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March 2, 2020

VIA E-PORTAL FILING

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

Re: Docket No. 20190210-GU – Approval of Demand Side Management Plan, by Peoples Gas System

Dear Mr. Teitzman:

Attached for electronic filing in the above docket on behalf of Peoples Gas System, please find its Response to Staff's Second Data Request (Nos. 1-9).

Your assistance in this matter is greatly appreciated.

Sincerely,

Andrew M. Brown

AB/plb
Attachment

cc: Office of Public Counsel (via email: fall-fry.mireille@leg.state.fl.us)
Ms. Paula K. Brown
Ms. Kandi M. Floyd
Ms. Karen Bramley
Mr. Luke Buzard

**PEOPLES GAS SYSTEM
DOCKET NO. 20190210-EG
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1. Please identify the total projected annual bill impact on the general body of customers' monthly bills by program for each of the proposed residential and commercial demand-side management (DSM) programs.

A. The table below provides the total projected annual bill impact on residential customers' bills for each year of the ten-year 2019-2028 period for each of the proposed residential and commercial demand-side management ("DSM") programs:

Annual Bill Impact based on usage of 20 Therms per Month										
Residential										
Program Name	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Central Heating	2.96	3.99	3.53	3.61	3.69	3.77	3.85	3.94	4.02	3.41
Customer Assisted Energy Audit	0.34	0.33	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.24
Dryer	0.45	0.61	0.54	0.54	0.55	0.57	0.59	0.59	0.62	0.53
ENERGY STAR Tank Water Heater	0.24	0.33	0.29	0.30	0.31	0.31	0.32	0.32	0.33	0.28
Gas Space Conditioning	0	0	0	0	0	0	0	0	0	0
New Construction	14.15	19.05	16.85	17.23	17.43	17.62	17.81	18.01	18.20	15.28
Range/Cooktop	0.65	0.85	0.76	0.79	0.79	0.82	0.82	0.85	0.85	0.73
Space Heating	0	0	0	0	0	0	0	0	0	0
Tank Water Heater	3.36	4.52	4.02	4.14	4.25	4.31	4.37	4.45	4.51	3.87
Tankless Water Heater	1.86	2.55	2.40	2.59	2.69	2.78	2.88	2.97	3.07	2.63
Commercial										
Program Name	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Walk-Through Energy Audit	0.08	0.14	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.12
Combined Heat and Power	0	0	0	0	0	0	0	0	0	0
Dryer	0.05	0.06	0.05	0.05	0.05	0.06	0.06	0.06	0.06	0.05
ENERGY STAR Tank Water Heater	0.06	0.08	0.07	0.07	0.07	0.08	0.08	0.08	0.08	0.07
Fryer	0.11	0.14	0.13	0.13	0.13	0.14	0.14	0.14	0.15	0.13
Gas Space Conditioning	0	0	0	0	0	0	0	0	0	0
New Construction	0.29	0.40	0.36	0.37	0.38	0.39	0.40	0.41	0.42	0.36
Range/Cooktop	0.03	0.03	0.03	0.03	0.03	0.03	0.04	0.04	0.04	0.03
Retrofit	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01
Tankless Water Heater	0.98	1.33	1.18	1.20	1.23	1.25	1.27	1.30	1.33	1.13

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2. For each proposed residential and commercial DSM programs, please complete the table below by identifying and describing the customer incentives proposed to be provided, along with the incentives currently being provided in the current Commission approved DSM programs.

(Residential/Commercial)		
Program Name	Current Customer Incentive	Proposed Customer Incentive

A.

Residential		
Program Name	Current Customer Incentive	Proposed Customer Incentive
Residential-New Construction		
New Construction*	\$766	\$1,186
Residential-Retrofit		
Central Heating	\$725	\$725
Dryer	\$150	\$200
ENERGY STAR Tank Water Heater	\$550	\$650
Gas Space Conditioning	\$150 per ton	\$500 per ton
Range/Cooktop	\$200	\$300
Space Heating	\$65	\$65
Tank Water Heater	\$500	\$550
Tankless Water Heater	\$675	\$700
Residential-Replacement		
Central Heating	\$500	\$500
Dryer	\$100	\$150
ENERGY STAR Tank Water Heater	\$400	\$400
Gas Space Conditioning	\$150 per ton	\$150 per ton
Range/Cooktop	\$100	\$100
Tank Water Heater	\$350	\$350
Tankless Water Heater	\$550	\$550

*Typical incentive, actual incentive based upon actual installed appliances.

