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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20200059-EI

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

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 16

COMMISSIONERS
PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER ANDREW GILES FAY

DATE: Tuesday, June 9, 2020

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

1 P R O C E E D I N G S

2 CHAIRMAN CLARK: All right. The final item on
3 the agenda, Item No. 16. Mr. Futrell.

4 MR. FUTRELL: Item 16 is Gulf Power Company's
5 petition for approval of an amortization rate for
6 its customer account management system, or CAMS.
7 The company is requesting a new subaccount, account
8 303.5, capitalization of software, to address the
9 depreciation of its new CAMS system.

10 By rule, investor-owned utilities must obtain
11 Commission approval for any new account or
12 subaccount classification, and any new or changed
13 depreciation rate.

14 Gulf is seeking to extend the period over
15 which it amortizes this software from the
16 previously approved seven-year period to 20 years,
17 or five percent, in order to more closely match the
18 useful life of the software.

19 Staff recommends the new depreciation
20 subaccount and the new depreciation rate requested
21 be approved. The new rate be effective as of
22 February 24th, 2020, if approved.

23 There have been no customer comments placed in
24 the docket.

25 Staff also would note that an oral

1 modification was made to Issue 3 at page sice, and
2 this was provided to your offices and also placed
3 in the docket file.

4 Representatives of Gulf Power and the Office
5 Public Counsel are available if you have any
6 questions, as well as staff.

7 CHAIRMAN CLARK: All right. Any questions
8 from any Commissioners?

9 Commissioner Polmann.

10 COMMISSIONER POLMANN: Thank you, Mr.
11 Chairman.

12 UNIDENDIFIED SPEAKER: I just --

13 CHAIRMAN CLARK: Commissioner Polmann.

14 COMMISSIONER POLMANN: Thank you, sir.

15 UNIDENDIFIED SPEAKER: Pardon me?

16 COMMISSIONER POLMANN: Okay, we have somebody
17 else on the line.

18 CHAIRMAN CLARK: One second, Commissioner
19 Polmann. I -- I am sorry, we have got someone on
20 the line that we are getting some interference.

21 JEA, it looks like it's identified as your
22 line. Would you please make sure you are muted?

23 COMMISSIONER POLMANN: Yeah, hopefully I can
24 get through this -- (inaudible) --

25 So just a quick question on the depreciation

1 schedule, this is new software, and if I'm
2 interpreting this correctly, five percent over 20
3 years, so I am assuming that's a straight line type
4 of depreciation, not that I know anything about
5 accounting other than what I have learned here
6 with -- with asking a lot of questions from staff.

7 Is there some expectation that the software
8 is, in fact, going to be useful over a 20-year
9 period, and perhaps not because the software is
10 likely to be upgraded in some regard sooner than
11 that. So what happens during the life -- the
12 useful life of something like software with regard
13 to the depreciation aspect of it?

14 CHAIRMAN CLARK: Mr. Futrell, would you like
15 to address that from a regulatory perspective?

16 MR. FUTRELL: Sir, I would maybe -- perhaps we
17 could point that to staff. Lee Smith is on the
18 line, as well as other staff in the Division of
19 Economics may be able to answer that; and if not,
20 perhaps Mr. Badders from Gulf Power may be on
21 the -- on the phone to answer that question.

22 CHAIRMAN CLARK: We'll start with Mr. Smith.
23 Are you available?

24 MR. SMITH: Yes. Yes, Chairman. This is Lee
25 Smith.

1 If I understand the question correctly, you
2 are worried about the software not lasting 20 years
3 and need to be replaced. That -- that does seem
4 logical; however, in the recommendation, we cover
5 the software that -- the CSS system that Gulf is
6 currently using has been -- was placed into service
7 in late '90s and it's still being used by Southern
8 Company, so that's a point there.

9 And also, it's noted that FPL requested the
10 same life to for their new system, which was also
11 developed by the same company, SAP, they also
12 requested 20 years.

13 I believe if the software were not to last
14 that long, the balance would be put into an
15 amortization schedule, I guess similar to like a
16 regulatory asset, and then it would -- the
17 remainder of the capitalization would be amortized
18 over a certain period of years that -- for the
19 company to recover that amount. But it seems these
20 systems, that they are updated and adapted longer
21 than it seems like they should.

22 CHAIRMAN CLARK: Mr. Smith, let me ask a
23 question on -- on top of Commissioner Polmann's
24 question there. It's to the consumer's advantage
25 that we are giving this a 20-year depreciation. I

1 guess the -- the utility would have the right to
2 request a seven-year, or maybe a 10-year
3 amortization for a piece of software which would
4 hit the bottom line to the consumer much, much
5 faster; is that a fair statement?

6 MR. SMITH: That is correct, but that won't
7 take effect until the next rate case. This -- this
8 recommendation will not affect the rates currently
9 in effect, but, yes, you are lowering your
10 depreciation expense by extending it -- it out from
11 seven years to 20 years, you are cutting it to a
12 third actually --

13 CHAIRMAN CLARK: So even if the --

14 MR. SMITH: -- it will --

15 CHAIRMAN CLARK: Even if the life of the piece
16 of software were to end at -- at an early state,
17 the expense for that software has already been
18 incurred, and so you would be allowed to continue
19 the amortization, even though the software no
20 longer is viable; is that correct?

21 MR. SMITH: Yeah. Yeah. The capital expense
22 is -- is the same. It's just a matter of how much
23 we are expensing per year.

24 CHAIRMAN CLARK: Right. Okay, I just wanted
25 to add that on to Commissioner Polmann. I am

1 sorry, Commissioner Polmann, I thought that might
2 help clarify something there.

3 COMMISSIONER POLMANN: No, both aspects of
4 that addressed my concern, that -- that the impact
5 to the customer was an important factor, and using
6 a 20-year time period has a lesser impact on the
7 rate to the customer. And then if -- if the
8 software were to be replaced sooner than the 20
9 years, from an accounting perspective, the
10 opportunity would exist to -- to capitalize, or --
11 or to convert that into regulatory asset.

12 So my questions have been answered, Mr.
13 Chairman. Thank you.

14 CHAIRMAN CLARK: Thank you. Any further
15 questions from any Commissioners?

16 All right. I will entertain a motion to
17 approve the item.

18 COMMISSIONER FAY: I will move to approve
19 staff's recommendation on all items.

20 COMMISSIONER BROWN: Second.

21 CHAIRMAN CLARK: I have a motion and a second
22 to approve staff recommendation on all items on No.
23 16.

24 Any questions, discussion?

25 On the motion, all in favor, say aye.

1 (Chorus of ayes.)

2 CHAIRMAN CLARK: All opposed?

3 (No response.)

4 CHAIRMAN CLARK: The motion carries.

5 All right. That concludes all of the items
6 that are on the agenda for today. We are going to
7 adjourn this meeting. We are going to take a
8 exactly 30-minute intermission. We are going to
9 resume for the TECO hearing at 11:45, 11:45 Eastern
10 time for the TECO hearing. Is that adequate? I am
11 looking for David, Michael, anybody to tell me
12 otherwise.

13 Okay. We are going to take 30 minutes to
14 switch over. If you are going to be on the TECO
15 hearing, join us back at 11:45. Thank you.

16 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 15th day of June, 2020.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020