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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 of Matthew Everngam 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

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Prepared Rebuttal Testimony of Matthew Everngam

Date of Filing: August 13, 2026

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I. Introduction

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

A. My name is Matthew Everngam. My business address is 500 Energy Lane, Suite 500, Dover, Delaware, 19901. I am employed by Chesapeake Utilities Corporation ("CUC") as the Assistant Vice President of Regulatory Affairs. Chesapeake Utilities is the parent company of Florida City Gas ("FCG").

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 jointly as either "the Company" or "FCG."

Q. Have 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. No.

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 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. The retention of the 2004 AGL – NUI Acquisition Adjustment (Schultz Direct, Section VI.A);
2. Treatment of Off-System Sales for rate-making purposes (Schultz Direct, Section VII.A);
3. OPC's comparison of CUC's and FPL's management and operations of FCG (Schultz Direct, Section II; Kollen Direct, Section I Summary);
4. OPC's reliance on out-of-state precedent on incentive compensation and regulatory liabilities (Schultz Direct, Section VII.C; Kollen Direct, Section III).

III. 2004 AGL-NUI Acquisition Adjustment

Q. Please describe Mr. Schultz's recommendation regarding the previously approved AGL Acquisition Adjustment.

A. In Section VI.A of his direct testimony, Mr. Schultz recommends removing the residual $5,293,892 in rate base and reducing amortization expense by $721,894 associated with the acquisition adjustment approved by the Commission by Order NO. PSC-2007-0913-PAA-GU.

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

A. No. While Witness Terry Deason further addresses the Commission's five-factor test, the appropriate analysis of savings under that test, and related Commission precedent, I will address Mr. Schultz's inaccurate framing of the five-factor test comparison. Mr. Schultz incorrectly attempts to "move the goalpost" and confuse the narrative by reframing the five-factor test as a comparison between the 2023 acquisition of FCG from FPL, rather than the correct basis for comparison, which is the 2004 acquisition from NIU, to which the acquisition adjustment in question is related. Had the Company requested recovery of the acquisition premium associated with CUC's acquisition of FCG from FPL, his starting point would be valid - but only for the acquisition premium associated with the most recent acquisition of FCG by CUC. As FCG has stated several times, the Company is not, however, requesting recovery of the acquisition premium associated with CUC's acquisition of FCG in 2023 at this time or in this case. Instead, FCG, in this proceeding, is seeking approval to retain and continue to amortize the acquisition adjustment approved by Order No. PSC-2007-0913-PAA. As such, the correct starting point for any analysis under the five-factor test is the 2004 acquisition of FCG by AGL Resources.

Q. Does the 2004 Acquisition Adjustment still show benefits to customers?

A. Yes. As discussed in my direct testimony and supported by the testimonies of Witnesses Estrada, Galtman, Bhatwadekar, Russell, and Haffecke, ownership of FCG by Chesapeake maintains and continues the increased level of service, lower operating costs, better access to low-cost capital, and more experienced resources gained by FCG when it was first acquired by AGL Resources and experienced by the Company ever since. While FCG has been acquired three times since that initial acquisition by AGL Resources, based upon the Commission's analysis of the five-factor test and FCG's situation before it was acquired by AGL, I think it is fair to say that FCG retained the benefits found by the Commission in Order No. PSC-2007-0913-PAA-GU with each subsequent acquisition. To the extent Mr. Schultz criticizes my Exhibit ME-3 at pages 8-9 of his testimony, his criticism reflects a misunderstanding, of the exhibit's purpose and calculation. Exhibit ME-3 was developed to support the retention of the 2004 acquisition adjustment, approved by Order No. PSC-07-0913-PAA-GU, by comparing the actual amortization of the acquisition adjustment against the ongoing cost savings that resulted from that acquisition. Thus, the appropriate starting point for the analysis is the prior period costs under NUI's ownership, starting with 2003 and the costs reflected in FCG's rate case addressed in Order PSC-2004-0128-PAA-GU.

