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 of Terry Deason 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
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301

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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 Terry Deason

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 Terry Deason. My business address is 4377 NW Torreya Park Road, Bristol, Florida 32321. I am self-employed as a Special Consultant specializing in the fields of energy, telecommunications, water and wastewater, and public utilities generally.

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 as 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 the testimony of OPC witness Helmuth W. Schultz, III. More specifically, I rebut Mr. Schultz's recommendation to discontinue recognition of the acquisition adjustment resulting from the 2004 acquisition of FCG by AGL Resources, including his erroneous analysis of the Commission's five factor test. I also briefly address Mr. Schultz's recommendation to disallow certain rate case expenses.

III. The 2004 Acquisition Adjustment

Q. What is the amount of the 2004 acquisition adjustment being questioned by Mr. Schultz?

A. The Commission originally approved an acquisition adjustment of $21.7 million to be amortized over a 30-year period or approximately $0.7 million per year. Currently, the unamortized portion remaining is a little over $5 million.

Q. On what basis did the Commission originally approve the acquisition adjustment?

A. The Commission applied its traditionally used five-factor test. Based on the favorable outcomes of these factors, the Commission approved the acquisition adjustment, subject to future reevaluation.

Q. Over the twenty plus years since it was originally approved, has the unamortized portion of the acquisition adjustment remained in FCG's rate base along with recognition of its annual amortization?

A. Yes, it has. This is the case even though there have been subsequent acquisitions and intervening rate cases since it was originally approved.

Q How was the acquisition adjustment treated in FCG's most recent rate proceeding?

A. In short, as Mr. Schultz describes at pages 43-44 of his testimony, it continued to be recognized and amortized, and the rates reflected this outcome. However, a new issue was raised by OPC that eventually led to an appeal to the Supreme Court of Florida. The Court rejected OPC's argument in its June 4, 2026, decision in Citizens of the

State of Florida v. Florida Public Service Commission, Case No. SC2023-0988 ("2022 Appeal Decision"), and thus the acquisition adjustment remains in rate base to this day.

Q. What was the argument advanced by OPC which the Court rejected?

A. OPC relied on two Commission Orders applicable to water and wastewater companies to argue that the Commission has a policy to erase any previously recognized acquisition adjustment when a subsequent acquisition takes place. The Court found that no such policy exists for gas utilities and even cited a previous Commission decision involving Peoples Gas System in which the Commission specifically allowed the continued recognition of an acquisition adjustment despite a subsequent acquisition.

Q. Are you familiar with the two water and wastewater cases previously relied upon by OPC?

A. Yes, I participated as a Commissioner in both of those cases. In short, OPC's reliance on these two cases for the position it advocated was misplaced, as confirmed by the Supreme Court. I explain this in detail in my direct testimony and will not repeat it here. Please note that my direct testimony was filed before the Court issued its Order addressing OPC's appeal.

Q. Given the Court's decision, on what basis is Mr. Schultz recommending the discontinuance of the 2004 acquisition adjustment?

A. Despite the Court's decision, Mr. Schultz continues to argue that a change in ownership extinguishes the acquisition adjustment and that the five-factor test is "no longer relevant or applicable." (Schultz, pg. 41, line 24).

Q. Do you agree with his assessment?

A. No, I do not. The Commission's policy to use the five-factor test is still applicable and should once again be used to determine whether the 2004 acquisition adjustment should continue. Moreover, the Commission explicitly stated in Order No. PSC-2023-0177-FOF-GU, on page 27, that the continuance of the acquisition adjustment would be reviewed under the five factor test historically applied by the Commission.

Q. Does Mr. Schultz address the Commission's decision in Docket No. 20170179-GU?

A. Yes, he does, at pages 42 and 43. This was a rate case filed by FCG in 2017 that was ultimately decided by the Commission's approval of a settlement between the parties. OPC was a party to this settlement.

A. How does Mr. Schultz characterize the treatment of the acquisition adjustment in that case?

A. He indicates, at page 42, that because the case was resolved by approval of a "black box" settlement, continued recovery of the acquisition adjustment was not approved in Docket No. 20170179-GU.

