

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

January 7, 2026

VIA E-PORTAL

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

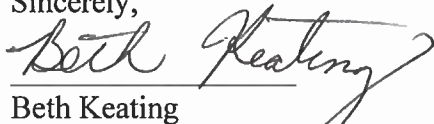
Re: Docket No. 20250035-GU - Petition for approval of 2025 depreciation study and for approval to amortize reserve imbalance, by Florida City Gas.

Dear Mr. Teitzman:

Attached for filing in the above-referenced proceeding, please find Florida City Gas's Post Hearing Statement and Brief.

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
(850) 521-1706

MEK

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Florida City Gas's 2025 Depreciation Study and for Approval to Amortize Reserve Imbalance.) Docket No.: 20250035-GU
)
) Filed: January 7, 2026
)

POST HEARING STATEMENT AND BRIEF OF FLORIDA CITY GAS

In accordance with the Order Establishing Procedure for this Docket, Order No. PSC-2025-0366-PCO-GU, issued October 2, 2025, as amended by Order No. PSC-2025-0428-PCO-GU, issued November 20, 2025, Florida City Gas ("FCG," or "Company") hereby submits this Post Hearing Statement and Brief.

I. Introduction and Background

FCG's last rate case was conducted in Docket No. 20220069-GU and resolved by Commission Order No. PSC-2023-0177-FOF-GU, issued June 9, 2023. Therein, the Commission approved depreciation rates for FCG that were based upon depreciation parameters established for Peoples Gas System ("PGS") in its 2020 base rate case settlement approved by the Commission in Order No. PSC-2020-0485-FOF-GU. Those parameters were then applied to FCG's own assets with the exception of its LNG facility. Approval of these depreciation parameters for FCG resulted in a total reserve imbalance of \$52,126,500, comprised of \$50,813,200 in the Distribution accounts and \$1,313,300 in the General plant accounts. In its decision, the Commission allowed the Company to address \$25 million of that reserve imbalance by implementing a Reserve Surplus Amortization Mechanism ("RSAM"). The Commission directed the Company to retain the remaining surplus on FCG's books and records pending its next depreciation study.

The Office of Public Counsel (“OPC”) filed a Notice of Administrative Appeal of Order No. PSC-2023-0177-FOF-GU on July 7, 2023, as well as the subsequent Clarifying Order issued in the docket. That case remains pending appeal at the Supreme Court in Docket SC2023-0988.

At the end of November 2023, Chesapeake Utilities Corporation (“Chesapeake”) acquired FCG. (TR Vol. 1, pg. 30). While the acquisition offered positive opportunities, FCG was underearning, which meant that the RSAM mechanism created in the last rate case was being drawn down, as designed. As such, immediate planning of FCG’s next rate case was required, which also prompted consideration of the need to do a new separate depreciation study to align FCG’s depreciation accounts with those of other Chesapeake companies. (TR Vol. 1, pp. 116-117).

The Company therefore hired outside consultant, Pat Lee, a leading depreciation expert who has conducted depreciation studies for Chesapeake companies in the past, including Florida Public Utilities Company (“FPUC”). As the depreciation study neared completion, it became apparent that a relatively large reserve imbalance would indeed result. To promptly and efficiently address the shortfall, consistent with past practice, the Company proposed an amortization of the reserve imbalance over two years, which is a more traditional corrective mechanism, accelerated to meet the unique facts of this proceeding. FCG and Chesapeake contend that this corrective proposal is a reasonable and fair resolution, that balances the interests of all parties, particularly since this approach delayed the filing of any rate case beyond 2025, ensuring new final base rates will not go into effect until January 2027 at the earliest. (TR Vol. 1, pp. 70-71).

FCG filed its initial request for approval of its 2025 Depreciation Study (“2025 Study”) on February 24, 2025. On February 26, 2025, OPC filed a Notice of Intervention in this docket pursuant to Section 350.0611, Florida Statutes (F.S.). The following day, OPC filed a Motion to Hold Proceedings in Abeyance, which was denied by Order No. PSC-2025-0102-PCO-GU, issued April 1, 2025. OPC timely filed a Motion for Reconsideration of that Order, along with a Request for Oral Argument. Separately, on June 20, 2025, OPC filed a Motion to Dismiss FCG’s filing on jurisdictional grounds, along with another Request for Oral Argument. The Commission denied both Motions and Requests for Oral Argument by Order No. PSC-2025-0360-PCO-GU, issued September 24, 2025. This matter was ultimately set for hearing on December 11, 2025, by Order PSC-2025-0366-PCO-GU, issued October 2, 2025.

As addressed further herein, OPC contends that the 2025 Study should be rejected and that FCG should be directed to file a new depreciation study with its next base rate case. OPC also argues that the record is insufficient to establish updated depreciation parameters for FCG and that the data upon which the 2025 Study relied is flawed, incomplete, and inconsistent with Rule 25-7.045, F.A.C (the “Rule”) in that there were variances between the data utilized in the 2025 Study and audited data reflected in the Company’s annual report. OPC further argues that the 2025 Study is premature because, under the Rule, FCG was not required to file a new depreciation study until May 2027. OPC also disputes the amount of the reserve imbalance, as well as FCG’s proposal to amortize it over two-years, although its witness, William Dunkel, did not conduct his own analysis to determine what he believed the imbalance should be.

Commission Staff's witness Kunkler also took issue with the lack of an updated historical statistical analysis, as well as the parameters recommended by FCG's witness Lee for certain accounts.

Ultimately, both OPC and Staff's witness Kunkler rely upon arguments that find no basis in the actual provisions of Rule 25-7.045, F.A.C. Likewise, neither provided a credible basis for rejecting the validity and completeness of the 2025 Study, the reasonableness of the depreciation parameters recommended therein, or the validity and reasonableness of the amortization proposal requested for correcting the resulting reserve imbalance.

FCG, on the other hand, has demonstrated that the 2025 Study is based upon appropriate, verified Company data that has been analyzed objectively by a leading depreciation expert. Witness Lee's depreciation study resulted in asset lives, salvage values and life curves that are consistent with the depreciation methodology accepted by both the Commission and the National Association of Regulatory Utility Commissioners ("NARUC"). FCG has likewise provided compelling evidence that its corrective amortization proposal is reasonable, fair, and aligned with prior Commission decisions. Thus, the Commission should approve the 2025 Study as filed for implementation effective January 1, 2025, as well as FCG's proposal to amortize the resulting reserve surplus of \$19.2 million over a period of two years.

II. Standard of Review

In accordance with Section 120.57(1)(j), Florida Statutes, findings of fact must be based upon a preponderance of evidence in the record. Upon appellate review, the Court will review any factual decision by the Commission for competent, substantial evidence and analyze any policy

decision to determine whether the Commission has acted within the scope of authority granted to it by statute.¹

III. Statement of Positions and Argument

FCG's positions and arguments on the issues that remain in dispute following the hearing held on December 11, 2025, are as follows:

ISSUE 1: Should currently prescribed depreciation rates for Florida City Gas be revised?

FCG: * Yes. Given the change in ownership of FCG since its last study and other factors, such as the expansion of the SAFE program, it is necessary to update FCG's depreciation rates. Rule 25-7.045, F.A.C., does not require that a gas utility wait five years between the filing of depreciation studies, nor does it prohibit a gas utility from submitting a depreciation study unless it is part of a full, base rate request and MFRs.*

Argument

1. The requested revision is consistent with Rule 25-7.045, F.A.C.

First and foremost, it is important to recognize that, by the clear language of the Rule, a gas utility is allowed to file a depreciation study in intervals shorter than five years. Rule 25-7.045(4)(a), F.A.C. provides that:

(4)(a) Each company shall file a study for each category of depreciable property for Commission review *at least* once every five years from the submission date of the previous study or pursuant to Commission order and within the time specified in the

¹ Florida Rising, Inc. v. Florida Public Service Commission, 415, So. 3d 135, 140 (Fla. 2025).

order. A utility filing a depreciation study, regardless if a change in rates is being requested or not, shall submit to the Office of Commission Clerk the information required by paragraphs (5)(a) through (g) of this rule in electronic format with formulas intact and unlocked.

[Emphasis added]. The plain language of the Rule states only that a gas utility must file a depreciation study no less than every five years.

In interpreting Commission rules, much like the interpretation of statutes, Florida courts ascribe to the “supremacy-of-the-text principle” which recognizes that “[t]he words of a governing text are of paramount concern, and what they convey, in their context, is what the text means.”² Applying this principle, the use of the phrase “at least” as a modifier of the phrase “once every five years” must be given the clear meaning intended. Thus, the phrase “at least” in the context of the Rule, clearly means that a gas utility must submit a full depreciation study not less than once every five years. Thus, the Rule provides the minimum number of times that a gas utility must file a depreciation study within a 5-year period. It does not, however, establish a maximum number of times within a 5-year period within which a gas utility may file a depreciation study. By the clear language of the Rule, FCG was not barred from submitting more than one depreciation study within a 5-year period.

At hearing, counsel for OPC endeavored to demonstrate that filing more often than the minimum of every five years is unusual or outside the norm. But, again, more frequent filings are not inconsistent with the Rule, which controls here. Witness Lee also explained that the reason the Rule provides only a minimum number of times within which a depreciation study is to ensure that

² Coates v. R.J. Reynolds Tobacco Co., 365 So.3d 353, 354 (Fla. 2023); citing Levy v. Levy, 326 So. 3d 678, 681 (Fla. 2021) (alteration in original) (quoting Page v. Deutsche Bank Tr. Co. Americas, 308 So. 3d 953, 958 (Fla. 2020)).

companies have the opportunity to update depreciation lives and rates when they find it appropriate to do so. (TR Vol. 1, pp. 73-75).

