



Russell Badders
Vice President, Associate General Counsel

April 10, 2020

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

Re: Docket No. 20200059-EI – Petition for approval of amortization rate for
customer account management system, by Gulf Power Company

Dear Mr. Teitzman:

Attached for electronic filing is Gulf Power Company's response to Staff's First
Data Request in the above-referenced docket.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Russell Badders', written in a cursive style.

Russell Badders
Vice President & Associate General Counsel
Gulf Power Company

md

Attachments

cc: Florida Public Service Commission
Lee Smith, Division of Economics
Andrew Kunkler, Division of Economics

QUESTION:

Is Gulf currently recording any depreciation associated with its CAMS software?

- a. If the response to Request No. 1 is affirmative, is the company requesting any plant in service and accumulated depreciation transfers be performed as part of this docket?
- b. If the response to Request No. 1(a) is affirmative, please specify: amounts to be transferred; accounts in which the property/balances are currently being depreciated; and accounts to which the property/balances are being transferred to.

RESPONSE:

Yes, in February 2020 Gulf Power placed in service \$71.9 million related to CAMS software. The CAMS software was assigned a 7-year life. In February and March 2020, Gulf Power recorded amortization expense of \$428,000 and \$856,000, respectively.

- a. The CAMS software is currently recorded in Account 303, Miscellaneous Intangible Plant. As a result, transfer is not necessary in order to change the recovery period of the CAMS software.
- b. Not applicable.

QUESTION:

Has Gulf estimated the total capital cost associated with the CAMS software? If so, please specify.

RESPONSE:

Yes. The estimated total capital cost associated with the CAMS software is \$92 million.

QUESTION:

Please refer to paragraph (8) of Gulfs Petition for Approval of Amortization Rate for Customer Account Management System (Petition). The Petition states, "CAMS will provide end-to-end customer service capabilities for Gulf Power and its customers, and will serve as a platform to enhance customer communications and the digital experience for Gulf Power's customers." Please explain in detail what is meant by "end-to-end customer service capabilities". Further, describe in detail how the software will "enhance customer communications and the digital experience for Gulf Power's customers."

RESPONSE:

End-to-end customer service capabilities signifies that the new CAMS directly facilitates a wide variety of customer interactions with Gulf Power, including: starting and stopping service; billing; maintaining an online and mobile application to manage accounts; and facilitating a robust interactive phone system with digital self-service options, which allow for one consistent platform across all channels (*e.g.*, interactive voice response, web and agent interactions). Additionally, a field management system is tied to the CAMS platform, which is used to manage and complete field work orders related to matters such as connects, disconnects, and meter changes. Enhanced customer communications (such as emails, letters, and texts) are also a benefit facilitated by the new CAMS. These capabilities will enhance the overall experience for our customers.

QUESTION:

Assuming Gulf's petition approval, please identify any accounting entries or adjustments that may be necessary resulting from Gulf's decision to petition for a new depreciation rate for the CAMS software and to reflect the retirement of CSS.

RESPONSE:

Assuming the 20-year recovery period is approved in June 2020, Gulf will adjust the amortization expense recorded in February through May of 2020. This adjustment will result in a debit to Account 404 Amortization of Limited-term Electric Plant and a credit to Account 111 Accumulated Provision for Amortization of Electric Utility Plant of \$1.9 million. The CSS software was retired in a previous period. Gulf Power amortized the CSS software over a 7-year period and as part of normal practice retired the CSS software at the end of this period.

QUESTION:

Will the CAMS software carry a warranty/service contract?

- a. If so, please specify or approximate the typical warranty/service contract period.
- b. What protections are in place for Gulf's customers if the warranty/service contract period is less than the estimated design life of twenty years?

RESPONSE:

There is no formal warranty on the CAMS software. However, the underlying software for CAMS is SAP's S4 system, for which Gulf Power's parent company, NextEra Energy, has an ongoing maintenance contract with SAP. This maintenance contract is renewed annually. NextEra Energy has worked with SAP for more than 15 years with this type of arrangement and has not experienced any significant interruptions of service.

Gulf Power also utilizes an extensive Information Technology (IT) team, which provides support for essentially all software and systems in use across its various functions, including CAMS. As noted above, for CAMS, the underlying SAP S4 platform has an ongoing maintenance agreement to ensure the platform remains functional at all times. If any issue arises regarding Gulf-specific customizations, the Company's IT team is available 24/7 address them. This approach has provided strong protection for Gulf Power's customers with its prior CIS system and other system implementations.

QUESTION:

Please refer to paragraph (8) of the Petition. Please describe what is meant by "net asset value". Is it the equivalent of net book value?

RESPONSE:

The terms "net asset value" and "net book value" are meant to be interchangeable. Both terms reference the value of the asset unrecovered through depreciation.

QUESTION:

Please refer to paragraph (8) of the Petition. Please explain why CSS can only be used until the end of 2020.

RESPONSE:

The Customer Service System (CSS) is Gulf Power's legacy billing system, which is owned by Southern Company. According to the Transition Services Agreement between Gulf Power Company and Southern Company Services, Inc., Gulf Power is able to access technology systems and applications, such as CSS, for a maximum term of 24 months from the Gulf Power acquisition date, which was January 1, 2019. This period concludes at the end of December 2020, after which Gulf Power will no longer be able to utilize CSS.

QUESTION:

Please refer to paragraph (8) of the Petition. Please explain in detail the results of the CAMS partial roll-out conducted in 2019. Please include number of customers by class, issues that arose during the partial roll-out, customer acceptance as measured by Gulf, etc.

RESPONSE:

Beginning in October 2019, Gulf Power conducted a pilot of the CAMS for a total of 1,019 customers on Gulf's Residential (789 customers) and General Services (230 customers) rates. These customers were selected to be a representation of 86% of Gulf's customers who are served on those rates, which in turn would provide Gulf Power with direct information on the functioning of the bulk of the CAMS and our customers' experiences with the system, their bills, and the clarity of Gulf Power's communications plan.

The pilot began on October 28, 2019, and performance was tracked closely for 12 weeks while the next phase of functionality and customer migration was prepared. During that period, Gulf Power tracked the system's performance and resolved any defects that were identified during the normal course of day-to-day business and customer transactions. No fundamental changes were required, and the system passed the metric-driven criteria to continue to full rollout (which was executed in two phases after the holiday and year-end periods: Phase 1 on January 27, 2020 and Phase 2 on February 24, 2020).

Metrics were defined as followed:

- System Readiness – Completed all test cycles, no blocking or critical defects
- Financial Readiness – 100% bills generated, 99.997% bill accuracy, 100% payments processed, posted and reconciled
- Organization – 90% of end users trained, with >70% proficiency
- Controls – SOX compliance and security controls on track and in place

QUESTION:

Please refer to paragraph (9) of the Petition. Please explain how Gulf determined an amortization period of 20 years was appropriate for the CAMS software.

RESPONSE:

Gulf Power's request for a 20-year amortization period is well supported by both Gulf Power and industry experience. Gulf Power's previous CSS system (owned by Southern Company) went into service during the late 90s and served Gulf's customers for over 20 years. In Docket No. 20120015-EI, FPL received approval for a 20-year recovery period for its SAP accounting system. Gulf Power believes that like these two examples, the CAMS software will provide service to Gulf Power's customers over 20 years and allow consistency between FPL and Gulf Power.