



May 15, 2019

Quarterly Report of the North Shore Gas Company and the Peoples Gas Light and Coke Company

Program Year 2019, 1st Quarter Report, January 2019 – March 2019

PEOPLES GAS[®]
ENERGY EFFICIENCY PROGRAM

NORTH SHORE GAS[®]
ENERGY EFFICIENCY PROGRAM

Pursuant to the Illinois Commerce Commission (“Commission”) final order in Docket No. 17-0309, attached is the Program Year 2019, First Quarter (1Q) qualitative report accompanying the 2019, 1Q quantitative report which details program results from a savings and cost perspective.

Peoples Gas

I. Program, Sector and Portfolio Ex Ante Results

At the end of the first quarter, the Peoples Gas Energy Efficiency Programs have achieved 10% of realized savings goals, with C&I programs contributing 24% of realized savings; Residential programs 63%; and Income Qualified programs 13%. Ex Ante results are detailed in the Q1 Quantitative report.

II. Portfolio Level Costs

At the end of the first quarter, the Peoples Gas Energy Efficiency Programs have utilized 17% of the budget, with C&I programs comprising 23% of costs, Residential programs 24%, Income Qualified programs 47%, and Demonstration of Breakthrough Equipment and Devices 5%. Costs are detailed in the Q1 Quantitative report.

III. Program Level Narratives

I. Business – Commercial and Industrial

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of facility's energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility's operations to support implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study, an inventory of uninsulated steam piping, and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phase approach to implement identified measures.
Staffing Grant	Program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.
Strategic Energy Management (SEM)	Program engages customers to deliver a continuous improvement approach to energy efficiency by engaging site management,

leveraging data, and by promoting best practices at the site.

Key Program Changes

- New measures: None in Q1

Description of Program Successes

- Diligent work from the outreach teams to reactivate customers has led to an increase in program engagement amongst large customers and resulted in forecasts projecting nearly 100% of the Peoples Gas C&I goal.
- Continued engagement of existing and new trade allies to ensure that they are actively participating in the programs.

Description of Program Challenges

- Working to prepare for potential program exemption of large industrial customers in Peoples Gas due to Public Utility Act provision. This provision may allow affected customers to opt out of the programs as of January 1st, 2020. This may negatively impact savings potential in the Business programs in 2020-21. The program team is working to maximize savings and customer engagement in 2019 before the potential change takes place.

II. Business – Public Sector

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of facility’s energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility’s operations to support implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study; an inventory of uninsulated steam piping; and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phased approach to implement identified measures.



Staffing Grant	Program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.
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Key Program Changes

- New measures (aligned with the Business – Commercial and Industrial program):
 - None in Q1

Description of Program Successes

- Working closely with three out of our four largest public sector accounts to discuss energy efficiency projects and how the programs can more productively partner with these organizations.
- In partnership with our largest public sector customers and trade allies, the public sector program has been working on a new option to streamline implementation of bundled projects across multiple buildings within customer building portfolios. This approach would reduce the procurement requirement barriers that these customers face in implementing energy efficiency projects.

Description of Program Challenges

- Long procurement timelines in the public sector make it difficult to implement low hanging fruit measures.
- There is a limited pipeline from previous program years to feed 2019 projects. The program team utilized 2018 to establish new relationships in the public sector and build up momentum for future program years.

III. Business – Small and Midsize Business

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.

Key Program Changes

- New measures: None in Q1
- To engage the mid-tier customer (150,000 – 400,000 therms usage) the therm threshold has been raised to 400,000 therms and the program name changed to be the Small and Midsize

Business program. This change will allow more customers to work with our Partner Trade Allies which are approved to provide key cost-effective measures at no-cost to the customer.

Description of Program Successes

- Presentations to BOMA and Local Union 399 (Union of Operating Engineers) has led to a number of new projects.
- Enhanced engagement strategies for Partner Trade Allies in efforts to increase participation in the programs.

Description of Program Challenges

- The Small and Midsize Business program continues to engage larger customers in 2019. This is an underserved market that requires a lot of more outreach and marketing efforts to reach customers.

IV. Residential – Single Family Programs

Program Descriptions

Program Name	Description
Home Energy Jumpstart (HEJ)	Offers an assessment and direct installation of energy-saving materials at no cost to the customer. Additional measures are available for a co-pay.
Home Energy Rebates (HER)	Offers rebates on energy efficient equipment and qualifying weatherization projects for residential customers.
Home Energy Reports	Opt-out program that provides residential customers with free reports showing their energy usage compared to their peers, with tips for reducing energy consumption in the home.
Elementary Education	Elementary education program targeting fifth grade classrooms, providing teachers with energy efficiency lesson plans, activity guides, and take-home kits for students containing free direct installation materials for their home.

Key Program Changes

- None in Q1.

