BEFORE THE

DELAWARE PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

ROBERT J. CAPKO

TIDEWATER UTILITIES, INC.

EXHIBIT T-5

November 2026

EXHIBIT T-5

Q. Please state your name and business address.

A. Robert J. Capko. My business address is: 485C Route 1 South, Suite 400, Iselin, New Jersey 08830.

Q. By whom are you employed and in what capacity?

A. Since 2009, I have been employed with Middlesex Water Company ("Middlesex") as Corporate Controller. Between 2009 through 2019 and again beginning in May 2026, I was and have been Controller of Middlesex's wholly-owned subsidiary, Tidewater Utilities, Inc. ("Tidewater" or "Company"). From 2019 through May 2026, I was the Treasurer of Tidewater.

Q. Please summarize your educational background and other qualifications.

A. I graduated from Rutgers University with a Bachelor of Science in Accounting in 1997. Prior to joining Middlesex, I was an Audit Senior Manager at Deloitte & Touche LLP in their Energy and Public Utilities Group, with a focus on publicly traded regulated utilities, including Middlesex. My overall responsibilities include accounting, taxes, payroll, internal and external financial reporting, external audit coordination, and financial enterprise resource planning system management, implementation and upgrade. My responsibilities also include assisting with cash management, budget and forecasting, financing programs, and regulatory and rate case filings.

Q. BEFORE WHAT REGULATORY AGENCIES HAVE YOU PREVIOUSLY PRESENTED TESTIMONY?

A. I have previously submitted testimony in base rate proceedings before the Delaware Public Service Commission (the "DEPSC") and the New Jersey Board of Public Utilities.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to describe certain Minimum Filing Requirement ("MFR") schedules for which I am the sponsoring witness and provide further discussion on certain operating expenses included in those schedules.

Q. PLEASE DESCRIBE MFR 5.3.1 SCHEDULE 3B.

A. Schedule 3B lists the major categories of Operation & Maintenance Expenses and references the relevant support schedules where the underlying detail is presented. The Schedule shows the expenses for the Test Year and the Test Period.

MFR 5.3.2 Schedules 3B-2, 3B-3, 3B-4 and3B-5 have been sponsored by, and will be discussed in the testimony of Mr. Bruce Patrick.

MFR 5.3.2 Schedule 3B-1, Labor - Labor expense was developed starting with the salaries of Tidewater's active positions on September 30, 2026. A projected 2027 average wage increase of 4.0% is anticipated to be approved by December 31, 2026 and will be updated when finalized and approved. The 2027 wage increase and scheduled progression increases for certain positions were annualized to derive Test Period labor. Overtime was calculated utilizing Test Year information increased by the aforementioned expected 4.0% average wage increase to arrive at the Test Period overtime labor. Average labor costs capitalized and net Tidewater operations labor billed to affiliated companies for the twelve months ended September 30, 2026 were projected at 27.4% and 2.24%, respectively, using Test Year capitalization and allocation percentages and were subtracted from Test Period labor. Annual salaries of currently open positions expected to be backfilled by the end of

the Test Period were included in total Test Period labor. There are no new positions included in Test Period labor.

MFR 5.3.2 Schedule 3B-6 - Customer Record and Collection Expenses - This Schedule details the elements of customer service expenses such as call center allocated labor, postage, billing and lockbox services. Middlesex provides customer call center and billing services on behalf of Tidewater. To the extent possible, specifically identified costs are charged to identifiable entities. However, the majority of call center and billing services costs are homogeneous and cannot be specifically identified and attributed to one specific entity. Because of this homogenous nature, costs such as for the Middlesex central call center labor (Line 1) are allocated by Middlesex to all of its affiliates based on customer count. Line 1 has been adjusted to reflect the impact of anticipated wage increases. Postage and lockbox costs (lines 2 and 4, respectively) are based on the number of customer mailings and payments. Line 3 costs are for the fees charged by an outside service to print our customer invoices, prepare and insert the invoices into the envelopes and mail the invoices to our customers.

