

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

April 11, 2024

BY E-PORTAL

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

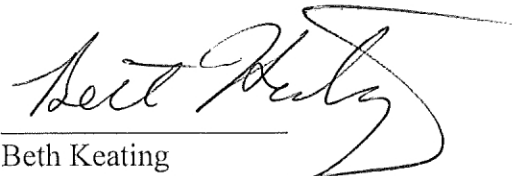
[New Filing]- Petition for Approval to Establish New Subaccounts and an Amortization Rate and to Reclassify Custom Software Investment and Reserve Balance by Florida Public Utilities Company.

Dear Mr. Teitzman:

Attached for electronic filing, please find the Florida Public Utilities Company's Petition for Approval to Establish New Subaccounts and an Amortization Rate and to Reclassify Custom Software Investment and Reserve Balance by Florida Public Utilities Company.

As always, thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,



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

MEK
Cc://Service List

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval to Establish New Subaccounts and an Amortization Rate and to Reclassify Custom Software Investment and Reserve Balance by Florida Public Utilities Company.

DOCKET NO.

DATED: April 11, 2024

PETITION FOR APPROVAL TO ESTABLISH NEW REGULATORY SUBACCOUNTS, AMORTIZATION RATES, AND RECLASSIFICATION OF ASSOCIATED INVESTMENT AND RESERVE BALANCES BY FLORIDA PUBLIC UTILITIES COMPANY

Florida Public Utilities Company (herein, “FPUC” or “Company”) by and through its undersigned counsel, hereby files this Petition, pursuant to Section 366.06, Florida Statutes, and Rules 25-7.041, 25-7.045, and 28-106.301, Florida Administrative Code, seeking approval from the Florida Public Service Commission (“FPSC” or “Commission”) to establish certain regulatory subaccounts and associated amortization rates for certain customized software for FPUC’s natural gas divisions. In support of this request, the Company hereby states:

- 1) FPUC is a natural gas utility subject to the Commission's jurisdiction under Chapter 366, Florida Statutes. Its principal business address is:

Florida Public Utilities Company
208 Wildlight Avenue
Yulee, FL 32097

- 2) The name and mailing address of the persons authorized to receive notices are:

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

Michelle Napier
Florida Public Utilities Company
1635 Meathe Drive
West Palm Beach, FL 33411
mnapier@fpuc.com

Subaccounts and Amortization

3) The Commission is vested with jurisdiction in this matter in accordance with Section 366.06, Florida Statutes, pursuant to which the Commission is authorized, among other things, to “keep a current record of the net investment of each public utility company in such property which value, as determined by the commission, shall be used for ratemaking purposes and shall be the money honestly and prudently invested by the public utility company in such property used and useful in serving the public, less accrued depreciation.” Moreover, Rule 25-7.045(3)(a), F.A.C., requires that gas utilities maintain depreciation rates and accumulated depreciation reserves in accounts or sub-accounts in accordance with the Uniform System of Accounts for Natural Gas Companies. Additionally, Rule 25-7.045(2)(a), F.A.C., prohibits a utility from initiating a new depreciation rate without Commission approval, while Rule 25-7.045(3)(b), F.A.C., requires any gas utility establishing a new account or sub-account to request Commission approval of a depreciation rate for the new plant category. FPUC’s current depreciation rates became effective January 1, 2023.¹

I. Background

4) All FPUC capitalized software is currently recorded in Account 3914, Computer Software, a subaccount of Account 391, Office Furniture and Equipment with an approved 10-year amortization period. The investment and reserve balances for this account are \$7,029,521 and \$3,347,879, respectively as of December 31, 2023. This account includes both general purpose and customized application software. After a review of its various software, FPUC has determined that certain customized software investment currently in Account 3914 is more appropriately classified as intangible plant.

¹ Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company – Indiantown Division.

