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July 18, 2022

BY E-PORTAL

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

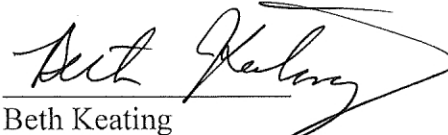
Re: **[NEW FILING/DOCKET] – Joint Petition of Florida Public Utilities Company (Electric and Gas Divisions) and Florida Division of Chesapeake Utilities Corporation for Approval to Establish Regulatory Assets**

Dear Mr. Teitzman:

Attached for electronic filing, please find the Joint Petition of Florida Public Utilities Company (Electric and Gas Divisions) and the Florida Division of Chesapeake Utilities Corporation for Approval to Establish Regulatory Assets for costs associated with a new customer information system ("CIS").

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

Sincerely,



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

Cc: Office of Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Joint Petition of Florida Public Utilities) DOCKET NO.
Company (Electric and Gas Divisions) and)
Florida Division of Chesapeake Utilities) FILED: July 18, 2022
Corporation for Approval to Establish)
Regulatory Assets)

**JOINT PETITION REQUESTING APPROVAL TO
ESTABLISH REGULATORY ASSETS**

Florida Public Utilities Company, Florida Public Utilities Company – Indiantown Division, and Florida Public Utilities Company – Fort Meade, Florida Public Utilities Company – Electric Division (“Electric Division”), as well as the Florida Division of Chesapeake Utilities Corporation (herein, all FPUC divisions and CFG, jointly, “Companies”), by and through undersigned counsel, hereby petition the Florida Public Service Commission (“Commission”) for approval to establish a regulatory asset on the books of the consolidated natural gas entity, Florida Public Utilities Company, as well as the Electric Division’s books, for purposes of recording and preserving the non-capitalizable costs associated with the setup and implementation of a new customer information system that is planned to be in-service in 2025.¹ In support of this Joint Petition, the Companies state as follows:

1. The name, address, and telephone number of the Petitioner(s) are:

Florida Public Utilities Company/Florida Division of Chesapeake Utilities Corporation
208 Wildlight Avenue
Yulee, FL 32097
(561) 252-0250

¹ To the extent that the natural gas entities are not yet fully consolidated for all regulatory purposes, the Companies propose that the regulatory asset for the natural gas entities reside on the books of Florida Public Utilities Company, Natural Gas, and then remain on the books of the fully consolidated natural gas entity upon conclusion of Docket No. 20220067-GU. A separate regulatory asset would be established on the Electric Division’s books.

2. Florida Public Utilities Company is a public utility providing both natural gas and electric service through its various operating divisions and, as such, is subject to the Commission's jurisdiction under Chapter 366, Florida Statutes. The Florida Division of Chesapeake Utilities Corporation is likewise subject to the Commission's jurisdiction under Chapter 366, Florida Statutes, as a natural gas distribution company providing service in Florida. Each of the entities identified herein is a division or subsidiary of Chesapeake Utilities Corporation, a Delaware corporation.

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

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

Matt Everngam
Director, Regulatory Affairs
500 Energy Lane, Suite 200
Dover, DE 19901
meverngam@chpk.com
302-213-7491

4. The Commission is vested with jurisdiction in this matter in accordance with Sections 366.04, 366.05, and 366.06, Florida Statutes, pursuant to which the Commission is authorized to establish rates and charges for public utilities, including the relief requested herein.

5. The Companies are unaware of any material facts in dispute at this time, but the proceeding may involve disputed issues of material fact. The Companies requests set forth herein do not involve reversal or modification of a Commission decision or proposed agency action. This is a Petition representing an initial request to the Commission, which is the affected agency located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399.

MODERN, UNIFIED CIS SOLUTION

6. The Companies' parent company, Chesapeake Utilities Corporation ("CUC"), currently utilizes two Customer Information Systems ("CIS") that are outdated and facing various hurdles including termination of support agreements and maintenance challenges. UtiliCIS is an on-premise solution used for CUC's natural gas local distribution companies ("LDC") located in Delaware and Maryland, and ECIS is a product of Vertex Business solutions utilized for the Companies. In Florida, the Companies have used ECIS for over 20 years, and similar versions have been used by utilities around the country since the 1980s. Currently, ECIS, which is now fully depreciated, supports the billing of approximately 86,000 gas and 32,000 electric customers in Florida and generates approximately 123,000 bills per month. ECIS has, however, become increasingly hard to support and is limited in terms of capability because it is based on decades old, outdated technology. Further, ECIS will no longer be supported by the third-party vendor, VertexOne, after the completion of the current contract on December 31, 2024. Thus, CUC needs to pursue a single modernized CIS solution that will address the needs of the Companies in Florida, as well as the natural gas LDC business units on the Delmarva peninsula. Work is currently underway to evaluate and select a CIS with implementation anticipated to begin during the first quarter of 2023 and to be completed during the first quarter of 2025. CUC is strategically focused on obtaining the CIS that fully supports our customers, the Company's business operations, and that meets or exceeds the industry standard. CUC will provide an appropriate level of staffing to support implementation of a new CIS while ensuring the legacy systems operate effectively during the transition as to not negatively impact any customer experience.

