred taxes, and regulatory liabilities reduce rate base, the Commission requires that these balances be reflected proportionally in the capital structure. Applying the adjustment only to investor-supplied capital would overstate the level of investor funding and improperly increase the weighted average cost of capital.

Therefore, to maintain consistency, accuracy, and neutrality in the calculation of the rate of return, the pro rata adjustment is spread across all capital components rather than limited to only the investor-supplied items.

Q. **Have FCG and its customers benefited from CUC's ability to access capital markets and finance utility investments at competitive long-term rates, including the financing executed to support the FCG acquisition?**

A. Yes. Both FCG and its customers have benefitted directly from CUC's ability to access capital markets and finance utility investments at competitive and diversified long-term rates. As part of the acquisition of the FCG assets in late 2023, CUC issued $432,239,500 of long-term debt with a weighted-average all-in cost of debt of 6.67%, utilizing a portfolio of 3-,4- 5-, 7-, and 10-year maturities. These issuances were completed on an unsecured basis and at rates that were highly competitive given the elevated interest rate environment at that time.

CUC's ability to place unsecured private-placement debt across multiple tenors reduced refinancing risk, improved liquidity, and secured stable long-term funding at a time when Treasury rates and credit spreads were near multiyear highs. By staggering maturities, CUC created refinancing flexibility that positions the enterprise — and FCG specifically — to benefit as interest-rate conditions normalize in the future.

Importantly, FCG and its customers benefit because FCG does not issue debt independently. Instead, FCG receives capital through intercompany financing sourced from CUC's broad access to long-term debt, short-term revolver markets, and equity capital. As discussed earlier in my testimony, CUC maintains an investment-grade credit rating, which enables the Corporation to secure financing on terms more favorable than what a standalone gas utility of FCG's size would otherwise reasonably obtain.

As a result:

- FCG benefits from CUC's lower cost of capital. The rates achieved on the 2023 acquisition financing reflect CUC's strong balance sheet and lender relationships.
- FCG benefits from stable liquidity and access to capital. CUC's $450,000,000 syndicated Revolver and access to private investors ensure capital availability for utility investments without delay.

- FCG benefits from reduced refinancing and interest-rate risk. The diversified maturity schedule — 3, 5, 7, and 10 years — spreads risk over time and allows refinancing in potentially lower-rate environments.
- FCG customers ultimately benefit through lower required revenue. CUC uses its consolidated capital structure, not project-specific or subsidiary-level debt, to determine the cost of capital in rate proceedings. This approach directly passes along the benefit of CUC's lower corporate financing costs.

Overall, the financing executed to support the 2023 acquisition is a continuation of CUC's long-standing practice of obtaining competitively priced capital. This broad access to capital markets and strategic management of long-term debt enables FCG to undertake needed utility investments while maintaining cost-effective financing that benefits both the company and its customers.

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

A. 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 $343 million with terms that extend through February 2029 and June 2030, respectively.

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 2026, and the five-year tranche ($200,000,000) expires in August 2029.

Q. How do current Treasury rates compare to historical averages?

A. As shown on Exhibit No. NTR-1, Schedule 2, Treasury yields for the 3-, 5-, 7-, and 10-year tenors remain well above their historical averages. The 10-year Treasury, for example, is currently above 4.20%, compared to a 10-year historical average of approximately 2.75%, and a 15-year average of approximately 2.59%. These Treasury yields represent the risk-free component of long-term financing costs.

When combined with corporate credit spreads (the risk premium attributed to standalone corporations relative to the U.S. Treasury), which are at or near historical lows for BBB+ utilities, the resulting all-in cost of debt remains elevated relative to historical norms. In other words, even with low credit spreads, the increase in risk-free Treasury rates has materially raised borrowing costs for all issuers, including CUC.

If CUC were to issue new long-term debt today, the all-in rate would reflect this higher risk-free base rate plus the spread consistent with maintaining our BBB+ issuer default rating.

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

A. Any new long-term debt issued in the current interest-rate environment would reflect Treasury yields that are significantly above historical averages. As a result, the average consolidated cost of long-term debt would rise above the 5.15 percent reflected in the test period on MFR Schedule G-3 page 3a. Higher Treasury base rates directly increase the Corporation's weighted average cost of debt and, correspondingly, the weighted average rate of return used for ratemaking purposes.

