

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval to establish new regulatory subaccounts, amortization rates, and reclassification of associated investment and reserve balances, by Florida Public Utilities Company.

DOCKET NO. 20240060-GU  
ORDER NO. PSC-2024-0366-PAA-GU  
ISSUED: August 19, 2024

The following Commissioners participated in the disposition of this matter:

MIKE LA ROSA, Chairman  
ART GRAHAM  
GARY F. CLARK  
ANDREW GILES FAY  
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING FLORIDA PUBLIC UTILITIES COMPANY'S  
REGULATORY SUBACCOUNTS, AMORTIZATION RATES AND  
RECLASSIFICATION OF ASSOCIATED INVESTMENTS  
AND RESERVE BALANCES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

BACKGROUND

On April 11, 2024, Florida Public Utilities Company (FPUC or Company) filed a Petition for approval to establish new regulatory subaccounts, amortization rates, and reclassification of associated investment and reserve balances (Petition). The Company's request is in accordance with Rules 25-7.045(2)(a), F.A.C., which provides that "[n]o utility shall change any existing depreciation rate or initiate any new depreciation rate without prior Commission approval;" and Rule 25-7.045(3)(b), F.A.C., which requires that: "[u]pon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category."

Pursuant to Rule 25-7.045(3)(a), F.A.C., gas utilities are required to maintain depreciation rates and accumulated depreciation reserves in accounts or subaccounts in accordance with the Uniform System of Accounts (USOA) for Public Utilities and Licensees, as found in the Code of Federal Regulations,<sup>1</sup> which is incorporated by reference in Rule 25-7.014(1), F.A.C.

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<sup>1</sup> Code of Federal Regulations, Title 18, Subchapter C, Part 101, for Major Utilities, as revised April 1, 2013.

All of FPUC's capitalized software is currently recorded in amortizable Account 3914 – Computer Software with a 10-year amortization period, which is a subaccount of Account 391 – Office Furniture and Equipment. FPUC states that Account 3914 includes both general purpose and customized application software. After a review of its various software, the Company determined that the more appropriate classification of certain customized software investments that are currently recorded in Account 3914 is a classification as intangible plant. With this determination, FPUC filed the instant Petition for approval to establish a new Account 3031 – Miscellaneous Intangible Plant - 15 Years, as a subaccount for FERC Account 3030 – Miscellaneous Intangibles and, as implied in the account name, proposes using a 15-year amortization period for the new account.

The Company requests that the January 1, 2024 investment and reserve balances associated with the existing software customized for the sole use of FPUC's operations be reclassified from Account 3914 to Account 3031, and the associated net plant balance be amortized over 15 years. FPUC has proposed an effective date of January 1, 2024, for commencement of the new subaccount, amortization periods, and transfers of investment and reserve from Accounts 3914 to 3031. Further, FPUC petitioned to establish a new Account 3032 – Miscellaneous Intangible Plant with a 20-year amortization period, also as a subaccount of FERC Account 3030, for recording the Company's new software applications, including the Customer Information and Billing System and the Enterprise Resource Planning system. FPUC has also requested a January 1, 2024 effective date for the new Account 3032.

We have jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

### DECISION

#### New regulatory subaccounts

Currently, FPUC records its capitalized software in the amortizable Account 3914 – Computer Software, which is a subaccount of Account 391 – Office Furniture and Equipment, with an approved 10-year amortization period (resulting in an annual amortization rate of 10.0 percent). This subaccount includes both general purpose and customized application software. After a review of its various types of software systems/platforms, FPUC determined that it would be more appropriate to reclassify certain highly customized software systems/platforms as intangible plant and record them in a new subaccount for FERC Account 3030 - Miscellaneous Intangibles.<sup>2</sup> Hence, FPUC has petitioned us for approval to establish a new Account 3031 – Miscellaneous Intangible Plant - 15 Years and to change the existing 10-year amortization period to a 15-year amortization period (or an annual amortization rate of 6.7 percent) for the reclassified customized software systems/platforms.

There are four types of customized software systems/platforms that FPUC intends to reclassify as intangible plant and include in Account 3031:

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<sup>2</sup> The Code of Federal Regulations, Title 18, Subchapter C, Part 101, Account 303 regarding Miscellaneous Intangible Plant states “[this account] shall include the cost of patent rights, licenses, privileges, and other intangible property necessary or valuable in the conduct of utility operations and not specifically chargeable to any other account.”

- (1) The ArcGIS Enterprise Geographic Information System (GIS), which is a spatial system that manages and maps Florida's natural gas assets (i.e., pipeline, valves, stations, etc.) along with all relative data. It also organizes and shares GIS data within the Company. This system has been in-service for about 10 years.
- (2) The Convergence Gas Tracking System (GTS), which is a customized cloud-based software application used to manage the Company's natural gas transportation and customer choice programs. Placed in-service in 2020, this system provides enhanced tracking, accounting, and billing features for natural gas transportation and customer choice programs and streamlines business processes with improved operational communications.
- (3) PowerPlan, which is a cloud-based fixed asset solution placed in service in 2020. It houses FPUC's Capital Project Management that includes capital month end closing, Asset Depreciation, Lease Asset Management, Property Tax, and Tax Provisions.
- (4) Utilities International (UI), which is the budgeting and forecasting solution that was implemented in 2016 and is still in service.

