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FPUC's Response to Staff's First Set of Interrogatories, Nos. 1–11

Interrogatory 1

INTERROGATORY RESPONSES

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

1. Please explain why the expense for Payroll and Benefits is allocated to some, but not all, conservation programs.
   a. Address why no portion of the expense for Payroll and Benefits was allocated to the Residential Appliance Replacement program, a program that recorded about $64,000 in expenses for Incentives during the January – December 2021 period.
   b Address why no portion of the expense for Payroll and Benefits was allocated to the Residential Appliance Retention program, a program that recorded about $440,000 in expenses for Incentives during the January – December 2021 period.
   c. Address why no portion of the expense for Payroll and Benefits was allocated to any of the 5 Commercial programs (Programs 11-15), which collectively recorded about $616,000 in expenses for Incentives during the January – December 2021 period.

Company Response:

The Company's Payroll and Benefits costs are generally allocated to each of its conservation programs based on where the Company's employees are spending their time, either through a pre-determined payroll allocation or by direct payroll charges to the applicable program.

In response to parts a, b and c above:

Upon review, the Company found that the Payroll & Benefits expenses for department MK415 employees were only allocated to its Residential New Construction program, instead of being allocated across all the programs impacted by that department including the Residential Appliance Replacement Program, the Residential Appliance Retention programs and all 5 Commercial programs. Although these expenses were not allocated across the intended programs, they are valid energy conservation expenses for the Company.

Respondent: Derrick Craig

Interrogatory 2

2. Please explain why the total expenditure for Advertising, $325,949, was 49% lower for the January – December 2021 period compared to the January – December 2020 period, when the recorded expense was $640,943.

Company Response:

During 2020, the Company created and produced assets (advertising collateral, online resources, etc) for its "Natural Gas Does More" campaign, an energy conservation-based campaign to promote the benefits of natural gas, and its role in energy conservation and energy efficiency, to its current and potential customers. The assets produced in 2020 were used in the Company's 2021 outreach efforts, thus those expenses were not incurred in 2021.

Respondent: Derrick Craig

Interrogatory 3

3. Please identify what types of items are recorded as "Other" expenses.

Company Response:
The Company's "Other" expense category includes:

- Expenses related to employee uniforms and
- Memberships and subscriptions

Respondent: Derrick M. Craig

4. Please explain why the expense for Outside Services allocated to the Residential Conservation Survey program, $42,129, was 254% higher for the January – December 2021 period compared to the January – December 2020 period, when the recorded expense was $11,900.

Company Response:

The primary driver of the increase in Outside Services expenses for the Residential Conservation Survey program from 2020 to 2021 was $25,066 in expense to Vertex US Holdings for software changes needed to securely facilitate the transfer of customer data used in the Company's online energy audit tool. Due to the COVID-19 pandemic and with the health and safety of its customers and employees in mind, the Company upgraded its online energy auditing tool, making it easier for customers to perform an online energy audit without having a Company employee perform that service in home.

Respondent: Derrick M. Craig

Interrogatory 5

5. Please explain why the expense for Outside Services allocated to Common Costs, $67,247, was 86% higher for the January – December 2021 period compared to the January – December 2020 period, when the recorded expense was $36,088.

Company Response:

The primary drivers of the variance in Outside Services costs allocated to the Common program between 2020 and 2021 are the following:

1. Expenses for the Company's third-party call center company ENCO Utility Services increased by about $13,800 due to an increase in overflow customer calls related to natural gas service and energy conservation programs/rebates and,
2. Approximately $12,700 in more expense to Hubspot Inc., for the development of online campaigns to reach current and potential customers.

Respondent: Derrick M. Craig

Interrogatory 6

6. Please provide more information about the $7,010 expense for Outside Services allocated to the Conservation Demonstration and Development program during the January – December 2021 period.

Company Response:

This expense was for paid to Tactical Energy Services for work completed towards the development of a new Conservation Demonstration and Development program for the Company. Since the Company's previous Conservation Demonstration and Development program ended in 2017, this expenses should have been charged to the Company's Common program.