MFR 5.3.2 Schedule 3B-7 - Uncollectibles - This schedule indicates actual test year bad debt expense, adjusted on a percentage basis for the rate increase. This adjustment on a percentage basis reflects the fact that a rate increase will result in higher receivables and therefore, in turn, higher uncollectibles and does not reflect a significant cost increase in bad debt expense.

MFR 5.3.2 Schedule 3B-8 - Outside Services - This schedule lists the various outside services costs. Line 1 represents charges from Middlesex to Tidewater for services provided by Middlesex employees to Tidewater, based upon a three-factor cost allocation

methodology. These services are provided pursuant to a Service Agreement dated November 15, 2013 for supervisory, technical and clerical personnel services and can include, but are not limited to, the following: accounting, administration, communications, corporate, engineering, financial, human resources, information services, metereading, operations, rates and revenue, risk management and water quality. The Test Period expense was determined using Test Year information increased by the aforementioned expected 4.0% average wage increase to arrive at the Test Period allocated labor.

As part of the last review by DEPSC Staff of services provided to Tidewater by Middlesex (PSC Docket No. 10-247), the three-factor cost allocation methodology was reviewed and discussed and no objections were raised.

The three-factor overhead cost allocation is intended to reflect a pro-rata share of indirect expenses associated with employees who provide specific services to affiliate companies and other applicable expenses that are not specifically identifiable by entity. The purpose, design and structure of the three-factor allocation process is to insure indirect costs are fully allocated to and recovered from the appropriate entity receiving those services. Three factors (revenues, net assets and payroll) are used in calculating allocations.

Line 2 represents overhead allocation charges to Tidewater from Middlesex based on the three-factor cost allocation methodology. Overhead expenses can include but are not limited to audit and accounting fees, employee benefits, property and payroll taxes, utilities, information technology, insurance, lease payments, depreciation, maintenance, safety, training, and other costs associated with building space and equipment not otherwise charged directly to affiliate companies..

Line 3 represents overhead allocation charges from Tidewater to affiliates based on the three-factor cost allocation methodology for costs for shared service Administrative support and Tidewater labor costs for shared service Information Technology support.

Line 5 indicates projected Test Period legal fees that are ongoing in nature, although for different matters.

Line 6 reflects the cost of a separate independent audit report for Tidewater as required by Tidewater's lenders.

Line 7 represents consulting and other costs, comprised primarily of Engineering and Human Resources consulting services.

Q. PLEASE DESCRIBE MFR 5.3.2 SCHEDULES 3B-9 THROUGH 14.

A. MFR 5.3.2 Schedule 3B-9 – Property and Liability Insurance – This schedule shows the detail of each type of insurance, a general description of the coverage and the current premium. All insurance coverage is procured by Middlesex and allocated to the affiliated companies based on the three-factor formula except for auto insurance, which is allocated based on the subsidiaries' number of vehicles.

MFR 5.3.2 Schedule 3B-10 – Employee Pensions and Benefits – This schedule details the cost of health, welfare and retirement benefits provided to Tidewater employees and retirees. The amounts in the Test Period column, Lines 1 and 2, represent the annualized cost, assuming a certain percentage increase, upon renewal of the insurance policies. As the renewal dates approach, the actual premium rates will be available and incorporated into an update to the Test Period. The 401(K) Plan expenses (Line 4) for matching contributions are expected to change accordingly as wage levels change. Therefore, the 401(K) Plan expense has been annualized, assuming a certain percentage

increase, as a function of the wage increase percentage projected to be granted in the Test Period. The Test Period amounts for Postretirement Benefits (Line 5) and Pensions (Line 6) are based on projections for each respective retirement plan valuation as of January 1, 2026, for the twelve months ended June 30, 2027. Statutorily, all Employee Retirement Income Security Act qualifying plans typically are required to prepare their valuation using assumptions in place on the first day of the fiscal year of the Plan Sponsor to determine the plan cost for the coming year. The 2027 valuation is expected to be completed by February 29, 2027 and will be provided to the parties in this matter when available.