The plain language of the Rule allows a gas utility to file a depreciation study more often than the 5-year minimum. There is no basis in the record to determine that FCG was otherwise precluded from filing its 2025 Study when it did.

2. Changed Circumstances

The Rule requires the inclusion of a general narrative “describing the service environment of the applicant company and the factors, e.g., growth, technology, physical conditions, leading to the present application for a revision in rates.”³ Consistent with the Rule, the 2025 Study includes a detailed narrative that reflects, among other things, the acquisition of FCG by Chesapeake, the review of plant investments, noted reserve and account activity, the discovery of necessary prior period adjustments, new capital improvements, and the desire to promote consistency in amortization periods across all of Chesapeake’s natural gas utility divisions. (Ex. 3, pp. C2-114, 116, 118, 121-122, 127, and 134)⁴. The Company’s narrative fully addresses FCG’s reasons for seeking changes to its depreciation rates and is consistent with the Rule.

In her testimony, Witness Lee provided additional support for the proposed revisions to FCG’s depreciation rates, noting again the acquisition by Chesapeake, as well as changes in net

³ Rule 25-7.045(5)(e), F.A.C.

⁴ For clarity, FCG has, throughout this brief, referenced the page numbers of hearing exhibits based upon pagination in the Commission’s Caselines system, given that the compiled exhibits were not available in the Docket prior to the filing date.

plant. (TR Vol. 1, pp. 30-31). In a discovery response to Commission staff, Witness Lee further explained that:

In 2022, when the last depreciation review was conducted, FCG was owned by FPL. The 2023 purchase of FCG by Chesapeake is a major change since the last case. Investment has grown 14% since the last depreciation review with the reserve decreasing 3%. Moreover, FCG is now operating in a different corporate environment, using the same operational and accounting procedures as other Chesapeake business units. As one would expect, the capital strategy going forward has also changed since the Company's acquisition by Chesapeake, which renders certain aspects of the prior study moot.

(Ex. 27, pg. E20)

Witness Everngam provided additional evidence regarding the changes that prompted the filing of the 2025 Study, addressing proper alignment of FCG's parameters with Chesapeake's other Florida gas utility, Florida Public Utilities Company, enabling Chesapeake to "more effectively evaluate a potential future consolidated depreciation study or rate case." (TR Vol 1, pp. 115-116, 132-133, 149). As Witness Everngam noted, approval of the 2025 Study would also ensure that new capital investments undertaken by FCG since the acquisition by Chesapeake are depreciated based on parameters and rates that more closely align with those of FPUC and other Chesapeake gas utilities. (TR Vol. 1, pg. 116).

Again, as set forth previously herein, the Rule does not require that FCG also explain why it has found it necessary to file more than one depreciation study within a 5-year period. Instead, the Rule requires only that the Company describe the service environment and factors leading to

its requested revision of its depreciation rates and supporting depreciation study, which FCG has done.

The foregoing clearly demonstrates that FCG not only complied with Rule 25-7.045(5)(a), F.A.C., in terms of explaining the events that led to its present application for revisions to its depreciation rates but provided additional testimony addressing the rationale behind the study and the ultimate, longer-term goal of a consolidated Florida gas utility. This is all that is required by the Rule, and FCG has provided the necessary explanation. There is no evidence in this record that would demonstrate otherwise.

3. Filing Not Restricted to Rate Proceedings

OPC's witness Dunkel argued that it would be appropriate to reject the 2025 Study and require FCG to file a new study when it files its upcoming rate case. (TR Vol. 2, pp. 273-274). His rationale, at least in part, is that changes in depreciation rates and any amortizations should only take place at the same time new base rates go into effect, because otherwise ratepayers do not get the immediate benefit on their bill of reduced depreciation expense. (TR Vol. 2, pp. 301-302). The Rule, however, does not restrict the filing of depreciation studies to coincide with a rate case. Instead, the Rule contemplates that filing with a rate case is an option, which also necessitates the filing of the depreciation study with the petitioning utility's Minimum Filing Requirements ("MFRs"). Rule 25-7.045(4)(c), F.A.C.

Moreover, as Witness Lee explained, linking the filing of depreciation studies exclusively to rate cases would discourage more frequent updates and corrections to depreciation rates due to the time commitment and expense of proceeding with a rate case. (TR Vol. 2, 351-353). She

noted that, in states where depreciation studies are linked to rate case proceedings, depreciation rates can go unrevised for as much as 10 years, as was the case with Chesapeake's Delaware division. (TR Vol. 2, pg. 353, lines 4-7). In Florida, where depreciation studies are not linked to rate case proceedings and where utilities are required to file, at a minimum, at defined intervals, the result is depreciation rates that are more accurate and better reflect industry-specific facilities and technology developments. (TR Vol. 2, pg. 353).

OPC's rationale also fails to consider that, as seen in this case, the filing of a depreciation study separate and apart from the rate case can provide cognizable benefits for the utility's customers that they would not otherwise receive if the depreciation study were, instead, delayed and filed in conjunction with a rate case. Specifically, in this instance, the separate filing has delayed a rate case that would have otherwise been filed in 2025. (TR Vol. 1, pg. 129). Given that FCG has been earning below its minimum allowed range and depleting the RSAM reserve created in the last rate case, it is reasonable to surmise that FCG's rates would have increased as a result of any rate case filed in 2025 and will likely be increased in its next rate case. (TR Vol. 1, pg. 129; Ex. 27, pp. E46-E47, E89-E90).⁵

OPC likewise ignores the fact that, if this 2025 Study is rejected and the Commission requires that FCG conduct a new study to be included in the next rate case, the additional expense for conducting a new depreciation study will become part of rate case expense and thereby create upward pressure on base rates. (Ex. 29, pp. E154-155, 160).

⁵ With regard to the depletion of the RSAM, the year-end 2023 return was at the 9.50% midpoint, and the 2024 return was at 9.28%, which is also lower than the 9.50% midpoint, even though FCG used \$3,182,574 of the RSAM mechanism in that year. (Ex 27, E46-E49).

Thus, for these reasons, FCG's 2025 Study should not be rejected simply because it was filed separate and apart from a rate case, nor should FCG be required to file a new study with the MFRs for its next rate case.

ISSUE 2: Based on FCG's 2025 Depreciation Study, what are the appropriate depreciation parameters (e.g., service lives, remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rates for each depreciable plant account?

FCG: * The appropriate depreciation parameters and resulting depreciation rates are those set forth in amended PSL-2 (Ex. 3). Witness Lee analyzed current plant and reserve data, historic average retirement rates for the plant accounts, consulted with FCG field personnel, and reviewed the service lives for similar assets owned by similarly situated, Florida natural gas utilities. The process utilized by Witness Lee resulted in a comprehensive, fully supported depreciation study that should be approved by the Commission. *

Argument

Witness Lee conducted the 2025 Study in accordance with Rule 25-7.045, F.A.C. Consistent with her extensive knowledge and background, she conducted a thorough and complete depreciation analysis that has established appropriate parameters supported by the record of this proceeding. (TR Vol. 1, pp. 28-30). The 2025 Study was based upon the following information provided by FCG to Witness Lee, as well as discussions with Company personnel:

- Aged retirements for each year since the last depreciation study (2021-2024);

- Plant and reserve summaries for each year since the last depreciation study (2021-2024);
- Net salvage for 2004-2024;
- 2025 motor vehicle listing from its fixed asset system;
- 2025 office equipment listing from its fixed asset system;
- 2025 average age calculations;
- Prior period plant and reserve adjustments;
- Historical plant data, average retirement rates, and net salvage; and
- 2022 depreciation study reserve surplus calculation and account allocation.

(TR Vol. 1, pp. 41, 46-47; Vol. 2, pp. 366-367).

Plant and reserve data for the period between FCG's last rate case and Chesapeake's acquisition of FCG was obtained from FCG's prior owner, Florida Power & Light ("FPL"). That data, as well as data from the period following the acquisition was reviewed for any discrepancies. This information, along with more recent data and the range of currently prescribed lives and net salvage values for other Florida gas utilities, was then evaluated to determine the expected future average service life and net salvage. (TR Vol. 1, pp. 46-47; Ex. 27, pp. E10-E11, E15-E17; Ex. 4, pp. E5090-5092). The resulting depreciation parameters, which are appropriate and supported by the record of this proceeding, are those set forth in Witness Lee's 2025 Study for FCG. (TR Vol. 1, pp. 33-34; Ex. 3, pp. C2-116-117, 120).

1. Statistical Analysis Is Not Required

OPC's witness Dunkel and Staff's witness Kunkler both contend that Witness Lee's 2025 Study is incomplete and/or inaccurate because Witness Lee did not conduct an updated statistical

analysis as part of her work. (Vol. 2, pp. 277 – 281; 328-330). This contention is contrary to the Commission’s Rule 25-7.045, F.A.C., and is not supported in the least by the record of this proceeding.

First and foremost, statistical analyses are not required by the Rule. Specifically, Rule 25-7.045 (5), F.A.C. requires the following be addressed and included in a depreciation study:

- (a) A comparison of **current and proposed** depreciation components for each category of depreciable plant.
- (b) A comparison of **current and proposed** annual depreciation rates and expenses.
- (c) Each recovery and amortization schedule currently in effect shall be included with any new filing showing total amount amortized, effective date, length of schedule, annual amount amortized and reason for the schedule.
- (d) A comparison of the accumulated book reserve to the prospective theoretical reserve based on proposed rates and components for each category of depreciable plant to which depreciation rates are to be applied.
- (e) A general narrative describing the service environment of the applicant company and the factors, e.g., growth, technology, physical conditions, leading to the present application for a revision in rates.
- (f) An explanation and justification for each study category of depreciable plant defining the specific factors that justify the life and salvage components and rates being proposed.
- (g) All calculations, analysis and numerical basic data used in the design of the depreciation rate for each category of depreciable plant.

