Gunster

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

August 13, 2026

VIA E-PORTAL

Mr. Adam Teitzman
Commission 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 filing, please find the Rebuttal Testimony and Exhibits of Michael Galtman for Florida City Gas.

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

Sincerely,

Beth Keating

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301

MEK
Enclosures
Cc:// Certificate of Service

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 20260026-GU: Petition for rate increase by Florida City Gas

Prepared Rebuttal Testimony of Michael Galtman

Date of Filing: August 13, 2026

Table of Contents

I. Introduction

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

A. My name is Michael Galtman. My business address is 100 Commerce Drive, Suite 200, Newark, DE 19713. I am employed by Chesapeake Utilities Corporation ("Chesapeake" or "CUC"), the corporate parent of Florida City Gas, as Senior Vice President and Chief Transformation Officer. Prior to this promotion in 2026, I previously served as CUC's Chief Accounting Officer since 2019.

Q. Have you previously filed direct testimony in this docket?

A. Yes, I filed direct testimony on behalf of Florida City Gas which I refer to herein as either "the Company" or "FCG."

Q. Has your employment status and job responsibilities remained the same since discussed in your previous testimony?

A. Yes.

Q. Are you providing any exhibits with your rebuttal testimony?

A. Yes. Exhibits MG-2, MG-3 and MG-4.

II. Purpose and Summary of Testimony

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to certain recommendations, adjustments, and characterizations advanced by the Office of Public Counsel ("OPC") in the direct testimonies of Helmuth W. Schultz, III and Lane Kollen, each filed on July 20, 2026. Specifically, my rebuttal testimony addresses:

1. Mr. Schultz's proposed RSAM Correction Liability, including the proposed rate base credit and annual amortization credit described in Section V of his direct testimony;

2. Mr. Kollen's recommendation to deny the ERP annualization adjustment and reject the alternative step-increase mechanism in Section VI of his direct testimony;

3. OPC's reliance upon CUC investor communications and Seeking Alpha transcripts (Schultz Direct, Section II; Exhibit HWS-6);

4. OPC's characterization of service quality statements and acquisition premium recovery references (Schultz Direct, Sections V and VI.A; Exhibits HWS-6 and HWS-9);

5. OPC's characterization of pre-acquisition due diligence (Schultz Direct, Section II);

6. Mr. Schultz's uncollectible expense adjustment (Schultz Direct, Section VII.J).

III. <u>Summary of Rebuttal Position</u>

Q. Please summarize your rebuttal position.

A. OPC's proposed RSAM Correction Liability, its inclusion and then selective treatment of certain phrases within CUC's investor communications, and its ERP and expense adjustments should all be rejected. The common thread running through these positions is an effort to recharacterize the CUC acquisition of FCG as a source of improper cost recovery, when in fact CUC has been transparent about the acquisition accounting and is not seeking recovery of any FCG acquisition goodwill in this proceeding.

RSAM Correction Liability:

Mr. Schultz's proposed $16.6 million rate base credit and $4.7 million annual amortization credit would effectively reopen the settled 2023 and 2024 periods and would constitute retroactive ratemaking. FCG utilized the RSAM consistent with Order No. PSC-2023-0177-FOF-GU in Docket No. 20220069-GU. The Commission's approval of the RSAM mechanism was recently affirmed by the Florida Supreme Court on June 4, 2026, in Case No. SC2023-0988. FCG also followed the RSAM procedure filed in Docket No. 20220069-GU as Exhibit MC-6, Page 1 of 1. As of December 31, 2024, the initial $25 million RSAM amount had been fully utilized and superseded.

ERP Annualization:

Chesapeake's ERP program, scheduled to be placed in service in the second quarter of 2027 and fully functional by year-end 2027, supports inclusion of the 2027 ending plant balance in rate base rather than limiting recovery to a 13-month average. The implementation of Chesapeake's ERP follows two previous SAP related implementations of the billing systems for CUC's legacy distribution businesses and FCG, both of which were completed on time and further support our position to utilize year-end 2027 versus a 13-month average.

The ERP investment and associated operating costs are known and measurable, and the system will be used and useful during the test year. Finally, because rates set in this proceeding will remain in effect after the ERP is fully operational, relying only on a 13-month average would materially understate the level of investment that will be in place serving customers when rates are in effect. The Company's alternative step-increase mechanism provides a reasonable alternative if the Commission does not adopt the ending-balance approach.

Investor Communications:

OPC selectively relies on broad, forward-looking statements about synergies, growth, integration, and strategic opportunities, but those materials were prepared for investors, not to establish ratemaking treatment. They do not show that specific FCG costs were imprudent, improperly recovered, or required to be offset against the revenue requirement. The Commission should rely on the Company's MFRs, testimony, and account-level regulatory evidence rather than investor statements taken out of context.

Acquisition Premium Recovery:

The Company is not seeking recovery of the 2023 FCG acquisition premium in this proceeding. Statements to investors about future consideration of goodwill recovery are consistent with expectations of the financial community given Florida precedent (subject to meeting the five-factor test) and standard corporate strategic planning, and do not prejudge the Company's current rate case position.

