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PGS's Response to Staff's First
Set of Interrogatories, Nos. 1-8

Please refer to Schedule CT-2, Page 2 of 4, of PGS's May 2, 2022 filing in Docket No. 20220004-GU and Schedule CT-2, Page 3 of 3, of PGS's May 3, 2021 filing in Docket No. 20210004-GU to answer the following questions.

1. Please explain why the expense for Incentives allocated to the Residential New Construction program, \$8,961,275, was about 13% higher for the January – December 2021 period, compared to the January – December 2020 period, when the recorded expense was \$7,878,350.
- A. The Incentives cost category is comprised entirely of rebates paid out in each program.

The following differences between 2020 and 2021 led to increased Incentives in this program:

- a. Total participation in this program increased by 4.7 percent in 2021. The strong residential housing market in Florida continues to provide rebate opportunities for this program.
- b. The rebate amounts per appliance type in this program increased for installations on or after August 1, 2021, when Peoples implemented its 2019-2028 DSM Plan.
- c. Rebates paid for tankless water heaters increased 14 percent. Since tankless water heaters receive one of the highest rebate amounts in this program, changes in their rebate numbers have a relatively large effect on total incentives paid.

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DOCKET NO. 20220004-GU
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- 2.** Please explain why the expense for Incentives allocated to the Residential Retention program, \$3,998,694, was about 25% lower for the January – December 2021 period, compared to the January – December 2020 period, when the recorded expense was \$5,015,445.
- A.** Incentives were lower in the Residential Retention program in 2021 due primarily to a 22 percent decrease in total participation. Peoples paid 22 percent fewer rebates for tank water heaters in 2021 and 30 percent fewer rebates for furnaces.

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- 3.** Please explain why the expense for Incentives allocated to the Residential Retrofit program, \$659,848, was about 23% lower for the January – December 2021 period, compared to the January – December 2020 period, when the recorded expense was \$812,096.
- A.** Incentives were lower in the Residential Retrofit program in 2021 due primarily to a 17 percent decrease in participation in the program. Rebates paid for tankless water heaters decreased by 25 percent.

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4. Please identify what types of items are recorded as "Other" expenses.
 - A. The types of items recorded as "Other" expenses in 2021 were industry dues, professional dues and fees, and printing.

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5. Please describe the expense of \$125,000 for Outside Services allocated to the Residential Customer Assisted Audit program for the January-December 2021 period.
 - A. \$125,000 is the annual fee Peoples pays to a contractor to host the online audit. The contractor also provides monthly reports on activity and implements changes to the audit when requested by Peoples. The fee is the same regardless of participation in the audit.

6. Please detail the efforts made in the January-December 2021 period by the Company to develop the Commercial Walkthrough Audit program.

A. Peoples first issued an RFP for the Commercial Walkthrough Audit in 2020. The response indicated that there was a preference to delay launching the audit until public health concerns related to the COVID-19 Pandemic had eased.

In June 2021, Peoples restarted the process, with a goal to launch the audit in late 2021. Peoples reviewed its original RFP and made updates, including a change to limit the participating area to the Tampa Bay region. In July 2021, Peoples distributed a revised RFP to the same list of respondents as the 2020 RFP, with a due date for responses in August 2021. Peoples received some communications from the respondents but ultimately, none submitted a proposal to provide the audit.

In December 2021, Peoples began a nationwide search to increase the distribution list for an RFP to be issued in 2022. Peoples held a pre-bid meeting with prospective respondents in May 2022. Later that month, the RFP was issued to nine contractors, and Peoples received four proposals to provide the audit. Peoples is currently developing a shortlist and plans to secure a contractor later this summer. An update on the status of Commercial Walkthrough Audit will be provided in Peoples' upcoming NGCCR Projection Filing.