Description of Program Successes

- Realizing higher than anticipated therm savings per home in the Home Energy Jumpstart program (40 therms per home actual vs. 33 therms per home planned).
- High customer satisfaction score of 4.58 out of 5.00 for Home Energy Jumpstart and 9.9 out of 10.00 for Home Energy Rebates.
- HVAC rebates exceeded forecasted number of projects for Q1 with 302 projects completed.
- Weatherization focus groups were conducted in February, key take aways were that customer education is still highly needed and that our messaging should increase focus on non-energy benefits: comfort, home resilience, and health.

Description of Program Challenges

- Decrease in natural inbound activity for customers interested in participating in the HEJ program. Encountering market saturation (primarily on the southside of Chicago) for homes HEJ's have occurred in before. Working with marketing and outreach to offset these lulls and identify strategies to reach more customers.
- Engaging with Weatherization and HVAC trade allies on increasing focus on PGL territory and identifying challenges faced by participating trade allies. The program will focus marketing and outreach efforts to boost customer interest in the offering.

V. Residential – Multi-Family

Program Descriptions

Program Name	Description
Multi Family Energy Jumpstart	Offers free direct installation of energy-saving measures for multi-family buildings.
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
Gas Optimization	Analysis of energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
New Construction Prescriptive and Custom Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.

Key Program Changes

- Created a limited time bonus for qualified Partner Trade Allies for increased incentive levels for the following measures:
 - Domestic Hot Water Pipe Insulation
 - Hydronic Pipe Insulation
 - Steam Boiler Averaging Controls
- Smart thermostats added as a DI measure with a property manager co-pay.

Description of Program Successes

- Multi-Family demand is high, assessments and direct installation appointments have a strong pipeline and are scheduled into August of 2019.
- Over 1,000,000 therms savings have been identified for completion so far for 2019. On track to achieve an expanded MF goal of 2.3 million therms to make up for goal under achievement in 2018.

Description of Program Challenges

- In order to manage program budget, outreach is centered on a few key measures with a more limited trade ally network.

- Steam trap projects identified after heating season won't be realized until the fall of 2019 or the spring of 2020 as trap testing needs to take place while the boiler systems are operational.

VI. Income Eligible Programs

Program Descriptions

Program Name	Description
Multi-Family Income Eligible	Offers prescriptive gas rebates, energy assessments, and direct-install at income-qualified multi-family buildings.
Public Housing	Offers prescriptive and custom rebates for gas measures in housing owned by Public Housing Authorities.
Income Eligible Weatherization	Offers direct install products and no-cost weatherization services for income eligible single-family home customers.
Affordable Housing New Construction	Provides custom incentives for Affordable Housing New Construction projects, jointly delivered with ComEd.
Illinois Home Weatherization Assistance Program	Provides supplemental funding for energy efficiency projects for low income residents.

Key Program Changes

- No key program changes for 2019.

Description of Program Successes

- All income eligible programs started on time in 2019 with a strong Q1 performance.
- All programs are in the second year of implementation and have momentum to achieve higher volumes than in 2018. Working with programs to manage budget and therm savings.

Description of Program Challenges

VII. Demonstration of Breakthrough Equipment and Devices

Program Descriptions

Program Name	Description
Research and Development	Focus is on evaluating innovative technologies and projects for possible inclusion in programs to achieve additional therm savings. Projects are funded through the research organizations, educational institutions, and non-profit organizations.

Key Program Changes

- Q1 saw continuing push for innovative projects and programs. Market Transformation is moving to center stage with launch of the implementation phase of the GTI Commercial Food

Service project and the opportunity for a new Energy Efficiency Codes initiative with the other IOUs.

Description of Program Successes

- The IIT Open Source Building Sensors and Controls project (OSBS) has wrapped up heating season testing with demonstrating substantial savings in the dozen or so rooms where the devices were installed in Alumni Hall on the Illinois Institute of Technology campus.

Description of Program Challenges

- Art Institute of Chicago project implementation of phase three has started with continued expansion into additional galleries anticipated through 2019.

Portfolio Level Narrative

- All measures that are demonstrated as successful through a Program Administrator Breakthrough Equipment and Devices Program
 - Through the Wall Condensing furnaces now a measure in the TRM
- Fund-shifts meeting threshold of Section 6.1
 - N/A
- Key changes to marketing strategies such as new marketing channels or marketing campaigns
 - N/A
- List of market research studies conducted by consultants if study costs exceed \$25,000 and are not protected by license agreements or other proprietary arrangements
 - N/A
- Brief description of new pilots/programs, including target market, strategy and key Measures
 - N/A
- Any discontinued programs
 - N/A

North Shore Gas

I. Program, Sector and Portfolio Ex Ante Results

At the end of the first quarter, the North Shore Gas Energy Efficiency Programs have achieved 17% of realized savings, with C&I programs contributing 9% of savings; Residential programs 83%, and Income Qualified programs 8%. Ex Ante results are detailed in the Q1 Quantitative report.