Subaccounts and Amortization

5) Specifically, the Code of Federal Regulations, Title 18, Subchapter C, Part 101, Account 303 regarding Miscellaneous Intangible Plant states 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.” The software investments at issue in this request are highly customized software systems that can only be used by FPUC, or by the affiliates and subsidiaries of FPUC’s parent, Chesapeake Utilities Corporation (“CUC”), including FPUC. This customized software has been developed through planning, process and solution design, implementation configuration and customization, and software training and testing before being placed into service. The specific software systems/platforms for which FPUC is seeking to establish new subaccounts and associated amortization periods are:

- The new Customer Information and Billing System ("CIS") platform, the 1CX system previously referenced in Docket No. 20230136-PU, will be capable of providing enhanced accounting tools, cross-functional communication, data tracking and analyses, and other business processes in the areas of customer service, billing and information, financial performance, supply chain/inventory, human resources, and asset management. Additionally, it will provide CUC a more flexible platform for enhancing the customer experience with a new set of customer service and communication tools. Being a cloud-based platform, the new CIS will be continuously updated and maintained.
- The new Enterprise Resource Planning system (“ERP”), which is a type of business management software that includes procurement, cash management, and the general ledger in an integrated system. The benefits of the software include

Subaccounts and Amortization

improved reporting; increased productivity, efficiency, and integration of information; faster responses to inquiries and better customer satisfaction; standardization and centralization of data that is secure and reliable; reduced processing time; better decision making and higher return on investment; and better communication and increased sharing of information across different departments. Like the new CIS platform, ERP is cloud based and will be continuously updated and maintained.

- The ArcGIS Enterprise Geographic Information System (“GIS”), which is a spatial system that manages and maps Florida’s natural gas assets (i.e., pipeline, valves, stations, etc.) along with all relative data to organize and share GIS data within the Company. Prior to this system, the Company utilized the 3-GIS software for about 2 years and was not satisfied with the technology or functionality. The current system has been utilized for about 10 years now and there are no plans to replace it in the near future.
- The Convergence Gas Tracking System (“GTS”), which is a customized cloud-based software application used to manage the Company’s natural gas transportation and customer choice programs. This application was placed into service in 2020 and there are no plans for replacement in the near future. In fact, CUC plans to roll out this software across all of its natural gas business units in Maryland and Delaware at a later date. GTS replaces the GASTAR gas management portal and electronic bulletin board systems with a single solution that provides enhanced tracking, accounting, and billing features for its natural gas transportation and customer choice programs and streamlines business processes

Subaccounts and Amortization

with improved operational communications. GASTAR was utilized by the company for about 7 years.

- PowerPlan, which is a cloud-based fixed asset solution placed in service in 2020. It houses FPUC's Capital Project Management that includes capital month end closing, CPRs, Asset Depreciation, Lease Asset Management, Property Tax, and Tax Provisions. Being a cloud-based platform, PowerPlan will be continuously updated and maintained. The previous fixed asset software FPUC utilized was Sage Fixed Assets and was installed prior to 2010.

- Utilities International ("UI"), which is the budgeting and forecasting solution that was implemented in 2016 and is still in service. UI replaced the Active Planner and Advanced Allocation software, which was in service 12 to 13 years. UI offered greater processing speed, real-time analytics, scenario planning, and improved automation and financial reporting. There are no near-term plans to replace this software.

6) FPUC seeks approval to establish two new subaccounts and amortization periods for FERC Account 3030 – Miscellaneous Intangibles. The first is Account 3031, Miscellaneous Intangible Plant - 15 Years, which would be used to record customized application software. The second is proposed Account 3032, Miscellaneous Intangible Plant - 20 Years, where the Company proposes to record its new CIS, ERP, and any other system implementations having an estimated useful life of 20 years.

7) The Company also requests that the January 1, 2024 investment and reserve balances associated with the existing software customized for the sole use of FPUC's operations be reclassified from Account 3914 to Account 3031, and the associated net plant balance be

Subaccounts and Amortization

amortized over 15 years, as well as an effective date of January 1, 2024, for commencement of the new subaccounts, amortization periods, and transfers of investment and reserve from Accounts 3914 to 3031. None of the requested actions will necessitate a change in any other depreciation rate or amortization period in effect.

II. Need to Establish Subaccount Account 3031, Miscellaneous Intangibles -15 Years

8) As noted, FPUC is proposing to reclassify the custom software investments existing in Account 3914, Software, to the newly established Account 3031, Miscellaneous Intangibles, with an amortization period of 15 years. The proposed amortization period of 15 years for FPUC will result in an annual amortization/depreciation rate of 6.67 percent. If approved, the January 1, 2024, software investment of \$2,657,582 and reserve of \$745,627 will be transferred from Account 3914 to Account 3031 associated with the software applications - GIS, GTS, PowerPlan, and UI.