IV. RSAM Correction Liability

Q. Please describe Mr. Schultz's RSAM Correction Liability recommendation.

A. In Section V of his direct testimony, Mr. Schultz recommends that the Commission establish a new regulatory liability that he calls an "RSAM Correction Liability." As I understand his proposal, the liability is calculated using three components. First, Mr. Schultz includes the 2023 transaction and transition costs of $10,600,000 reported by

Chesapeake in Form 10-K. Second, he includes the 2024 transaction and transition costs of $2,900,000. Together, those two components produce the $13,500,000 amount that Mr. Schultz treats as acquisition-related transaction and transition costs. Third, Mr. Schultz proposes an additional adjustment based on Witness Kollen's calculation of alleged errors related to deferred taxes and the long-term debt rate used in connection with FCG's 2023 and 2024 Earnings Surveillance Reports. Mr. Schultz proposes adding $5,483,228 to the liability, representing 50% of $10,996,455, for the WACC-related component. He then proposes amortizing the combined liability on a straight-line basis over four years, which would produce an annual amortization credit to expense of $4,745,807 and a rate base reduction of $16,610,324. Details related to this adjustment are found on Schedule B-5 of Witness Schultz's testimony.

Q. Do you agree with Mr. Schultz's recommendation?

A. No. The RSAM Correction Liability proposal should be rejected. Mr. Schultz's proposed RSAM correction liability, along with the corresponding amortization credit, would effectively reopen the 2023 and 2024 periods. The Company utilized RSAM appropriately and the Commission has reviewed and accepted the 2023 and 2024 surveillance reports, including the RSAM utilization reflected in those filings. Establishing a new liability now to adjust those prior periods would be retroactive ratemaking.

This Commission has consistently recognized that ratemaking is prospective and that retroactive ratemaking is prohibited. While I am not an attorney, I am aware of the Florida Commission's decision in Order No. PSC-98-1243-FOF-WS, issued in Docket No. 971596-WS, at pages 12-14, which includes an analysis of the Commission's view on retroactive ratemaking. I note that, based upon the cases cited in that Order, the analysis would apply to all regulated industries, although the Order that I reference here was issued in a water case. I note in particular the Commission's statement at page 13 of that Order, which recognizes that, "The Courts have interpreted retroactive ratemaking to occur when an attempt is made to recover either past losses (underearnings) or overearnings in prospective rates." That Order also acknowledges that the general principle of retroactive ratemaking is that new rates are not to be applied to past consumption. Examples reflected in that Order included a situation in which the utility requested to reduce accumulated depreciation to address prior period under-earnings and the converse scenario in which the petitioner argued that future rates should have been reduced for prior period overearnings and that the excess earnings should be refunded. Both of these requests were deemed to be retroactive ratemaking and therefore were prohibited.[1]

Q. Was FCG's utilization of RSAM consistent with the PSC's Order?

A. Yes. The 2023 FCG Order, Order No. PSC-2023-0177-FOF-GU, approved a $25 million Reserve Amount that FCG could use to manage fluctuations in revenues, expenses, interest rates, and inflation during the four-year period following the 2022 rate case. The Commission approved the RSAM to allow FCG to maintain its return on equity within the authorized range and to reduce the likelihood of additional rate increases. FCG utilized the RSAM in 2023 and 2024 to earn an ROE within the

[1] See, Order No. PSC-98-1243-FO-WS, citing City of Miami v.Florida Public Service Commission, 208 So. 2d 249, 259 (Fla. 1968) and Orteqa Utility Company 95 FPSC 11:247 (1995) (Docket No. 940847-WS: In re: Application for a Rate Increase in Duval County by Ortega Utilities Company – Order No. PSC-95-1376-FOF-WS).

authorized range, as the Order expressly contemplated. The Order did not limit the use of the RSAM to specific categories of costs or revenues resulting in below-target net operating income. As authorized in the Order, if the achieved ROE fell below the authorized range and RSAM remains available, the Company must record the necessary entries to allow for earnings to be recognized within authorized return range. Mr. Schultz's statement that the RSAM was intended only for "day-to-day fluctuations" is citing the language in the approved Order. However, my interpretation of the Order is that it does not distinguish between recurring and non-recurring costs that are required for the daily operations of FCG.

Q. Did the Company utilize RSAM to recover Transaction Costs associated with the FCG acquisition?

A. No, the Company did not utilize RSAM to recover Transaction Costs. In the calculation of the RSAM Correction Liability, Mr. Schultz utilizes the 2023 & 2024 transaction and transition costs reported by Chesapeake in its SEC filings as the basis for his proposed adjustment. In his calculation, he does not distinguish between the two types of costs, which are distinctly different. He erroneously concludes that "it is presumptive that at least the $10.2 million of transaction/acquisition costs were effectively transferred to rate base by operation of the RSAM." (Schultz, page 28, line 22 through page 29, line 2).

Mr. Shultz also asserts because he didn't see the $10.2 million or significant amounts recorded below the line on the 2023 and 2024 Annual Reports to the Commission (Schultz, page 28, line 4-6). This line of thinking appears to support his suggestion that transaction costs were included in FCG's earnings for 2023 and 2024. The transaction costs were not included in the Annual Report, surveillance reports, nor the FCG books above or below the line. For example, December 2023 was the first month in which CUC recorded activity associated with FCG following the closing of the transaction. For this period, FCG recognized $4,340,588 of Operating and Maintenance expense, which is a normal level for the Company indicating that none of the transaction costs – which Witness Schultz erroneously states are $10.2 million – were recovered in December 2023. Similarly, if you review the Company's O&M expense for the remaining period the RSAM was available, you will see increases associated with the inclusion of transition costs, but certainly not increases to the level necessary to also recover the actual $10.6 million in transaction costs. Witness Schultz's theory that transaction costs were included in FCG's financial statements is completely incorrect. Additionally, since a majority of the transaction costs were incurred <u>before</u> the Company acquired FCG - CUC had no intention to include the transaction costs on FCGs books unless and until approved by the Commission. These costs were booked to other Chesapeake accounts and appropriately excluded those from FCG's regulated books. My Exhibit MG-2 demonstrates that Witness Schultz's position is not correct and that transaction costs were not included in FCG's financial results impacting its RSAM utilization.

