



August 6, 2020

VIA E-PORTAL

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

Re: [New Filing] - PETITION FOR APPROVAL OF AMORTIZATION RATE FOR STARNIK CUSTOMER INFORMATION SYSTEM AND OTHER SOFTWARE ACCOUNTING ADJUSTMENTS BY FLORIDA CITY GAS

Dear Mr. Teitzman:

Attached for electronic filing, please find Florida City Gas's Petition for Approval of Amortization Rate for its Starnik Customer Information System and Other Software Accounting Adjustments.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions or concerns.

Sincerely,

s/ Beth Keating _____
Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

MEK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida City Gas for Approval)	Docket No.:
of Amortization Rate for Starnik Customer)	
Information System and Other Software)	Filed: August 6, 2020
Accounting Adjustments)	
_____)	

**PETITION BY FLORIDA CITY GAS FOR APPROVAL OF AMORTIZATION RATE
FOR STARNIK CUSTOMER INFORMATION SYSTEM AND OTHER SOFTWARE
ACCOUNTING ADJUSTMENTS**

Florida City Gas (“FCG” or “the Company”), in accordance with Section 366.115, Florida Statutes (“F.S.”) and Rules 25-7.045(2)(a) and 25-7.045(3)(b), Florida Administrative Code (“F.A.C.”), hereby petitions the Florida Public Service Commission (the “Commission”) for approval: (i) of a new sub-account and amortization rate for the Company’s new Starnik Customer Information System (“Starnik CIS”); and (ii) to record other capitalized software, on a going-forward basis, in FERC account 303 as described herein.

In support of this Petition, the Company states as follows:

1. The name, address, telephone number and facsimile number of the Petitioner are:

Florida City Gas
4045 NW 97th Avenue
Doral, Florida 33178

2. All notices, pleadings and correspondence required to be served on the Petitioner should be directed to:

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, Florida 32301
(850) 521-1706
BKeating@gunster.com

Joel Baker
Principal Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408-0420
(561) 691-7255
joel.baker@fpl.com

3. FCG is a natural gas local distribution company providing natural gas sales and transportation service to customers in parts of Florida, and is a public utility subject to the

Commission's regulatory jurisdiction under Chapter 366, F.S.

4. This Petition is being filed consistent with Rule 28-106.201, F.A.C. The agency affected is the Florida Public Service Commission, located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399. This case does not involve reversal or modification of an agency decision or an agency's proposed action. Therefore, subparagraph (c) and portions of subparagraphs (b), (e), (f), and (g) of subsection (2) of that rule are not applicable to this Petition. In compliance with subparagraph (d), FCG states that it is not known at this time which, if any, of the issues of material fact set forth in the body of this Petition may be disputed by any others who may plan to participate in this proceeding.

5. 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 sub-accounts in accordance with the Uniform System of Accounts for Natural Gas Companies, as found in the Code of Federal Regulations, which is incorporated by reference in Rule 25-7.014(1), F.A.C.

6. Pursuant to Rule 25-7.045(2)(a), F.A.C., no utility may initiate a new depreciation rate without Commission approval.

7. Pursuant to Rule 25-7.045(3)(b), F.A.C., any utility that establishes a new account or sub-account classification must request Commission approval of a depreciation rate for the new plant category.

Introduction

8. FCG has been using its current billing system, the Oracle Utilities Customer Care & Billings ("CC&B") system, since April 2006 when FCG was owned by Nicor Gas. Prior to June 2020, FCG was contracting with Southern Company for the use of CC&B, and therefore had no direct control over modifying or improving the system to meet FCG's specific needs. The net asset value on FCG's books for CC&B is \$0.

9. In June 2020, FCG replaced CC&B with Starnik CIS, which provides FCG with increased customer information system functionalities. Specifically, Starnik CIS provides an integrated, state-of-the-art billing system and customer platform that will enhance FCG customers' digital experience, and, in addition, Starnik CIS will tie into FCG's field operations software to offer the Company increased customer support capabilities.

