



January 30, 2025

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BY E-FILING

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

Re: **Docket No. 20240099-EI - Petition for rate increase by Florida Public Utilities Company**

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Public Utilities Company, please find the Company's responses to Staff's additional follow up questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Beth Keating', written over a horizontal line.

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

Cc: (Service List)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Public Utilities Company. || DOCKET NO. 20240099-EI

FPUC'S RESPONSES TO STAFF'S FOLLOW UP DATA REQUESTS

1. **For the following projects can FPUC please provide the third-party/vendor being used for each and how they were selected? Also, was a bidding process utilized to select the vendor(s)?**
 - a. **Security Camera Project**
 - b. **Two-way communication system**
 - c. **New Customer Information System (NCIS)**

Company Response:

A. Advantech is the vendor for the security cameras and video management. Advantech won a bid back in 2017 for the role of security integrator for Chesapeake. The Company has continued to use them for other similar projects; therefore, there was no separate formal bidding process.

B. Radio One is the anticipated vendor for the radio communication system. The Company received two bids thus far for the radio end user equipment, but prefers Radio One due to its reputation and equipment.

C. In order to select its new Customer Information System (CIS), which has been installed and activated, Florida Public Utilities sought expertise from industry leaders to support strategic direction, analyze approach to CIS enhancement / replacement, and provide industry and peer utility insights. One vendor, TMG, supported from system assessment and procurement process, while the second vendor, Ernst & Young (EY) focused on analysis of approach and alternatives. FPUC also consulted with KPMG to perform quality assurance checks and entered into a second engagement to evaluate security and controls testing identifying any deficiencies. Storm Runner was used for performance testing.

The TMG engagement established our strategic vision, direction, and standards aligning to business objectives for operating in the most cost-effective manner for a world-class solution. TMG has followed the TMGVAST© (Value Added Services & Tools) methodology which consist of a detailed upfront planning phase followed by a procurement process that they have executed over 150 times.

This methodology began with a current state analysis of the FPUC utility's operations of core CIS systems and its extended or edge systems (CSS, GIS, etc.). The next steps of the

process included a strategic analysis to identify the future-ready target state for business operations and necessary supporting technologies to provide improvement recommendations, alternatives, an implementation/upgrade plan for core and supporting systems and technologies to help achieve economic, financial, and operational goals.

Development of the utility's digital roadmap consolidated all findings from the previous analysis activities to assemble roadmap recommendations budget, resource requirements, and ongoing costs to be included in a comprehensive RFP package.

Workshops were completed to formally document project alignment to the utility's expectations. The RFP engagement included management of vendor responses, pricing (software bill of material and tools), informational attachments for integrations, technology, platforms, and utility documents covering items such as security, utility terms, corporate diversity programs, insurance, etc.

Throughout this process, FPUC identified more than 3,200 CIS system requirements and leveraged TMG to review and provide recommendations for systems best suited to support FPUC's requirements and expectations.

During the RFP and selection phase, TMG managed follow up, conducted additional workshops (if required), assisted with creation of an evaluation matrix, performed initial review of alignment to base requirements, and verified references scheduling interviews as appropriate.

Concurrently, FPUC refined project scope and developed an implementation blueprint ahead of contract negotiations where TMG again provided their industry expertise to facilitate cost management and maximize customer benefits.

In addition to partnering with TMG, we collaborated EY to conduct an analysis of system replacement alternatives. The alternatives analyzed were: 1) maintain current systems as they are, 2) upgrade/invest in existing systems, 3) outsource ongoing maintenance and support, 4) replace our current systems, and 5) migrate customers to one of the two CIS systems being replaced. This effort confirmed FPUC's approach to replace our current systems with a new modern CIS.

During the alternative assessment, EY evaluated each potential option to provide a rating against the following set of risk factors: execution, vendor health, ongoing operations and support, reliability and security, and business enablement. EY was uniquely positioned to share additional expertise regarding peer utility challenges and decisions.