Q. What is the difference between Transaction and Transition costs?

A. In connection with the acquisition of FCG, CUC's investor disclosures were updated to reflect the cost impacts associated with the acquisition of FCG and were reported as a separate line item on the income statement labeled Transaction and Transition Costs. These costs were separately reported in CUC's public financial communications to provide transparency regarding the costs incurred by Chesapeake in connection with the acquisition of FCG. Transaction costs include costs associated with evaluating, negotiating, structuring, financing, obtaining approvals for, and closing the acquisition. Transition costs, on the other hand, are costs incurred to operate, stabilize, and integrate FCG into CUC's operation. These costs support continuity of service, employee and system integration, data migration, temporary support arrangements, controls, reporting, billing, IT, and operational readiness. These costs can include both recurring and non-recurring costs of FCG based on the type of activity being performed. See Exhibit MG-3 for a summary of these costs by year, and an explanation of what was included or excluded in various reports.

The fact that these costs were cumulatively identified for investor reporting purposes does not mean they were collectively included in FCG's regulatory cost of service or recovered from customers.

Q. Can you explain how Transaction Costs were excluded from FCG's RSAM calculations for 2023 & 2024?

A. Yes. First, it should be noted that Mr. Schultz's starting point of $13,500,000 for 2023 and 2024 is an after-tax amount that combines both transaction costs and transition costs as reported in CUC's public financial disclosures. On a pre-tax basis, the total transaction and transition costs reflected in those disclosures were approximately $20,410,442 for the 2023 and 2024 periods. This total included $14,456,094 of transaction costs incurred to evaluate, negotiate, finance, and close the FCG acquisition. They were reflected in CUC's consolidated financial disclosures for investor reporting purposes as these were costs that were incurred during 2023 and

2024 to finalize the acquisition of FCG. These costs, however, were not recorded in FCG's financial statements and reported for regulatory purposes, including FCG's surveillance reports and RSAM calculations. Therefore, Mr. Schultz's assumption that the transaction costs were recovered from customers through the RSAM mechanism is simply not correct. As a result, it would not be appropriate to record the proposed adjustments recommended by Mr. Schultz.

Q. How were the Transition Costs recorded in FCG's financial statements?

Transition costs are different from transaction costs. As I explained earlier, transaction costs are costs incurred to evaluate, negotiate, finance, obtain approvals for, and close the acquisition. Transition costs, by contrast, are costs incurred after closing of the acquisition to operate, stabilize, and integrate FCG into CUC's operations.

Following the acquisition, FCG continued to operate as a regulated utility with an obligation to provide safe and reliable service to customers. Throughout the transition period, some costs were temporary in nature as CUC worked to integrate FCG into its systems, processes, controls, and operating model. Other costs became part of FCG's ongoing operations. For example, immediately following the acquisition, FCG operated under a transition services agreement with the Seller for certain functions until those functions could be fully transitioned to CUC's operations. Examples of these activities included support for SCADA monitoring, information technology, finance and supply chain process pending the complete transition to CUC's operation. Because those transition costs supported the day-to-day operation of FCG's utility business, they were reflected in FCG's regulatory financial statements and reporting. They were not costs incurred to acquire FCG; rather, they were costs incurred to continue operating FCG after the acquisition and to maintain continuity of service during the integration period. For that reason, transition costs associated with FCG's ongoing utility operations were appropriately treated as operating costs.

Q. What is the amount of Transition Costs recorded for FCG?

A. During 2023 and 2024 there was a total of $5,954,348 of transition costs recorded to continue day-to-day operations for FCG and integrate processes and technology into CUC. This amount included $2,117,958 for ongoing services that were necessary to continue providing safe and reliable services until FCG was fully integrated into CUC's operations. See Exhibit MG-3.

Q. Were Transition Costs reflected in FCG's regulatory reporting?

A. Yes. Transition costs that supported FCG's day-to-day utility operations were included in FCG's regulatory financial statements and reporting. Because those costs were included in the regulatory financial statements used for surveillance reporting, they were also factored into FCG's RSAM calculations for 2023 and 2024. That treatment was appropriate because the costs related to operating FCG as a regulated utility during the transition period to CUC's operations, including temporary transition services and integration activities necessary to continue providing safe and reliable service to customers.

Q. How would FCG's RSAM calculations be impacted if Transition Costs were excluded from operating results?

A. If transition costs had been excluded from operating results, FCG's RSAM calculations would not have been impacted because even with excluding nonrecurring type transition costs, and an increase to FCG's achieved earnings during the applicable period, earnings still would have remained within the allowable ROR and would not have necessitated a reduction to the RSAM utilized for those periods. See Exhibit MG-4. As discussed above, transition costs were necessary to support FCG's day-to-day utility operations during the period before certain processes, technology, systems, and operations were fully transferred from the Seller and integrated into CUC's operations. During that period, FCG was still required to operate safely and reliably for customers. The transition costs included services and support that allowed FCG to continue operating while those functions were being migrated to CUC. Approximately $2,117,958 of transition costs were recurring costs necessary to support day-to-day operations before the related processes, technology, and support functions were fully transferred to CUC. Excluding those costs would have overstated FCG's regulatory earnings and would have prevented FCG from appropriately using the RSAM as defined in the Commission-approved Order. In other words, it would have treated necessary operating costs as though they did not exist for purposes of determining FCG's rate of return, even though those costs were actually incurred to provide utility service during the transition period. That would not be consistent with the purpose or operation of the RSAM mechanism approved by the Commission.