(h) The mortality and salvage data used by the company in the depreciation rate design must agree with activity booked by the utility.

(i) Calculations of depreciation rates using both the whole life technique and the remaining life technique.

[Emphasis added]. While subsection (g) of the Rule does provide that a depreciation study identify any statistical or mathematical methods used, the plain language of this provision does not require that either be used. In fact, the 2022 depreciation study submitted by another Chesapeake subsidiary, Florida Public Utilities Company, did not provide an historical statistical analysis and was not required to do so, as noted at page 18 of the Order by which it was approved, Order No. PSC-2023-0103-FOF-GU, issued in Docket No. 20220067-GU. (TR Vol. 2, pp. 359).

Were the Commission to determine that statistical analyses should be required for all depreciation studies, Witness Lee recommends that the Commission only do so prospectively and initiate rulemaking to amend Rule 25-7.045, F.A.C. (TR Vol. 2, pg. 360). Otherwise, in accordance with Section 120.57(1)(e)1., Florida Statutes, the Commission “may not base agency action that determines the substantial interests of a party on an unadopted rule or a rule that is an invalid exercise of delegated legislative authority.”

While statistical analyses are not required by the Rule, Witness Lee did agree that such analyses can be helpful in certain instances. In others, however, such as the instant case, Witness Lee demonstrated that such analyses provide negligible benefit in the development of forward-looking service lives. Referencing the Public Utility Depreciation Practices Manual (1996) (herein, “the NARUC Manual”), Witness Lee agreed that statistical analysis is a valid tool in depreciation, but not a required one. Instead, Witness Lee emphasizes that the NARUC Manual

cautions against too much reliance upon statistical analyses and mathematical methodology, because it can only be used to help understand the historical lives, which may - or may not – provide reliable information about how the assets’ lives will continue in the future. (TR Vol. 2, pp. 361-363).

Here, Witness Lee observed that reliance upon historical statistical analyses assumes that an asset will continue to “live” as it did in the past, which is an assumption that is not reliable. In fact, Witness Lee noted in response to discovery that it appears that even in FCG’s 2022 Gannett Fleming Study, which included a historical statistical analysis, the witness in that proceeding did not rely on that analysis for several accounts, including Accounts 3762, 378, 379, 3801, and 3802. (TR Vol. 2, pp. 363-366; Ex. 27, pp. E77-E79, E85-E86).

Given the information available from FCG and the retirement rates averaging of less than 1%, Witness Lee appropriately concluded that additional historical statistical analysis would provide little assistance in determining the appropriate future lives and depreciation rates of FCG’s assets. (TR Vol. 2, pp. 362-364). As she stated, “. . . extremely low retirement rates allow for numerous possible curve fits, making reliance on the service lives of other Florida gas companies both necessary and consistent with Commission practice for life projections.” (TR Vol. 2, pp. 363, lines 8-11; Ex. 5). In cases such as this, Witness Lee emphasized that it is important to rely more heavily on information gathered from personnel within the Company that manage the pertinent assets, as well as information gleaned from other Florida utilities, in order to determine the future lives and salvage expectations of the Company’s assets. (TR Vol. 2, pp. 365-366).

As an example, Witness Lee referenced Commission Staff witness Kunkler’s reliance upon the combined life data for the Steel Mains and Plastic Mains account that was present in FCG’s

2022 Gannett Fleming Depreciation Study sponsored by Ned Allis. (Kunkler, TR Vol. 2, pg. 330). The result, as explained by Witness Lee, is a stub curve for these accounts with more than 70% surviving, which Witness Lee notes is a greater survival rate than is considered desirable by the NARUC Manual. This indicates, therefore, that the stub curve developed by Witness Kunkler does not constitute a reasonable fit with accuracy to a complete curve for the account. (Lee, TR Vol. 2, pg. 364).⁶ This result demonstrates that relying upon historical statistical analysis reflecting retirement rates of less than 1% is not a reliable way to develop complete curve shapes with a reasonable fit for accounts. Id.

As for OPC Witness Dunkel's exposition on the impact of retirement rates averaging less than 1%, his arguments offer no substantive basis for reaching a different conclusion. (TR Vol. 2, pp. 279-284; Lee, TR Vol. 2, pp. 361-363). Witness Lee explained that retirement rates averaging less than 1% over the period 2001-2024 is such a minimal level of activity that any statistical analysis results based upon that data would likely not be helpful, but would, instead, be "meaningless" in terms of providing insight into the development of future life expectations. (TR Vol. 1; pg. 47). Witness Dunkel then argued that a retirement rate that averages less than 1% is not meaningless but instead reflects that the asset is living a long life. (TR Vol. 2, pg. 280). He also suggests that, because the NARUC Manual does not specifically state that retirement activity of less than 1% on average is "meaningless," the authors would conclude otherwise. (TR Vol. 2, pp. 281-282). He overlooks, apparently, the fact that Witness Lee co-authored the Manual, and as she has expressed in this proceeding, she does believe that such a minimal level of retirement

⁶ Witness Lee cites to Depreciation Systems, Frank K. Wolf and W. Chester Fitch, Iowa State University Press, 1994, pages 48-50.

activity would render results from a statistical analysis based upon that data of little value. (TR Vol. 1, pp. 29, 69; Vol. 2, ppg. 363-364).

Witness Lee, in fact, agreed that low retirement rates reflect a longer life, which means, as Witness Dunkel also acknowledged, that a wide range of average service lives and curve shapes could fit the data. (TR Vol. 2, pg. 363). This is precisely why Witness Lee argued that when low retirement rates exist, it is important to consider the service lives of other Florida gas utilities in order to determine the most appropriate service lives and curves. Id. Otherwise, as noted herein, reliance solely on historical statistical data, particularly when retirement rates are low, can produce stub curves with more than 50% surviving, or even 70% surviving, which are not considered to provide reasonable fits to complete curves. (TR Vol. 2, pp. 363-364). Witness Dunkel's further "proof" on this point is merely an analogy that offers no real evidence in the record but rather an odd inference that mortality rates in the United States are in some way comparable to a Florida utility's depreciation study. (TR Vol. 2, 283-284).

For all of the above reasons, the Commission should reject any and all assertions that the 2025 Study is lacking or incomplete because a historical statistical analysis was not included.

2. The Study Complies with the Rule

The Commission should also reject Witness Dunkel's baseless claim that the 2025 Study violates Rule 25-7.045, F.A.C., based on differences in the mortality and salvage data used in the 2025 Study when compared those reflected in FCG's annual reports. (TR Vol. 2, pg. 267). In making this assertion, Witness Dunkel entirely ignores the fact that Witness Lee used available

FCG data and supplemented any gaps with peer group data, which the Commission has recognized is a valid practice. (TR Vol. 2, pp. 356-358).⁷

Likewise, Witness Dunkel made misleading comparisons between vintage data and transaction data, while failing to acknowledge that data reflected in an annual report can differ from surviving data for the same vintage. (Lee, TR Vol. 2, pp. 270, 357-358). For instance, Witness Dunkel references an approximately \$5.6 million in additions to the Mains-Steel account in 2021 as reported on FCG's annual status report. (TR Vol. 2, pg. 268). That 2021 transaction year balance was, however, comprised of multiple vintages. As of the date Chesapeake acquired FCG, the 2021 vintage balance was \$381,611. At the end of 2024, the 2021 vintage balance was \$386,460. The difference is \$4,848, for which a reconciling entry was reported in the 2023 annual report transaction total. After the acquisition, Chesapeake booked the \$4,848 adjustment to the 2021 vintage additions in 2024, bringing the 2021 vintage balance at year-end 2024 to \$386,460. (Ex.41, pp. E4914-E4919). Again, as with this example, differences occur because of normal true-ups and late charges associated with a project that can be capitalized in a later accounting period. The subsequent entries are nonetheless valid components of the total capitalized cost. (TR Vol. 2, pp. 357-358).

Moreover, any differences between the data in the annual reports and the 2025 Study were reconciled, fully explained, and determined to be the result of timing differences between actual placement of assets and their recording on FCG's books. (Ex. 43, pp. E5043-5054; Ex. 27, pp. E15-E17). These differences certainly were not "huge" as Witness Dunkel contended. (TR Vol.

⁷ *Citing*, Order NO. PSC-2023-0103-FOF-GU, issued in Docket No. 20220067-GU at page 19, which provides ("Based on the foregoing, along with consideration of our practice of using Florida-based companies for comparison purposes, we are persuaded that witness Lee's proxy group is more appropriate for establishing the ASLs for FPUC's assets. ")

2, pg. 270; and Lee, TR Vol. 2, pg. 355-358; Ex. 24; Ex. 41, pp. E4906-E4907, E4914-E4919, E4924-E4925). Rather, as Witness Lee explained, one key difference Witness Dunkel described as “huge” actually amounted to less than two tenths of a year in the average age. (TR Vol. 2, pg. 412). Notably, the Commission Staff’s witness Kunkler did not raise similar concerns.

At hearing, counsel for OPC demanded to know why FCG had not produced a contract for which payment had been delayed for 3 – 4 years to explain differences between numbers reported in 2021 as compared to 2018. Witness Lee explained that, in her discussions with FCG personnel, she learned that while FCG was owned by FPL, contracts were sometimes not paid and closed out for months, and even years. She noted that she was advised that this is not the case under Chesapeake’s ownership. (TR Vol 2, p. 401-403, 406-407). The actual variances discussed, however, predated Chesapeake’s ownership of FCG. (Vol. 2, TR 399-403; 407-409; Ex. 41).

