

November 13, 2020

VIA E-PORTAL

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

In re: Docket 20200191-GU -- 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 Responses to Staff's Third Data Requests in the referenced docket.

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,



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

MEK

Cc:// Office of Public Counsel (Kelly, Christensen)

QUESTION:

Please refer to Staff's First Data Request, No. 4b. Does the Company have any updates or edits to its answer to this question?

RESPONSE:

Yes. In addition to the Starnik CIS software, FCG is proposing to transfer any existing capitalized software, including both traditional and SaaS arrangements, from Account 391.10 or 391.11 to Account 303 related subaccounts. Attachment No. 1 to this response includes a list of capitalized software projects and balances recorded in Account 391.10 and 391.11 as of October 31, 2020. All these projects were placed in service during calendar year 2020.

Florida City Gas Company
Docket No. 20200191-GU
Staff's Third Data Request
Request No. 1
Attachment1
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FCG Capitalized Software as of 10/31/2020

Project	Project Description	Project Cost	Type of Arrangement	Currently recorded in Account:	Upon FPSC approval transfer to:
FCG Collaboration Tools	Set up FCG Collaboration Tools - Email, SharePoint and Shared Drives	\$ 15,628.80	Traditional Capital Software	391.11	303.02
Gas Ops - Integration & Update Software	Gas Ops - Integration & Update existing applications to support pipeline, quality and trading	\$ 4,446,241.32	Traditional Capital Software	391.11	303.02
FCG Business Unit Integration	Integration of FCG Customer Service, Power Delivery and M&C into NEE footprint	\$ 1,098,551.26	Traditional Capital Software	391.11	303.02
FCG Enterprise Application Integration	To fully integrate FCG into NEE footprint for finance, accounting, supply chain, tax and corporate services	\$ 538,675.19	Traditional Capital Software	391.11	303.02
FCG Gas Management System	Replacment of legacy Gas Management Systems that were used by Southern Company for FCG	\$ 75,316.24	Traditional Capital Software	391.11	303.02
FCG VDI Solution	Implementing a VDI (Virtual Desktop Infrastructure) solution to support call center operations	\$ 3,098.06	Traditional Capital Software	391.11	303.02
Synergi Software	Used to model flows and pressures in the FCG pipeline network to determine required system improvements and analyze isolation impacts	\$ 65,530.64	Traditional Capital Software	391.11	303.02
Stamik	Customer Information System used for billing and work scheduling	\$ 5,598,346.84	SaaS Arrangement	391.11	303.2
		\$ 11,841,388.35			

QUESTION:

Please specify what the Company's request is with regard to approval of "Other Accounting Adjustments" as discussed in Paragraphs 15 and 16, on page 5 of the Petition.

RESPONSE:

FCG is requesting the following with regard to approval of "Other Accounting Adjustments":

1. To establish and use FERC Account 303 subaccounts to record all existing and future capitalized software, including both traditional and SaaS arrangements;
2. To transfer any existing capitalized software from FERC accounts 391.10 and 391.11 to Account 303 related subaccounts;
3. For existing and future traditional capitalized software recorded in FERC 303 subaccounts, to continue using the same depreciation rates established in accounts 391.10 and 391.11; and
4. For existing and future SaaS arrangements, to use depreciation rates based on the specific terms of the service contract and the Company's assessment of how long the software will be utilized.

QUESTION:

Does the Company have any pending SaaS arrangements other than the Starnik CIS? If so, please describe in detail those arrangements?

RESPONSE:

Other than Starnik, the Company does not have any SaaS arrangements pending at this time.

QUESTION:

Please refer to FCG's Petition, Paragraph 10. Describe the nature of the traditional software developed or obtained for internal use, and how it differs from Starnik CIS software and other cloud computing arrangements.