Q. Is Mr. Schultz's adjustment to RSAM appropriate for debt cost and deferred tax flow through?

A. No, as the testimony of Mr. Russell and Mr. Reno further supports, the Company appropriately booked the debt cost and deferred taxes related to its acquisition of FCG in 2023, and therefore the adjustments to RSAM and subsequent amortization would not be appropriate.

Q. Overall, do you agree with Mr. Schultz's proposed RSAM Correction Liability?

A. No. Mr. Schultz's proposed RSAM Correction Liability should be rejected in its entirety. His proposal rests on an incorrect premise that acquisition-related costs were recovered through the RSAM. They were not. Transaction costs were excluded from FCG's regulatory financial statements and RSAM calculations, while transition costs were included to provide transparency to costs that supported FCG's day-to-day utility operations during the integration period. In addition, the deferred tax and borrowing cost components of his proposal are addressed by other Company witnesses and do not provide a basis to establish a new regulatory liability. Taken together, Mr. Schultz's proposal would improperly reopen the 2023 and 2024 surveillance periods and retroactively revise the operation of the Commission-approved RSAM mechanism. For those reasons, I recommend that the Commission reject the proposed RSAM Correction Liability.

V. <u>ERP Annualization and Step Increase</u>

Q. Please describe Mr. Kollen's ERP recommendation.

A. In Section VI of his direct testimony, Mr. Kollen recommends that the Commission deny recovery of the Company's ERP annualization adjustment, the increase in rate base and operating expenses that reflect a full year of ERP costs and reject the alternative step-increase mechanism described in Ms. Baugh's direct testimony and Exhibit JB-2. The adjustment Mr. Kollen proposes would reduce expenses by approximately $2.1 million ($1.5 million O&M and $0.6 million depreciation) and reduce rate base by approximately $10.8 million.

Q. Do you agree with Mr. Kollen's recommendation?

A. No.

Q. Why do you disagree with Mr. Kollen's recommendation?

A. The ERP investment and operating costs are known and measurable.

As I described in my direct testimony, the ERP program is a multi-year initiative to modernize and integrate CUC's core procurement, enterprise asset management, human resources and financial processes using SAP as the platform. SAP is a well-established enterprise resource planning platform used across complex, asset-intensive industries, including utilities, and is designed to support integrated process execution, financial controls, data visibility, and scalable operations. The ERP implementation also builds upon the successful implementation of SAP for CUC's customer and field operations processes, serving to establish an integrated technology system across customer, field, operational, human resource, procurement and financial processes.

The project is the next step in the CUC's planned technology system integration and has been developed through a disciplined process. Chesapeake conducted an RFP process, performed a scoping and readiness assessment with PricewaterhouseCoopers, and selected IBM as a top-tier SAP implementation partner with significant utility industry experience. Those steps provided structure around scope definition, cost estimates, implementation sequencing, governance, risk management, and change readiness before proceeding with the implementation. The FCG-allocated rate base investment of $23,584,551 and the annual expense recovery of $2,635,078 are therefore supported by a successful track record, executed vendor agreements, a documented implementation plan, and ongoing executive-level and Board oversight.

Under these circumstances, the 2027 ending balance is a more appropriate representative rate base measure. The ERP will be placed in service during the second quarter of 2027 and will be fully functional by the end of the test year. Once in service, the system will support ongoing utility operations on a continuous basis and serve as the foundation for efficient, cost-effective operations going forward. Using a 13-month average mechanically reflects only a partial-year balance during the transition into service and therefore does not match the investment level that will support service after the ERP is fully deployed. Including the 2027 ending balance in rate base better aligns customer rates with the plant that will be used and useful during the period rates will be in effect, while avoiding an immediate earnings deficiency or the need for another limited proceeding or a costly full rate proceeding shortly after implementation.

Q. Are there other reasons it would be appropriate to include the full impact of the ERP implementation in base rates?

A. Yes. Use of the 2027 ending balance is consistent with projected test year ratemaking. The projected test year framework requires the Commission to establish rates that reflect the cost of service that will exist when the new rates are in effect. Where a known and measurable investment will be placed in service during the test year and will be fully functional by year-end, reliance on a 13-month average would understate the ongoing level of rate base supporting utility service. The Company's requested treatment does not accelerate recovery of speculative costs, but instead it reflects the actual year-end investment expected to be used and useful for customers and supported by Chesapeake's current implementation schedule and track record for two recent SAP implementations.

Q. Should there be an alternative approach utilized if the annualization approach is not approved?

A. Yes. If the Commission does not approve the annualization approach, the alternative step-increase mechanism described in Ms. Baugh's direct testimony provides a straightforward, transparent means of aligning ERP cost recovery with in-service timing. The step increase would be implemented mid-year 2027 upon the ERP system being placed into service. This alternative mechanism ensures the Company can recover the actual costs once the system provides service and avoids the need for a costly rate proceeding or alternative limited proceeding. This method is consistent with the step increase approved as part of the settlement in the FPUC electric rate case for the substation and transmission assets in PSC-2025-0287-AS-EI, and similar to the deferred revenue step increase also approved as part of that settlement and subsequently implemented in Docket No. 20250139-EI

Q. What would be the impact of denying the annualization approach or the step rate proposal for the ERP implementation?

A. Denying both approaches would leave the Company under-recovering costs beginning in June 2027. The ERP investment would be reflected in the Company's rate base and would represent an asset that is used and useful for customers but would be absent in customer rates. This would necessitate an immediate, subsequent limited proceeding or rate filing. As I described in my direct testimony, the $632,930 adjustment on Schedule G2-19g represents payroll expense for employees whose salaries were capitalized during the implementation phase and who will return to steady-state operational support functions after the ERP is implemented and functional. The capitalization of these expenses during implementation was appropriate for the implementation period; the return of these employees to operational roles reflects the ongoing steady state need for ERP support in the operating environment. The net ongoing software cost of $1,819,408, partially offset by the elimination of $123,128 for the legacy system costs, reflects the current cost of operating a modern, secure, auditable enterprise platform with the current designed functionality.