Exhibit ME-3 demonstrates that the acquisition adjustment continues to produce net cost savings for customers. The Commission has previously accepted this analytical framework for demonstrating continued acquisition-related cost savings. For instance, Exhibit ME-3 is analytically similar to the cost savings analysis used by the Commission at page 10 of Order No. PSC-2012-0010-PAA-GU, issued in Docket No. 20110133-GU, wherein the Commission approved an acquisition adjustment for the premium associated with CUC's purchase of FPUC in 2009.

IV. <u>Management and Operations Comparison</u>

Q. Please describe OPC's characterization of CUC's management to FPL's management of FCG.

A. Mr. Schultz conflates the Company's discovery responses and testimony to produce an inaccurate representation of CUC's and FCG's views of how FCG was managed under FPL in an apparent attempt to create controversy where none exists. While I will not rehash his testimony at page 14, lines 9-19, I emphasize that CUC's belief that it could improve FCG's operations and better manage a gas distribution utility given CUC's corporate focus on natural gas is simply not the same as an assessment that "FCG was not being managed sufficiently".

Additionally, Mr. Schultz cites the Commission's 2023 FCG Order finding that FPL was providing safe and reliable service, along with CUC investor statements praising the FCG workforce, as evidence that CUC cannot provide better management and leadership to FCG. (Schultz, pgs. 15 and 47). Mr. Kollen incorporates similar arguments into his recommendation.

Q. Do you agree with these characterizations?

A. No.

Q. Please describe why you disagree.

A. CUC's multi-state gas distribution focus is distinct from FPL's electric-primary model. FPL is primarily an electric utility, while CUC is a multi-state gas distribution company with regulated natural gas operations in Florida, Maryland, and Delaware. As I noted in my direct testimony, CUC has been a leader in providing safe, reliable service to over 230,000 natural gas customers in Florida, and also owns Florida Public Utilities Company, reflecting CUC's experience and knowledge of the Florida natural gas market. CUC's corporate services, regulatory affairs team, and management team are specifically oriented toward multi-state gas distribution.

Additionally, praising FCG's workforce and welcoming them to CUC family does not remotely indicate that CUC does not bring management value to FCG's operations. CUC executives' statements to investors praising the quality of the FCG workforce are not inconsistent with the value CUC management brings to the enterprise. Every well-run acquisition benefits from the combined strengths of the acquiring and acquired organizations. CUC's appreciation for the FCG workforce's technical skills, safety culture, and customer focus does not negate the fact that CUC brings expertise that both complements and enhances the quality group of employees that work at FCG. Company witness Michael Galtman addresses the investor-communications characterization in greater detail in his rebuttal testimony.

Likewise, the Commission's 2023 FCG Order finding that FPL was providing safe and reliable service does not translate into a finding that no further enhancements are possible or appropriate. The Company's post-acquisition investments in ERP, 1CX, AMI, SAFE, and other programs are designed to enhance the reliability and efficiency of FCG's operations going forward. And, CUC's investment in safety facilities for FCG will provide enhanced safety benefits to customers, employees, and first responders.

V. <u>Treatment of Off-System Sales Revenue</u>

Q. Do you agree with Mr. Schultz's Off-System Sales ("OSS") adjustment?

A. No. I disagree with Mr. Schultz's proposed approximately $1.6 million increase to projected revenues for Off-System Sales in the 2027 test year for two reasons. First, Off-System Sales are uncertain and unpredictable for several reasons, which Witness Noia addresses in his rebuttal testimony. Second, per the Company's tariff, OSS revenues are to be shared 50% with customers through gas cost reductions in the PGA with the other 50% to be retained by the Company:

"Fifty percent (50%) of all net revenues shall be retained by the Company. The remaining fifty percent (50%) of such net revenues (and all Transaction Charges) shall be used to reduce Company's cost of gas recovered through the Purchased Gas Cost Recovery Adjustment Clause." *FCG Tariff Volume No. 11, Original Sheet No. 71*

Due to the uncertain nature of Off-System Sales, the sharing mechanism in the tariff motivates the Company to find OSS opportunities when available and shares the benefit of any such sales with FCG's customers. However, Mr. Schultz's proposed adjustment changes the regulatory dynamic and shared benefits of how the OSS tariff programs operate. Including projected OSS revenues ignores the fact that 50% of these uncertain revenues are already appropriately designated to be shared with customers. As such, if Mr. Schultz's proposed adjustment is made, when the Company is able to find OSS opportunities, customers will still share in the benefit, as they historically have, through a reduction in gas costs, but the value of the 50% retained by the Company is decreased by virtue of the impact of Mr. Schultz's adjustment on the Company's revenue requirement in this case.

