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August 13, 2015

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
PO Box 2319
Toronto, ON
M4P 1E4

RE: EB-2015-0049 & 0029 Correcting L.GEC.1

Dear Ms Walli,

Please find enclosed 2 copies of the corrected evidence of Mr Neme.

Mr Neme's evidence was due before that of Mr Chernick. As a result Mr Neme relied upon an unfinished estimate from Mr Chernick for his own analysis. With Mr Chernick's work completed an update of some values in Mr Neme's evidence is needed.

While preparing interrogatories the need for some corrections were identified.

See attached a note describing these changes in detail. All interrogatory responses are consistent with the updated evidence.

The file will be uploaded to the RES system shortly and emailed to all parties.

Sincerely,

(Mr.) Kai Millyard
Case Manager
Green Energy Coalition

ec: All parties

Neme Testimony Corrections and Updates

After reviewing the final version of Mr. Chernick's filed testimony, Mr. Neme has identified one update that is required to the analysis in his testimony. In developing responses to interrogatories, he has also identified two corrections that need to be made to his analysis. Note that those changes require a few changes in the text that references the analysis as well. Those updates and corrections are as follows:

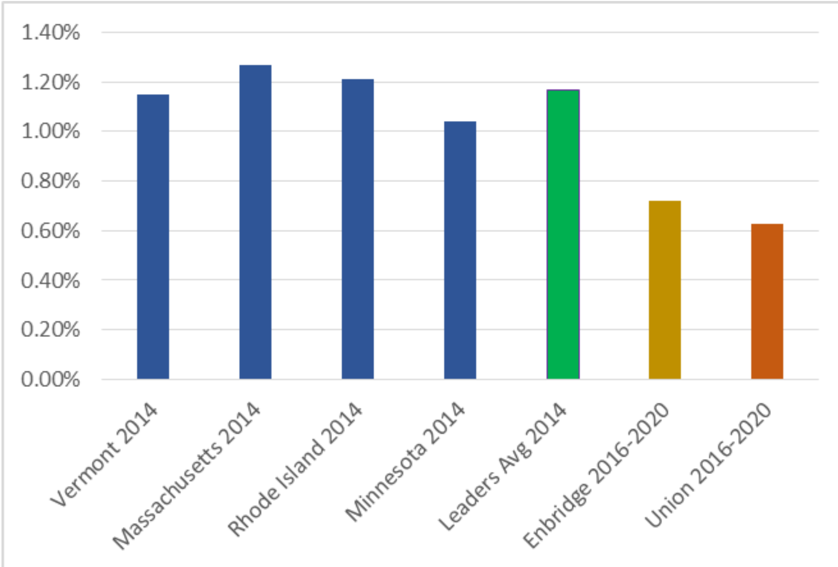
- P. 9: Mr. Neme's original testimony stated that both Enbridge's and Union's proposed average annual spending levels from 2016 through 2020 "are within 2% of the annual spending levels suggested in the Board's DSM framework (i.e. $75 million for Enbridge and $60 million for Union…)." To reach that conclusion, Mr. Neme compared the utilities' average annual budgets in *nominal* dollars (i.e. unadjusted for inflation) to the Board's DSM guidelines. A more appropriate comparison would have been average annual budgets in *real* 2015 dollars (i.e. inflation-adjusted). That leads to a corrected statement that the utilities average annual budgets from 2016 to 2020 "are 3% to 5% below the annual spending levels suggested in the Board's DSM framework…"

- Figure 1, p. 10: Mr. Neme originally estimated Minnesota's utilities' 2014 savings as a percent of 2012 sales to be 1.34%. However, he has since discovered two errors in that calculation. The first was that the incremental annual savings he previously estimated based on summary data provided by E-Source (i.e. the numerator in the calculation) was a little higher than the ultimate source documents (i.e. the official report filed with regulators) suggested was appropriate for a couple of the utilities. That resulted in a very small reduction of savings of between 1% and 2%. The second error had a more substantial effect. Specifically, for the denominator in the Minnesota calculation Mr. Neme initially included one set of sales data for one of the Minnesota utilities that was clearly named in his data source (the U.S. Energy Information Administration) but not for a related utility that was not as clearly named. He is now correcting that error so that all sales from that particular utility are counted. The net impact of these two changes is that the Minnesota utilities' 2014 savings as a percent of 2012 sales should be 1.04%. Of course, that also causes the bar for the average of the four leaders in Figure 1 to go down a little – from 1.24% to 1.17%. This change was also discussed in GEC's response to Union interrogatory #1. Both of those modifications are reflected in the revised Figure 1. A corresponding change to the footnote for Figure 1 is also required.