These two engagements ultimately led us to the selection of our new CIS system, SAP, after an exhaustive evaluation of alignment to system requirements and business objectives as well as strategic direction and approach.

Over the course of the installation process, the Company also utilized IFS Mitigation, Starnik, Redwood BPA for batch jobs, Storm Runner for performance testing, One Source for Tax Software, Azure, Vertex, and Kubra, among others.

- 2. With respect to Two-Way Communication System, please provide the updated total capital cost of the two-way communication system (the current proposed capital cost is \$1.3 million). Was this based off of the lower of the two bids received for the equipment?**

Company Response:

FPUC's revised, best estimate for the cost is \$326,430 based upon updated information and bids.

The \$326,430 is a combination of the Radio One bid, which contemplates Motorola equipment, the amount anticipated for additional antenna and poles, installation, and FAA regulatory compliance.

The Company got 2 bids for radio service. Although one has not been definitively chosen yet, the Company is leaning towards Radio One because it is more reputable and uses Motorola equipment.

- 3. Please provide the anticipated in-service date for the two-way communication system (the current in-service date is Q1 of 2025).**

Company Response:

The Company has since determined it needs approval from the FAA, so the estimated in-service date is now June 2025.

- 4. Please provide the adjustments to remove any over-estimated amounts (e.g., plant, depreciation).**

Company Response:

The change is a reduction to rate base of \$940,711 and a reduction to depreciation expense of \$187,357 as shown on the attached worksheet.

- 5. Please explain the methodology behind the depreciation rate used in the provided spreadsheet (rows 5 and 12)?**

Company Response:

In the filing, the radios were charged to account 397 Communication Equipment which has a 5 year amortization rate. The formula takes the prior month plant balance divided by 5 years divided by 12 months to get the monthly depreciation.

- 6. For NCIS, the two main vendors were TMG and EY. Were any alternative vendors considered for these leading roles? What led FPUC to ultimately go with**

TMG/EY (e.g., was it the cost or specialization they provided?)?

Company Response:

TMG and EY were considered and ultimately selected because both had relevant experience with Utility billing system projects and related software implementation. They were also priced reasonably.

The Company also considered Deloitte, which also has expertise in this area, but their cost and implementation time frame were much longer than FPUC’s budget and expected timelines.

7. How is the “self-healing” project in the rate case distinguished from the “Distribution and Connectivity Automation” program in the updated SPP filed by FPUC in Docket No. 20250017-EI?

Company Response:

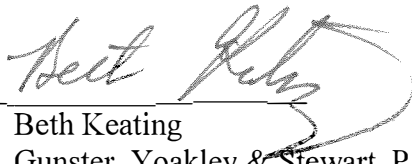
The self-healing project in the rate case is essentially the Future Transmission and Distribution Enhancements program eliminated by the Commission from FPUC’s 2022 SPP because it was primarily a “reliability” program, as opposed to “storm protection.” It is the implementation of the “underlying data gathering system” noted in Order No. PSC-2022-0387-FOF-EI, issued in Docket No. 20220049-EI, at page 17, which the Commission found was a reliability project, rather than hardening.

In contrast, the Distribution Connectivity and Automation program included in FPUC’s updated SPP is a hardening project that, while related to and dependent upon completion of the “self-healing” project in the rate case, is more aligned with storm protection and restoration in that it entails the implementation of the distribution automation systems that the Commission indicated would more likely be considered “storm protection” in that they will help “identify and facilitate restoration efforts” following a storm. Id.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 30th day of January, 2025:

<p>Suzanne Brownless Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 sbrownle@psc.state.fl.us discovery-gcl@psc.state.fl.us</p>	<p>Walt Trierweiler/P. Christensen / Charles Rehwinkel/Mary Wessling/Octavio Ponce/Austin Watrous 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 Wessling.Mary@leg.state.fl.us Rehwinkel.Charles@leg.state.fl.us Christensen.patty@leg.state.fl.us Ponce.octavio@leg.state.fl.us Watrous.austin@leg.state.fl.us</p>
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