IV. 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 coverage. 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 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. Have you reviewed the adjustments that the Commission made to Directors & Officers (**"D&O") liability insurance expense in the last FCG rate case, which took place under FPL's ownership of FCG?**

A. Yes.

Q. Do you believe the same adjustments should apply to the current D&O liability insurance expense?

A. No, I do not.

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

A. Yes. 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. The D&O liability insurance expense in the 2027 projected test year is $151,835.

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 the Corporation's business units.

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

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 remain in the marketplace have reduced total limits offered and restricted coverage 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's continued growth.

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. For example, prior to the start of the 2023/2024 insurance year, the Company negotiated and finalized primary casualty insurance rates for both the 2023/2024 and 2024/2025 coverage 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 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 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 premiums continue to be driven by increased exposure from the Corporation's growth, reduced carrier capacity, and overall market conditions in the power and utility sector. Over the last two years, CUC has experienced cost increases across its primary casualty, excess liability, and property programs, while executive risk coverages — including cyber — have remained relatively flat.

Excluding excess liability coverage, primary casualty insurance has increased approximately twenty-nine percent over the last two years. This increase reflects a shrinking number of participating carriers due to industry consolidation and a shift toward higher minimum deductibles. Many of the remaining carriers require deductibles starting at $750,000 for general liability and auto coverage.

Excess liability costs have also increased significantly, primarily because individual claims are resulting in much larger payouts. This trend has been driven by exceptionally large jury awards, increased third-party funding of lawsuits, and broader legal and social trends that have contributed to both more frequent and more costly high-value liability claims. These trends have penetrated excess layers that historically rarely experienced losses. At the same time, industry-wide capacity for excess liability has contracted, reinsurance pricing has increased, and inflation has elevated the cost of claims. The utility and energy sectors have also experienced their own elevated loss trends, further influencing pricing. These factors together have driven an approximately 30 percent increase in CUC's excess liability premiums over the last two years. Most recently, widespread wildfire exposure affecting mutual insurance carriers has also contributed to global premium increases. This trend is expected to continue into the foreseeable future.

As mentioned above, favorable conditions within the executive risk market, together with the effective placement and negotiation efforts of our broker, allowed the Corporation to keep executive risk premiums—including cyber—flat over the last two years. While the cyber insurance market has remained relatively stable CUC's insurance broker has expressed concerns that several national-level events could put upward pressure on cyber premiums in 2026. These include large-scale ransomware incidents, cloud or technology-provider outages, nation-state cyber activity, and the rapid escalation of AI-enabled attacks. Insurers and reinsurers are closely watching these systemic risks, and a major event in any of these areas could tighten capacity and lead to higher premiums.

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 by 11 percent over the last two years.

Q. Can you explain any other factors driving changes in FCG's insurance program and the rationale behind the Corporation's current insurance strategy?

A. Although we believe that year-over-year increases in the premiums allocated to FCG are largely driven by broader insurance market forces, insurance strategy is established at the CUC level, with FCG participating in the consolidated insurance program. Our aim is to insulate customers from the potential impact of volatile losses by structuring a low-deductible program. Fundamentally, this results in a modest increase in premiums to transfer the risk of potentially large losses from the rate payer to insurers. For example, under the consolidated program applicable to FCG deductibles are $100,000 on auto and general liability and $250,000 on workers compensation insurance coverage per claim. These low deductibles result in less cost for routine losses, which ultimately is less cost borne by the rate payer. We are also selective in our choice of insurers. Our primary insurer's S&P Global Rating ranks the company as 'AA' stable and AM Best affirms an 'A+' (Superior) Financial Strength rating. This confirms that our insurance company is financially solvent to support our losses that exceed our deductible, resulting in a successful risk transfer.

We have also assumed this approach within our excess liability program. A similar approach is applied within the consolidated excess liability program applicable to FCG. Historically, natural gas, utility, and energy claims have shown us that volatility is greatest within the first $7,000,000 of coverage, which is reflected in the exposure and premium assessed and rendered by our insurance companies. Florida is also a state lacking tort reform on plaintiff claim settlements. Therefore, we believe it is best that the risk continues to be transferred to the excess insurance companies. Previously the program assumed more risk internally for large losses with an excess liability program which attached at $5,000,000. We have reduced that to $2,000,000.