For these reasons, the Commission should reject OPC’s arguments and find that FCG’s 2025 Study complies with the Rule in all respects. FCG has provided the appropriate explanations, and the data used is consistent with Rule 25-7.045, F.A.C.

3. Calculated Retirement Rate is correct

As for the calculation of retirement rates, OPC’s witness Dunkel is again incorrect. He contends that FCG improperly calculated retirement rates for assets based upon the retirement date and cost of the assets in the same year, when instead the rates should be calculated on amounts of the same age, rather than recorded in the same year. (TR Vol. 2, pp. 284-285). In response, Witness Lee explained that “FCG’s calculation takes the retirements during the year divided by the exposures (plant in service at the end of the years plus the retirements during the year).

Exposures equate to the plant exposed to retirement during the year.” (TR Vol. 2, pg. 366, lines 14-16). As such, she disagreed with Witness Dunkel and further noted that FCG’s calculation is consistent with appropriate depreciation methodology. (TR Vol. 2, pp.366-367).

Witness Dunkel offered only an example to support his assertion regarding the calculation with no further support. Witness Lee however fully explained the calculation and noted that Witness Dunkel apparently misunderstood FCG’s actual calculation, which is consistent with depreciation methodology. The Commission should therefore reject OPC Witness Dunkel’s assertions in this regard as they are not supported by the record.

4. Survivor Curve - Steel Mains (Account 3762)

As for Witness Kunkler’s assertion that the Account 3762: Mains-Steel should have an Iowa Curve of R4, rather than the R2.5 Curve proposed by Witness Lee, Witness Lee demonstrated why her proposed curve for this account was most appropriate. (TR Vol. 2, pp. 330-331; 364, 368-370). OPC Witness Dunkel did not address the curve proposal for this account.⁸

For his analysis of this account, Witness Kunkler relied upon the historical analysis of the combined Steel Mains and Plastic Mains Accounts set forth in FCG’s 2022 Gannett Fleming study filed in Docket No. 20220069-GU.⁹ (TR Vol. 2, pg. 330). Although the curve ultimately approved by the Commission in that prior proceeding was an R1.5 Iowa Curve with a 65-year Average Service Life (“ASL”), Witness Kunkler contended that an R4 Iowa Curve provides a better fit to

⁸ For clarity on this issue, FCG notes that in the prior study, the Steel Mains account was Account 3761 and the Plastic Mains account was Account 3762. In the 2025 Study, the numbering for these accounts is reversed. (Ex. 3, pp. C2-348-C2-349).

⁹ Ex. 23.

the historical data provided in that proceeding, as compared to Witness Lee's proposed R2.5 Curve.¹⁰ (TR Vol. 2, pp. 330-331).

Witness Lee demonstrated however that an R2.5 Curve is more appropriate for this account, because retirements in recent years indicate an increased retirement rate due, in part, to the Company's SAFE program that replaces mains running through rear lot locations with mains running through more accessible areas of the lot. (Ex. 3, pg. C2-126). Witness Lee further explained that the currently prescribed R1.5 curve indicates more retirements than FCG anticipates, whereas the R4 curve reflects relatively few retirements up through age 33, which, consistent with Witness Kunkler's analysis, relies heavily on the historical data. Witness Lee contends that the R4 Curve, however, fails to account for input from Company personnel, who indicate increased expectations for retirement.¹¹ As such, Witness Lee demonstrated that an R2.5 Curve is the better fit for this account based upon an analysis of all of the appropriate data. (TR Vol. 2, pp. 369-370; Ex. 42, pp. E5015-5016).

5. Salvage Parameters

Witness Lee explained that 'net salvage value' means the salvage value of property retired less the cost of removal. 'Net salvage' can be either positive or negative, depending upon whether the salvage value exceeds the removal costs or the removal costs exceed the salvage value proceeds. (TR Vol 1, pg. 37). She further explained that, in the 2025 Study, the proposed depreciation rates reflect the appropriate lives, net salvage values, and theoretical reserves

¹⁰ Order No. PSC-2023-0177-FOF-GU at page 14.

¹¹ Similarly, Witness Lee found a R2.5 curve more appropriate for Plastic Mains than the current R2 curve, because of easier access and retirement of orange pipe under FCG's SAFE program. (E. 42, pg. E5015).

necessary for each account to recover the net investments in the assets over the average remaining life. Id.

While the life parameters are based on the average service life procedure and remaining life technique, Witness Lee explained that for net salvage, a review of historical and the most recent 4-year average was performed. (TR Vol. 1, pg. 39). Overall, FCG maintains that the record supports the salvage parameters reflected in the 2025 Study for each Storage, Distribution, and non-amortizable General Plant account. (TR Vol. 1, pg. 51). For each account, Witness Lee divided the current gross salvage, minus the cost of removal, by the original installed cost of the associated retired assets. She then also applied her experienced judgement in selecting a net salvage factor that best represents the future expectations for each account, which necessitated giving weight to information provided by Company personnel and analysis of historical salvage and removal data, as well as data from other similarly-situated gas utilities, to determine values and trends in net salvage. (TR Vol. 1, pg. 58; Ex. 3, pg. C2-117).

A. Steel Mains

With regard to Steel Mains, Witness Lee explained that, although mains are usually retired in place, there are still costs associated with the retirement of these facilities, because it is necessary to excavate, cut, cap, and purge gas from the retired pipe. Witness Lee noted that the currently approved net salvage is negative 50% and acknowledged that data from the recent 2021-2024 period suggests net salvage is currently averaging negative 64%. Nonetheless, Witness Lee emphasized that removal costs have continued to decrease over time and indications from Company personnel are that these costs should continue to decrease. As such, in the 2025 Study, Witness Lee proposes a negative 40% net salvage for this account, which is consistent with the

average net salvage factor for the other Florida gas utilities. (Ex. 3, pg. C2-126; Ex. 5, pg. C2-373).

Witness Kunkler argued that there is not enough support for FCG's proposed increase in the net salvage for this account, which he contended was not consistent with historical data. (TR Vol. 2, pg. 332). OPC's witness Dunkel also took issue with the proposal to increase the net salvage factor for this account to negative 40%, although his only argument appeared to be that the change should not be approved because it would increase the reserve surplus and was not consistent with the current 5-year average net salvage. (TR Vol. 2, pp. 296-298).

To support his assertion, Witness Dunkel provided a chart that, among other things, presumed to provide the average net salvage for all Florida gas utilities for this account. (TR Vol. 2, pg. 297). His average differed from that reflected by Witness Lee, who obtained her information from pertinent Commission Orders for the other Florida gas utilities. (Ex. 5, pg. C2-373). The basis for Witness Dunkel's average is unclear, but it appears that he weighted his average based on each gas utility's customer count. (Ex. 12, pp. C3-548-549). He offered no rationale for this weighting beyond that addressed below as it pertains to Plastic Services.

Witness Dunkel also complained that the net salvage factors developed by Witness Lee were selected based upon a biased analysis that was designed to increase the reserve surplus. (TR Vol. 2, pg. 276). Witness Lee refuted this contention by emphasizing that she is an outside expert witness and as such, would derive no benefit from the results of the 2025 Study. (TR Vol. 2, pp. 371-372). She noted that her analysis in this regard was conducted in a manner consistent with the procedures outlined in the NARUC Manual. Id.

Witness Lee maintained that, again, both Witness Dunkel and Witness Kunkler relied too heavily on historical data, and in doing so, failed to take into account more current information from Company personnel regarding recent trends. (TR Vol. 2, pp. 372-373; Ex. 30). In comparison, her analysis for FCG relies on multiple data points, including data from Company personnel, as well as data from other Florida gas utilities. She noted that, “[w]hile recent experience from 2020-2024 reflects more negative net salvage than FCG’s recommendations, judgment and SME [Subject Matter Expert] input should be given greater weight than historical averages, particularly given the minimal retirement activity for these accounts.” (TR Vol. 2, pg. 373, lines 13-16).

As it relates to Steel Mains, she emphasized that the trend for net salvage reflects significant improvement in recent years from negative 97% in 2021 to negative 1% in 2024, which is a trend that is expected to continue. This trend is also highlighted by the difference in the 5-year average net salvage for this account reflected in FCG’s 2022 Gannett Fleming Study of negative 199% and the 5-year average reflected in the 2025 Study of negative 73%. (Ex. 23, pg. C4-792; Ex. 3, Sched Q, pg. C4-349). The analyses of both Witnesses Dunkel and Kunkler ignore this trend. (TR Vol. 2, pp. 373-374). The record further reflects that this trend is consistent with the approved net salvage factors for other Florida gas utilities and is indicative of decreasing removal costs associated with more easily accessible facilities. (Ex. 27, pp. E21-E22, E24). For instance, as it pertains to FCG specifically, the record reflects that the costs of removal have decreased due to FCG’s SAFE program, which relocates facilities to more easily accessible locations. As a result, there is less labor and reduced labor costs associated with cutting and capping retired facilities. (Ex. 27, pp. E26-E29; Ex. 30).

Both Witness Kunkler and Witness Dunkel rely solely upon the historical data analysis conducted in the prior rate case. Neither have provided any basis for rejecting Witness Lee's analysis, which utilizes more recent data, information from Company personnel, and estimates of other similarly-situated Florida gas utilities. Witness Kunkler and Witness Dunkel fail to analyze the full scope of data available regarding net salvage for this account and the recent trends. They offer no explanation as to why data other than historical data should be ignored. Witness Lee, on the other hand, offered a reasoned analysis that supports her proposed adjustment to the net salvage factor for this account. FCG asks therefore that the proposed net salvage factor of negative 40% for Steel Mains be approved.