RESPONSE:

Traditional software is ordinarily sold with a perpetual license agreement and an up-front cost along with an optional ongoing support fee. Traditional software purchase costs are capitalized and the rate of depreciation is based on the anticipated useful life of the software. The optional support fees are typically an O&M cost but periodic updates to the software are often included. SaaS providers, such as Starnik, typically price their applications using a subscription fee, most commonly a monthly or an annual fee structure. The initial set-up fee for SaaS is typically lower than the equivalent enterprise software. SaaS vendors price their applications based on use parameters such as the number of users accessing the application.

Software as a Service, or SaaS, is a nomenclature associated with cloud computing. Users who sign-in to the Starnik CIS software are accessing the program through the internet rather than directly connecting to traditional software that would reside on the company's server network. A benefit of accessing a CIS solution through the cloud network, as opposed to traditional software that resides on the company's network, is in the availability of the program in the event of a major power interruption or other localized emergency which could take traditional systems temporarily offline. The cloud solution eliminates the need for the company to mirror the software and back-up files at an off-site location.

It is also very common for SaaS applications, such as the Starnik CIS software, to be updated more often than traditional software. In most cases, the software is updated on a weekly or monthly basis.

The fact that SaaS computing solutions are continuously updated and maintained tends to extend the useful life expectancy of the product, depending on the specific terms of the contract with the software vendor.

QUESTION:

Please refer to FCG's response to Staff's First Data Request, No. 4(a). What is the difference between the nature of assets which would be recorded in subaccount 303.01 - Software Non-Enterprise (currently recorded in subaccount 391.10) and 303.02 - Computer Software (currently recorded in subaccount 391.11)?

RESPONSE:

Subaccounts 391.10 and 391.11 were used by Florida City Gas prior to the company's acquisition by NextEra Energy in July 2018 to record capitalized software. None of the software used by FCG previously was transferred as part of the acquisition. Subsequent to the acquisition, FCG's capitalized software, traditional and SaaS arrangements, have been recorded exclusively to subaccount 391.11 using a 12-year depreciable life (8.3% depreciation rate). Should the Commission approve FCG's petition, FCG will use Account 303.02 for traditional capitalized software. Also upon Commission approval, current and future SaaS arrangements would be recorded to Account 303 subaccounts as specified in FCG's response to Staff's First Data Request, No. 4(c).

QUESTION:

If the Commission approves the proposed establishment of subaccounts 303.01 and 303.02, when does FCG intend to make the transfers to these subaccounts from subaccounts 391.10 and 391.11?

RESPONSE:

FCG intends to make the transfers from Accounts 391.10 and 391.11 to Accounts 303.01 and 303.02 within a month of the Commission's approval of FCG's petition.

QUESTION:

Please refer to FCG's Petition, Paragraphs 15 and 16.

- (a) Why is FCG requesting that assets identified as "General Plant" accounts, currently recorded in subaccounts 391.10 – Software Non-Enterprise and 391.11 – Computer Software, including both traditional and cloud computing software, be transferred to the category of assets identified as "Intangible Plant", to be recorded as various subaccounts within account 303 – Miscellaneous Intangible Plant? Please be specific as to each subaccount.
- (b) For each type of transfer discussed in Question 7(a), please explain the regulatory implications, if any, to the Company and its customers of making such transfers/recordings compared to the current recording method.

RESPONSE:

- a. FCG's use of Account 303 would be consistent with how Florida Power & Light Company, the parent company of FCG, records its capitalized software, both traditional and SaaS arrangements. Further, FCG considers the Code of Federal Regulations, Title 18 Part 201 account description for Account 303 – Miscellaneous Intangible Plant to more accurately reflect the nature of costs associated with capitalized software. FCG's use of various Account 303 subaccounts would allow FCG to separately identify traditional capitalized software, which is maintained on the Company's internal servers and use a depreciation rate based on the anticipated useful life of the software, from SaaS arrangements, which are maintained on a vendor's servers ("Cloud Computing") and use depreciation rates based on the specific terms of the service contract and the Company's assessment of how long the software will be utilized.
- b. The Company's request to transfer/record capitalized software will have no impact on customer base rates during the current settlement term. FCG will reflect these adjustments during its next base rate case.