In evaluating our excess insurance companies, we have made the business decision to solely participate with mutuals. Associated Electric & Gas Insurance Services (AEGIS) is our lead excess mutual insurance carrier. AEGIS was formed in 1975 to address the commercial insurance market issues for gas and utility companies. Mutual insurance companies are owned by their policyholders and exist to provide coverage at a reasonable cost, focusing on long-term stability and returning profits via dividends, member enrichment and/or lower premiums. FCG was one of the 13 founding gas company members of AEGIS. AEGIS is financially stable and has first-hand knowledge and expertise in the natural gas and utility industry. In 2025, AM Best upgraded Associated Electric and Gas Insurance Services' long-term issuer credit rating to "a+" (Excellent) from "a" (Excellent).

Q. Does the Corporation anticipate insurance costs 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 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.

Q. How were insurance costs for 2026 and 2027 projected for MFR Schedule G2 pages 19a to 19d?

A. Because insurance cost increases are expected to exceed inflation, the Company directly projected insurance premiums for test years 2026 and 2027. These projections incorporate anticipated premium increases based on recent renewal experience, current insurance market conditions, and the Corporation's expectation that insurance premiums will continue to increase at rates materially higher than inflation, as described above.

V. Self-Insurance

Q. Does FCG have a Self-Insurance reserve?

A. Yes. FCG maintains a self-insurance reserve, with oversight provided by our CFO and me, to absorb expenses associated with losses incurred from our gas operations. The Corporation also maintains an internal policy, provided as Exhibit No. NTR-1, Schedule 3, which outlines the types of expenses that may be charged to the reserve. Expenses applied to this reserve include costs that are not reimbursable under existing insurance policies, such as:

- charges within the deductible level of the applicable policy,
- charges exceeding policy limits, or
- charges outside the scope of coverage (for example, physical damage to FCG's traditional vehicle fleet).

Current deductibles on applicable policies range from \$100,000 to \$500,000 per occurrence and may therefore be charged to the reserve. In addition, the reserve may include premium increases incurred to secure adequate property, casualty, and liability coverage in excess of amounts embedded in base rates or the test year in proceedings resolved by settlement.

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

A. Yes. The current annual expense recorded for the self-insurance reserve has been insufficient to cover actual claims experience. To determine the shortfall, we reviewed losses incurred since the Corporation's acquisition of FCG. The adjustment reflects:

1. the difference between average actual losses and the amount currently recorded in annual expense, and

2. an estimate for additional eligible costs that fall within the scope of the Company's internal self-insurance policy that may need to be absorbed by the reserve.

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

A. Yes. I am supporting an adjustment on MFR Schedule G2 page 19g, which relates to increasing the annual self-insurance reserve expense.

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

A. Yes. As discussed earlier, the current annual self-insurance expense has been below actual claims experience, and FCG has also incurred certain eligible costs under its internal self-insurance policy that may not be recoverable and that are eligible to be included in the reserve. The adjustment increases the self-insurance reserve to properly reflect both the historical shortfall and these additional eligible expenses. The total adjustment in the projected test year is a $412,739 annual increase.

VI. <u>Storm Reserve</u>

Q. Does FCG already have an authorized storm reserve?

A. Yes. FCG was authorized to implement a storm reserve as part of its 2018 settlement agreement, which established an annual accrual of $57,500 and a target reserve balance of $800,000. The 2023 settlement agreement continued those terms without modification. As discussed in the prior rate case, storm-related costs are recoverable consistent with Rule 25-7.0143, F.A.C., which permits the establishment of a storm reserve account and outlines the types of storm-related costs an investor-owned natural gas utility may charge to that reserve.

Q. Is FCG requesting any changes to the annual accrual or target reserve amounts?

A. No. FCG is not requesting any changes to either the annual accrual or the target reserve amounts at this time.

Q. When will an updated storm reserve analysis be prepared?

A. The Florida Public Service Commission requires each investor-owned utility to provide an updated storm reserve analysis at least every five years. Based on the date of FCG's last analysis, the Company is required to file its next update in 2027.

Q. Does FCG believe the next study will reflect higher costs?

A. Yes. FCG anticipates that the next storm reserve study will reflect higher projected storm-related costs. Several factors contribute to this expectation.