B. Plastic Services

As Witness Lee explained in the narrative portion of the 2025 Study, three accounts showed decreases in depreciation expenses due to expected longer lives, Plastic Services, Meters, and Meters-ERT. (Ex. 3, pg. C2-120 (p. 7)). The Company has 85,724 plastic services, an amount expected to increase faster than steel services, because plastic pipe is used more often than steel, unless steel is absolutely necessary due to pressure requirements. (Ex. 3, pg. C2-128 (pg. 15)). She also noted that retirement rates for this account have historically been low, averaging less than 1% for the 2004-2024 period. The current approved net salvage is negative 68%, but the current average for Florida gas utilities is negative 41%. (Ex. 3, pg. C2-128; Ex. 5, pg. C2-374). As such, Witness Lee proposed an increase to negative 40%.

Witness Kunkler argued that Witness Lee provided an insufficient basis for moving the net salvage factor from negative 68% to negative 40%. (TR Vol. 2, pp. 331-333). He contended that

the historical data does not support the change, and that Witness Lee provided no other basis for making the change. As such, he maintained the salvage factor should remain at negative 68%. Id.

Similarly, OPC's Witness Dunkel argued that the salvage factor should remain at negative 68%. As such, he argued that the average of the net salvage factors for all the Florida gas utilities is negative 67%. (TR Vol. 2, pp. 292-294). Here again, Witness Dunkel arrived at an average for the Florida gas utilities different from the average of negative 41% calculated by Witness Lee. (Ex. 5). As with Steel Mains discussed above, it appears that Witness Dunkel has - without justification - weighted his average based upon customers served by each gas utility.

Specifically, his analysis relied heavily upon PGS net salvage factor of negative 75% because, he argues, PGS serves a substantial portion of Florida's gas utility customers. Therefore, he argued PGS's salvage factor of negative 75% should be weighted accordingly. (TR Vol. 2, 292). He did not, however, provide any references to prior Commission orders or to the NARUC Manual offering any support for his weighted average comparison, which otherwise appears geared solely towards giving the greatest weight to the net salvage factor that is an obvious outlier on the low end of approved net salvage factors. As reflected by Witness Dunkel in his own exhibit, excluding PGS, each of the other Florida gas utilities have approved net salvage factors for this account of negative 30%. (Ex. 12, pg. C3-548).

As with Steel Mains, Witness Lee argued that both Witness Kunkler and Witness Dunkel rely too heavily upon historical data and ignore more recent trends that reflect improvement in net salvage rates. (TR Vol. 2, pp. 372-373). For example, as reflected at page 239 of Schedule Q of Exhibit PSL-2 (Ex. 3, pg. C2-352) and in the excerpt below, the net salvage percentage for the

three-year moving averages of the last five periods clearly reflects a positive trend that is ignored by Witnesses Dunkel and Kunkler:

Account 3801 Services - Plastic (Formally Acct 3802)							
		COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
THREE-YEAR MOVING AVERAGES	REGULAR RETIREMENTS	AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
18-20	37,777	788,241	2087	268	1	-787,973	-2086
19-21	77,147	469,748	609	268	0	-469,481	-609
20-22	144,728	326,048	225	268	0	-325,780	-225
21-23	131,651	269,487	205	0	0	-269,487	-205
22-24	246,006	158,957	65	0	0	-158,957	-65

(Ex. 3, page 239 of 258/ pg. C2-352; *excerpt*) (Emphasis added).

As the record demonstrates, the net salvage parameters proposed by Witness Lee in the 2025 Study are appropriate and the proposed changes are fully supported. Both Witness Kunkler and Witness Dunkel rely solely on historical data and fail to consider the relevance of any of the recent trends or Company input used by Witness Lee, including that the fact that, excluding PGS, the other Florida gas utilities all have a net salvage factor for this account of negative 30%. This includes FCG's sister company FPUC, which, as reflected in Witness Dunkel's testimony, is most

similar to FCG in terms of size. (TR Vol. 2, pp. 287-288).¹² Likewise, contrary to Witness Kunkler's assertion, Witness Lee did provide documentation supporting FCG's claimed future net salvage projection of negative 40 percent. He just failed to consider it. (TR Vol. 2, pg. 333; Vol. 2, pg. 373).

As set forth above, Witness Lee used appropriate data and generally-accepted depreciation methodologies to develop the depreciation parameters set forth in FCG's 2025 Study for all accounts, including Steel Mains and Plastic Services. Simply disagreeing with Witness Lee's outcome does not equate to a demonstration that her analysis is incorrect or flawed. As set forth herein, the record of this proceeding clearly demonstrates that all of the depreciation parameters proposed by Witness Lee are supported and appropriate. The process utilized by Witness Lee resulted in a complete, reliable depreciation study that should be approved by the Commission. FCG respectfully asks that the Commission do so.

ISSUE 3: Based on the application of the depreciation parameters that the Commission has deemed appropriate to FCG's data, and the comparison of the theoretical reserves to the book reserves, what, if any, are the resulting imbalances?

FCG: * The application of the depreciation parameters set forth in the 2025 Depreciation Study results in an imbalance between the theoretical and book reserves in the amount of a \$19.2 million surplus. *

¹² FCG – 125,000 customers; FPUC – 100,000 customers. See also Exhibit 12, pg. C3-548.

Argument

The theoretical reserve reflects the investment in an account if the proposed parameters had always been in effect for the account, while the book reserve reflects what has actually been accrued to date. Thus, when the book reserve and the theoretical reserve match, the Remaining Life of an account matches up with the Whole Life rate. (TR Vol. 1, pg. 52). If they do not match, a Reserve Imbalance is deemed to exist. Such an imbalance can be either a surplus, where the book reserve is more than the theoretical reserve, or a deficit, which indicates the theoretical reserve is greater than the book reserve. (TR Vol. 1, pp. 52-53). For all of the reasons set forth with regard to Issue 2 above, the depreciation parameters set forth in FCG's 2025 Study, as conducted and supported by Witness Lee, are appropriate and supported by the record. When those parameters are applied, the result is a net imbalance between book reserves and theoretical reserves in the amount of \$19.2 million. (TR Vol. 1, pp. 33 and 54).

Witness Dunkel argued that the appropriate amount in the reserve cannot be accurately determined due to variances between amounts reflected in FCG's audited books and the data used in the 2025 Study, but as noted previously, he glosses over the reconciliations provided by the Company. Instead, he makes selective references to FCG's discovery responses to bolster his claim regarding the variances, which he further misrepresents and mislabels as "huge." (TR Vol. 2, pp. 269 and 271).

Witness Lee rebutted Witness Dunkel's claims, explaining that the variances he referenced reflect normal timing differences between asset placement and the recording of post-in-service costs. This is not indicative of an error or noncompliance with the Study, nor does it exemplify a flawed methodology or inaccurate calculations of the age. (TR Vol. 2, pp. 357-358). Witness Lee

further emphasized that FCG provided detailed reconciliations, which confirm that the discrepancies are due to timing with only three instances involving surviving investment figures differing from source documentation, which FCG also explained and corrected in the revised filing. (TR Vol. 2, pp. 356-357). She explained that timing differences between the in-service date and subsequent cost entries are normal and that the subsequent entries still represent valid components. Id.

For further clarity, Witness Lee provided an example of the circumstances in which timing differences might occur. (TR Vol. 2, pg. 358). She also took issue with Witness Dunkel's use of a partial reconciliation schedule for 2021, which Witness Lee argued is misleading and inconsistent with the full reconciliations FCG has provided the record. (TR Vol. 2, pp. 357-358). She therefore submitted the complete reconciliation reports with her rebuttal testimony. (Ex. 24). Additional support for the reconciliations for the accounts associated with Mains Steel, Structures and Improvements, Power Operated Equipment, and Miscellaneous Equipment has also been included in the record. (Ex. 29, pp. E161-E166). One reason for the differences is that SAFE projects were identified separately in the Annual Reports, but were consolidated in the 2025 Study; thus, amounts reflected were consolidated amounts. (Ex. 30, pp. E179-180; Ex. 41).

Thus, again, FCG's proposed depreciation parameters are accurate and supported by the record. They are, in fact, the only parameters supported by the record of this case. The evidence provided by FCG for these parameters is sufficient to meet the standard of review for the Commission's decision in this case. Neither Witness Kunkler nor Witness Dunkel has provided a reasonable basis for rejecting or discounting the analyses set forth in the 2025 Depreciation Study and the parameters proposed therein. As such, the depreciation parameters should be approved,

which results in a net imbalance of \$19.2 million, which is the amount that the Commission should accept.

ISSUE 4: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 3?

FCG: * FCG believes that amortization of the reserve surplus over two years is appropriate in this case. This action will timely correct the reserve imbalance by way of an annual credit to depreciation expense. In this way, the reserve imbalance will be corrected for the current generation of ratepayers, appropriate depreciation rates will be established, which will reduce depreciation expense, and rate base will be corrected in advance of the next rate case. *

Argument

Rule 25-7.045, F.A.C., does not require that a reserve imbalance be addressed, but it is considered desirable to have the book reserve and the calculated theoretical reserve match. (TR Vol. 1, pp. 52-53). Typically, if the imbalance is relatively small, it is addressed by allocation over the remaining life of the plant. Another option for addressing a reserve imbalance is to make transfers between individual accounts, such that surpluses in certain accounts are used to offset deficits in other accounts. In some instances, the better way to address a reserve imbalance is to calculate the bottom-line, total deficits and surplus amounts in all accounts and then amortize the total (net) amount over a shorter period of time. (TR Vol. 1, pg. 54).