MFR 5.3.2 Schedule 3 B-11/MFR 5.3.12 Schedule 3H - Regulatory Commission Expense - This schedule details the estimated cost of this rate proceeding, based on the assumption that this proceeding will be fully litigated. If it appears that this rate case will be settled, these expenses will be updated to reflect the projected cost of a settled case. The schedule was also prepared to be in compliance with the MFR, indicating the cost of our last prior rate case in 2024.

MFR 5.3.2 Schedule 3B-12 – Other Operation and Maintenance Expenses – This schedule lists, by DEPSC account number, all Operation and Maintenance Expenses not specifically addressed in Schedule 3B-2 to 3B-11, Schedule 3C or Schedule 3H.

MFR 5.3.2 Schedule 3B-13 - Interest on Customer Deposits - Interest on Customer Deposits is included as an Operation and Maintenance Expense.

Q. **PLEASE DESCRIBE THE OTHER SCHEDULES THAT YOU ARE SPONSORING.**

A. Schedules 3C, 3D, 3E, 3F, 3G, 3I and 3P - MFRs - This information has been supplied on these schedules in compliance with the MFR. On Schedule 3G, the lobbying portion of

the National Association of Water Company dues is recorded in Other Income and Deductions, "below the line" and thus not included in Test Period Operations and Maintenance Expense.

MFR 5.3.14.2 Schedule 3J – Current Federal and State Income Taxes - This schedule calculates Current Federal and State Income Taxes for the Test Period at present and proposed rates. In arriving at the Company's Current Federal and State tax expense, taxable income has been calculated by deducting from Operating Revenues the following: Operation and Maintenance Expenses, Depreciation, Taxes Other Than Income Taxes, and State Income Taxes for calculating Federal Income Taxes, and Interest Charges calculated by utilizing interest synchronization. The calculation of interest synchronization is shown on the bottom of Schedule 3J whereby, the interest for tax purposes is calculated by using the Rate Base from Schedule 2, multiplied by the weighted cost of debt from the Rate of Return Calculation found on Schedule 4.

In addition to the above, Line 10 includes "Amortization of 2017 TCJA Regulatory Liability", which was established in Tidewater's last base rate case (DEPSC Docket No. 24-0991, DEPSC Order No. 10768).

Tidewater is included in the consolidated federal income tax return filed by Middlesex. Each member of the consolidated group is responsible for its own income tax liability and the respective share is recorded by journal entry on a monthly basis.

MFR 5.3.14.2 Schedule 3K – Deferred Federal and State Income Taxes - This schedule calculates Deferred Federal and State Income Taxes for the Test Period at present and proposed rates. The deferred income taxes calculated and recorded by Tidewater primarily result from the accelerated treatment of the recovery of capital investment in

long-lived assets as allowed under the Internal Revenue Service Code and Regulations (collectively, the "Code") compared to financial and regulatory requirements. In order for a regulated public utility to properly elect an accelerated method of tax depreciation for its utility plant, which currently is the Modified Accelerated Cost Recovery System ("MACRS"), it must calculate and reflect deferred income taxes in its rate base in accordance with the Code. Deferred income taxes on sales or retirements of utility plant, including cost of removal and sales proceeds, must also be calculated and recorded in accordance with the Code in order to continue to utilize MACRS.

MFR 5.3.14.7 Schedule 3M - Taxes Other Than Income Taxes - This schedule details payroll taxes, real estate taxes, other taxes and the DEPSC Assessment for the Test Year and the Test Period. The payroll taxes were calculated utilizing the Test Year and Test Period labor developed on Schedule 3B-1 for the current applicable taxable bases and tax rates. The real estate taxes shown on this schedule represent the assessed taxes from 2026 and will be updated upon receipt of the current year assessment notices. Tidewater pays to the DEPSC an assessment of $.004 per million gallons of gross intrastate operating revenues.

Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

A. Yes, it does.