FPUC explained that these software systems/platforms were purchased, then significantly modified by its parent company, Chesapeake Utilities Corporation (CUC), for the sole use of CUC's business entities to conduct and streamline utility operations. Each business unit is allocated a share of the total software costs.<sup>3</sup> We agree with the Company that, given the amount of internal development involved with these software systems/platforms and their intended CUC-specific applications, it is appropriate to reclassify them as intangible assets and record them in a new Account 3031 – Miscellaneous Intangible Plant.

As of December 31, 2023, FPUC's respective amount of plant investment and amortization reserve of the Account 3914 was \$7,029,521 and \$3,347,879.<sup>4</sup> Of these amounts, FPUC's total plant and reserve balance associated with the aforementioned four types of customized software systems/platforms was \$2,657,582 and \$745,627, respectively.<sup>5</sup> FPUC requests the reclassification of these customized software-related plant and reserve amounts from Account 3914 to Account 3031 and amortization of the unrecovered balance over 15 years, effective January 1, 2024, should the establishment of the new account be approved.

FPUC explained that it proposed a 15-year amortization period (or an annual amortization rate of 6.7 percent) based on the age and/or years in service of the existing software that will be recorded in Account 3031.<sup>6</sup> The Company also pointed out that the life span of these software-related investments has normally exceeded the existing 10-year amortization period established for Account 3914 - Software. We agree with FPUC that using a 15-year amortization period will better align the investments with their expected benefit period, given the current age of this software and how long the previously installed software was in service. FPUC's proposed

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<sup>3</sup> Document No. 04345-2024, FPUC's Response to Staff's Second Data Request, No. 1.

<sup>4</sup> Petition, paragraph (4).

<sup>5</sup> Petition, paragraphs (8).

<sup>6</sup> Document No. 04170-2024, FPUC's Response to Staff's First Data Request, No. 2.b.

amortization period/rate is in line with our prior orders which authorize a 15-year amortization period for miscellaneous intangible plant accounts.<sup>7</sup>

In its Petition, FPUC further claimed that using a 15-year, instead of a 10-year, amortization period for these software systems/platforms will provide the benefit of decreasing the revenue requirement when the Company’s base rates are next set.<sup>8</sup> The associated annual amortization expenses for these investments will decrease by almost \$88,000, as reflected in Table 1 below:

Plant Investment (\$)	Current			Proposed			Difference
	Account	Amortization Rate (%)	Annual Expense (\$)	Account	Amortization Rate (%)	Annual Expense (\$)	Change in Expense (\$)
(1)	(2)	(3)	(4)=(1)*(3)	(5)	(6)	(7)=(1)*(6)	(8)=(7)-(4)
2,657,582	3914 - Software	10.0	265,758	3031-Intangibles	6.7	178,058	(87,700)

Data Source: Petition, paragraph (9).

In its Petition, FPUC acknowledged that its parent company, CUC, is in the process of consolidating the various customer billing and management system platforms of its divisions in Florida, Delaware, and Maryland into one platform.<sup>9</sup> Initially, FPUC indicated that the Customer Information and Billing System (CIS) and Enterprise Resource Planning system (ERP) are expected to be operational in 2025 and 2026, respectively. However, the Company now has advised that CIS is scheduled to go live in 2024.<sup>10</sup>

FPUC explained the potential functions and advantages of the CIS and ERP, including the fact that both of them are cloud-based and will continuously be updated and maintained:<sup>11</sup>

CIS will be capable of providing enhanced accounting tools, cross-functional communication, data tracking and analyses, and other business processes in the areas of customer service, billing and information, financial performance, supply chain/inventory, human resources, and asset management. Additionally, it will provide a more flexible platform for enhancing the customer experience with a new set of customer service and communication tools.

ERP is a type of business management software that includes procurement, cash management, and the general ledger in an integrated system. [Its benefits] include improved reporting; increased productivity, efficiency, and integration of information; faster responses to inquiries and better customer satisfaction;

<sup>7</sup> Order Nos. PSC-2023-0384-PAA-EI, issued December 21, 2023, in Docket No. 20230079-EI, *In re: Petition for approval of 2023 depreciation study by Florida Public Utilities Company*; PSC-2021-0202A-AS-EI, issued June 28, 2021, in Docket No.20210026-EI, *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC.*; PSC-2021-0423-S-EI, issued November 10, 2021, in Docket No. 20200264, *In re: Petition for approval of 2020 depreciation and dismantlement study and capital recovery schedules, by Tampa Electric Company.*

<sup>8</sup> Petition, paragraphs (9).