In this case, Witness Lee proposed a combination of corrective measures. She recommended a reserve transfer of approximately \$1.18 million from the Steel Mains account, which had a surplus, to the Meter Installations-ERT account, which had a deficit. This transfer, as she noted, brought these two accounts more closely in line with a “theoretically correct” level, meaning that these accounts were closer to having matching book and theoretical reserve levels. (TR Vol. 1, pg. 54; Ex. 3, pg. C2-118). With that transfer made, Witness Lee’s calculations reflected a net remaining imbalance of \$19.2 million. (TR Vol. 1, pp. 54-55; Ex. 3, pp. C2-118-119). Given that the imbalance reflects a surplus, Witness Lee recommends that the net imbalance be amortized over a period of two years, in part, because using the remaining life technique would mean that it would take 43 years to correct the imbalance. It would also result in artificially low depreciation rates for that period of time. (TR Vol 1, pp. 54-55).

1. Amortization of the Reserve Imbalance over less than remaining life is appropriate

As further explained in the 2025 Study, the existence of a reserve imbalance indicates that there are intergenerational inequities in terms of recovery of depreciation expense through base rates. (Ex. 3, pg. C2-118). Correction over a period less than remaining life ensures that the life and salvage values are corrected sooner, rather than later, so that the now misstated values are not perpetuated and the book reserve and theoretical reserve are brought in line as soon as possible, such that, going forward, rates are set on a more accurate basis, based upon more accurate, and in this case lower, depreciation expense. (TR Vol. 1, pp. 54-55; Ex. 3, pp. C2-118-119). As Witness Lee testified and as further set forth in several Commission orders, as well as acknowledgement in the NARUC Manual, amortization of a reserve imbalance over a period less than remaining life

is an acceptable, and in certain circumstances, preferable approach to addressing a reserve imbalance. (Ex. 3, pp. C2-118-119; Ex. 29, pg. E143).

The Commission has acknowledged that the matching principle plays a significant role in determining the best way to resolve reserve imbalances. For instance, in FPL's 2008-2009 rate case and depreciation study, the Commission found that "the matching principle argues for a quick correction of any surplus; the quicker the better so that the ratepayers who may have overpaid would have a chance of benefitting." Order No. PSC-2010-0153-FOF-EI, at page 83. In deciding to amortize a reserve surplus over 4 years, the Commission went on to state that, "This is consistent with our policy with respect to reserve imbalances, which has been to correct them as soon as possible without adversely impacting the company's ability to earn a fair and reasonable return." Order No. PSC-2010-0153-FOF-EI, at page 87. (*See also*, TR Vol. 1, pp. 55-58; Ex. 3, pp. C2-118-119). Similarly, in Order No. PSC-2001-2270-PAA-EI, issued November 19, 2001, in Docket No. 20010669-EI, the Commission stated:

Reserve imbalances are primarily a matter of differences between current and past projections. Such deficiencies should be recovered as fast as possible, unless such recovery prevents a company from earning a fair return on its investments.

Order at pgs. 1-2. (*See also*, Ex. 27, pp. E36-37, and E51).

Over the years, there have been numerous examples in which the Commission has addressed reserve imbalances, either in whole or in part, through amortization of the imbalance amount over less than the remaining life of the account or accounts. For instance, in Order No. PSC-2019-0433-PAA-GU, issued October 22, 2019, in Docket No. 20190056-GU, FPUC's adaptation of vintage year accounting for amortizable general plant accounts resulted in a negative \$1.4 million reserve imbalance. To correct this, the Commission authorized a 5-year amortization

to bring these accounts to their theoretically correct reserve levels. (TR Vol. 1, pp. 55-56; Ex. 29, pp. E141-143; Ex. 44, pp. E5078-5080).

In Order No. PSC-2010-0131-FOF-EI, issued March 5, 2010, in Dockets Nos. 20090079-EI, 20090144-EI, and Docket No. 20090145-EI, the Commission addressed a large reserve surplus for Progress Energy (now, Duke). In considering whether the better approach was to use the remaining life approach or correction over a shorter period of time, the Commission referred to the NARUC Manual and noted that, if a reserve imbalance is material, “common” methods for correcting the imbalance include either amortization over a shortened period of time, or the remaining life approach.¹³ The Commission emphasized, in fact, that amortization is clearly an acceptable means for correcting an imbalance according to the NARUC Manual, in response to arguments to the contrary by Progress’s witness in that case. Order at pg. 46.

The Commission also acknowledged that reducing the reserve surplus would, all else being equal, cause depreciation rates to increase and future revenue requirements to increase. But the Commission also acknowledged that if the reserve surplus were maintained, depreciation rates would remain artificially low, because the existence of the surplus indicates that more than enough has already been recovered under current expectations. The Commission ultimately agreed with OPC’s witness in that case that an imbalance indicates that rate base is misstated and should be corrected. The Commission also acknowledged the arguments of the Florida Retail Federation that correction of a reserve imbalance as quickly as possible is appropriate, as long as it does not impair the company’s ability to earn a fair return, stating that it would also consider any negative impacts that correction of the reserve imbalance would have on the company or its ratepayers,

¹³ The Commission also acknowledged that the NARUC Manual does not define “material”. Order at pg. 46.

including whether the proposed amortization would reduce Progress's cash flow metrics below that required for its then-current investment rating. Order at pg. 51. The Commission then concluded that, in order to correct the reserve imbalance without impairing Progress's cash flow and financial integrity, multiple approaches would be used, including reserve transfers, amortization of a portion of the imbalance over four years, and application of the remaining life approach to the remainder. Order at pg. 52.¹⁴

A mere 12 days later, the Commission issued Order No. PSC-2010-0153-FOF-EI, as previously noted herein, in Dockets Nos. 20080677-EI and 20090130-EI, on March 17, 2010, in which the Commission rejected FPL's request to use the remaining life approach to address a reserve imbalance. Instead, the Commission found:

We agree with OPC's position that intergenerational unfairness already exists, as witnessed by the existence of such a significant reserve imbalance. Therefore, we are of the opinion that amortizing the remainder of the reserve surplus is the most appropriate remedy to eliminate the intergenerational inequity the surplus created.

Order at pg. 87. The Commission then directed the Company to amortize the reserve surplus, which exceeded \$890 million, over a period of four years. In so doing, the Commission found that requiring FPL to do so was consistent with the Commission's policy of addressing reserve imbalances, and that the record clearly reflected that requiring FPL to amortize the imbalance would not impair its ability to earn a fair return. Order at pg. 87.¹⁵

¹⁴ Motions for Reconsideration were subsequently filed, and the case was eventually resolved through Commission approval of a settlement agreement. Order No. PSC-2010-0398-S-EI, issued June 18, 2010. The subsequent order did not vacate the prior and as it pertained to the required amortization of the reserve surplus, simply afforded Progress flexibility to record a depreciation expense credit of up to \$150 million in 2010, up to \$250 million in 2011, and up to any remaining balance of the depreciation theoretical reserve imbalance in 2012. Order at pg. 3.

¹⁵ Motions for Reconsideration were subsequently filed, and the case was eventually resolved through Commission approval of a settlement agreement. Order No. PSC-2011-0089-S-EI, issued February 1, 2011. The subsequent order did not vacate the prior and as it pertained to the required amortization of the reserve surplus, simply afforded FPL flexibility in the amount of the surplus amortization it would record during the 3-year term of the settlement with an earnings range of 9% to 11% ROE. Order at pg. 6.

In the present case, OPC's witness Dunkel does not affirmatively contest that amortization is an acceptable means to correct a reserve imbalance. Instead, he simply argues that the remaining life approach should be utilized. He provides no basis for this, other than a reference to Witness Lee's testimony, wherein she explains that she used the remaining life technique to calculate her proposed depreciation rates.¹⁶ Notably, Witness Lee was not addressing the reserve imbalance in the portion of her testimony referenced by Witness Dunkel. As such, the reason this reference to Witness Lee's testimony supports his rationale using the remaining life approach to address the reserve imbalance is obscure – at best. (TR Vol. 1, pp. 50-51).

Later in her testimony, Witness Lee does explain that, “[i]n a **typical** case, when the difference is not significant, if no corrective action is taken, the imbalance will effectively be allocated over the remaining life of the associated plant.” (TR Vol. 1, pp. 52-53). [Emphasis added]. Thus, the remaining life approach is the equivalent of taking no action and letting the imbalance work itself out over time, which Witness Lee agrees is appropriate for relatively small reserve imbalances. However, she cautioned that if a reserve imbalance is significant, it becomes more important to address the issue proactively. (TR Vol. 1, pg. 53).

Witness Kunkler did not advocate for a specific method for correcting the reserve imbalance. He did, however, testify that, under his parameters, using the remaining life technique to address the imbalance resulted in depreciation expense of \$17,313,823. In contrast, if the imbalance is amortized over 2 years, for that period of time, depreciation expense would be \$14,220,865, and thereafter, would be \$17,600,979. (TR Vol. 2, pg. 335 and Errata, pg. C4-785.)

¹⁶ (TR Vol. 2, pp. 49-50; referencing TR Vol. 1, pg. 50, lines 17-20).