7. The total cost of the implementation of a unified, modern CIS solution is currently estimated to cost approximately \$40 million. Of this amount, costs that are currently non-capitalizable under GAAP are estimated to be approximately \$9.5 million. The nature of these costs is further explained in paragraph 9. To be clear, CUC plans to allocate only a portion of the anticipated costs to the Companies in Florida, while CUC LDCs in both Maryland and Delaware will also be allocated an appropriate portion of the costs. The Delaware business unit, which serves approximately 69,000 customers, has previously received approval for regulatory asset treatment for non-capitalizable costs in Order No. 8982 issued by the Delaware Public Service Commission.

8. The implementation of a new CIS is an infrequent and costly event that generally occurs only once every few decades. Should the Companies not be able recognize these non-capitalizable costs in a regulatory asset account, they would incur a one-time extraordinary expense impact, hindering the ability to earn a fair rate of return on necessary investments to provide safe, reliable, and efficient service to their customers. CUC will actively manage the scope, cost, and schedule of implementing a new CIS to ensure the best solution is chosen to balance the needs for CUC and the impact to rate payers. The Companies also emphasize that costs associated with this planned CIS upgrade are not in the ongoing rate case being addressed in Docket No. 20220067-GU given that the system is not anticipated to be fully implemented and used and useful until early 2025.

9. When implementing a new technology, the following examples of implementation costs are not allowed to be capitalized under Generally Accepted Accounting Principles (“GAAP”) ASC 350-40: 1) Expertise to assist in the search and selection process, 2) Documenting current processes and tariff requirements, 3) Process re-engineering to adapt the targeted software to our current tariff requirements with little to no modifications to the technology, 4) Data conversion

which includes taking our customer information currently stored in a specific format and technology and to adjust to the targeted software and 5) training during and after implementation. These costs are fundamental to the successful implementation of a new CIS and should be considered part of the overall capitalizable cost. A modern CIS for the Companies is necessary to provide the level of service that customers expect and to operate the Utilities efficiently. However, as previously noted, due to the infrequent nature of such a large-scale implementation a significant extraordinary expense will be incurred. Approval of the regulatory asset account allows the Companies to make the necessary investment into the CIS with no immediate negative unrecovered impact.

10. The Companies will perform duties for the CIS prior to implementation that include 1) gathering and validating business requirements, 2) vendor review and selection, 3) data cleansing and preparation, and 4) process documentation. All of these activities are non-capitalizable under ASC 350-40 but are necessary to the CIS implementation. These activities will enable the Companies to have a more successful implementation and ultimately provide better customer service and satisfaction. During and post implementation, the Companies will engage in training activities to ensure that the Companies' personnel are knowledgeable and gain the necessary technical expertise on the CIS to use the system to its full potential and to provide the best customer experience.

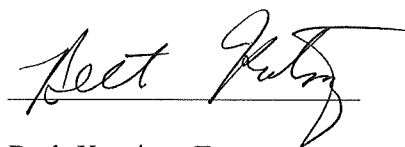
11. The Companies therefore respectfully request approval to establish regulatory assets on the books of the FPUC consolidated natural gas entity and the Florida Public Utilities Company – Electric Division for the aforementioned costs associated with the new CIS. The Companies acknowledge that the Commission's approval of deferred accounting treatment for these costs does not constitute approval of the recovery of these deferred costs. Rather, recovery

of the costs would be subject to review in a subsequent filing when the Companies' rates are next reset. The Companies will account for the costs by recording the costs for each item of new technology to the newly established regulatory asset. If the Commission approves this request, costs will be recorded in the regulatory asset account as incurred from the time that work on the project commences through final implementation.

CONCLUSION

WHEREFORE, the Companies respectfully request that the Commission enter an order granting this Joint Petition and allowing the Companies to establish regulatory assets on the books of Florida Public Utilities Company's Natural Gas and Electric Divisions for the recording and preservation of certain non-capitalizable costs related to the set-up and implementation of a new CIS.

RESPECTFULLY SUBMITTED this 18th day of July.

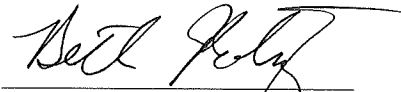


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215 S. Monroe St., Ste 601
Tallahassee, FL 32301
(850) 521-1706

CERTIFICATE OF SERVICE

I HEREBY ATTEST that a true and correct copy of the foregoing Petition has been served upon the following by Electronic Mail this 18th day of July:

Richard Gentry, Public Counsel
Office of Public Counsel
c/o the Florida Legislature
111 West Madison Street, Rm 812
Tallahassee, FL 32399-1400
Gentry.richard@leg.state.fl.us



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