Accordingly, a zero-dollar OSS forecast remains the most reasonable and supportable approach for ratemaking purposes. Additionally, this is consistent with the OSS rate making treatment for Florida Public Utilities Company (Gas) in its most recent rate case (Docket No. 20220067), in which zero-dollars were included in the OSS forecast, and all OSS sales that have occurred since then have been appropriately shared with customers with 50% being used to reduce the PGA cost for customers.

VI. Jurisdictional Precedent Comparisons

Q. Please describe OPC's references to out-of-state Commission precedents.

A. Mr. Schultz references New York, Vermont, and Connecticut as states with policies that align with his incentive compensation disallowance (Schultz Direct, Section VII.C). Similarly, Mr. Kollen cites the 1997 Vermont Public Utility Commission order in the Vermont Telephone Company docket (Docket No. 5904), along with New York and Maine cases, in support of his Section 338(h)(10) regulatory liability recommendation (Kollen Direct, Section III).

Q. Should the Commission rely on these out-of-state decisions?

A. No. It is my understanding that the New York, Vermont, Connecticut, and Maine Commissions apply the ratemaking policies of those respective jurisdictions to the specific facts before them. Each case involves distinguishable factual and legal circumstances. For instance, the Vermont Telephone case, cited by Witness Kollen, addressed a very different acquisition structure involving a telephone utility. In that case, I believe that the agency applied Vermont-specific ratemaking policies that Florida has not adopted.

Q. Did Witness Schultz provide citations to orders from Connecticut, Vermont, and New York that provide their policies regarding recovery of incentive compensation?

A. No, he did not.

Q. Can you provide specific examples of a state Commission order opposing Witness Schultz's position on incentive compensation?

A. Yes. In Maryland PSC Case No. 9286, Order No. 85028 (July 20, 2012), Witness Schultz testified on behalf of Maryland PSC staff, recommending disallowance of 100% of Pepco's non-executive incentive compensation plan. The Maryland PSC rejected Witness Schultz's recommendation and allowed 100% of the plan, finding that non-executive incentive compensation "remains an appropriate management tool to encourage employees to achieve greater operational efficiency and customer service which benefits ratepayers."

Q. How should the Commission evaluate the references to out-of-state cases or commission policies?

A. The Commission should recognize that those examples do not establish a regulatory consensus against incentive compensation. At most, those jurisdictions demonstrate that commissions may disallow incentive compensation. Florida has done so in certain cases. The existence of such disallowances does not transform those jurisdictions into states that prohibit incentive compensation recovery.

In fact, both Maryland and New York expressly recognize the opposite principle: incentive compensation can be recoverable when it is tied to customer-focused outcomes and supported by appropriate evidence.

Even if individual cases in those jurisdictions resulted in disallowances, isolated disallowances do not establish the existence of a statewide prohibition.

Regulatory commissions routinely disallow specific expenses based on the facts and circumstances of the specific case.

The relevant policy question is not whether a commission has ever disallowed incentive compensation. The relevant question is whether incentive compensation is recoverable when supported by sufficient evidence.

Q. With regard to incentive compensation, is there Florida precedent that supports the Company's position?

A. Yes. As Company witness George Navo explains, the Commission did not make any adjustment to executive payroll or incentive compensation in FPUC's 2022 gas rate case (Docket 20220067-GU). FPUC is CUC's Florida gas regulated affiliate operating under the same compensation philosophy.

Q. Does this conclude your rebuttal testimony?

A. Yes.

Docket No. 20260026-GU

CERTIFICATE OF SERVICE

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

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