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7. On September 14, 2021, the Florida Department of Revenue announced in Tax Information Publication No: 21C01-02 that the state's corporate income tax rate has been reduced to 3.535 percent for tax years beginning on or after January 1, 2021. Would there be any impact on the clause due to the tax reduction? If so, please explain, and identify by Schedule and Line entry where People's Gas recognized the changes in State of Florida corporate income taxes that occurred in 2021.
 - A. There was no impact to the PGS Conservation Clause as a result of the change in state income tax rate. The corporate income tax rate is used in the Company's calculation of the Net Operating Income Multiplier (expansion factor), which is a component of the Weighted Average Cost of Capital Return On Investment Equity rate in clauses that have assets. The PGS Conservation Clause does not have assets currently, so the change in state income tax rate did not impact the revenue requirement for this clause.

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**PEOPLES GAS SYSTEM
DOCKET NO. 20220004-GU
STAFF'S FIRST SET OF
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INTERROGATORY NO. 8
BATES PAGES: 8 - 9
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Please refer to Schedule CT-2, Page 2 of 4, of PGS's May 2, 2022 filing in Docket No. 20220004-GU and also to Schedule CT-6, Page 2 of 12, from the same filing, to answer Interrogatory No. 8.

- 8.** On Schedule CT-2, Page 2 of 4, of PGS's May 2, 2022 filing in Docket No. 20220004-GU, the expense for Incentives allocated to Program 2 (Residential New Construction) is recorded as \$8,961,275. Using the information from Schedule CT-6, Page 2 of 12, the following table identifies sum of program accomplishments multiplied by the various program allowances identified:

Program Accomplishments		Program Allowances (\$)	Sum (\$)
(A)	(B)	(C)	(D) = (A) * (C)
Number of Paid Incentives	Description		
Current Rebate Amounts			
1586	Cooktop/Range	300	475,800
1490	Dryer	200	298,000
1	Heating	725	725
0	Energy Star Water Heater	650	0
309	Tank Water Heater	550	169,950
1390	Tankless Water Heater	700	973,000
January – July, 2021 Rebate Amounts			
8790	Cooktop/Range	100	879,000
8423	Dryer	100	842,300
430	Heating	500	215,000
13	Energy Star Water Heater	400	5,200
2157	Tank Water Heater	350	754,950
7122	Tankless Water Heater	550	3,917,100
31711			8,531,025

Please explain the discrepancy in the expense for Incentives allocated to Program 2 (Residential New Construction) shown on Schedule CT-2, \$8,961,275, and the sum of program accomplishments multiplied by the various program allowances identified on Schedule CT-6, which is \$8,531,025.

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- A.** Please see the corrected table below. The difference was the result of a combination of human and system errors.

The errors were:

- a. There was a typographical error on the original table whereby the amount of the Program Allowance for January-July 2021 Cooktop/Range should have been \$150, not \$100.
- b. There was a software error identified in that a portion of the tank water heater rebates were paid at \$500 rather than at \$550. The error has been corrected and \$50 checks have been issued to the affected builders.
- c. Two of each from cooktop/ranges, dryers and tankless water heaters were mistakenly listed under current rebate amounts, when they should have been listed under January-July 2021 rebate amounts.

Program Accomplishments		Program Allowances (\$)	Sum (\$)
(A)	(B)	(C)	(D) = (A) * (C)
Number of Paid Incentives	Description		
Current Rebate Amounts			
1,584	Cooktop/Range	300	475,200
1,488	Dryer	200	297,600
1	Heating	725	725
0	Energy Star Water Heater	650	0
140	Tank Water Heater	550	77,000
169	Tank Water Heater	500	84,500
1,388	Tankless Water Heater	700	971,600
January – July, 2021 Rebate Amounts			
8,792	Cooktop/Range	150	1,318,800
8,425	Dryer	100	842,500
430	Heating	500	215,000
13	Energy Star Water Heater	400	5,200
2,157	Tank Water Heater	350	754,950
<u>7,124</u>	Tankless Water Heater	550	3,918,200
31,711			8,961,275