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September 6, 2023

BY E-PORTAL

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


Docket No: 20230079-EI - Petition for approval of 2023 depreciation study by Florida Public Utilities Company.

Dear Mr. Teitzman:

Attached for electronic filing, please find Florida Public Utilities Company's Responses to Staff's First Data Requests in the above-referenced docket.

As always, thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,


Beth Keating
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215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Attachment

**Florida Public Utilities Company – Electric Division
Responses to Staff's First Data Request**

1. Please refer to FPUC's 2023 Depreciation Study, Exhibit A, and clarify whether Account 303.1 – Miscellaneous Intangible Plant – 15 Yrs is both a jurisdictional and an amortizable depreciation account.

Company's Response:

Pursuant to Sections 350.115¹, Florida Statutes (F.S.) and Rule 25-6.0436(3)(a)² and (3)(b)³, Florida Administrative Code (F.A.C.), the Commission has jurisdiction over proposed Account 303.1 – Miscellaneous Intangible Plant – 15 Yrs and the account is amortizable. FPUC's current procedure is to capitalize both general purpose and customized application software in Account 391.4 – Computer Software and amortize the balance on a straight-line basis over a period of five years. In this study, FPUC is seeking to establish a new account (Account 303.1 – Miscellaneous Intangible Plant) with a 15-year amortization period to transfer the costs of custom software. Each custom application software is developed/modified solely to meet the internal needs of the Company and will have a service life that exceeds the current five-year amortization period set for Account 391.4. The software costs are intangible assets and a reclassification to Account 303 would be in accordance with the Uniform System of Accounts⁴.

2. FPUC's Petition for Approval of 2023 Depreciation Study, page 3, indicates that the Company is "asking to establish a new subaccount 303.2 with a 20-year amortization period for its CIS system." Please clarify, with explanation, whether the requested subaccount 303.2 – Miscellaneous Intangible Plant - 20 Yrs is both a jurisdictional and an amortizable depreciation account.

Company's Response:

Please see Response 1 above. However, in this instance, the Company is seeking to establish Account 3032 – Miscellaneous Intangible Plant – CIS with a 20-year amortization period to record the new CIS system. Furthermore, the Commission approved the establishment of a new Miscellaneous Intangible Plant subaccount, Account 303.5 – Capitalization of Software, with a 20-year amortization period for Gulf Power Company's Customer Account

¹ Section 350.115 states "The commission may prescribe by rule uniform systems and classifications of accounts for each type of regulated company and approve or establish adequate, fair, and reasonable depreciation rates and charges."

² Rule 25-6.0436(3)(a), F.A.C. states "Each utility shall maintain depreciation rates and accumulated depreciation reserves in accounts or subaccounts in accordance with the Uniform System of Accounts for Public Utilities and Licensees as found in the Code of Federal Regulations, Title 18, Subchapter C, Part 101, for Major Utilities as revised April 1, 2013, which is incorporated by reference in Rule 25-6.014, F.A.C. Utilities may maintain further sub-categorization."

³ Rule 25-6.0436(3)(b), F.A.C. states "Upon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category."

⁴ Code of Federal Regulations, Title 18, Subchapter C, Part 101, Account 303 Miscellaneous Intangible Plant states "A. 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."

Management System in Order No. PSC-2020-0210-PAA-EI, issued June 25, 2020 of Docket No. 20200059-EI.

3. Please refer to FPUC's 2023 Depreciation Study, page 21, the second paragraph, for the questions below:
 - a. Please elaborate on "the amount of FPUC customization associated with OMS, PowerPlan, and UI Ph3."
 - b. Please explain in detail "how other Florida utilities treat software systems."

Company's Response:

- a. These custom software solutions are tailored to the specific needs of the organization and offer greater automation, functionality and flexibility than the past legacy software solutions. They are not ready-made general-purpose software solutions intended for a broad range of customers. Instead, each system goes through the software implementation process of planning, process and solution design, integration, configuration and customization, and software training and testing to arrive at the custom software.
 - b. The following dockets/orders illustrate how other Florida utilities have approved treatment of software systems:
 - Duke Energy Florida – Order PSC-2021-0202A-AS-EI, page 221, Amortization periods of 5 years, 10 years, and 15 years for Miscellaneous Intangible Plant.
 - Florida City Gas (FCG) – Order PSC-2020-0489-PAA-GU – Approved amortization of customer information system (CIS) software over a period of 20 years. The FCG Order also noted that, in Docket No. 20120015-EI, Florida Power & Light proposed a 20-year life for its newly implemented general ledger accounting system "to more closely align with the period in which customers would experience the benefit of the system." The settlement approved in Docket No. 20120015-EI recognized a 20-year life. (See footnote 5 on page 3 of the FCG Order.)
 - Gulf Power Company – Order No. PSC-2020-0210-PAA-EI – A separate subaccount within Account 303 for Customer Account Management System Software was approved with an amortization period of 20 years.
 - Tampa Electric Company (TECO)– Order No. PSC-2021-0423-S-EI, issued November 10, 2021, page 79, Miscellaneous Intangible Non-Solar Software amortized over 15 years and Miscellaneous Intangible Solar Software amortized over 30 years. It is FPUC's understanding that the non-solar software is primarily related to such software as PowerPlan, CIS, GIS, SAP (See TECO's response to Staff's First Data Request, No. 5 in Docket No. 20200065-EI).
4. Referring to FPUC's 2023 Depreciation Study, page 21, the last paragraph, please explain in detail why the proposed new subaccount 303.2 should be amortized over a period of 20 years.

Company's Response:

As stated in the same referenced paragraph, "FPUC believes this amortization period is reasonable given that the existing system has been in service since 2000". The proposed period is based on judgement and believed to be a much more prudent amortization period compared to the 5 years previously used, especially given that the existing CIS system will have been operational for more than 20 years at the time of replacement. Consideration was given to the period of time the Company believes the asset will provide most of its services to customers (estimated useful life of the asset), the amortization period and service lives used by other Florida companies, and the actual service life of the CIS system currently in place. Additionally, a 20-year amortization was approved for Gulf Power's Customer Account Management System in Order No. PSC-2020-0210-PAA-EI, issued June 25, 2020, of Docket No. 20200059-EI. For more references to other Florida companies considered, refer to the response to 3(b) above.

5. Please refer to FPUC's 2023 Depreciation Study, filed June 26, 2023. The asterisks below the table on page 20 reference the amortization for Miscellaneous Tangible Assets being addressed in a revenue rate proceeding. Please specify which rate proceeding is being referenced on this page.

Company's Response:

Account 399 - Miscellaneous Tangible Assets has no asset balance and there is no current rate proceeding to determine a new amortization period for this account. The notation below the table on page 20 of FPUC's 2023 Depreciation Study referencing the amortization for Miscellaneous Tangible Assets being addressed in a revenue proceeding is a misstatement. Account 399 was established for 2004 training programs developed specifically for FPUC in the amount of \$10,000. This investment is fully amortized and an adjustment has been made to the Study reflecting the retirement.

6. Please refer to the Excel spreadsheet titled, "2023 Florida Electric Depreciation Study Workbook 6-25-23." On Tab Exh I, cells F48, F73, and F93 reference a "Variance." Please explain in detail the "Variance" referenced in those three cells.

Company's Response:

These variances represent subaccount adjustments needed to reflect the current vehicle fleet owned and operated by the Company. During the study, the general ledger detail and fixed asset reports for all transportation subaccounts were reviewed for accuracy. All misclassified entries were reclassified between the transportation subaccounts and duplicated or unsupported entries were excluded from the study.