Q. Do you agree with his implication?

A. I agree that the 2017 case was resolved by a settlement, and as is true with most Commission settlements, it did not contain specified outcomes for all identified issues. And he is correct that the Parties provided a data response regarding the settlement indicating that the settlement itself did not contain provisions adjusting the acquisition adjustment or disallowing it. His Exhibit HWS-5, at pages 309-310, contains the full data request response of the Company provided in that docket, which also notes that no other party to the docket had provided any testimony or position with regard to the acquisition adjustment. However, I believe his assessment that continued recovery of the acquisition adjustment was not approved may be placing form over substance. The rates resulting from the stipulation reflected the continued recognition of the acquisition adjustment. And, in its 2022 Decision, the Supreme Court noted, at page 28, that the Commission approved the 2017 settlement without removing the acquisition adjustment.

Q. Does Mr. Schultz also have misgivings about the Commission's decision in FCG's next rate case in Docket No. 20220069-GU?

A. Yes, it is quite evident from page 44 of his testimony that he has misgivings about both the Commission's decision as well as the Court's decision upholding it. While it is unclear whether Mr. Schultz is referring to the rationale of the Commission or the Court or both, he states at lines 8-9 that he is concerned that the rationale provided perhaps did not reflect a full understanding of the issue. Again, on page 44, he expresses his concern that the Court stated that the Commission does not have an acquisition adjustment policy applicable to gas utilities and even so, the Commission clings to the five-factor rationale as policy.

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

A. No, I do not. He is incorrect in his belief that the Court stated that the Commission does not have an acquisition adjustment policy applicable to gas utilities. The Court addressed and specifically rejected OPC's argument that the Commission has a policy applicable to **all** utilities that an intervening acquisition erases any previously approved acquisition adjustment.[1] The Court made no pronouncements regarding the five-factor test. It is abundantly clear that the Commission has a well-defined and long adhered to policy to apply its five-factor test to evaluate an initial acquisition adjustment as well as subsequent evaluations of existing acquisition adjustments.

Q. Even with his misgivings, does Mr. Schultz nevertheless address the five-factor test?

A. Yes, he does. However, his approach is misapplied to the point that it is meaningless.

Q. Please explain.

A. Despite the Court's ruling that a subsequent acquisition does not nullify a previously approved acquisition adjustment, Mr. Schultz opines that a traditional five-factor test analysis should be moot since the acquisition adjustment in question was applicable to a 2007 rate case and has been allowed to continue through multiple subsequent acquisitions without proper justification. (Schultz, pgs. 44-45). He then takes the liberty of applying his own noncompliant approach to conclude that the previously approved 2004 acquisition should be discontinued.

Q. Do you agree with Mr. Schultz's theory that the previously approved 2004 acquisition adjustment has been allowed to continue through multiple subsequent acquisitions without proper justification?

A. I agree that the 2004 acquisition adjustment has been allowed to continue through multiple subsequent acquisitions. However, I adamantly disagree with his assessment that this has happened without proper justification. At every step, whether through a

[1] See, Opinion issued June 4, 2026, in Case No. 2023-0988, *Citizens of the State of Florida v. Florida Public Service Commission* at pages 25-27,

litigated proceeding or by virtue of an approved settlement, the Commission has made adequate assessments based on competent evidence to allow the 2004 acquisition adjustment to continue. To state otherwise is to suggest that the Commission has failed to fulfill its statutorily defined responsibilities. Additionally, the Supreme Court found that the Commission's decision was supported by competent, substantial evidence, specifically rejecting OPC's arguments to the contrary. The Court even went so far as to say that, at least in the gas utilities context, the Commission has a "history of continuing acquisition adjustments." [2]

Q. You earlier described Mr. Schultz's approach as being noncompliant with the traditional five-factor test. What do you mean by this?

A. Under the traditional five-factor test, cost savings are calculated by starting with costs which existed at the time of the initial acquisition and then escalating them year by year for customer growth and inflation. The escalated costs are then compared to current actual or projected costs to determine if savings continue to exist. Positive net savings indicate that the acquisition remains cost effective under the five-factor test.

Q. Is this the approach used by Mr. Schultz?

A. No, it is not. He chooses 2023 as his base, even though the acquisition took place in 2004. He essentially ignores all the intervening years to yield a distorted result. It needs to be emphasized that an appropriate reevaluation of an existing acquisition adjustment needs to account for all the intervening years, not just a chosen few. In essence, Mr. Schultz ignores all the substantial savings that have been achieved for the benefit of customers from the time the acquisition was consummated until the present.

[2] Id. At page 29.