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Commercial		
Program Name	Current Customer Incentive	Proposed Customer Incentive
Commercial-New Construction		
New Construction*	\$1,424	\$2,266
Commercial-Retrofit		
Combined Heat and Power	\$150 per kW	\$300 per kW
Dryer	\$1,500	\$2,500
ENERGY STAR Tank Water Heater	\$2,000	\$2,500
Fryer	\$3,000	\$3,500
Gas Space Conditioning	\$150 per ton	\$500 per ton
Range/Cooktop	\$1,500	\$2,000
Commercial Retrofit	\$40 per kW	\$100 per kW
Tankless Water Heater	\$2,500	\$3,500
Commercial-Replacement		
Combined Heat and Power	\$100 per kW	\$100 per kW
Dryer	\$1,500	\$2,000
ENERGY STAR Tank Water Heater	\$1,500	\$1,500
Fryer	\$3,000	\$3,000
Gas Space Conditioning	\$150 per ton	\$150 per ton
Range/Cooktop	\$1,500	\$1,500
Tankless Water Heater	\$2,000	\$2,000

*Typical incentive, actual incentive based upon actual installed appliances.

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3. Please refer to the Utility's response to Staff's First Data Request, No. 4. For each of the proposed residential and commercial DSM programs that still fail the Participants Test (PCT) and/or the Gas Rate Impact Measure (G-RIM) Test following the Utility's proposed solution, is it the Utility's assertion that these programs are incapable of passing these tests? Please explain your response in detail.
- A. Peoples Gas System designed the proposed 2019-2028 DSM Plan and its associated DSM Programs in a prudent and reasonable manner. In the design of each DSM program the historical participation was examined and where prudent, the incentive was adjusted to achieve the desired participation rate to achieve the overall DSM Savings to ensure the recent Commission approved annual ten-year DSM Goals. As such, it is important to recognize that because the DSM Program passes or fails Gas Rate Impact Measure Test ("GRIM") and/or passes or fails Participants Cost Test ("PCT") it does not inherently or automatically mean that the incentive should be adjusted one way or another to drive the results of the particular cost-effectiveness test.

It is also important to recognize that natural gas DSM programs are also designed to assist in defraying gas installation costs associated with meters, regulators, service lines, and main lines in addition to assisting in the incremental cost of the equipment.

For each of the following proposed residential DSM Programs, currently as the way the cost-effectiveness test is prescribed to be followed by the Commission, the DSM Program is incapable of passing GRIM and PCT test at the same time:

- New Construction
- ENERGY STAR Tank Water Heater – Retrofit
- Gas Space Conditioning - Retrofit
- Range/Cooktop – Retrofit
- Space Heating – Retrofit
- Tank Water Heater – Retrofit
- Tankless Water Heater – Retrofit
- Gas Space Conditioning - Replacement

For each of the following proposed residential DSM Programs, the DSM Program's incentive could be reduced from the current level to a lower level to achieve a passing GRIM score:

- ENERGY STAR Tank Water heater - Replacement
- Tankless water Heater - Replacement

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For the residential Range/Cooktop – Replacement DSM Program, the negative PCT is a result of the negative net customer cost when comparing the cost of installing a gas range/cooktop versus the avoidance cost of installing an electric range/cooktop. This program has a very strong GRIM score and the negative PCT is a mathematical result (Not a failing PCT cost effectiveness score).

