

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of amortization rate
for customer account management system, by
Gulf Power Company.

DOCKET NO. 20200059-EI
ORDER NO. PSC-2020-0210-PAA-EI
ISSUED: June 25, 2020

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
JULIE I. BROWN
DONALD J. POLMANN
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING AMORTIZATION RATE FOR GULF
POWER COMPANY'S CUSTOMER ACCOUNT SYSTEM

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 February 24, 2020, Gulf Power Company (Gulf or Company) filed a request for approval of amortization rate for its Customer Account Management System (Petition). The Company's request is in accordance with Section 366.04, Florida Statutes (F.S.), and Rule 25-6.0436(3)(a) and 25-6.0436(3)(b), F.A.C.

Pursuant to Rule 25-6.0436(3)(a), F.A.C., electric utilities are required to 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, which is incorporated by reference in Rule 25-6.014(1), F.A.C.¹ Rule 25-6.0436(3)(a), F.A.C., 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.

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

In its Petition, Gulf explains that its former billing system, referred to as Customer Service System (CSS), is owned by Southern Company, and could only be used by Gulf through the end of 2020. Gulf further explained that a new billing system, the Customer Account Management System (CAMS), replaced the CSS.

Gulf successfully instituted a partial roll-out of the new CAMS during the fourth quarter of 2019. The Company completed the full implementation of the CAMS on February 24, 2020. The current net book value on Gulf's books for the CSS is \$0.

We have jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, F.S.

Decision

Gulf states that the CAMS software directly facilitates a wide variety of customer service interactions. According to the Company, these customer service interactions include customer billing, maintaining an online application, and a mobile application for customers to manage accounts. Additionally, CAMS includes an option for starting and stopping service, as well as an interactive phone system with digital self-service options. The estimated total capital cost associated with the CAMS software is \$92 million.

Amortization Rate

In response to Commission Staff's First Data Request, Gulf stated that the CAMS software is currently recorded in Account 303, Miscellaneous Intangible Plant. This account has an approved amortization period of seven years. The Company is requesting authorization to establish a sub-account within Account 303, specifically for the CAMS software. The sub-account for the new CAMS software is Account 303.5 – Capitalization of Software.

The Company also is requesting to extend the amortization period in this CAMS-specific sub-account from seven to 20 years. In addition to the Company's request that we approve a 20-year average service life (ASL), Gulf is requesting approval of a zero percent net salvage level (NS) for depreciating its CAMS software. An annual depreciation rate of 5 percent is computed by using these parameters.² The Company makes clear in its petition that the proposed 20-year ASL or amortization period is for accounting purposes only and will have no impact on consumer base rates during the current settlement term, approved by Order No. PSC-2017-0178-S-EI.³

To support its proposed 20-year ASL, Gulf explained that its former billing system, CSS, was placed into service in the late 1990s, and was still being used in 2020. In addition, the Company stated its "request for a 20-year amortization period is well supported by both Gulf Power and industry experience."

²Rules 25-6.0436(1)(e) and 25-6.0436(1)(m), F.A.C., specify our depreciation rate formulae and methodologies.

³Order No. PSC-2017-0178-S-EI, issued May 16, 2017, in Docket No. 20160186-EI, *In re: Petition for rate increase by Gulf Power Company*; Docket No. 20160170-EI *In re: Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company*.

In its Petition, Gulf referenced Docket 20120015-EI, in which Florida Power & Light Company (FPL) requested to extend the depreciable life of its newly implemented general ledger accounting system, SAP,⁴ from five to 20 years, in order to more closely align with the period in which customers would experience the benefit of the system. We approved a settlement in that docket which, although not precedential, recognized a depreciable life of 20 years for the SAP system.⁵ Similar to both the CSS and the SAP depreciable life extension, the CAMS software is expected to provide service to Gulf's customers for approximately 20 years.

Gulf states that the underlying software for CAMS is SAP's S4 system, which includes an ongoing maintenance contract with Gulf's parent company, NextEra Energy. Additionally, Gulf states that NextEra Energy has worked with SAP for more than 15 years, and has had no significant interruptions of service. Gulf believes that the proposed 20-year ASL for the CAMS software will allow accounting consistency between FPL and Gulf.

Given the circumstances presented by Gulf and based on the above analysis, we find that a 20-year life is a more accurate reflection of the expected service life of the CAMS software, and will result in a more accurate depreciation expense. On these same bases, we find an annual depreciation rate of 5 percent appropriate and reasonable for the new CAMS software, applicable to Gulf's newly-established sub-account, Account 303.5 – Capitalization of Software.

Implementation Date

Gulf filed its Petition on February 24, 2020. Gulf explained in a response to Commission staff's data request that it also began recording depreciation expense related to the CAMS system that same month. The goal of depreciation expense is to match the expense with the useful life of the asset. Accordingly, we find it appropriate to allow Gulf to implement the new amortization rate as of February 24, 2020, in order for the Company to record the appropriate amortization expense.

Accounting Adjustments

Gulf stated that it placed \$71.9 million related to CAMS software into Account 303 Miscellaneous Intangible Plant. The Company further explained that it began recording depreciation expense based on the previously approved 7-year life. The resulting depreciation expense of \$428,000 and \$856,000 was recorded in February and March 2020, respectively.

In its Petition, Gulf requested that the new 20-year amortization rate be implemented retroactively to the filing date of this Petition. Gulf explained that if we approve the requested 20-year rate in the instant case, it would reverse the depreciation expense. Gulf further explained that this reversal would be accomplished by crediting Account 404 - Amortization of limited

⁴The SAP general ledger accounting system is produced by the enterprise software company of the same name, SAP.

⁵Order No. PSC-2013-0023-S-EI, issued January 14, 2013, in Docket No. 20120015-EI, *In re: Petition for increase in rates by Florida Power & Light Company*, p. 21.

term Electric Plant, and debiting Account 111 - Accumulated Provision for Amortization of Electric Utility Plant for the amounts previously recorded at the 7-year rate, and recording the appropriate expense at the newly approved 20-year rate. The Company stated that if the new 20-year rate was approved in June of 2020, these adjustments would total \$1.9 million. No transfers between accounts would be necessary.

We find Gulf's request to make these adjustments appropriate because, as discussed above, the 20-year rate more accurately reflects the useful life of the CAMS system and, therefore, results in a more accurate and appropriate depreciation expense. We authorize Gulf to make the appropriate accounting adjustments reflecting the requested 20-year amortization rate.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's request for approval of amortization rate for its Customer Account Management System is approved with an implementation date of February 24, 2020. It is further

ORDERED that Gulf shall utilize a 20-year service life for CAMS and an annual depreciation rate of 5 percent, applicable to Gulf's newly-established sub-account, Account 303.5 – Capitalization of Software. It is further

ORDERED that Gulf is authorized to make appropriate accounting adjustments reflecting the 20-year amortization rate. 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, Florida Administrative Code, 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 in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 25th day of June, 2020.



ADAM J. TEITZMAN
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.

SPS

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 July 16, 2020.

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.