Q. Does FCG Witness Everngam calculate the relevant cost comparisons consistent with the traditional five-factor test?

A. Yes, he does. As shown in his corrected Exhibit ME-3, he begins with the correct base and then escalates it for all the intervening years.

Q. You earlier said that Mr. Schultz ignores the substantial savings that the acquisition has created from the time that it was consummated until the present. Could you please explain this statement?

A. Yes, and the correct place to begin is at the beginning. In its original decision to approve the acquisition by AGL (Order No. PSC-2007-0193-PAA-GU), the Commission identified gross annual savings of $5,080,000, consisting of $4,170,000 of O&M savings, along with financing cost savings of $415,000, and $495,000 associated with the release of excess gas supply capacity. The total gross annual savings of $5,080,000 were then netted against the revenue requirement on the associated unamortized balances and their associated annual amortizations, to result in a net annual savings of $831,361. So, from the outset the Commission determined that the AGL acquisition would save customers over $830,000 annually. This is a significantly large benefit in comparison to an initial acquisition adjustment of $21,656,835. Mr. Schultz's analysis ignores these significant benefits that have accrued to the benefit of customers over the last twenty plus years.

Q. Did the unamortized balances and the annual amortizations calculated by the Commission include only the acquisition adjustment?

A. No, and this is another significant factor. The Commission also included unamortized balances associated with transaction & transition costs and transferred pension obligations. This substantially reduced the initial net annual savings. Had the Commission netted the gross annual savings of $5,080,000 only against the revenue requirements associated with the acquisition adjustment, the net annual savings of the acquisition would have increased to $1,201,484.

Q. Are you suggesting that the Commission erred by including the transaction and transition costs and the pension obligations?

A. No, not at all. I mention it because including those costs in the early years has a significant impact on the early years but yields much greater savings in subsequent years. This is because the transaction and transition costs were amortized over five years and the pension obligations over a period much shorter than thirty years. The Commission estimated that the pension obligations would be fully amortized over 13.3 years. Stated differently, the transaction & transition costs along with the pension obligations have long since been eliminated, allowing even greater net savings to flow to customers from the acquisition adjustment. All else being equal, after the five-year amortization for the transaction and transition costs the annual net savings would have increased to $1,068,674. And after the elimination of the pension obligations, the net annual savings would have increased to $1,201.484.

Q. Was the Commission aware of these impacts when it initially approved the AGL acquisition?

A. Yes, the Commission was fully aware of these dynamics. On page 7 of its Order initially approving the AGL acquisition adjustment the Commission stated: *Because we are approving a 5-year amortization period for transaction and transition costs later in this Order, the transaction and transition costs will be fully amortized by*

November 2009. The pension costs will also be fully amortized over a shorter timeframe than the acquisition adjustment. As the acquisition adjustment and regulatory assets are amortized, the impact will be to increase the net savings, assuming savings in O&M expenses remain unchanged.

Q. You used the phrase *all else being equal*. What do you mean by this?

A. As the Commission noted, it is assumed that the O&M, or Operations and Maintenance, expenses remain the same (except for the impacts of customer growth and inflation). If O&M expenses increase beyond customer growth and inflation, net savings will marginally decrease. Likewise, if O&M expenses decrease relative to customer growth and inflation, net savings will marginally increase.

Q. Do you think this is a reasonable assumption to make?

A. Yes, not only do I consider it reasonable, but I also consider it conservative. I make this judgment for two reasons. First, over the intervening twenty plus years, the Commission has not made a finding that there has been an increase in O&M costs sufficient to discontinue this acquisition adjustment. Second, as Mr. Everngam's revised Exhibit ME-3 shows, O&M costs have decreased significantly relative to customer growth and inflation.

Q. What is your conclusion?

A. I conclude that the AGL acquisition has in the intervening twenty plus years provided significant net benefits for the benefit of customers and that those significant benefits continue to this day. Accordingly, Mr. Schultz's recommendation to discontinue the AGL acquisition adjustment should be rejected.

IV. Rate Case Expense

Q. Does Mr. Schultz recommend disallowances of rate case expense in this proceeding?

A. Yes, he recommends several disallowances for different reasons. Among these, he recommends that an allowance for the cost of preparing, presenting, and defending my testimony be disallowed. He bases his recommendation on his assertion that my testimony is redundant and biased. (Schultz, pg. 111, lines 8-11).