First, inflationary pressures, including higher labor costs, material costs, equipment prices, contractor rates, and fuel have driven a notable increase in the cost of restoring service following major weather events. The cost of construction materials and specialized utility equipment has escalated meaningfully in recent years, and these cost trends directly affect storm response and system restoration expenses.

Second, Florida has experienced an increase in both the frequency and severity of hurricanes and major storm events, which has led to higher storm restoration costs across the state's utility sector. More intense storms tend to cause broader system damage, require more extensive repair work, and increase the duration and cost of restoration activities. As these events have become more common, the underlying cost assumptions used in prior storm reserve analyses are likely to understate future restoration needs.

For these reasons, the Company expects that the updated 2027 storm reserve study will reflect higher unit costs and a higher overall level of expected storm-related expenditures, consistent with the evolving cost environment and weather risk profile in Florida. For now, though, the Company is not asking for changes to the storm reserve, but may seek changes in a future case, depending upon the outcome of the storm reserve study.

VII. Benchmarking

Q. Can you discuss the benchmarking differences related to insurance in MFR Schedule C-38 page 8?

A. Although we were unable to obtain detailed costs for insurance from the owners of FCG in 2021, we did review page 63 of the FCG 2021 annual report, which provides a general description of policies with one of their affiliate companies with deductibles and costs. Although this information offers only a limited comparability, it helped inform our review of the benchmarking variance.

As discussed in Section IV of my testimony, the variance in Account 925 (Injuries and Damages) reflects both broader insurance market dynamics and FCG's risk-management approach. Market-wide premium increases have affected all utilities, particularly in the casualty and excess liability segments. At the same time, FCG has structured its insurance program to limit cost volatility for customers by maintaining lower deductibles, which reduces the portion of routine losses borne by ratepayers and ensures that larger, less predictable risks are transferred to insurers.

FCG also engages financially strong, highly rated carriers to ensure dependable risk transfer. Additionally, based on observed changes in industry patterns, FCG reduced its excess liability attachment point from $5 million to $2 million, thereby shifting a greater share of catastrophic loss exposure to insurers. FCG's participation in mutual insurers such as AEGIS, which offer more stable long-term pricing and return value to policyholders, further supports prudent cost management.

Overall, FCG's insurance program is designed to minimize customer exposure to large, unpredictable losses while maintaining prudent and cost-effective coverage in a challenging insurance market.

VIII. <u>Acquisition Adjustment – Factors 3 and 4</u>

Q. Please explain the acquisition adjustment you are addressing.

A Consistent with prior decisions, FCG seeks to retain and continue to recognize the remaining unamortized portion of the positive acquisition adjustment associated with the 2004 acquisition of FCG by AGL Resources. This acquisition adjustment was first approved by Commission by Order No. PSC-07-0913-PAA-GU, issued in Docket No. 20060657-GU. The subsequent rate case conducted in Docket No. 20170179-GU was resolved by a settlement. Thereafter, in the Company's 2022 rate case, conducted in Docket No. 20220069-GU, the Commission allowed the Company to retain the acquisition adjustment on its books as reflect in Order No. PSC-2023-0299-FOF-GU, ("2007 Adjustment Order"). The most recent decision reflected in the 2007

Adjustment Order is the subject of an ongoing appeal at the Florida Supreme Court. The Company, however, firmly believes that it is appropriate to allow FCG to retain the unamortized amount of the 2004 acquisition on FCG's books until it is fully amortized. As discussed further in the testimonies of Witnesses Everngam and Deason, the acquisition of FCG by AGL Resources from NUI Corporation produced cognizable benefits for the Company and its customers that persist to this day.

Q. Has the Company been better able to attract capital since the acquisition?

A. Yes. First let me provide a bit of background. As Witness Deason will further explain, the Commission has traditionally reviewed acquisition adjustments that do not involve water or waste companies using a five-factor test. Two of the factors in that test involve the ability to attract capital for improvements and to do so on reasonable terms such that the overall cost of capital is lower. In my review of these two factors, it is clear the acquisition of FCG produced – and continues to produce – an improvement in the Company's ability to both attract capital and to do so on reasonable terms and the financial structure currently supporting FCG reflects a stable platform for ongoing capital investment. As noted earlier in my testimony, CUC maintains a Board-approved target capital structure consisting of 50 to 60 percent equity, with a long-term objective of operating near the midpoint of 55 percent. The Corporation's projected test-year equity ratio of approximately 50.14 percent reflects a strong, well-balanced capital structure that enables CUC — and therefore FCG — to access capital markets on competitive terms. Maintaining this level of equity capitalization enhances financial stability, reduces leverage, and supports the Company's investment-grade credit profile.