<sup>9</sup> Petition, paragraphs (11).

<sup>10</sup> Document No. 04170-2024, FPUC’s Response to Staff’s First Data Request, No. 1.b.

<sup>11</sup> Petition, paragraphs (5).

standardization and centralization of data that is secure and reliable; reduced processing time; better decision making and higher return on investment; and better communication and increased sharing of information across different departments.

The estimate of FPUC's portion of the costs associated with these two new software systems is approximately \$20 million. The allocations of the CIS and ERP-related costs will be based on the number of customers and a multi-factors Distrigas allocation method, respectively.<sup>12</sup>

To record the plant investment associated with the CIS and ERP, FPUC has requested to establish a new subaccount of FERC Account 3030 – Miscellaneous Intangibles, Account 3032 – Miscellaneous Intangibles; and proposed a 20-year amortization period resulting in an annual amortization rate of 5.0 percent. FPUC's existing software systems being replaced by the CIS and ERP have been in service for more than 20 years, which indicates that these types of software investments are likely to have a much longer useful period of service.<sup>13</sup>

We find that FPUC's proposed Account 3032 with a 20-year amortization period (amortization rate of 5.0 percent) is reasonable. This plant asset classification and the associated amortization rate are consistent with our prior orders.<sup>14</sup>

For the reasons outlined in this analysis, we approve FPUC's petition for establishing two new subaccounts for FERC Account 3030 – Miscellaneous Intangibles: Account 3031 – Miscellaneous Intangible Plant - 15 Years, with a 15-year amortization period (annual amortization rate of 6.7 percent), and Account 3032 – Miscellaneous Intangible Plant - 20 Years, with a 20-year amortization period (annual amortization rate of 0.5 percent). Further, we approve FPUC's request to reclassify its customized software systems/platforms-related plant and reserve, in the amounts of \$2,657,582 and \$745,627, respectively, from Account 3914 to the new Account 3031.

#### Effective date

Depreciation and/or Amortization is the recovery of invested capital representing equipment that is providing service to the public. This recovery is designed to take place over the related period of service to the public, which begins with the equipment's in-service date.

If new subaccounts are approved, FPUC's customized software systems/platforms that are currently booked in Account 391, with a 10-year amortization period, would be reclassified to new Account 3031, with a 15-year amortization period. Also, based on such approval, the amortization of the unrecovered balance of these systems/platforms would take place in Account 3031. FPUC has proposed January 1, 2024, as the effective date for the new Account 3031 and the reclassification of the customized software from Account 3941 to Account 3031. We find that the Company's proposal is appropriate as it is in line with the purpose of the amortization.

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<sup>12</sup> Details of the method is provided in Document No. 04345-2024, FPUC's Response to Staff's Second Data Request, No. 2.a.

<sup>13</sup> Document No. 04345-2024, FPUC's Response to Staff's Second Data Request, No.3.b.

<sup>14</sup> Order No. PSC-2023-0384-PAA-EI; and Order No. PSC-2020-0489-PAA-GU, issued December 11, 2020, in Docket No. 20200191-GU, *In re: Petition for approval of amortization rate for Starnik customer information system and other software accounting adjustments, by Florida City Gas.*

If new subaccounts are approved, FPUC's new software systems CIS and ERP would be recorded in new Account 3032 – Miscellaneous Intangible, with a 20-year amortization period. FPUC has stated that CIS and ERP will be placed in-service in 2024 and 2026, respectively.<sup>15</sup> The Company has also stated that it incurred \$7.8 million in costs related to the CIS project, which are currently reflected on CUC's Account 1070 - Construction Work in Progress, and that no costs have been incurred for ERP to date.<sup>16</sup> To promote a smooth and efficient accounting process, we approve of January 1, 2024, as the effective date for the new Account 3032, so that the CIS and ERP software-related plant can be appropriately recorded and amortized after these plant items are placed in-service.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Public Utilities Company's request to establish two subaccounts is approved: Account 3031 – Miscellaneous Intangible Plant – 15 Years, with an annual amortization rate of 6.7 percent resulting from the 15-year amortization, for reclassifying certain existing customized software, and Account 3032 – Miscellaneous Intangible Plant – 20 years, with an annual amortization rate of 5.0 percent resulting from the 20-year amortization period, for recording specified new customer billing and business management software. It is further

ORDERED that January 1, 2024 is the effective date for the new Accounts 3031 and 3032, as well as the reclassification of the customized software from Account 3914 to new Account 3031. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Order, this docket shall be closed upon the issuance of a Consummating Order.

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<sup>15</sup> Document 04170-02024, FPUC's Response to Staff's First Data Request, No. 1.b.

<sup>16</sup> Document 04345-2024, FPUC's Response to Staff's Second Data Request, No. 2.b.

By ORDER of the Florida Public Service Commission this 19th day of August, 2024.



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ADAM J. FEITZMAN

Commission Clerk

Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 9, 2024.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.