Q. Is your testimony redundant to that of other witnesses?

A. No, it is not redundant. My testimony addresses significant policy matters not addressed by other FCG witnesses. Ironically, it is OPC's own actions that make my testimony necessary. Hopefully, my testimony will assist in the development of an accurate and complete record upon which the Commission may rely to more fully consider and address these significant policy questions.

Q. Please explain.

A. In contesting the continued recognition of FCG's 2004 acquisition adjustment in FCG's last rate case in Docket No. 20220069-GU, it was the OPC that chose to cross industry lines and to argue that two rather innocuous decisions in two Commission decisions applicable to the water and wastewater industry should be interpreted to automatically dissolve the 2004 acquisition adjustment as a matter of policy. OPC argued that, based on this claimed policy, the Commission no longer had the discretion to consider the merits of continuing the 2004 acquisition adjustment. The Commission disagreed and decided to retain the 2004 acquisition adjustment and to retain its discretion to make such determinations.

Q. Did the Commission's decision to retain its discretion resolve the issue?

A. No, it did not. OPC chose to appeal that decision to the Supreme Court of Florida. As I described earlier, the Supreme Court rejected OPC's arguments. However, the Supreme Court's decision came after I filed my direct testimony in this case. Given that there was not yet a decision from the Court, I was tasked with the job to provide testimony to more thoroughly discuss the policy implications of OPC's arguments.

Q. Did the Court's Order finally resolve the issue?

A. One could reasonably conclude that it should have. However, given OPC's further arguments in this case, expressed through the testimony of Mr. Schultz and his new, unsupported approach to calculate net savings from the 2004 acquisition, OPC's continued litigation of this acquisition adjustment has made it necessary for me to also provide this rebuttal testimony.

Q. Is your testimony biased as asserted by Mr. Schultz?

A. No, it is not. Mr. Schultz's claim of bias apparently stems from the fact that I participated as a Commissioner on the two water and wastewater cases I earlier discussed and upon which OPC based its claim of a discontinuance of policy applicable to gas utilities. He offers no other explanation of his assertion of bias as it pertains to my testimony. I can, of course, only speak for myself, but in this context, I find it important and necessary to address Mr. Schultz's concerns. Certainly, I do not perceive my testimony, or my prior decisions as a Commissioner, to reflect inordinate bias beyond personal bias based on belief in my own experience and expertise in regulatory accounting and Commission policy over the past several decades. I also fully recognize and understand that it is OPC's role, as well as that of its hired experts, to test the utility's case and cast doubt upon the assertions of its witnesses. That is completely fair and part of the regulatory compact. However, when it comes to allegations of bias, I feel compelled to provide some measure of a response.

First, all Commissioners take an oath of office in which they swear to be unbiased. So, any decision from the Commission can be presumed to be based on an unbiased evaluation of the record evidence in which all parties are given their due process. This would naturally apply to my participation and vote on the two water and wastewater cases currently at issue. If I was not biased at the time of the vote in those two cases, then I suppose the issue is whether I have now become biased in my post-Commission life.

Certainly, I may reach different conclusions when presented with different sets of facts, but the essence of my understanding and approach to regulatory policy and accounting treatment within the utility regulatory regime remains unchanged. Moreover, with regard to decisions in which I participated, I stand by my assessment of the record and arguments presented, unless and until it can be demonstrated to me that I erred. Again, different sets of facts may require a different result, but to the best of my recollection and ability, I have adhered to, and advocated for, regulatory policies and accounting treatments that are consistent throughout my career. To do otherwise would risk my credibility, which, frankly, I am not willing to do. As such, when discussing decisions in which I participated, my approach is to address them in the same manner I did when I was the decision maker – based upon the facts presented in the record before me. As Warren Buffet said: "*It takes 20 years to build a reputation and five minutes to ruin it.*" Thus, while I am a paid, expert witness in this case, the actual analysis I provide is based upon my expertise, experience, and the information presented to me. My opinions, however, as to the appropriate application of regulatory policy are not for sale.

V. Conclusion

Q. What is your conclusion?

A. I conclude that the 2004 acquisition adjustment continues to provide benefits to customers and should remain in rate base along with its annual amortization. Mr. Schultz's recommendation to the contrary is based on a faulty analysis and should be rejected. I further conclude that there should be no disallowance of the rate case expense allowance for my testimony. Both my direct as well as my rebuttal testimony are not redundant to that of other witnesses.

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 Terry Deason has 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