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September 28, 2020

**VIA E-PORTAL**

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

**In re: Docket 20200191-GU -- Petition for approval of amortization rate for Starnik customer information system and other software accounting adjustments, by Florida City Gas.**

Dear Mr. Teitzman:

Attached for electronic filing, please find Florida City Gas's Responses to Staff's First Data Requests in the referenced docket.

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

Sincerely,

*s/ Beth Keating*  
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MEK

Cc:// Office of Public Counsel (Kelly, Christensen)

QUESTION:

Is Florida City Gas (FCG) currently recording any depreciation associated with its Starnik CIS 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 identify any accounting entries or adjustments that may be necessary. Additionally, 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.

RESPONSE:

Yes, in June 2020 FCG placed in service \$5.2 million related to Starnik CIS software using Account 391.11 Computer Software. The Starnik CIS software was assigned a 12-year life. Through August 2020, FCG recorded amortization expense of \$88,339.

- a. Yes, FCG is requesting permission to establish a new sub-account within FERC account 303 in order to transfer the balance of \$5.2 million from Account 391.11.
- b. The following accounting entries will be necessary to transfer the Starnik CIS software upon Commission approval:
  - 1) Transfer the plant in service balance of \$5.2 million from Account 391.11 to Account 303; and
  - 2) True-up of the amortization under the current 12-year depreciable life to a 20-year depreciable life. The reclass would be recorded between Account 111 Accumulated provision for amortization of electric utility plant and Account 404 Amortization of limited-term electric plant (where the amortization of Starnik CIS software is currently being recorded).

**QUESTION:**

Has FCG estimated the total capital cost associated with the Starnik CIS software? If so, please specify.

**RESPONSE:**

Yes. The total capital cost associated with Starnik software is \$5.2 million as of August 2020. FCG is investigating whether to add additional functionalities to the software, which would also be capitalized as costs are incurred; however, no decisions to implement any additional functionality have been made at this time.

QUESTION:

Please refer to paragraph (9) of FCG's Petition for Approval of Amortization Rate for Starnik Customer Information System and Other Software Accounting Adjustments (Petition). The Petition states:

In June 2020, FCG replaced CC&B with Starnik CIS, which provides FCG with increased customer information system functionalities. Specifically, Starnik CIS provides an integrated, state-of-the-art billing system and customer platform that will enhance FCG customers' digital experience, and, in addition, Starnik CIS will tie into FCG's field operations software to offer the Company increased customer support capabilities.

- a. Please explain in detail what is meant by "increased customer information system functionalities."
- b. Please describe in detail how the software will "enhance FCG customers' digital experience," and "offer the Company increased customer support capabilities."

RESPONSE:

- a. Starnik is a cloud-based software-as-a-service (SaaS) system that offers an all-in-one, real-time solution for managing the business processes of: (1) receiving gas consumption measurement data; (2) accurately billing; and (3) ensuring consistent collection of revenues for services rendered to customers. The system enables FCG to automate recurring processes such as billing, collections, and delinquency management, thus reducing time, potential errors, and the resources needed to complete billing-related tasks. The unified platform enhances FCG's ability to effectively manage and accurately bill all customer segments, including residential, commercial, industrial and transportation service providers (TSP), within a single system. The system that Starnik replaced, the Oracle Utilities Customer Care & Billings (CC&B) system, did not perform industrial or TSP billing.
- b. Starnik is a sophisticated and flexible system that is designed to evolve and grow with FCG to meet the ever-changing needs and demands of the business and its customers, without extensive customizations. FCG customers' digital experience will be enhanced due to Starnik's ability to interface with FCG's Customer Portal. Customers may access the Portal to update their phone number or email address, check account balances and sign up for automatic payments or make a one-time payment. Also, Starnik enables increased customer support capabilities through its comprehensive suite of product offerings including: customer billing, customer account management, customer self-service, meter data management, reporting, and field/work order management. These features are tailored to the specific needs of FCG and its customers, representing a substantial increase in customer service capabilities as compared to the prior CC&B system, which FCG did not control and could not modify to meet the Company's specific needs.

QUESTION:

Please refer to paragraphs (10) and (11) of the Petition. FCG proposes, on a going- forward basis, to use FERC account 303 (Miscellaneous Intangible Plant) to record any future capitalized software, including both traditional and software-as-a-service (SaaS) arrangements. FCG is requesting to create a separate subaccount in Account 303 for SaaS arrangements such as the Starnik CIS. However, FCG did not request to create a separate subaccount for future traditional assets.

- a. Assuming FCG's petition is approved, please elaborate on whether further acquisitions of traditional assets will be recorded in Account 303, rather than a separate 303 subaccount. If they will, what is the name and number, and proposed depreciation rate for the new subaccount?
- b. Does FCG propose to transfer any existing capitalized software from Account 391.1 or 391.11 to Account 303 or any related subaccount? If so, please identify such transfers, if any (account/subaccount to account/subaccount)
- c. What is the subaccount name and number FCG is proposing for Starnik CIS, or SaaS assets, as referenced in the Company's Petition at Paragraph 11?

RESPONSE:

- a. Further acquisitions of traditional capitalized software will be recorded in separate Account 303 subaccounts using the same depreciation rates established in accounts 391.10 and 391.11. FCG proposes using Account 303.01 Software Non-Enterprise with a 10-year depreciable life (10% depreciation rate) and 303.02 Computer Software with a 12-year depreciable life (8.3% depreciation rate).
- b. With the exception of the Starnik CIS software, FCG is not proposing to transfer any existing capitalized software from Account 391.10 or 391.11 to Account 303 or any related subaccount.
- c. FCG is proposing to use subaccount 303.20 Software as a Service – 20 years for Starnik CIS. Further, FCG is proposing to use the following 303 subaccounts for recording future SaaS arrangements based on the specific terms of the service contract and the Company's assessment of how long the software will be utilized:

Account 303.10 Software as a Service – 2 years  
Account 303.11 Software as a Service – 3 years  
Account 303.12 Software as a Service – 4 years  
Account 303.13 Software as a Service – 5 years  
Account 303.14 Software as a Service – 6 years  
Account 303.15 Software as a Service – 7 years

Account 303.16 Software as a Service – 8 years  
Account 303.17 Software as a Service – 9 years  
Account 303.18 Software as a Service – 10 years  
Account 303.19 Software as a Service – 15 years  
Account 303.20 Software as a Service – 20 years

QUESTION:

Will the Starnik CIS 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 FCG's customers if the warranty/service contract period is less than the estimated design life of twenty years?

RESPONSE:

There is no formal warranty for the FCG CIS solution. FCG is using a hosted CIS solution called Starnik under a licensing agreement. This agreement includes system maintenance and support. Because Starnik is a hosted solution, the maintenance and support is perpetual as long as the Company is using the Starnik platform. Maintenance and support is paid on an annual basis to the vendor.

In order to protect customers, FCG included the cost to place the Starnik software in escrow in its initial CIS system investment. This gives FCG access to the system code in case the vendor encounters an unforeseen issue that prevents it from providing service.

FCG will also utilize internal Information Technology (IT) teams to support and maintain various integrated systems that tie into the Starnik CIS system. Starnik provides ongoing maintenance to their platform to maintain a high level of system availability. All software teams internal and external are available 24/7 to prevent customer-impacting service disruptions.