9) Allowing FPUC to reclassify these associated investments and reserves and extending the amortization period from 10 years to 15 years will better align the investments with their expected benefit period given the current age of this software and how long the previous installed software was in service. Moreover, a longer amortization period will provide an additional benefit of decreasing the revenue requirement when the Company’s base rates are next set. Additionally, the associated annual depreciation expenses for these investments will decrease by almost \$88,000, as reflected in Table 1 below.

Table 1: Change in Annual Expense

Investment	Current			Proposed			Inc./(Dec.)
	Account	Rate	Dep. Exp.	Account	Rate	Dep. Exp.	Change in Exp.
2,657,582	3914 - Software	10	265,758	3031 - Misc. Intangibles	6.7	178,058	(87,700)

Subaccounts and Amortization

10) As noted herein, FPUC has historically recorded capitalized software in Account 3914. However, on a going-forward basis, FPUC proposes to use Account 3031 to record any future customized capitalized software. Traditional out-of-the-box software will continue to be amortized using the approved 10-year amortization period established for Account 3914.

III. New Customer Information System and Enterprise Resource Planning System

11) As noted, CUC is in the process of consolidating the various billing and management system platforms of its divisions in Florida, Delaware, and Maryland to one platform. The new state-of-the-art CIS and ERP systems are expected to be operational in 2025 and 2026, respectively. FPUC's portion of the two systems is estimated to be approximately \$20 million. The projected cost allocations for CIS and ERP will be based on the number of customers and the Distrigas allocation method, respectively.

12) FPUC requests that the cost of these systems be recorded in Account 3032, Miscellaneous Intangible Plant, and amortized over a period of 20 years. FPUC believes a 20-year amortization period is reasonable given that the existing systems have been in service since 2000. Also, a 20-year amortization period is consistent with that approved for FPUC's Electric Divisions in Order No. PSC-2023-0384-PAA-EI, issued December 21, 2023, in Docket No. 20230079-EI and that approved for Florida City Gas's Starnik CIS system in Order No. PSC-2020-0489-PAA-GU, issued December 11, 2020, in Docket No. 20200191-GU.² The proposed amortization period of 20 years for FPUC will result in an annual amortization/depreciation rate of 5.0 percent.

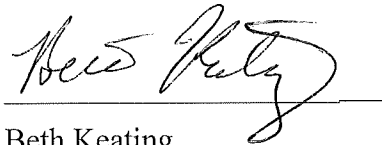
² See also, Order No. PSC-2020-0210-PAA-EI, issued June 25, 2020, in Docket No. 20200059-EI, establishing a new Miscellaneous Intangible Plant subaccount, Account 303.5, Capitalization of Software, with a 20-year amortization period for Gulf Power Company's Customer Account Management System.

IV. Request for Relief

13) In summary, FPUC seeks approval to establish subaccounts 3031 and 3032 in accordance with Rule 25-7.045, F.A.C. to record customer computer software, CIS and ERP systems as described herein. FPUC also proposes amortization periods of 15 years and 20 years for these subaccounts, respectively, which better aligns these investments with their expected benefit period. In addition, the Company is proposing to reclassify associated custom software investments of \$2,657,582 and reserves of \$745,627 from Account 3914 to Account 3031 and amortize the unrecovered balance over 15 years. Finally, a January 1, 2024, effective date is requested for these changes to FPUC's accounts and amortization periods.

WHEREFORE, FPUC respectfully requests that the Commission approve the proposed establishment of regulatory subaccounts and associated amortization periods and depreciation rates, as well as the request to transfer specific software investments and associated reserves as set forth in the body of this Petition.

RESPECTFULLY SUBMITTED this 11th day of April, 2024, by:



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

Attorneys for Florida Public Utilities Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served upon the following by Electronic Mail this 11th day of April, 2024.

Walter Trierweiler Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 Trierweiler.walt@leg.state.fl.us	Keith Hetrick General Counsel Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 khetrick@psc.state.fl.us
Mike Cassel 208 Wildlight Avenue Yulee, FL 32097 Mcassel@fpuc.com	

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