For each of the following proposed commercial DSM Programs, currently as the way the cost-effectiveness test is prescribed to be followed by the Commission, the DSM Program is incapable of passing GRIM and PCT test at the same time:

- Dryer – Retrofit

For each of the following proposed commercial DSM Programs, the DSM Program's incentive could be reduced from the current level to a lower level to achieve a passing GRIM score:

- Gas Space Conditioning - Replacement

For each of the following proposed commercial DSM Programs, the DSM Program's incentive could be increased from the current level to a higher level to achieve a passing PCT score:

- New Construction
- Combined Heat and Power – Retrofit
- ENERGY STAR Tank Water Heater - Retrofit
- Fryer
- Gas Space Conditioning - Retrofit
- Range/Cooktop – Retrofit
- Commercial Retrofit
- Tankless Water Heater – Retrofit
- Gas Space Conditioning – Replacement

For the commercial Range/Cooktop – Replacement DSM Program, the negative PCT is a result of the negative net customer cost when comparing the cost of installing a gas range/cooktop versus the avoidance cost of installing an electric range/cooktop. This program has a very strong GRIM score and the negative PCT is a mathematical result (Not a failing PCT cost effectiveness score).

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4. For each of the proposed residential and commercial DSM programs, please identify the projected annual program savings that will contribute to the Commission-approved DSM goals. Please identify retrofit and replacement program savings individually.

A.

Annual Program Savings in Therms											
Program Name	Residential										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
Residential-New Construction											
New Construction	224,938	230,359	235,779	241,199	243,909	246,619	249,329	252,039	254,749	257,460	
Residential-Retrofit											
Central Heating	0	0	0	0	0	0	0	0	0	0	
Dryer	581	597	612	612	627	643	673	673	704	719	
ENERGY STAR Tank Water Heater	248	254	260	266	272	278	285	288	294	300	
Gas Space Conditioning	0	0	0	0	0	0	0	0	0	0	
Range/Cooktop	1,369	1,369	1,424	1,479	1,479	1,533	1,533	1,588	1,588	1,643	
Space Heating	0	0	0	0	0	0	0	0	0	0	
Tank Water Heater	467	478	492	506	520	527	534	545	552	569	
Tankless Water Heater	16,947	17,717	19,258	20,799	21,569	22,339	23,110	23,880	24,650	25,421	
Residential-Replacement											
Central Heating	0	0	0	0	0	0	0	0	0	0	
Dryer	1,357	1,392	1,428	1,428	1,464	1,499	1,571	1,571	1,642	1,678	
ENERGY STAR Tank Water Heater	2,228	2,285	2,341	2,394	2,449	2,505	2,561	2,588	2,644	2,702	
Gas Space Conditioning	0	0	0	0	0	0	0	0	0	0	
Range/Cooktop	2,054	2,054	2,136	2,218	2,218	2,300	2,300	2,382	2,382	2,464	
Tank Water Heater	46,282	47,326	48,718	50,110	51,502	52,198	52,894	53,938	54,634	56,374	
Tankless Water Heater	50,841	53,152	57,774	62,396	64,707	67,018	69,329	71,640	73,951	76,262	

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Annual Program Savings in Therms											
Commercial											
Program Name	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
Commercial-New Construction											
New Construction	43,146	45,569	46,539	48,478	49,932	50,902	52,841	54,295	55,265	56,235	
Commercial-Retrofit											
Combined Heat and Power	0	0	0	0	0	0	0	0	0	0	
Dryer	76	69	72	75	78	81	84	88	91	94	
ENERGY STAR Tank Water Heater	1,910	1,966	2,023	2,079	2,134	2,190	2,246	2,302	2,360	2,419	
Flyer	1,245	1,251	1,310	1,367	1,373	1,430	1,488	1,494	1,554	1,614	
Gas Space Conditioning	0	0	0	0	0	0	0	0	0	0	
Range/Cooktop	238	248	257	267	276	285	295	305	314	324	
Commercial Retrofit	0	0	0	0	0	0	0	0	0	0	
Tankless Water Heater	39,240	40,251	41,263	41,993	42,987	43,976	44,712	45,735	46,778	47,840	
Commercial-Replacement											
Combined Heat and Power	0	0	0	0	0	0	0	0	0	0	
Dryer	177	161	168	175	183	190	197	205	212	220	
ENERGY STAR Tank Water Heater	17,192	17,698	18,205	18,708	19,208	19,706	20,211	20,722	21,241	21,768	
Flyer	11,207	11,263	11,786	12,306	12,354	12,868	13,390	13,450	13,986	14,530	
Gas Space Conditioning	0	0	0	0	0	0	0	0	0	0	
Range/Cooktop	714	743	772	800	828	856	885	914	943	973	
Tankless Water Heater	117,721	120,754	123,790	125,979	128,960	131,927	134,137	137,206	140,333	143,519	