Witness Kunkler's analysis demonstrates, however, that FCG's proposed parameters and amortization provide greater benefits for customers. In his exhibit EAK-4 (Hearing Ex. 22), Witness Kunkler provides a comparison between FCG's proposal and his own proposed parameters, one version with the 2-year amortization applied to his reserve imbalance and one with the remaining life approach applied. As reflected in Witness Kunkler's exhibit, under FCG's proposal, the resulting depreciation expense is \$16,717,751, which is lower than depreciation expense under Witness Kunkler's proposed parameters, regardless of whether the 2-year amortization is applied to his reserve imbalance. Likewise, Witness Kunkler's exhibit reflects that, under FCG's proposal, amortization of the reserve imbalance would further reduce depreciation expense by over \$9 million in FCG's historic test year, which would result in reduced interim rates in the upcoming rate case. (Ex. 22, pg. C4-784-785; Everngam, TR Vol 1, pg. 117). In other words, FCG's proposed parameters and amortization proposal would, at a minimum, provide depreciation expense savings of almost \$600,000 annually over Witness Kunkler's analysis, as well as a much more significant decrease in expense in the historic test year, and thus, lower interim rates. (Ex. 22, pg. C4-784). As such, FCG's parameters and amortization proposal provide significantly greater benefits to customers.¹⁷ (TR Vol. 2, pg. 335; Ex. 22, pg. C4-784-785; and Everngam, TR Vol. 1, pg. 117; Ex. 26; Ex. 27, pg. E57).

As Witness Lee explained, the matter of how a reserve imbalance should be corrected is not a subject of depreciation theory but is instead a policy decision. (TR Vol. 2, pg. 376). She emphasized also that the remaining life technique is an amortization – it just takes place over the

¹⁷ Here, it is worth noting that his analysis also demonstrates the minimal impact on depreciation expense of using the 2-year amortization approach. Comparing Witness Kunkler's parameters only, his exhibit reflects a difference of just \$287,156 in final depreciation expense when the 2-year amortization proposal is applied versus remaining life. (Ex. 22, pg. C4-785).

remaining life of the asset or assets, which tends to be a longer period of time. The policy decision comes down to whether the circumstances warrant amortizing the imbalance over a shorter period of time, which the Commission has ordered in the past. Id. Under the unique facts of this case, with a recent acquisition and clear underearning, the record reflects that a shorter period of two years is warranted in order to more quickly address intergenerational inequities and correct rate base before the next rate case. (TR Vol. 2, pp. 376-377; Everngam, Vol. 1, pg. 117). The record also reflects that amortization over a shorter period of time than remaining life is an acceptable means of addressing a reserve imbalance and is consistent with prior Commission decisions and the NARUC Manual. In fact, as noted herein, in certain cases, OPC has actually advocated for amortization of a reserve imbalance over less than remaining life. As such, FCG asks that the Commission reject suggestions by OPC that FCG's proposal is inconsistent with the NARUC Manual and Commission policy.

2. Balances Needs of Customers and Company Fairly

A. Supports Company Earnings for 2025

As explained by Witness Everngam, the Company had originally hoped that if the Commission approved the Company's 2025 Study and the 2-year amortization of the reserve imbalance, then the Company might be able to further delay its next rate case. Although that is no longer the case, as explained further below, FCG's next rate case has been delayed beyond 2025, which is when FCG would have otherwise filed its next rate case. (TR Vol. 1, pg. 118). Nonetheless, approval of FCG's proposal to amortize the reserve surplus over 2025 and 2026 would still provide a very real benefit to FCG in the form of support for its earnings in 2025. Id. Witness Everngam further emphasized that, "Any impact to earnings would simply allow the

Company a more reasonable opportunity to recover its cost to serve and to earn within its authorized rate of return range. Under FCG's proposal, at no time will the Company earn a return above its authorized, fair rate of return." (TR Vol. 1, pg. 126, lines 9-12).

Witness Dunkel suggested that amortization of the surplus over two years is the same as if a banker pocketed a portion of a customer's deposit, which is misleading. (TR Vol. 2, pg. 302). First and foremost, a depreciation reserve is not a funded account. (TR Vol. 2, pg. 374). The reserve is an accounting mechanism only; thus, no cash, or dividend, can be taken from it and handed out to shareholders. (TR Vol. 2, pg. 374; Everngam, Vol. 1, pg. 125). Instead, the amortization reduces depreciation expense for the Company, which results in the Company being able to reflect earnings that are higher than they would have otherwise been without the amortization. (Lee, TR Vol. 2, pg. 378; Everngam, Vol. 1, pg. 124).

Witness Dunkel also suggested that the existence of a reserve surplus is the same as if a patient overpaid his dentist, in which case the patient would expect either a refund or that the overpayment be applied to his next bill. (TR Vol. 2, pg. 258). Witness Lee clarified, however, that this too is an inaccurate and misleading analogy, because it conflates depreciation accounting with revenue requirement adjustments, which is inconsistent with Rule 25-7.045, F.A.C. (TR Vol. 2, pp. 374-375). As noted above, customers are not paying into a "depreciation fund" from which they might expect to make future withdrawals or receive refunds for overpayments.

Witness Everngam further explained that base rates are calculated based upon several different components, one of which is depreciation expense. No single component is billed individually to customers. (TR Vol. 1, pp. 124-125). He also explained that, as it is, FCG is earning well below the bottom of its authorized ROE range, which is 8.5%. (TR Vol 1, pp. 118,

125, 128, 237; Ex. 31, pg. E230; Ex. 43, pp. E5036-5037, E5040-5041; Ex. 47). Thus, while Witness Dunkel's analogy suggests customers are overpaying for service, they are not. While depreciation expense may currently be higher than it should be, the fact that the Company is underearning indicates that under the currently authorized base rates, the Company is not recovering an adequate amount to provide it with an opportunity to earn a fair and reasonable return. (TR Vol. 1, pg. 117). Moreover, the existence of a reserve surplus indicates that FCG's rate base is understated, which contributes an additional \$1.67 million to FCG's total under-earnings that is not otherwise reflected on surveillance reports. (TR Vol. 1, pp. 117-118, 128). Thus, there is also no double recovery, because amortization of the reserve surplus is the reversal of the over-accrual of depreciation expense, which in turn corrects the otherwise understated rate base, which, in the next case, will provide an opportunity for the Company to earn a return on a more accurate assessment of its investments. (Ex. 29, pp. E146-147).

As for OPC's implication at hearing that FCG is underearning due to the inclusion of the purchase price for FCG from FPL in the Company's earnings surveillance reports, the record does not support this assertion. (TR Vol 1, pp. 173-179). The record instead reflects that the goodwill associated with the purchase price is removed from rate base. (Ex. 33, E257-260).¹⁸ As for OPC's further suggestion that transition costs and other one-time costs are the reason that the RSAM was depleted and FCG is underearning, the discussion of this at hearing was replete with supposition and theories not supported by the record. (Vol. 1, pp. 185-219; Ex. 27, pp. E36-42). Moreover, while these theories may certainly be explored in the future rate case, they have no bearing on this

¹⁸ Similarly, with regard to OPC's apparent suggestion that the Company should, or should have, requested a regulatory asset for transition costs, that argument is not only irrelevant to this case, but contrary to a recent Commission decision indicating that Commission approval is not necessary to establish a regulatory asset. Order No. PSC-2022-0429-PAA-PU, issued December 16, 2022, in Docket No. 20220128-PU, at page 2.

proceeding, the propriety of FCG's 2025 Study, or that fact that FCG is underearning. Even if FCG were recovering the costs discussed, nothing in the record reflects that such costs are not recoverable, nor does the record reflect that such costs are the difference between FCG underearning and earning within its range.

The record does, however, reflect that there were several key factors that did impact FCG's earnings, including: a reduction of \$4.1 million to its Net Operating Income over what was approved in the 2022 rate case; inflation that was actually 4.8% higher than projected in the rate case; and significant increases in property taxes and insurance expenses. (Ex. 27, pg. E37). As such, the Commission should reject OPC's attempt to distract from the essential facts of this case – FCG's 2025 Depreciation Study is reasonable and appropriate, as is its request to amortize the existing reserve imbalance over two years.

B. Delays Rate Increase Without Unduly Impacting Future Rates/Matching Principle

OPC's witness also contends that there are no benefits for customers associated with FCG's proposal. (TR Vol. 2, pp. 259-260). He contends that "removing" the reserve surplus will only result in an increase to rate base, which will push base rates higher. Id. As noted previously herein, increasing rate base is entirely appropriate because the existence of the reserve surplus indicates that FCG's rate base is understated, which also means that investors have made investments in the Company for which they are not receiving an appropriate return, contrary to Witness Dunkel's assertions. (TR Vol. 1, pg. 117).

The record shows that Witness Dunkel is likewise wrong regarding lack of benefits for FCG's customers. First, to the extent that depreciation expense is currently too high, approval of

the 2025 Study is the remedy. The existence of a reserve surplus demonstrates that FCG has accrued more than enough over time. Amortization of the reserve imbalance over two years therefore best aligns with the matching principle, because it ensures that the customers that paid base rates with depreciation expense set too high will receive the benefit of a reduction to this component of rates in the next rate case. (TR Vol. 1, pp. 117-118, 128-130; Vol. 2, pp. 376-377; Ex. 29, pg. E149). FCG also did not file a petition for a rate increase in 2025, which now means that, even though FCG is underearning, its customers will not see a rate increase until 2027, at the earliest. (Everngam, TR Vol 1, pp. 227-228, 232; Ex. 29, pg. E155-159).

Notably, Witness Dunkel relegates to a footnote the facts that: 1. amortization of the reserve surplus will reduce depreciation expense, including in the historic test year for FCG's next rate case; 2. after the imbalance is fully amortized, depreciation expense will still be \$1 million less than it is currently; and 3. using the remaining life approach would not rectify FCG's rate base before its next rate case, and would result in a relatively slight additional reduction to depreciation expense, as discussed earlier herein regarding Staff Witness Kunkler's analysis. (Dunkel, TR Vol. 2, pg. 262; Everngam, Vol. 1, pp. 128-130, 238; Ex. 26; Ex. 27, pg. E55, E88).