CUC's consolidated credit strength further supports a robust ability to attract capital. Fitch Ratings currently assigns the Corporation a BBB+ Issuer Default Rating, and its current senior notes (several tranches of which were used to finance the FCG acquisition specifically) an A- Note Rating. These ratings reflect solid creditworthiness, diverse regulated operations, prudent financial policies, and stable cash flows and ensure access to both public and private capital markets at competitively priced rates.

In addition, CUC's ability to raise equity capital at favorable pricing enhances FCG's flexibility to fund system investments. CUC's current forward price-to-earnings ratio of approximately 17.2x reflects market confidence in the Corporation's long-term earnings stability and growth profile. This valuation allows the Corporation to issue equity at a competitive cost, supporting capital investment for growth that benefits all of CUC's utility subsidiaries, including FCG.

Liquidity available through CUC's $450,000,000 syndicated revolver, which includes a $150,000,000 accordion feature enabling expansion to $600,000,000. As discussed earlier, this facility provides efficient, low-cost short-term financing that bridges long-term projects and allows permanent capital to be issued when market conditions are favorable. Overall, CUC's strong balance sheet, investment-grade rating, competitive equity valuation, and significant liquidity resources position FCG to reliably attract capital to support system expansions and improvements, thereby satisfying this factor.

Q. Does FCG's ownership under CUC result in a lower overall cost of capital?

A. Yes. FCG benefits directly from the financing scale, diversification, and credit profile of a larger regulated enterprise. As noted previously, FCG does not issue its own external debt or equity; instead, all capital is raised at the parent-company level and allocated to FCG through intercompany funding. This approach allows FCG to rely on CUC's consolidated cost of capital, which is lower than what a stand-alone gas distribution company of FCG's size could reasonably achieve.

Several factors contribute to this lower cost. First, because CUC maintains an investment-grade credit rating, its long-term debt is priced at tighter credit spreads than would be available to a smaller, single-state LDC. Second, CUC's larger and more diversified utility platform allows it to issue long-term debt and equity efficiently including the ability to access larger, more liquid capital markets, maintain an effective equity shelf registration statement, and utilize ATM or other equity programs when market conditions are favorable. Third, CUC's access to a substantial revolving credit facility smooths financing needs over time and reduces the likelihood that permanent capital must be issued during periods of elevated treasury rates or market volatility. This flexibility contributes to a more stable and cost-effective long-term financing profile.

Because FCG's ratemaking cost of capital is based on CUC's consolidated capitalization and financing costs, customers directly benefit from these efficiencies and CUC's commitment to a strong balance sheet profile. This lower cost of capital — enabled by CUC's scale, credit profile, balance sheet strength and diversified access to capital markets — supports the continued recognition of the acquisition adjustment as it provides ongoing, measurable financial benefits to FCG's customers.

IX. Income Taxes

Q. Can you please describe the methodology used for forecasting deferred income taxes in MFR G-1 pages 5 to 8?

A. The Company forecasts deferred income taxes in MFR G-1 pages 5 to 8 by comparing how income and expenses are recorded for accounting purposes versus how they are treated for tax purposes during the test period. The largest difference comes from depreciation, where plant costs are recovered faster for tax purposes than for book accounting. The annual difference between book and tax amounts is multiplied by the applicable tax rates to calculate deferred income tax expense. Those amounts are then used to update the accumulated deferred income tax balance by starting with actual balances and adjusting for current-year increases and reversals. This method follows tax normalization rules and keeps the deferred tax calculations aligned with the Company's plant, depreciation, and income tax forecasts.

Q. What deferred tax balances were carried forward during the acquisition?

A. The acquisition was structured as a stock purchase with a valid Internal Revenue Code Section 338(h)(10) election, substantially all historical deferred tax assets and liabilities of the acquired entity were eliminated as of the acquisition date. The historical book-tax temporary differences did not carry forward, and deferred taxes were reset based on the post-acquisition tax basis of the assets. The only deferred tax balance carried forward was the regulatory liability associated with excess accumulated deferred income taxes resulting from the Tax Cuts and Jobs Act corporate tax rate change and the related ARAM calculation, which was preserved to ensure compliance with normalization requirements and prior Florida Public Service Commission orders. No other deferred tax balances were retained through the acquisition.

