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May 29, 2024

E-Portal

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

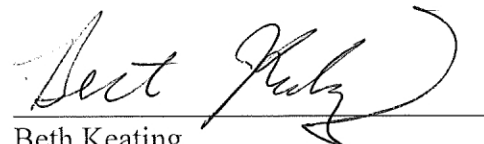
Re: Docket No. 20240060 -GU - Petition for approval to establish new regulatory subaccounts, amortization rates, and reclassification of associated investment and reserve balances, by Florida Public Utilities Company.

Dear Mr. Teitzman:

Attached for filing in the above-referenced docket, please find the responses of Florida Public Utilities Company to Staff's Second Data Requests to the Company.

Thank you for your assistance with this filing.

Kind regards,



Beth Keating
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Enclosure

Docket No. 20240060 -GU - Petition for approval to establish new regulatory subaccounts, amortization rates, and reclassification of associated investment and reserve balances, by Florida Public Utilities Company.

FPUC's Response to Staff's Second Data Request

1. Please refer to the “Petition for Approval to Establish New Regulatory Subaccounts, Amortization Rates, and Reclassification of Associated Investment and Reserve Balances by Florida Public Utilities Company” (Petition) filed in the instant docket, paragraphs (4) and (9). Please explain why the plant investment of customized application software (GIS, GTS, PowerPlan and UI software systems/platform), currently in Account 3914, is “more appropriately classified as intangible plant.”

Company Responses:

These software applications were purchased and significantly modified by the 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. Given the amount of internal development involved with these software applications, compared to purchased software like Adobe, these applications are most appropriate for this category and should be transferred to 3031 Miscellaneous Intangibles – 15 Yrs. The 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.”

2. Please refer to the Petition, Paragraph (11) for the questions below:
 - a. Please explain the “Distrigas allocation method.”
 - b. Have any of the CIS- and ERP-related costs been incurred yet? If so, please identify the amounts incurred so far and explain how these expenses were recorded.
 - c. Paragraph (7) of the Petition indicates that FPUC proposed an effective date of January 1, 2024, for commencing its requested Account 3032 and the associated amortization period. Paragraph (11) of the Petition indicates that the plants to be recorded in the account “are expected to operational in 2025 and 2026, respectively.” Assuming the establishment of Account 3032 is approved, what detriment, if any, could result from establishing an effective date of January 1, 2025 for this new account with its amortization period?

Company Responses:

- a. The Distringas allocation methodology uses various factors such as revenues before interest and taxes (or operating income), gross plant and direct labor (payroll), etc. by which to allocate indirect costs between FERC accounts, departments, etc.
 - b. FPUC's Natural Gas division has incurred \$7.8 Million in costs related to the CIS project. The project costs are currently reflected on CUC's Account 1070 - Construction Work in Progress. To date, no costs have been incurred for ERP.
 - c. As stated in FPUC's Response to Staff's First Data Request response 1b, the in-service date for the new CIS application has changed from 2025 to 2024. Should an effective date of January 1, 2025, be implemented, the recovery of the Company's investments in 2024 would be understated and expenses would not be recognized in the accounting period incurred.
3. Please refer to the Petition, Paragraph (12) for the questions below:
- a. Please identify the "existing systems."
 - b. This paragraph reads "FPUC believes a 20-year amortization period is reasonable given that the existing systems have been in service since 2000." Since the requested Account 3032 is for recording new software systems/platforms CIS and ERP, please explain why this new account's service life should be affected by the existing systems' service life.

Company Responses:

- a. The existing systems being replaced by the new CIS and ERP systems are Vertex ECIS and Epicor eBackoffice, respectively.
- b. Account 3032 – Misc. Intangible Plant – 20 years will include investments that will replace existing systems with a 10 year amortization period. The existing systems were placed in service in 2000 and are still in-service. This indicates that these types of software investments are likely to have a much longer useful period of service. In addition, the Commission has approved a 20 -year amortization period for FPUC – Electric division, for the same type of software, via Order No. PSC-2023-0384-PAA-EI, pages 4-5. Based on these facts, the Company proposed a 20 year amortization period for the new account.

4. Please refer to the Petition, Paragraphs (4) and (11) for the questions below:
 - a. Please identify the name, in-service date, as well as the depreciation/amortization account of the existing software System/platform which FPUC is using to perform the Customer Information and Billing function.
 - b. Regarding the existing software discussed in Question 4.a. above, how will the unrecovered investment balance be treated after the new CIS is placed in-service in 2025?
 - c. Please identify the name, in-service date, as well as the depreciation/amortization account of the existing software System/platform which FPUC is using to perform the Resource Planning function including procurement, cash management, and the general ledger.
 - d. Regarding the existing software discussed in Question 4.c. above, how will the unrecovered investment balance be treated after the new ERP is placed in-service in 2026?

Company Responses:

- a. Vertex ECIS was placed in-service in 2000 in Account 3914.
- b. ECIS is still in use by the Company. Its base system cost is fully recovered and has been retired from the company's books. The only remaining costs are residual system update costs, which will remain in Account 3914 and retire at the end of the its 10-year amortization period. This will allow the Company to fully recover all investment costs.
- c. Epicor Backoffice was placed in-service in 2000 in Account 3914.
- d. Epicor is still in use by the Company. It's fully recovered and has been retired from the Company's books.