Q. What is your recommendation on Mr. Kollen's ERP recommendation?

A. The Commission should approve inclusion of the ERP 2027 ending balance in rate base, together with the related annualized operating costs, or, in the alternative, approve the step-increase mechanism described in Ms. Baugh's direct testimony. The ERP program is a necessary investment supported by a successful SAP implementation track record for two previous billing system conversions, a disciplined RFP and scoping process, a well-established SAP platform, a top-tier implementation partner in IBM, executed vendor agreements, and executive-level and Board oversight. This system is expected to provide operational benefits, ongoing future savings to customers, and substantial benefits to CUC's and FCG's operations that will benefit customers over the next decade and beyond. Because the ERP will be placed in service in the second quarter of 2027 and fully functional by year-end, the ending balance is the more representative measure of the investment that will be used and useful for customers while rates are in effect.

VI. Investor Communications

Q. Please describe how OPC uses CUC investor communications in its testimony.

A. OPC witness Schultz relies extensively on CUC's investor communications, including earnings call transcripts, investor presentations, and Seeking Alpha reproductions of earnings call discussions. Exhibit HWS-6 is a compilation of those materials. Within his direct testimony, Mr. Schultz cites certain, incomplete, statements made to investors regarding acquisition benefits, earnings growth, integration activities, cost savings opportunities, and the anticipated benefits of integrating FCG into CUC. He then uses those selective, incomplete statements to support several of his recommendations in this proceeding.

More specifically, Mr. Schultz points to investor communications discussing CUC's efforts to "harvest synergies," drive earnings growth, and integrate operations following the acquisition of FCG. He relies on those statements as support for his positions regarding acquisition-related benefits, the treatment of transition and integration costs, his proposed RSAM adjustments, and his broader contention that the Company's request for rate relief is inconsistent with representations made to investors.

In essence, Mr. Schultz treats select, incomplete statements contained in investor-facing communications as evidence regarding regulatory cost recovery, ratemaking treatment, and the allocation of acquisition-related benefits between customers and shareholders.

Q. Do you agree with OPC's use of these investor communications?

A. No I do not. While OPC accurately cites various, albeit incomplete, statements from investor presentations, earnings call transcripts, and Seeking Alpha reproductions of those communications, I disagree with the conclusions Mr. Schultz draws from those materials and the way he uses them in this proceeding. In my view, OPC's analysis has three fundamental problems.

First, investor communications are being treated as though they are regulatory admissions regarding ratemaking treatment, cost recovery, and accounting classifications. They are not. Investor communications are intended to provide investors with information regarding Chesapeake's strategy, business performance, anticipated opportunities, and forward-looking expectations. They are not prepared for purposes of regulatory accounting or determining ratemaking treatment under Florida law.

Second, many of the selective, incomplete statements cited by OPC involve broad discussions of expected benefits, business objectives, integration activities, and management initiatives. Mr. Schultz frequently interprets those statements as establishing specific commitments regarding cost reductions, acquisition savings, or customer benefits, specifically to FCG, that are not reflected in the actual statements themselves. For example, we have, as a result of the FCG acquisition, achieved synergies across the entire CUC organization. Various members of the FCG management team did not join CUC as part of the transaction. Instead, our existing leadership team was able to assume the management of FCG's operations and costs were re-allocated in accordance with the time needed to manage FCG versus other regulated operations. This was specifically outlined in the investor materials.

Third, OPC selectively uses investor communications to support individual arguments without considering the broader context in which those statements were made. Earnings calls and investor presentations of Chesapeake are intended to communicate overall business strategy and performance to investors. They are not designed to address the detailed regulatory, accounting, or ratemaking issues presented in this proceeding for FCG.

Q. Should each of OPC's investor communication themes be evaluated separately?

A. Yes, if they must be evaluated at all. Mr. Schultz's use of these statements in his testimony provides no actual evidence or support for his recommendations. His approach here seems a bit like a "shotgun" approach, where he hopes at least one of his arguments hits a target. Nonetheless, any evaluation of the statements pulled from investor communications and used by Mr. Schultz for his various arguments, address distinct topics, including anticipated acquisition benefits, integration activities, operational efficiencies, service quality, earnings growth, and acquisition-related costs. These topics involve different facts and different regulatory considerations. Accordingly, each area should be evaluated separately and in the entire context in which the statements were originally made rather than selectively picking certain portions of comments and treating the nuanced selective language as evidence supporting OPC's ratemaking conclusions.

Q. Mr. Schultz cites investor communications discussing Chesapeake's efforts to "harvest synergies" following the acquisition of Florida City Gas. Do you agree with his characterization of those statements?

A. No, I do not. Mr. Schultz cites statements made during investor presentations and earnings calls regarding the Company's efforts to realize benefits from the FCG acquisition. However, I disagree with the conclusions he draws from those statements. As I understand his testimony, Mr. Schultz interprets references to "harvesting synergies" as evidence that the Company committed to achieving specific cost reductions that should offset the revenue requirement requested in this proceeding. I do not believe those statements support that conclusion.

As we have used the term, "synergies" describes the potential benefits that may result from combining organizations and leveraging shared capabilities, expertise, scale, and resources. It is my understanding that this is not an uncommon use of the word in this context. Those benefits may take many forms, including operational improvements, enhanced capabilities, better utilization of resources, increased growth opportunities, and avoidance of future costs that might otherwise be incurred. CUC's statements regarding the pursuit of synergies do not necessarily imply immediate, measurable reductions to the utility's ongoing cost of service. They also do not mean that FCG solely may be the benefactor. As CUC represented on its earnings calls, synergies were being achieved across the entire organization.

