

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint petition requesting approval to establish regulatory assets, by Florida Public Utilities Company, Florida Public Utilities Company - Indiantown Division, Florida Public Utilities Company - Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

DOCKET NO. 20220128-PU
ORDER NO. PSC-2022-0429-PAA-PU
ISSUED: December 16, 2022

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION
ORDER DENYING THE ESTABLISHMENT OF A REGULATORY ASSET

BY THE COMMISSION:

NOTICE is hereby given that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

On July 18, 2022, Florida Public Utilities Company (electric and gas divisions), Florida Public Utilities Company - Indiantown Division, Florida Public Utilities Company - Fort Meade, and Florida Division of Chesapeake Utilities Corporation (collectively referred to as FPUC or the Companies) filed a joint petition for approval to establish regulatory assets on the books of the consolidated natural gas entity, 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.

We have jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

Decision

FPUC filed a joint petition to establish regulatory assets to be able to record on its books what it identified as non-capitalizable costs associated with the implementation of its modified customer information system (CIS). Currently, the Companies are utilizing a product of Vertex Business Solutions called ECIS. ECIS supports the billing to natural gas and electric customers in Florida but will no longer be supported by VertexOne after the completion of the current contract in December 2024. As a result, Chesapeake Utilities Corporation is pursuing a modernized CIS that will address the needs of the Companies. The implementation of the new CIS will begin during the first quarter of 2023 and be completed during the first quarter of 2025.

The total estimated cost of the new CIS is \$40 million, with approximately \$9.5 million being identified by FPUC as non-capitalizable under Generally Accepted Accounting Principles (GAAP) ASC 350-40. FPUC asserts that examples of implementation costs of new technology that are not capitalizable under GAAP are expertise in the search and selection process, documenting current processes and tariff requirements, data conversion, training, and the process of re-engineering to adapt targeted software to current tariff requirements with minimal modifications to the technology. Specifically, as reflected in paragraph 10 of their petition, the Companies will perform duties for the CIS prior to implementation that include gathering and validating business requirements, vendor review and selection, data cleansing and preparation, and process documentation. In response to a data request from our staff, FPUC stated that Chesapeake Utilities, FPUC's parent company, has capitalization policies requiring these items to be expensed.

FPUC acknowledges there are no rules or orders that require jurisdictional electric and natural gas utilities to follow the capitalization guidelines of ASC 350-40, as well as no specific requirements to request approval for setting up a regulatory asset.¹ FPUC further acknowledges that the USOA for jurisdictional electric and natural gas utilities does not prohibit the capitalization of the cost associated with the duties reflected in paragraph 10 of its petition. In a response to data requests from our staff, FPUC elaborated more fully on the four duties listed in paragraph 10. These duties are akin to prerequisite land clearing costs for structures that are capitalized to plant. Thus, we find these duties are essential prerequisite tasks to implement the new CIS and shall be capitalized to plant in service, specifically USOA Account 3914, for which FPUC plans to record the other \$30.5 million estimated capital costs associated with the new CIS.

Moreover, FPUC acknowledges that any training costs incurred after the new CIS is in service would be expensed under the USOA for Public Utilities and Licensees as found in the Code of Federal Regulations, Title 18, Subchapter C, Parts 101 and 201, Plant Instructions 3.(19).² However, due to this expensing requirement, FPUC stated in its response to our staff's data request that it will seek approval from us to classify these post implementation training costs as a regulatory asset with subsequent amortization.

¹ Document No. 05435-2022

² Document No. 0870-2022

We have several concerns with this additional regulatory asset request. First, as reflected in a response to our staff's data request, the training costs prior to the implementation of the new CIS are only \$52,467 for FPUC's jurisdictional electric and natural gas systems in Florida. Second, if we were to approve the proposed natural gas system consolidation in Docket No. 20220067-GU, any post implementation training costs would be insignificant compared to the revenue requirement impact of a 100 basis points change in return on equity. In other words, any post implementation training costs expensed would not place FPUC's natural gas system in an under-earnings posture. Third, based on allocation information provided by FPUC, the allocated share of FPUC's electric system would be less than FPUC's natural gas system share for any post implementation training costs.

Based on the foregoing, we deny FPUC's request to establish regulatory assets for the costs associated with the duties outlined in paragraph 10 of its petition, as it is more appropriate to capitalize these costs to plant. Further, any post implementation trainings costs shall be expensed in accordance with the USOA for Public Utilities and Licensees as found in the Code of Federal Regulations, Title 18, Subchapter C, Parts 101 and 201, Plant Instructions 3.(19).

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the request made by Florida Public Utilities Company (electric and gas divisions), Florida Public Utilities Company - Indiantown Division, Florida Public Utilities Company - Fort Meade, and Florida Division of Chesapeake Utilities Corporation to establish regulatory assets is hereby denied. It is further

ORDERED that any post implementation trainings costs shall be expensed in accordance with the USOA for Public Utilities and Licensees as found in the Code of Federal Regulations, Title 18, Subchapter C, Parts 101 and 201, Plant Instructions 3.(19). It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 16th day of December, 2022.


ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

JSC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 6, 2023.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.