Q. Can you explain how income taxes were calculated for the projected test years in MFR's G2-29 to 31?

A. Income taxes for the projected test years shown in MFRs G2-29 through G2-31 were calculated using the Company's forecasted taxable income for each year. Projected taxable income was determined by starting with forecasted pre-tax operating income and then adjusting for permanent and temporary differences between book and tax treatment. Current income tax expense was calculated by applying the applicable federal and state statutory tax rates in effect during each projected test year to the forecasted taxable income. The resulting current income tax amounts are reflected in MFRs G2-29 through G2-31. Deferred income taxes associated with timing differences were calculated separately and reflected through changes in accumulated deferred income taxes.

X. <u>Parent Debt Adjustment</u>

Q. Do Florida regulations have an adjustment for tax benefits associated with parent company debt?

A. Yes, Rule 25-14.004 F.A.C. addresses parent company debt. This rule is intended to capture the income tax benefit associated with "double leverage". It states, "the income tax expense of a regulated company shall be adjusted to reflect the income tax expense of the parent debt that may be invested in the equity of the subsidiary".

Q. Does FCG have third-party debt?

A. No, FCG is not a borrower under any third-party debt arrangement. Instead, CUC, the parent company of FCG, maintains all the third-party debt. When filing a consolidated tax return of CUC and its subsidiaries (including FCG), the tax deduction for interest expense is determined by the interest associated with the third-party debt held by the parent. As FCG has no third-party debt, there is no tax deduction for interest expense recorded on the subsidiary's Federal income tax return.

Q. Does FCG consider the impact of parent company debt in its cost of capital calculation?

A. Yes, while FCG has no debt on its books and records, an allocated portion of the parent's capital structure is applied to the rate base of FCG as illustrated in MFR G-3 page 2. While CUC's overall percent of debt to equity is used in G-3 page 2, special calculations were used to calculate the cost of debt.

Q. How is the allocation of parent company debt calculated?

A. The Company takes the total projected parent company equity, long-term debt and short-term debt to arrive at a ratio for each of these components. These ratios are then applied to the total rate base supported by these components after the total rate base is adjusted to account for the amount of rate base attributable to customer deposits, deferred taxes, and regulatory tax liabilities.

Q. Has the Company adjusted FCG's income tax expense for the impact of the parent company debt?

A. Yes, as stated before, FCG has no third-party debt, but an allocated portion of the parent company debt is included in the utility's capital structure. The related tax benefit of interest expense associated with the allocable parent company debt is calculated on MFR G-3 page 2 and deducted from income in calculating income tax expense on MFR G-2 page 30.

Q. Should FCG's income taxes as reflected in its MFRs be adjusted for parent debt?

A. No, while Rule 25-14.004, F.A.C. contemplates an adjustment for parent company debt, FCG was acquired with one hundred percent equity and carries no associated debt. No third-party debt arrangements existed at the FCG level at the time of the acquisition. The debt needed to purchase FCG was obtained at the Chesapeake level. Since there is no debt at the FCG level, the interest synchronization calculation explained above (using an allocable portion of the parent company debt to capture the tax benefits associated with the debt portion of the capital structure used for rate making purposes) is appropriate. The methodology used serves to achieve the intent of the rule since any income tax benefits resulting from the parent company debt are factored into FCG's calculated costs.

XI. Others

Q. Please describe how the inflation rates for 2026 and 2027 used in the Supplemental MFR Schedule G2-19a to 19d were derived?

A. The Company used December 3, 2025, Bloomberg Weighted Average CPI Forecast to calculate the average CPI for 2026 and 2027. These Bloomberg forecasts are derived from the most recent monthly and quarterly economist surveys, as well as projections submitted by a broad range of national and international banks. By using Bloomberg's weighted average methodology, the Company incorporates more than 40 independent economist forecasts into the CPI outlook for these years.

The Company did not consider any alternative CPI forecast sources. We believe that relying on a composite of multiple economist projections provides a balanced and comprehensive assessment of expected inflation conditions for 2026 and 2027.