Q. What did Chesapeake mean when discussing synergy opportunities following the acquisition?

A. CUC's discussions of synergy opportunities referred broadly to the benefits that could be achieved through combining the strengths, capabilities, and resources of CUC and FCG.

For example, Chesapeake expected to leverage its operational experience, technology platforms, regulatory expertise, financial resources, and management capabilities for the benefit of FCG and across a larger portfolio of utility businesses. CUC also expected to benefit from increased scale, improved business processes, enhanced technology capabilities, and opportunities to avoid duplicative investments over time. These types of benefits are qualitatively different from a direct one-for-one reduction in operating expenses. They often develop over an extended period and may be reflected through improved service, enhanced capabilities, stronger internal controls, reduced business risk, or the avoidance of costs that would otherwise be necessary in the future.

Q. Does the fact that Chesapeake discussed synergy opportunities with investors mean those benefits can be directly translated into specific ratemaking offsets?

A. No. Investor communications are intended to discuss business strategy, expected opportunities, and management's long-term objectives. They are not intended to establish ratemaking treatment or quantify specific revenue requirement adjustments. The existence of potential synergies does not establish that costs should be disallowed, nor does it demonstrate that all expected benefits are immediately measurable or appropriate to reflect as offsets in a rate case.

In fact, many acquisition benefits are realized through improved capabilities, risk reduction, stronger operating performance, enhanced customer service, access to expertise, and avoidance of future expenditures. While those benefits may provide value to both customers and shareholders, they are often not quantified in the manner suggested by Mr. Schultz.

Q. Is there anything else you would note regarding Mr. Schultz's use of these statements?

A. Yes. I believe Mr. Schultz selectively focuses on references to synergy opportunities while overlooking the broader context in which those statements were made. The CUC's investor communications discussed strategic objectives, growth opportunities, operational improvements, and the long-term benefits of combining the organizations. They were not representations that all acquisition benefits would immediately benefit FCG or be reflected as reductions in FCG customer rates, nor were they commitments regarding the regulatory treatment of specific costs. Accordingly, I disagree with Mr. Schultz's interpretation of selective, incomplete statements, the narrow context in which he tries to utilize them and the erroneous conclusions he attempts to draw from them in this proceeding.

Q. Mr. Schultz relies on investor communications discussing transaction, transition, and integration activities following the acquisition. Do you agree with his characterization of those costs?

A. No, I do not. As I understand Mr. Schultz's testimony, he frequently references investor communications discussing transaction costs, transition activities, integration efforts, and acquisition-related matters and then treats those concepts as interchangeable. In my view, that approach oversimplifies several distinct categories of costs that serve different purposes and receive different accounting and regulatory treatment. I have previously discussed the difference in these costs and the confusion that Mr. Schultz has created by not properly categorizing these expenses and the purpose for which they were incurred.

Investor communications frequently discuss these activities at a high level, aggregated together, because investors have an interest in understanding how management is executing a significant acquisition. However, those discussions do not eliminate their distinguishable classification, establish regulatory treatment, nor do they demonstrate that all costs associated with post-acquisition activities are acquisition costs that should automatically be excluded from recovery.

VII. Service Quality and Acquisition Premium References

Q. Please describe OPC's characterization of the service quality statements.

A. Mr. Schultz cites the December 8, 2023 letter from FCG to the Commission (Exhibit HWS-9 at 219), in which FCG stated that it would continue to provide safe and reliable natural gas service "consistent with that provided before the change in ownership." He argues that this statement means CUC cannot now seek recovery of investments to improve service quality.

Q. Do you agree with that characterization?

A. No. The December 8, 2023 letter was a routine post-acquisition regulatory notification submitted shortly after CUC took ownership, for the purpose of formally notifying the Commission of the change in ownership and confirming that FCG would continue to operate under the same regulatory tariffs and framework. It was not a commitment that no future system investments would be required, that pre-existing systems would remain adequate for the projected 2027 test year, or that the Company would refrain from seeking recovery of investments needed to maintain and improve service. Continuing to provide safe and reliable service over time requires ongoing investment as systems age, demand grows, customer expectations change, and regulatory requirements evolve. Company Witness William Haffecke addresses the service quality and operational aspects in greater detail, and Company Witness Kim Estrada addresses the 1CX customer experience improvements.

Q. Please address OPC's characterization of the acquisition premium recovery references in Exhibit HWS-6 at 16 and Exhibit HWS-9 at 16-17.

A. Mr. Schultz cites statements from CUC executives on February 21, 2024, and the November 30, 2023 accounting memorandum, in which CUC discusses potential future consideration of acquisition goodwill recovery. He characterizes these statements as evidence of a "backdoor" plan to seek an acquisition premium recovery.

Q. Is the Company seeking recovery of an acquisition premium as part of this proceeding related to the 2023 acquisition of FCG by Chesapeake?

A. No. The Company is not seeking acquisition premium recovery for the 2023 acquisition of FCG by Chesapeake in this proceeding. This point cannot be overstated. FCG has not, and is not, requested recovery of the goodwill that CUC recognized with the FCG acquisition in this proceeding. The Company's decision not to seek recovery is expressly reflected in the April 20, 2026 filing and in the direct testimonies of multiple Company witnesses.

Mr. Schultz's attempt to prejudge any future recovery request based on statements made to investors is not appropriate in this proceeding. If, and when, the Company files a future request, that request will be evaluated on its own merits under the Commission's five-factor test and other applicable standards.