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- 5.** Please refer to the Utility's response to Staff's First Data Request, No. 12c. Please provide these costs by cost type.
 - A.** For the Customer Assisted Energy Audit, the cost provided was for the vendor to provide the software platform for the Residential Customer Assisted Energy Audit. For the Commercial Walk-through Energy Audit, the cost provided was the projected cost to perform an audit.

All the other program costs provided in response to Staff's First Data Request, No. 12c were based on the incentives paid to the participants.

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6. Please refer to the Utility's Petition, page 11, filed November 20, 2019.
- a. For each program that passes G-RIM with a score of 1.000 or higher, please identify and describe what steps the Utility can take to increase participation in DSM programs, or to elevate PCT scores to 1.000 or higher.
 - b. Is it correct that the G-RIM and PCT cost-effectiveness evaluations have an inverse relationship (i.e., if a G-RIM score goes up, a PCT score goes down)? Please explain your response in detail.
 - c. Please identify whether the Utility considered increasing the incentives for programs with G-RIM scores higher than 1.000 and PCT scores lower than 1.000 to optimize PCT cost effectiveness while also maintaining G-RIM cost effectiveness? If so, please explain why the Utility did not pursue such a strategy for setting incentive levels. If no, please explain why not.
- A. a. As explained in the response to Staff's Request No. 3 above, Peoples Gas System designed the proposed 2019-2028 DSM Plan and its associated DSM Programs in a prudent and reasonable manner. In the design of each DSM program the historical participation was examined and where prudent, the incentive was adjusted to achieve the desired participation rate to achieve the overall DSM savings to ensure the recent Commission approved annual ten-year DSM Goals. As such, it is important to recognize that just because the DSM Program passes or fails GRIM and/or passes or fails PCT it does not inherently or automatically mean that the incentive should be adjusted one way or another to drive the results of the particular cost-effectiveness test.

For all of the company's proposed DSM Programs that passed GRIM score of 1.000 or higher, it is possible to increase the amount of the incentive to increase participation in the individual DSM Program. This increase of incentive will also increase the resultant PCT score. Peoples Gas System does not believe that any further proposed adjustments to the incentive levels beyond the proposed changes to were included in the proposed DSM Plan warrant any additional incentive amount at this time. As explained above, the company examined the historical participation and where prudent, the incentive was adjusted to achieve the desired participation rate to achieve the overall DSM savings to ensure the recent Commission approved annual ten-year DSM Goals would be achieved on an annual basis.

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- b. Yes, GRIM and PCT cost-effectiveness evaluations have an inverse relationship. The incentive portion of the inputs causes this relationship to be inverted. As the incentive is increased, for GRIM, this places more burden on costs which causes the cost-effectiveness score to decrease while at the same time, an increasing incentive causes the benefits to the customer to increase causing the PCT cost-effectiveness score to increase.
- c. Yes, the company looks at the possibility of increasing incentives for programs with GRIM scores higher than 1.000 and PCT scores lower than 1.000 to optimize PCT cost effectiveness. In addition, as explained in the response to Staff's Request Nos. 6a and 3 above, Peoples Gas System designed the proposed 2019-2028 DSM Plan and its associated DSM Programs in a prudent and reasonable manner. The company considered many factors including customer bill impact in keeping most of the DSM Program incentives amounts the same while elevating some incentive amounts above the current amounts. The following factors were considered:
- Proposed DSM Portfolio meeting the Commission's DSM Goals on an annual basis.
 - Historical participation rate of the DSM Program.
 - Ability to motivate and attract participants.
 - Supporting GRIM score.
 - Supporting PCT score.
 - Bill costs to be paid by customers through the Natural Gas Conservation Cost Recovery Clause ("NGCCR").