Q. Does this conclude your testimony?

A. Yes, this concludes my testimony.

Florida City Gas

Docket No. 20260026-GU

Exhibit No. NTR-1
To Accompany
The Direct Testimony
Of

Noah T. Russell

Florida City Gas
Index of Schedules

Chesapeake Utilities Corporation
Historical Equity to Total Capitalization
(thousands)

	12.31 2014	12.31 2015	12.31 2016	12.31 2017	12.31 2018	12.31 2019	12.31 2020	12.31 2021	12.31 2022	9.30 2023	12.31 2023	12.31 2024	12.31 2025
Equity (excluding AOCI)	$ 305,998	$ 363,978	$ 450,964	$ 490,566	$ 525,152	$ 567,844	$ 699,950	$ 772,827	$ 834,180	$ 867,815	$ 1,248,842	1,391,876	1,601,145
LTD (Including Current Portion)	167,595	158,491	149,053	206,816	327,955	485,768	522,099	558,488	591,354	655,945	1,197,947	1,287,272	1,461,684
Permanent Capital	473,593	522,469	600,017	697,382	853,107	1,053,612	1,222,049	1,331,315	1,425,534	1,523,759	2,446,789	2,679,148	3,062,830
Short-term Debt	88,231	173,397	209,871	250,969	294,458	247,371	175,644	221,634	202,157	116,303	179,345	196,531	157,986
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	$ 1,640,062	$ 2,626,134	$ 2,875,678	$ 3,220,816

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023	2024	2025
Equity/Total Capitalization	54.5%	52.3%	55.7%	51.7%	45.8%	43.6%	50.1%	49.8%	51.2%	52.9%	47.6%	48.4%	49.7%

Historical Treasury Rates and Spreads

Source: Bloomberg

Average Rates						
Historical Period (Years)	**YTD**	**1**	**3**	**5**	**10**	**15**
3Y UST	3.59%	3.68%	4.07%	3.32%	2.41%	1.84%
5Y UST	3.76%	3.82%	4.05%	3.35%	2.52%	2.10%
7Y UST	3.96%	4.00%	4.11%	3.42%	2.63%	2.34%
10Y UST	4.19%	4.24%	4.20%	3.50%	2.75%	2.59%
3Y BBB+ Utilities Spread	0.54%	0.62%	0.75%	0.72%	0.71%	0.75%
5Y BBB+ Utilities Spread	0.66%	0.74%	0.88%	0.89%	0.87%	0.89%
7Y BBB+ Utilities Spread	0.77%	0.85%	1.00%	1.04%	1.01%	1.01%
10Y BBB+ Utilities Spread	0.90%	0.95%	1.16%	1.23%	1.21%	1.17%
3Y BBB+ Utilities	4.13%	4.30%	4.82%	4.03%	3.12%	2.59%
5Y BBB+ Utilities	4.43%	4.56%	4.93%	4.24%	3.38%	2.99%
7Y BBB+ Utilities	4.73%	4.85%	5.11%	4.46%	3.65%	3.35%
10Y BBB+ Utilities	5.09%	5.19%	5.36%	4.73%	3.96%	3.76%

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 $50,000 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