  P. 3: Related to the change to Figure 1, Mr. Neme's statement in the Summary section that the utilities' proposed savings levels "…are roughly half of what leading jurisdictions have already achieved" is changed to "…are a little more than half of what leading jurisdictions have already achieved".

  P. 9: In the main section of analysis Mr. Neme's statement that "…leading jurisdictions have already achieved savings levels (actuals for 2014) that are on the order of twice what Enbridge and Union are forecasting to achieve…" should be modified to say "…that level of savings is a little more than half of what leading jurisdictions have already achieved (i.e. in 2014)."

Revised Neme Figure 1



- Table 3, p. 18: There is both an update and a small correction to make to the values in this table. The update relates to the value for Union Gas of the third benefit listed in the table: "reduced purchases of most expensive gas". Mr. Neme has relied on the evidence of Mr. Chernick as the foundation for each of the values presented in Table 3. In the case of "reduced purchases of most expensive gas", Mr. Neme initially relied on information provided by Mr. Chernick on the difference between marginal and average costs of gas for Enbridge (see p. 27 of Mr. Chernick's testimony) to compute the value of this benefit for both utilities. After Mr. Neme's testimony was filed, Mr. Chernick developed an estimate for the difference separately for Union Gas which was included in the testimony he filed two days after Mr. Neme filed his testimony (see Mr. Chernick's testimony p. 28). Mr. Neme has updated his Table 3 to reflect that updated information. The small correction relates to the last two columns of Table 3: the percent of average annual utility DSM budgets offset by each of the benefits listed. In his filed testimony, Mr. Neme divided the magnitude of each benefit by each utility's average annual budget in *nominal* dollars (i.e. unadjusted for inflation). Since all of the benefits in the table are expressed in real 2015 dollars (i.e. adjusted for inflation), the budget values used in the denominators should have been in real 2015 dollars as well. Since the average annual budgets in real dollars are about 5% lower than the average annual budgets in nominal dollars, this correction had the effect of increasing the percentage of budget impacts that are offset by each benefit by about 5%. The revised table capturing both of these changes is presented below. Corresponding changes to footnotes to the table were also required. Note that the revised Table 3 and the calculations underlying the revised Table 3 were provided in GEC's response to EP.12(d).

Revised Neme Table 3

Benefit		NPV per Annual m^3 Saved		Avg. Annual Value from Utilities' Proposed 2016-2020 DSM Plans (millions $)		% of Avg Annual Budget (2016-2020)	
		Enbridge	**Union**	**Enbridge**	**Union**	**Enbridge**	**Union**
1	Avoided carbon regulation costs	$0.98	$0.98	$73.2	$73.9	101%	129%
2	Price suppression effects	$0.08	$0.08	$6.2	$6.3	9%	11%
3	Reduce purchase of most expensive gas	$0.10	$0.18	$7.2	$13.3	10%	23%
4	Avoided distribution system costs	$0.38	$0.24	$28.1	$18.2	39%	32%
	Total	**$1.54**	**$1.49**	**$114.7**	**$111.7**	**158%**	**195%**

- P. 19: A related change is required in the portion of Mr. Neme's testimony that discusses Table 3. Specifically, the statement that says that the combined effects on rates of both DSM budgets and the system-wide benefits they produce "…would be on the order of $1 per month reduction over the life of the efficiency measures installed" should be revised to say "…would be more than a $1 per month reduction…"

P. 4: In the Summary section, Mr. Neme's statement that the combined effect on rates of both the DSM spending and the system-wide benefits from the utilities' proposed plans "…should be a reduction of about $1 per month…" is changed to "…should be a reduction of more than $1 per month…"