The February 21, 2024 statements by CUC's CEO and its General Counsel reflect standard corporate strategic planning disclosure to the investor community. Publicly traded companies are expected by SEC rules and by the investor community to communicate long-term strategic considerations, including major regulatory proceedings and rate case strategy. These statements do not commit the Company to a specific future rate case position. Furthermore, the November 30, 2023 memorandum titled "Accounting for the Acquisition of Florida City Gas" is a standard acquisition accounting document required under GAAP (specifically, ASC 805 and ASC 980) to document CUC's accounting for the FCG acquisition. The reference to potential future consideration of goodwill recovery reflects standard accounting practice relate to documenting the Company's justification for its purchase accounting of FCG and the <u>potential</u> for goodwill recovery in those states where this mechanism is available. The accounting documentation related to the FCG acquisition does not commit the Company to a specific future rate case position.

VIII. <u>Pre-Acquisition Due Diligence</u>

Q. Please describe OPC's characterization of pre-acquisition due diligence.

A. Mr. Schultz argues that CUC conducted minimal pre-acquisition due diligence on FCG. He cites the November 7, 2024 statement by the CUC CEO that the "level of potential opportunity has probably increased a little bit from what we were expecting before we got a good look at the unit" (Exhibit HWS-6 at 244) as evidence that CUC did not adequately investigate FCG prior to the acquisition.

Q. Do you agree with that characterization?

A. No. The fact that the sale process had an expedited timeline does not mean that CUC conducted an inadequate level of diligence. CUC engaged in a substantial due diligence process before agreeing to the FCG acquisition, including a review of financial statements, operational data, regulatory filings, capital plans, information technology systems, personnel, environmental compliance, and legal matters. CPK also engaged top legal and financial advisors to assist it in the due diligence, negotiation and consummation of the transaction. The due diligence process was appropriate for an acquisition of this size and complexity.

The November 7, 2024 CEO statement reflects normal post-acquisition learning. The CEO's statement that the opportunity had "probably increased a little bit" from pre-acquisition expectations reflects normal learning that occurs post-announcement and during integration. Every corporate acquisition involves some degree of post-acquisition discovery. A CEO's honest acknowledgment to investors that the opportunity has expanded post-announcement is not evidence of deficient due diligence. It is evidence of an experienced management team candidly communicating with the investor community about additional opportunities beyond what had been identified during due diligence. Before the transaction was announced, access to FCG information was necessarily limited to a smaller group due to confidentiality, transaction sensitivity, and the need to protect employee, customer, and business information. That limitation is common in acquisitions and does not mean that CUC's diligence was inadequate. After the announcement, CUC was able to engage a broader group of employees and subject matter experts, have more open discussions with FCG personnel, tour facilities, inspect additional records, and better assess operational opportunities. The fact that additional opportunities were identified through that broader post-announcement access reflects normal post-acquisition learning, not a deficiency in the diligence performed before signing.

The Company Responded to Discovery in Good Faith.

The Company responded to OPC's discovery, including Interrogatories 3-107, 3-124, 3-128, and 3-129, in good faith. Some of the pre-December 2023 information Mr. Schultz sought was retained by FPL and its parent NextEra as part of the sale transaction and was not delivered to CUC. Where pre-acquisition data can be retrieved from the prior owner, doing so requires cooperation from FPL/NextEra and often requires payment for FPL's time and expense. The Company's objections to certain discovery requests were based on the burden of retrieval weighed against the value of the requested information for the 2027 projected test year, not on any effort to conceal information. Company Witness Matthew Everngam addresses the management and operations comparison in greater detail in his rebuttal testimony.

IX. Uncollectible Expense

Q. Please describe Mr. Schultz's uncollectible expense adjustment.

A. In Section VII.J of his direct testimony, Mr. Schultz addresses the Company's uncollectible expense projection and proposes a $180,160 expense reduction, raising questions about the five-year average methodology and the historic base year balance.

Q. Do you agree with that adjustment?

A. No. The five-year average methodology is consistent with prior commission practice. The Company's bad debt expense projection uses a five-year average balance, which is consistent with the methodology approved by the Commission in FPUC's 2022 natural gas rate case (Docket 20220067-GU). As I explained in my direct testimony, the $639,004 correction to bad debt expense in the historic base year was made to accurately reflect the five-year average balance of $550,570 in the 2025 historic base year consistent with that methodology.

Q. Are there other reasons that you disagree with the recommendation?

A. Yes. The 2023 to 2025 period is not representative of a normalized bad debt expense level because it overlaps with the transition into CUC's operations and the 1CX implementation and stabilization for FCG. During that period, disconnections were temporarily paused and certain write-offs were delayed while customer billing and collection processes were stabilized. Those temporary conditions distort the trend of write-off experience and make the period incomplete as a stand-alone basis for projecting ongoing uncollectible expense.

X. <u>Conclusion</u>

Q. Please summarize your rebuttal position.

A. OPC's proposed RSAM Correction Liability should be rejected in its entirety, as it would functionally reopen the settled 2023 and 2024 periods for retroactive ratemaking, and relates to a mechanism that has been fully utilized and is not otherwise presented for continuation in this proceeding. OPC's reliance upon CUC investor communications should be rejected, not only for the way in which they are used out of context, but also because forward-looking statements pertaining to business strategy and improvement opportunities are not a substitute for account-level ratemaking analysis. As for the ERP program, the Company's investment is a prudent, necessary investment appropriately annualized for the projected test year, with a reasonable step-increase alternative. CUC conducted substantial pre-acquisition due diligence, and the Company responded to discovery in good faith. The uncollectible expense projection is consistent with prior Commission practice and is not distorted by the temporary 1CX implementation impact.