Respondent: Derrick M. Craig

Interrogatory 7

7. Please explain why the expense for Incentives allocated to the Residential Appliance Replacement program, $63,827, was 67% lower for the January – December 2021 period compared to the January – December 2020 period, when the recorded expense was $196,254.

Company Response:

The primary driver of the variance between the Residential Appliance Replacement Program's Incentive expenses for 2021 versus 2020 is a credit of $131,101 returned to the Company in the month of September for the overpayment of incentives. This credit should have been allocated to the Company's Residential New Construction program, but was incorrectly credited to the Residential Appliance Replacement Program in error.

Respondent: Derrick M. Craig

8. Please explain why the expense for Incentives allocated to the Commercial Large Hospitality program, $23,480, was 76% lower for the January – December 2021 period compared to the January – December 2020 period, when the recorded expense was $98,429.

Company Response:

Incentive expenses have a direct correlation with the number of rebates issues for the replacement or retention of appliances. Due to the continuing effects of the COVID-19 pandemic on large commercial hospitality customers (such as hotels and motels), the Company experienced a reduction in the number of incentives claimed by customers for this program. The number of incentive payments issued for this program was 51 in 2020; this number was only 20 in 2021.

Respondent: Derrick M. Craig

Interrogatory 9

9. Please explain why the expense for Incentives allocated to the Commercial Large Cleaning Service program, $109,160, was 110% higher for the January – December 2021 period compared to the January – December 2020 period, when the recorded expense was $51,997.

Company Response:
As the expenditures for these incentives have a direct correlation with the number of eligible appliances purchased by targeted customers, the increases in this expense is the result of a larger number of rebates issued. As an illustration of this, the rebates issued for 2020 and 2021 for this program can be seen in the table below:

Year	Dryer Purchases		Number of Rebates
	Electric To Gas	Gas To Gas	
2020	0	22	34
2021	17	37	63

Respondent: Derrick M. Craig

Interrogatory 10

10. 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 FPUC recognized the changes in State of Florida corporate income taxes that occurred in 2021.

Company Response:

There is no impact on these costs due to the change in the tax rate. The Consolidated Gas Conservation Rate adjustment is composed of three main items that are not affected by the tax rate: the conservation revenues, the related expenses, and any provision incurred by these factors.

Respondent: Derrick Craig

Interrogatory 11

Please refer to Schedule CT-2, Page 2 of 3, of FPUC's May 2, 2022 filing in Docket No. 20220004-GU and also to Schedule CT-6 from the same filing, to answer Interrogatory No. 11.

11. On Schedule CT-2, Page 2 of 3, of FPUC's May 2, 2022 filing in Docket No. 20220004-GU, the expense for Incentives allocated to Program 1 (Full House Residential New Construction) is recorded as $1,254,599. 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) Number of Paid Incentives	(B) Description	(C)	(D) = (A) * (C)
732	Tank Water Heater	350	256,200
1	High Efficiency Tank Water Heater	400	400
1,088	Tankless Water Heater	550	598,400
5	Furnace	500	2,500
1,429	Range	150	214,350
1,012	Dryer	100	101,200
4,267			1,173,050

Please explain the discrepancy in the expense for Incentives allocated to Program 1 (Full House Residential New Construction) shown on Schedule CT-2, $1,254,599, and the sum of program accomplishments multiplied by the various program allowances identified on Schedule CT-6, which is $1,173,050.

Company Response:

As noted in the Company's response to question 7 above, the Company received a credit of $131,101 in the month of September for an overpayment of incentives. This credit should have been allocated to the Company's Residential New Construction program, but was incorrectly credited to the Residential Appliance Replacement Program in error thus inflating the reported Incentive expenses for the Residential New Construction program to $1,254,599. The revised Incentive expenses for the Company Residential New Construction Program are $1,123,498.

Respondent: Derrick M. Craig