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7. Please refer to the Utility's Petition, page 22, as filed on November 20, 2019, to answer this question and its subparts:
- a. Please explain in detail how the projected administrative cost of \$10 an audit was developed.
 - b. Please identify how many Utility employees (in full time equivalent units) will be needed to administer this program.
 - c. Please provide a detailed description of the Utility's residential on-line audit program. As part of your response, please identify whether the Utility acquired or developed the software program/application, as well as the development schedule, costs, sources, and criteria.
- A.**
- a. Peoples Gas System projected the \$10 per audit administrative costs for the Residential Customer Assisted Energy Audit by taking the estimated annual subscription fee for the online audit service and dividing it by the projected annual number of program participants.
 - b. Peoples Gas System anticipates ten percent of a full-time employee's time will be needed to administer this program. Peoples Gas System will monitor, evaluate and report the results of this program.
 - c. The residential on-line audit is a conservation program designed to save energy by increasing residential customer awareness of natural gas energy use in personal residences. This program allows for residential customers to engage in an online energy audit. Savings are dependent on the customer implementing energy conservation measure and practice recommendations. Recommendations provided to the customer includes an estimated range of energy savings including insightful advice on how to manage their overall energy usage.

To access this free audit, customers can participate by either logging in to Peoples Gas System's customer portal and completing the survey utilizing their actual historical natural gas usage or can complete the energy audit without logging in and using values the customer enters. Personalized audit results are immediately displayed on the customer's computer for review and implementation. The audit recommendations are based on the customers' answers to the questions and their actual energy consumption.

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In November 2019, Peoples Gas System contracted with a vendor to provide the software platform to implement the Residential Customer Assisted Energy Audit. Peoples Gas System kicked off the project in November with key personnel. The requirements, design, and testing are currently taking place, with implementation planned for April 2020.

In December 2019, Peoples Gas System paid \$65,000 for the initial scope of the project. The annual Subscription Hosting Services Fee is \$125,000, due upon implementation and every year after.

This is the same vendor that implemented the program for an affiliate. Peoples Gas System is leveraging existing work that has already been done in order to streamline the implementation.

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8. Please refer to the Utility's Petition, in which multiple pages reflect amounts for "administrative" costs. Please also refer to Rule 25-17.015, F.A.C, which requires that cost recovery filings show "common costs" and "program costs."
- a. Please identify and describe the type(s) of cost(s) the Utility is recording as "administrative costs."
 - b. Please identify and describe the type(s) of cost(s) that a cost recovery filing might reflect as a "common cost."
 - c. Please identify and describe the type(s) of cost(s) that a cost recovery filing might reflect as a "program cost."
- A.
- a. Peoples Gas System's administrative costs for its DSM programs have historically been charged to "Common Costs" that is identified on the Schedule CT-2, Page 2 of 3 on the company's annual true up filings and Schedule C-2, Page 2 of 2 on the company's projection filing. The administrative costs are labor costs to administer the rebates and support the facilitation of the DSM Programs. The company utilized the administrative costs within the cost-effectiveness models to support the proposed DSM Plan in this proceeding.
 - b. Common Costs are costs that benefit both residential and commercial DSM Programs. Applicable DSM costs are charged to the category as "Common" when these costs do not have the ability to be assigned to a specific DSM program. These costs pertain to many DSM programs and charging the costs to common costs accurately recognizes that this cost benefits more than one specific DSM program.

The breakdown of costs that are contained within common costs are as following:

- Payroll and benefits
- Material and supplies
- Advertising
- Outside services for employee training courses
- Professional and association dues

The breakdown of each of these common costs is shown in the company's annual; recurring true-up and projection filings under the Schedules provided in Response to Data Request No. 8A above.

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- c. The "Program Cost" include all the associated costs, such as common costs, rebates and advertising for the DSM programs.

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- 9.** Please refer to the Utility's Petition, page 37, filed on November 20, 2019. Please identify the dollar amount and column in the table on this page where the common costs for the Residential – Energy Star Water Heater program are recorded.

- A.** The common costs are identified in column (9) in the Utility's Petition, page 37. In 2019, the common cost (administrative cost) is \$31 and in 2031 the common cost (administrative cost) is \$40.