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August 5, 2015

BY COURIER (2 COPIES) AND RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700, P.O. Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: EB-2015-0049 Enbridge Gas Distribution Inc. ("Enbridge")
EB-2015-0029 Union Gas Limited ("Union")
2015-2020 Demand Side Management ("DSM") Plans

Enclosed please find the interrogatories from Environmental Defence for the Green Energy Coalition in relation to the evidence prepared by Chris Neme of the Energy Futures Group in the above matter.

Yours truly,

Kent Elson

cc: Applicants, Intervenors, and Board Staff for this Proceeding

Application for Approval of 2015-2020 Demand Side Management Plans
EB-2015-0049

Environmental Defence Interrogatories for Green Energy Coalition's Evidence Prepared by Chris Neme of the Energy Futures Group

All of the below questions are directed to Chris Neme of the Energy Futures Group in his capacity as a proposed expert witness.

<u>Topic 3 – DSM Budgets</u>

3-ED-1
Reference: Exhibit L.GEC.1, pp. 9 & 10

Mr. Neme's report provides benchmarking of Union and Enbridge's gas savings targets in comparison to savings achieved in other jurisdictions.

(a) The gas savings targets of Enbridge and Union are compared to "leading" jurisdictions. Does Mr. Neme believe that the achievable cost-effective DSM potential for Enbridge and Union would be similar to the savings that have been achieved in these "leading" jurisdictions? Please explain why and any not.

(b) Is the benchmarking analysis one way to estimate the achievable cost-effective DSM potential for Enbridge and Union at a very high level? Please explain why or why not?

(c) Please provide a revised benchmarking comparison including only those utilities that are required to implement all cost-effective DSM programs?

(d) How does the benchmarking analysis compare to the utilities' estimates of the achievable cost-effective DSM in their service areas?

3-ED-2
Reference: Exhibit L.GEC.1, pp. 20-21

Mr. Neme's report outlines a number of ways in which the sensitivity analysis completed by Union is flawed. If those flaws were corrected, how would that impact the overall achievable cost-effective DSM derived from Union's sensitivity analysis directionally speaking?

3-ED-3
Reference: Exhibit L.GEC.1, pp. 21-24

Mr. Neme's report outlines a number of ways in which the sensitivity analysis completed by Enbridge is flawed. If those flaws were corrected, how would that impact the overall achievable cost-effective DSM derived from Enbridge's sensitivity analysis directionally speaking?

3-ED-4
Reference: Exhibit L.GEC.1, pp. 30-31

(a) Mr. Neme's report notes that in 2013 and 2014 Union calculated the TRC benefits of its large industrial DSM programs based on a free rider rate of 54%. Does that mean that only 46% of the actual TRC benefits associated with these programs were counted in the cost-effectiveness screening undertaken for Union's DSM plans for those years? Does that also mean that, according to the Union's board-approved plans for those years, *all* of the TRC benefits reported by Union in relation to those programs would not have occurred without the utility's programs?

(b) Please file a copy of the studies regarding free ridership referred to on page 31.

(c) Mr. Neme's report states that "There is also no empirical evidence, from Ontario or any other jurisdiction, to support the hypothesis … that large customers would pursue all cost-effective efficiency investments on their own." Do the ACEEE and Navigant Consulting reports outlined on page 31 constitute solid empirical evidence showing that large customers likely will *not* pursue all cost-effective efficiency investments on their own?

(d) In Mr. Neme's professional opinion, are Union's large customers are sufficiently sophisticated and motivated to implement all cost-effective DSM measures on their own? Why or why not?

3-ED-5
Reference: Exhibit L.GEC.1, pp. 30-31

On page 31, Mr. Neme's report states that "a recent jurisdictional scan conducted by Navigant Consulting for the Ontario gas Technical Evaluation Committee found that the average free rider rate from evaluations of twenty-four different gas utility Custom C&I programs – which are typically targeted to the largest customers – was between 30% and 40% (meaning 60% to 70% of savings would not have occurred without the utility programs)."

In Mr. Neme's professional opinion, is it likely that Union's large industrial DSM program could achieve a free rider rate of between 30 to 40%?

3-ED-6
Reference: Exhibit L.GEC.1, p. 21
Mr. Neme's report notes as follows: "because the rate reducing impacts from price suppression, reduced purchases of expensive gas, reduced investment in T&D and reduced GHG mitigation costs are shared among customer groups, the cancellation of this program would harm all customers."

Taken together, how much would Union's residential customers save if Union were to reinstate its large industrial DSM program as recommended by Mr. Neme's report? Please make any appropriate assumptions and confer with Paul Chernick as necessary.

3-ED-7
Reference: Exhibit L.GEC.1, p. 34

The Board's 2015-2020 Natural Gas DSM Framework make an annual shareholder incentive available to each Enbridge and Union that is equal to a total annual maximum of $10.45 million (p. 22).

(a) Please confirm that, for the first time, the incentive for each utility is capped and will not increase or decrease relative to the approved DSM budgets.

(b) As a result of the new cap on the shareholder incentive, would Mr. Neme agree that the utilities have no financial incentive to seek increases to their DSM budgets beyond the "maximum budget guideline" set by the Board (i.e. $85M for Enbridge and $70M for Union, see pages 17 and 18 of the Board's 2015-2020 Natural Gas DSM Framework)?

3-ED-8
Reference: Exhibit L.GEC.1, p. 34

(a) Do the utilities have a financial incentive to seek approval of gas savings targets that are as low as possible so as to increase the chances that they would achieve and beat the targets and thus obtain incentive payments?

(b) If yes, do the utilities also have a financial incentive to minimize or downplay estimates of the achievable DSM potential so as to justify lower and more easy to achieve gas savings targets?

3-ED-9
Reference: Exhibit L.GEC.1, pp. 9 & 34

Page 9 of Mr. Neme's report states as follows: "In Union's case, a near doubling of spending from 2014 to 2020 is forecast to result in a 40% to 50% reduction in both incremental annual savings and lifetime savings."

(a) Please confirm that Union will still be eligible to obtain the maximum shareholder incentive under the DSM guidelines despite the 40 to 50% forecast reduction in savings from its proposed program.

(b) Please confirm that utilities have no financial incentive to propose DSM plans that will result in the *maximum* amount of gas savings that are attainable because the shareholder incentive is based on meeting or surpassing approved targets, not on the magnitude of the targets themselves.

3-ED-10
Reference: Exhibit L.GEC.1

In Mr. Neme’s professional opinion, will the Board’s DSM Framework enable the achievement of all cost-effective DSM that result in a reasonable rate impact? Please explain why or why not. Please attach any relevant submissions or reports that would support your answer (e.g. materials submitted during the consultations on the DSM Framework).