10. FCG's software arrangements will take two forms: 1) traditional software developed or obtained for internal use, or 2) cloud computing arrangements such as software-as-a-service ("SaaS"). The Starnik CIS qualifies as a SaaS arrangement. Both types of software arrangements may include amounts appropriately capitalized under Generally Acceptable Accounting Principles (GAAP). Historically, FCG has recorded capitalized software in FERC accounts 391.10 Software Non-Enterprise and 391.11 Computer Software, which are sub-accounts of FERC account 391 (Office furniture and equipment). Account 391.10 has a 10-year depreciable life (10% depreciation rate) and account 391.11 has a 12-year depreciable life (8.3% depreciation rate). However, on a going-forward basis, as described further below, FCG proposes to use FERC account 303 (Miscellaneous intangible plant) to record any future capitalized software, including both traditional and SaaS arrangements.

11. FCG proposes to utilize the same depreciation rates established for accounts 391.10 and 391.11 for traditional capitalized software. For SaaS, such as Starnik CIS, the amortization period is based on the specific terms of the service contract and the Company's assessment of how long the software will be utilized. In the case of Starnik CIS, FCG determined that this period is 20 years. FCG is therefore requesting permission to establish a new sub-account within FERC account 303 and apply an amortization period of 20 years (5% depreciation rate) for the Starnik CIS in order to appropriately recognize the longer benefit

period expected from this major business system.

Current Depreciation Rates

12. On October 23, 2017, FCG submitted its regular depreciation study in accordance with Rule 25-7.045, F.A.C., which requires investor-owned gas utilities to file comprehensive depreciation studies at least once every five years or otherwise in accordance with Commission Order. FCG's current depreciation rates were established when the Commission approved the Stipulation and Settlement entered into between the Company and the Office of Public Counsel to resolve the Company's last rate case and depreciation study by Order No. PSC-2018-0190-FOF-GU, issued in Docket No. 20170179-GU, on April 20, 2018. The Company is currently in the 3rd year of its five-year cycle since new depreciation rates were made effective on January 1, 2018. FCG's next depreciation and dismantlement study is due to be filed no later than October 23, 2022.

Proposal for Starnik CIS

13. The Company proposes that the cost of Starnik CIS be recorded in a Starnik CIS-specific sub-account within FERC account 303, and to have the amortization period associated with this sub-account adjusted to 20 years. The extension of this amortization period will help to harmonize the costs of Starnik CIS to the expected useful life of the software. Extending the amortization period will have the added benefit of decreasing the revenue requirement associated with Starnik CIS when the Company's base rates are next set.

14. The Company's proposal for the recovery of Starnik CIS is in line with the amortization period that Florida Power & Light Company ("FPL") and Gulf Power Company ("Gulf") have been approved to utilize for their SAP systems. In Docket No. 20120015-EI, FPL sought to extend the depreciable life of its SAP system to 20 years in order to more closely align

with the period in which customers will experience the benefit of the system. FPL's request was approved by the Commission as reflected in Order No. PSC-13-0023-S-EI, issued on January 14, 2013. Gulf sought to do similarly in Docket 20200059-EI for its customer account management system, and was approved to do so in Order No. PSC-2020-0210-PAA-EI, issued June 25, 2020. FCG is requesting through this Petition approval of the same amortization period for Starnik CIS for FCG.

Other Accounting Adjustments

15. As previously described, FCG has historically recorded capitalized software in either FERC account 391.10 or account 391.11. However, on a going-forward basis, FCG proposes to use FERC account 303 to record any future capitalized software, including both traditional and SaaS arrangements. Traditional software arrangements will be amortized using the existing depreciation rates established for FERC accounts 391.10 and 391.11. For SaaS, the amortization period is based on the specific terms of the service contract and the Company's assessment of how long the software will be utilized.

16. FCG's requests in this Petition are consistent with the terms of its current rate settlement agreement. The Company's request to establish a new sub-account within FERC account 303 for Starnik CIS and set a 20-year amortization period and to utilize account 303 on a going-forward basis for capitalized software arrangements is for accounting purposes only and will have no impact on customer base rates during the current settlement term.

17. FCG requests that the adjusted amortization rate for Starnik CIS be implemented retroactively to the date of this Petition's filing.

WHEREFORE, FCG respectfully requests that the Commission grant the Company's request for a new sub-account and amortization rates for Starnik CIS, and approve the use of

FERC account 303 for going-forward capital software arrangements as set out in this Petition.

Respectfully submitted this 6th day of August, 2020.

s/ Beth Keating

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301

Joel Baker
Florida Power & Light Company
700 Universe Boulevard (JB/LAW)
Juno Beach, Florida 33408

Attorneys for Florida City Gas