As for OPC's suggestion that FCG is "cherry picking" what it likes from FCG's 2022 rate decision and "abandoning" its commitment to the Commission, this is a bit of nonsensical theater that should be disregarded entirely. (TR Vol. 1, pp. 156-158). First, as set forth in Order No. PSC-2023-0177-FOF-GU at page 16, the Commission approved the RSAM mechanism, stating that: "By approving the proposed RSAM, we believe FCG is in the best position to maintain its ROE within the approved range and thus reduce the likelihood of additional rate increases in the near future." [Emphasis added]. The Commission also specifically acknowledged, at page 6, that:

Section 366.06(2), F.S., states that if a utility's rates are insufficient to yield reasonable compensation it may request a proceeding in order for the Commission to determine just and reasonable rates. Likewise, if we find that rates are excessive, we can initiate a proceeding to determine just and reasonable rates. Accordingly, while we have resolved base rate cases in previous years that include multi-year increases to rates, and in settlement agreements we have approved "stay-out" provisions, we continue to recognize our obligation to monitor utility earnings and, if circumstances warrant, require additional proceedings. For these reasons, we acknowledge FCG's commitment while also noting that approval of FCG's plan, either in part or its entirety, **would not prohibit future proceedings on these matters over the next four years.**

[Emphasis added]. (*See also*, Everngam, TR Vol 1, pg. 235). FCG utilized the RSAM as it was approved by the Commission. Furthermore, FCG was not prohibited from seeking rate relief, as the Commission acknowledged that the RSAM would "reduce," but not "eliminate" the likelihood of an increase in the near future. Furthermore, as the 2022 Order also reflects, the "four year rate plan" contemplated that new rates would not go into effect before January 1, 2027. Order at page 6. Consistent with that, the record of this case reflects that final base rates set for FCG in its next rate case will likely not go into effect until January 1, 2027, or after. (Ex. 29, pg. E151).

ISSUE 5: What should be the implementation date for revised depreciation rates and amortization schedules?

FCG: * The appropriate implementation date is January 1, 2025. All data contained in FCG's depreciation study matches that date. *

Argument

The record reflects that the appropriate implementation date for the depreciation rates set forth in FCG's Study is January 1, 2025. The 2025 Study is based upon data as of January 1, 2025. (TR Vol. 1, pg. 33, 38-41, 42, 49, 51, and 54; Ex. 3, pp. C2-114-117).

Any delay in the implementation, for instance, to January 1, 2026, would delay the appropriate depreciation expense treatment for plant accounts and could result in the further growth of the existing reserve imbalance. It could also have a negative impact to customers in terms of depreciation rates in the Company's next rate case. Moreover, delayed implementation would necessitate updates to the current study based on the Rule, which would entail additional costs. (Ex. 29, pp. E153-155).

Likewise, OPC's witness Dunkel's suggestion that FCG should be required to file an entirely new study with its next rate case is inconsistent with Commission policy and would only serve to inflate rate case expense in the next rate case. (Lee, TR Vol. 2, pg. 358; Ex. 27, pg. E91; Ex. 29, pp. E153-155). This was emphasized at hearing when counsel for OPC, on cross-examination of Witness Lee, highlighted the challenges of conducting a depreciation study, namely that conducting a new depreciation study is time-consuming and expensive, and it also involves taking company personnel away from their day-to-day tasks of running the Company for interviews with the depreciation expert. (TR Vol. 1, pp. 74-78).

Deferring and consolidating a depreciation study with the next rate case would necessitate an update of FCG's depreciation study, including investment, reserve, and net salvage activity for each account. Current customers would continue to pay for a higher level of depreciation expense

through existing base rates pending the outcome of the new study. The reserve imbalance would likely continue to grow during this time. It is also likely that maintaining the currently higher depreciation rates and delayed correction of the reserve imbalance would have an adverse impact on interim rates for customers in the next rate case, assuming FCG seeks implementation of interim rates. Moreover, the further delay to correct these intergenerational inequities, the more future ratepayers will pay. (Ex. 29, pp. E153-155). With regard to the reserve imbalance, FCG would also remain unable to earn within its authorized range. (Ex. 29, E160).

The only implementation date fully supported by the record in this case is the implementation date upon which the FCG Study is based, which is January 1, 2025. FCG asks, therefore, that the Commission approve the Study effective as of that date.

ISSUE 6: Should the current amortization of investment tax credits (ITCs) and flow back of excess deferred income taxes (EDITs) be revised to reflect the approved depreciation rates and amortization schedules?

FCG: * If the Commission approves the 2025 Depreciation Study, the flow back of excess deferred income taxes should be revised to reflect the depreciation rates and amortization schedules ultimately approved by the Commission in this proceeding. Currently, however, FCG does not have any investment tax credits.*

Argument

The Company agrees that, if the Commission approves changing the remaining lives of depreciable property, it would also be necessary to change the amortization of ITCs and EDITs to avoid conflict with provisions of the Internal Revenue Code and the Tax Cuts and Jobs Act. The flow back of excess deferred income taxes should be revised to reflect the depreciation rates and amortization schedules ultimately approved by the Commission in this proceeding. However, the record reflects that, at this time, FCG does not have any investment tax credits. (Ex. 28, pp. E109-E111).

ISSUE 7: Should this docket be closed?

FCG: * Upon approval of the 2025 Depreciation Study submitted by FCG in this proceeding, this docket should be closed once the time for filing an appeal has run. *

IV. Conclusion

Both OPC and Commission Staff's witnesses have argued that the 2025 Study is incomplete because it does not include a statistical analysis. Both, however, ignore the fact that the Commission's Rule on depreciation studies for gas utilities, Rule 25-7.045, F.A.C. ("Rule"), does not require that a statistical analysis be conducted as part of a depreciation study.

OPC also argued that the record is insufficient to establish updated depreciation parameters for FCG and that the data upon which the 2025 Study was based was flawed, incomplete, and

inconsistent with the Rule. Again, as the record reflects and as further set forth herein, the 2025 Study is consistent with the Rule, and as such, complete.

OPC further argued that the 2025 Study is premature because, under the Rule, FCG was not required to file a new depreciation study until May 2027. The Rule, however, clearly expresses only a maximum time frame between the filing of depreciation studies by gas utilities and, in accordance with the plain language of the Rule, does not prohibit the filing of depreciation studies more frequently.

As for the \$19.2 million reserve imbalance reflected in the 2025 Study and FCG's proposal to amortize that imbalance over two years, OPC's arguments are entirely short-sighted and overlook the benefits that implementation of this corrective measure would have for FCG and for its ratepayers - both now and in the next rate case. OPC's proposed resolution offers no benefits and would result in: a. the continued decline of FCG's earnings; b. additional, substantial costs to conduct a new depreciation study to accompany FCG's upcoming rate case; and c. retention of depreciation rates that are too high.

Ultimately, both OPC's and Staff's witnesses rely upon arguments that find no basis in the provisions of Rule 25-7.045, F.A.C. Likewise, neither has offered credible evidence that the 2025 Study is flawed or incomplete, that the depreciation parameters recommended therein are unreasonable, or that the amortization proposal requested for correcting the resulting reserve imbalance is unwarranted or unreasonable.

FCG, on the other hand, has provided compelling evidence that the 2025 Study is consistent with the Rule and with prior Commission decisions addressing depreciation studies. FCG has also

demonstrated that the 2025 Study is based upon appropriate, verified Company data analyzed by an accomplished depreciation expert that resulted in asset lives, salvage values and life curves that are consistent with depreciation methodology accepted by both the Commission and NARUC. FCG has likewise provided compelling evidence that its corrective amortization proposal is reasonable, fair, and aligned with prior Commission decisions. Implementation of that proposal will make appropriate corrections to FCG's depreciation expense and rate base that improve the accuracy of FCG's upcoming rate case and thereby contribute to the development of fair, just and reasonable rates for FCG's customers, while also allowing FCG to earn closer to the bottom of its approved earnings range for 2025. The preponderance of the evidence in this proceeding supports FCG's 2025 Study and its request to amortize the resulting reserve imbalance.

Thus, for all the reasons set forth herein and supported by the record of this case, FCG respectfully requests that the Commission approve FCG's 2025 Depreciation Study and allow FCG to amortize the resulting \$19.2 million reserve surplus over a period of two years.

Respectfully submitted this 7th day of January, 2026.

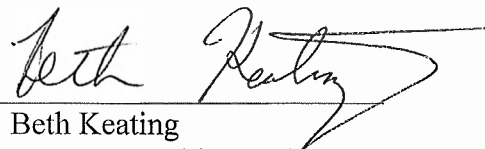
By: 
Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe Street, Suite 601
Tallahassee, FL 32301-1804
(850) 521-1706
bkeating@gunster.com
For Florida City Gas

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida City Gas's Post Hearing Statement and Brief has been furnished by Electronic Mail to the following parties of record this 7th day of January, 2026:

Walter Trierweiler Mary Wessling Charles Rehwinkel Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 <u>co</u> <u>Wessling.mary@leg.state.fl.us</u> <u>Rehwinkel.charles@leg.state.fl.us</u>	Jacob Imig Timothy Sparks Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 <u>jimig@psc.state.fl.us</u> <u>tsparks@psc.state.fl.us</u>
Matt Everngam 208 Wildlight Avenue Yulee, FL 32097 <u>meverngam@chpk.com</u>	Joanah Baugh Michelle D. Napier 1635 Meathe Drive West Palm Beach FL 33411 (561) 838-1712 <u>jbaugh@fpuc.com</u> <u>mnapiers@fpuc.com</u>

By:



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