Florida City Gas
Witness Noah Russell's Sponsored and Co-Sponsored MFRs

SCHEDULE	TITLE	WITNESS
A-5	Overall Rate of Return Comparison	J. Baugh, N. Russell, D. Haag
B-17	Investment Tax Credits	N. Russell
B-18	Accumulated Deferred Income Tax	N. Russell
C-20	Reconciliation of Total Income Tax Provision	N. Russell
C-21	State and Federal Income Tax - Current	N. Russell
C-22	Interest Expense - Income Tax	N. Russell
C-23	Book /Tax Differences - Permanent	N. Russell
C-24	Deferred Income Tax Expense	N. Russell
C-25	Deferred Income Tax Adjustment	N. Russell
C-26	Parent Debt Information	N. Russell
C-27	Income Tax Returns	N. Russell
C-28	Miscellaneous Tax Information	N. Russell
C-29	Consolidated Return	N. Russell
C-30	Other Taxes - Detail	N. Russell, G. Navo
C-33	Wage & Salary Increases Compared to C.P.I.	N. Russell, T. Barrington, J. Baugh
D-1 1 of 2	Cost of Capital - 13 Month Average - Consolidated	N. Russell, J. Baugh
D-1 2 of 2	Average Cost of Capital - Historical Data - Consolidated	N. Russell
D-2 1 of 4	Long Term Debt - Long-Term Debt Outstanding CUC Consolidated	N. Russell
D-2 2 of 4	Long-Term Debt Outstanding issued to purchase Florida City Gas	N. Russell
D-2 3 of 4	Long-Term Debt Outstanding - Excluding Direct Florida City Gas	N. Russell
D-2 4 of 4	Long-Term Debt Outstanding	N. Russell
D-3	Short Term Debt	N. Russell
D-4	Preferred Stock	N. Russell
D-5	Common Stock Issues - Annual Data	N. Russell
D-8	Issuance of Securities	N. Russell
D-9	Subsidiary Investments	N. Russell
D-10	Reconciliation of Average Capital Structure to Average Jurisdictional Rate Base	N. Russell, G. Navo, J. Baugh
D-11 1 of 3	Financial Indicators - Calculation of Interest and Preferred Dividend Coverage Ratios	N. Russell, G. Navo
D-11 2 of 3	Financial Indicators - Calculation of Percentage of Construction Funds Generated Internally	N. Russell, G. Navo
D-11 3 of 3	Financial Indicators - AFUDC as Percentage of Income Available to Common	N. Russell, G. Navo
G2-17	Projected Test Year - Calculation of Admin. and General Expenses	J. Baugh, G. Navo, M. Galtman, A. Bhatwadekar, W. Haffecke, N. Russell, M. Everngam
G2-18	Projected Test Year - Calculation of Admin. and General Expenses (Cont.)	J. Baugh, G. Navo, J. Husted, N. Russell
G2-19e	Projected Test Year - Projection Basis Factors	J. Baugh, G. Navo. N. Russell
G2-19g-h	Projected Test Year - Over and Under Adjustments - Projected Years	A. Bhatwadekar, B. Gilliam, G. Navo, J. Husted, K. Estrada, M. Everngam, M. Galtman, N. Russell, W. Haffecke
G2-26	Historic Base Year + 1 - Reconciliation of Total Income Tax Provision	N. Russell
G2-27	Historic Base Year + 1 - State and Federal Income Tax - Current	N. Russell
G2-28	Historic Base Year + 1 - Deferred Income Tax Expense	N. Russell
G2-29	Projected Test Year - Reconciliation of Total Income Tax Provision	N. Russell
G2-30	Projected Test Year - State and Federal Income Tax - Current	N. Russell
G2-31	Projected Test Year - Deferred Income Tax Expense	N. Russell
G3-1	Historic Base Year + 1 - Cost of Capital	N. Russell
G3-2	Projected Test Year - Cost of Capital	N. Russell, D. Haag
G3-3a	Projected Test Year - Long-Term Debt Outstanding CUC Consolidated	N. Russell
G3-3b	Projected Test Year - Long-Term Debt Outstanding issued to purchase Florida City Gas	N. Russell
G3-3c	Projected Test Year - Long-Term Debt Outstanding - Excluding Direct Florida City Gas	N. Russell
G3-4	Projected Test Year - Short-Term Debt Outstanding	N. Russell
G3-5	Projected Test Year - Preferred Stock	N. Russell
G3-6	Projected Test Year - Common Stock Issues	N. Russell
G3-7	Projected Test Year - Customer Deposits	N. Russell
G3-8	Projected Test Year - Financing Plans - Stock and Bond Issues	N. Russell
G3-9	Projected Test Year - Financial Indicators - Calculation of Interest and Preferred Dividend Coverage Ratios - Consolidated	N. Russell
G3-10	Projected Test Year - Financial Indicators - Calculation of Percentage of Construction Funds Generated Internally - Consolidated	N. Russell
G3-11	Projected Test Year - Financial Indicators - AFUDC as Percentage of Income Available for Common - Consolidated	N. Russell
G7	Other Taxes	J. Baugh, N. Russell, G. Navo

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Testimony and Exhibits of Noah Russell have been furnished by Electronic Mail to the following parties of record this 20th day of April, 2026:

Jennifer Crawford Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 jcrawfor@psc.state.fl.us	Office of Public Counsel Walter Trierweiler/Charles Rehwinkel c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 Trierweiler.walt@leg.state.fl.us Rehwinkel.Charles@leg.state.fl.us

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1713