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Sebring's Response to Staff's
First Set of Interrogatories, Nos.
1-6

INTERROGATORY NO. 1

INTERROGATORIES

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

1. Please explain how the Company promotes its conservation programs, and where the costs to do so are recovered?

Company Response: As shown the Schedule CT-2, Page 2 of 3, Sebring Gas System, Inc. (Sebring) did not allocate advertising to the conservation program. Sebring did not formally advertise but does educate our customers of incentives we offer. In our opinion, potential customers do not decide to use natural gas because of incentives, but instead learn of the incentives when they inquire of natural gas. We give information to potential customers and keep a good relationship with the local builders. Additionally, we keep up with new construction in our service area and provide potential customers with written information explaining our conservation incentive program. None of the costs for these services is included in the conservation program. When we do give incentive checks to our customers, we send an appreciation letter and give the incentives for each appliance, encouraging them to convert or add natural gas to their home or place of business.

Respondent: Jerry Melendy

INTERROGATORY NO. 2

2. Please explain why the expense for Outside Services is allocated equally to all conservation programs.

Company Response: The Outside Services are the services provided by companies and firms that give advice, communications, consulting and filing services to Sebring. During the year 2021, the Outside Services were performed by our contract law firm. The firm consulted with us, discussed issues concerning the filing of the conservation filings for the Projections and True-Up. Each of the issues equally affect each category of customers in the conservation program, so the costs were equally distributed between the various categories. There were no issues pertaining one category alone.

Respondent: Jerry Melendy

INTERROGATORY NO. 3

3. Please explain why the expense allocated to Outside Services for the Residential New Home Construction program, \$791, was 89% higher for the January – December 2021 period, compared to the January – December 2020 period, when the recorded expense was \$419.

Company Response: There was an increase of \$2,228.95 from 2020 to 2021. All Outside Services were performed by our attorneys at the Gunster Law Firm (Gunster). As indicated in the spreadsheet, there were a few months in the year 2021 in which we received invoices from Gunster and did not receive invoices in the same months of the year 2020. Also, for comparison, there was no increase in the hourly rate by Gunster. The months with increases, or decreases, in activity were as follows:

- May: There was not an unusually large difference in the charges for May. The difference was a decrease of \$112.50 from May 2021 as compared to May 2020.
- June: For June, no invoices were received in the year 2020. In the year 2020 we received an invoice for \$637.50 from Gunster for 1.7 hours for conservation work.
- July: For July, no invoices were received in the year 2020. In the year 2020 we received an invoice for \$637.50 from Gunster for 1.7 hours for conservation work. Although the same number hours were billed for June, some of the time was for audit questions and tariffs in June and correspondence with me and PSC staff in July.
- August: August saw a decrease of .7 hours billed from the year 2020 to year 2021, which was a reduction of \$256.55.
- September: There was no invoices received from Gunster in September 2020, and an invoice for 3.8 hours of conservation work for a cost of \$1,428.60, including phone, postage and imaging/copying.
- October: There was no invoices received from Gunster in October 2020, and an invoice for 2.3 hours of conservation work for a cost of \$869.40, including phone, postage and imaging.
- November: In November 2020, and invoice for \$975.00 was received from Gunster, but no invoices were received in November of 2021, creating a decrease in the conservation Outside Services for the month as compared to the previous year.

Respondent: Jerry Melendy

INTERROGATORY NO. 4

4. Please explain why the expense allocated to Incentives for the Residential New Home Construction program, \$2,150, was 71% lower for the January – December 2021 period, compared to the January – December 2020 period, when the recorded expense was \$7,450.

Company Response: The incentives for Residential New Home Construction for the years 2021 and 2020 were as follows:

For the year 2021: \$2,150.00
For the year 2020: \$7,450.00

Sebring had the opportunity to provide tankless water heaters to Habitat for Humanity for many years. We are grateful when Habitat is able to build homes. In the year 2020 habitat built eight homes and we supplied water heaters for them. The incentives for Habitat were \$4,400, which was 74% of the incentives paid in the 2020. In addition, there were 13 incentives for the New Home Construction and compared to 6 in the year 2021.

Respondent: Jerry Melendy

INTERROGATORY NO. 5

5. Please explain why the expense allocated to Incentives for the Commercial New Construction program, \$4,000, was 60% lower for the January – December 2021 period, compared to the January – December 2020 period, when the recorded expense was \$10,000.

Company Response: Sebring gave incentives to one Commercial New Construction in each of the years 2020 and 2021. However, the incentive for the year 2020 was given to a new assisted living facility. For this facility we gave an incentive of \$10,000.00 for the installation of 11 tankless water heaters. For the year 2021 we gave an incentive of \$4,000.00 for a new brewery.

Respondent: Jerry Melendy

INTERROGATORY NO. 6

6. 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 an impact on the clause due to the tax reduction? If so, please explain, and identify by Schedule and Line entry where Sebring recognized the changes in State of Florida corporate income taxes that occurred in 2021.

Company Response: Sebring does not believe there would be an impact, because the revenue requirement is not grossed up for state income taxes.

Respondent: Jerry Melendy