In light of these supporting statements and the evidence provided, the Commission should approve the Company's filing as it relates to these issues.

Q. Does this conclude your rebuttal testimony?

A. Yes.

Florida City Gas

O&M Expense Reconciliation

Year Ending 2023 and 2024

Docket No. 20260026-GU
Exhibit MG-2

2023:	Florida City Gas CG00 Trial Balance	Surveillance Report	Variance	Surveillance Report	FPSC Annual Report	Variance
Totals	70,633,267	70,633,267	-	70,633,267	70,653,975	(20,708)
Expenses excluded from Surveillance Report; included in FPSC Annual Report			-	36,411		36,411
TOTI included in O&M on Surveillance Report; excluded from O&M on FPSC Annual Report			-	(56,463)		(56,463)
O&M expenses on Surveillance Report less than FERC Form (Nextera O&M higher)			-	40,780		40,780
Totals	70,633,267	70,633,267	-	70,653,995	70,653,975	-
* 2023 Transaction Costs not included in Trial Balance, Surveillance Report or FPSC Annual Report of $10.4M		-				

2024:	Florida City Gas CG00 Trial Balance	Surveillance Report	Variance	Surveillance Report	FPSC Annual Report	Variance
Totals	74,289,680	70,118,439	4,171,141	70,118,439	70,402,562	(284,123)
Revenue Taxes excluded from O&M on Surveillance Report and FPSC Annual Report	(7,723,408)		(7,723,408)			-
Transition Costs excluded from O&M per Trial Balance; included in Surveillance Report and FPSC Annual Report	3,836,369		3,836,369			-
Corporate Depreciation included in O&M on Trial Balance; in Deprec/Amort on Surveillance Report and FPSC Annual Report	(284,122)		(284,122)		(284,122)	284,122
Totals	70,118,439	70,118,439	0	70,118,439	70,118,440	(1)

Florida City Gas
Transaction and Transition Cost Summary - FCG Acquisition

Docket No. 20260026-GU
Exhibit MG-3

	2023	2024	Total	
2023 Transaction Costs	$ 10,354,844	$ -	$ 10,354,844	Transaction expense EXCLUDED in FCG operating expenses
2023 Transaction Financing Costs	4,101,250	-	4,101,250	Transaction expense EXCLUDED in FCG operating expenses
2023 Transition Costs	349,247	5,605,100	5,954,348	Transition expense INCLUDED in FCG operating expenses
Total Transaction & Transition Costs (pre-tax)	**14,805,341**	**5,605,100**	**20,410,442**	
Tax Effect	(3,830,865)	(1,496,562)	(5,327,427)	
Total Transaction & Transition Costs (post-tax)	**$ 10,974,476**	**$ 4,108,539**	**$ 15,083,015**	

Total Transition Costs:		
Non-Recurring Transition Costs	$ 3,836,389	*See OPC ROG 44*
Recurring Transition Costs	2,117,958	
	$ 5,954,348	
Total Transaction Costs:		
Transaction Costs (O&M)	$ 10,354,844	
Transaction Costs (Interest Expense)	4,101,250	
	$ 14,456,094	
Total Transaction & Transition Costs	$ 20,410,442	
Recurring Transition Costs	(2,117,958)	
Non-recurring Transaction & Transition Costs (pre-tax)	18,292,483	*Total Non-recurring Transaction & Transition Costs*
Tax Effect	(4,774,608)	
Non-recurring Transaction & Transition Costs (pre-tax)	**$ 13,517,875**	*CUC Disclosed Transaction & Transition Costs*

Florida City Gas

Docket No. 20260026-GU
Exhibit MG-4

Rate of Return Summary - Surveillance Report

FCG Actual Surveillance Report Filed for December 31, 2024 (revised 4/22/25) compared to Proforma Surveillance Report Adjusted for December 31, 2024 to remove recurring Transition Costs booked in 2024

Item	FCG Actual As Filed	2024 Transition Costs*	FCG Proforma (excl. Transition Costs)
NOI FPSC Adjusted	$38,376,894	$2,863,864	$41,240,758
Average Rate Base	$503,320,724		$503,320,724
Average Rate of Return	7.62%		8.19%

Required Rate of Return Average

	Low	7.25%
	Midpoint	7.72%
	High	8.19%

* Nonrecurring 2024 Transition Costs

	Pretax	$3,836,389	*See OPC ROG 44*
	Tax rate	25.35%	
	After tax	$2,863,864	

Docket No. 20260026-GU

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Rebuttal Testimony and Exhibits of Michael Galtman have been furnished by Electronic Mail and/or Electronic Data Room access to the following parties of record this 13th day of August, 2026:

Major Thompson Alisha Hixon Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 mthompso@psc.state.fl.us ahixon@leg.state.fl.us discovery-gcl@psc.state.fl.us	Office of Public Counsel Walter Trierweiler/Charles Rehwinkel/Patricia Christensen/Austin Watrous 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 Watrous.Austin@leg.state.fl.us Ponce.Octavio@leg.state.fl.us opc-discovery@leg.state.fl.us
Federal Executive Agencies (FEA) Thomas A. Jernigan Leslie R. Newton, Maj, USAF Matthew R. Vondrasek, Capt, USAF James B. Ely, MSgt, USAF Ebony M. Payton 139 Barnes Drive, Suite 1 Tyndall Air Force Base, Florida 32403 thomas.jernigan.3@us.af.mil leslie.newton.1@us.af.mil matthew.vondrasek.1@us.af.mil ebony.payton.ctr@us.af.mil	

Beth Keating

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