II. Portfolio Level Costs

At the end of the first quarter, the North Shore Gas Energy Efficiency Programs have utilized 23% of the budget, with C&I programs comprising 19% of costs; Residential programs 36%, Income Qualified 40%, and Demonstration of Breakthrough Equipment and Devices 6%. Costs are detailed in the Q1 Quantitative report.

III. Program Level Narratives

I. Business – Commercial and Industrial

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of facility's energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility's operations to support implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study; an inventory of uninsulated steam piping; and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phase approach to implement identified measures.
Staffing Grant	Program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.
Strategic Energy Management (SEM)	Program engages customers to deliver a continuous improvement approach to energy efficiency by engaging site management, leveraging data, and by promoting best practices at the site.

Key Program Changes

- New measures: None in Q1

Description of Program Successes

- Met with 20 of largest North Shore Gas customers to identify energy efficiency opportunities and drive engagement at their facilities.
- Continued engagement of existing and new trade allies to ensure that they are actively participating in the programs.

Description of Program Challenges

- Working to prepare for potential program exemption of large industrial customers in North Shore Gas due to Public Utility Act provision. This provision may allow affected customers to opt out of the programs as of January 1st, 2020. This may negatively impact savings potential in the Business programs in 2020-21. The program team is working to maximize savings and customer engagement in 2019 before the potential change takes place.

II. Business – Public Sector

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of facility's energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility's operations to support implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study; an inventory of uninsulated steam piping; and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phased approach to implement identified measures.



Staffing Grant	Program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.
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Key Program Changes

- New measures (aligned with the Business – Commercial and Industrial program):
 - None in Q1

Description of Program Successes

- In partnership with our largest public sector customers and trade allies, the public sector program has been working on a new option to streamline implementation of bundled projects across multiple buildings within customer building portfolios. This approach would reduce the procurement requirement barriers that these customers face in implementing energy efficiency projects.

Description of Program Challenges

- Long procurement timelines in the public sector make it difficult to implement low hanging fruit measures.
- There is a limited pipeline from previous program years to feed 2019 projects. The program team utilized 2018 to establish new relationships in the public sector and build up momentum for future program years.

III. Business – Small and Midsize Business

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.

Key Program Changes

- New measures: None in Q1
- To engage the mid-tier customer (150,000 – 400,000 therms usage) the therm threshold has been raised to 400,000 therms and the program name changed to be the Small and Midsize Business program. This change will allow more customers to work with our Partner Trade Allies which are approved to provide key cost-effective measures at no-cost to the customer.

Description of Program Successes

- Presentations to BOMA and Local Union 399 (Union of Operating Engineers) has led to a number of new projects.
- Enhanced engagement strategies for Partner Trade Allies in efforts to increase participation in the programs.

Description of Program Challenges

- The small and midsize business program continues to engage larger customers in 2019. This is an underserved market that requires a lot of more outreach and marketing efforts to reach customers.

IV. Residential – Single Family Programs

Program Descriptions

Program Name	Description
Home Energy Jumpstart (HEJ)	Offers an assessment and direct installation of energy-saving materials at no cost to the customer. Additional measures are available for a co-pay.
Home Energy Rebates (HER)	Offers rebates on energy efficient equipment and qualifying weatherization projects for residential customers.
Home Energy Reports	Opt-out program that provides residential customers with free reports showing their energy usage compared to their peers, with tips for reducing energy consumption in the home.
Elementary Education	Elementary education program targeting fifth grade classrooms, providing teachers with energy efficiency lesson plans, activity guides, and take-home kits for students containing free direct installation materials for their home.

Key Program Changes

- No changes in Q1.

Description of Program Successes

- Realizing higher than anticipated therm savings per home in the Home Energy Jumpstart program (29 therms per home actual vs. 20 therms per home planned).
- High customer satisfaction score of 4.85 out of 5.00 for Home Energy Jumpstart and 9.9 out of 10.00 for Home Energy Rebates.
- HVAC rebates exceeded forecasted number of projects for Q1 with 353 projects completed.

Description of Program Challenges

- Engaging with Weatherization and HVAC trade allies on increasing focus on NSG territory and identifying challenges faced by participating trade allies. The program will focus marketing and outreach efforts to boost customer interest in the offering.

V. Residential – Multi-Family

Program Descriptions

Program Name	Description
Multi Family Energy Jumpstart	Offers free direct installation of energy-saving measures for multi-family buildings.
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
Gas Optimization	Analysis of energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
New Construction Prescriptive and Custom Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.

Key Program Changes

- Created a limited time bonus for qualified Partner Trade Allies for increased incentive levels for the following measures:
 - Domestic Hot Water Pipe Insulation
 - Hydronic Pipe Insulation
 - Steam Boiler Averaging Controls
- Dedicated team of three Energy Advisors managing gas projects.
- Smart thermostats added as a DI measure with a property manager co-pay.

Description of Program Successes

- Multi-Family demand is high, assessments and direct installation appointments have a strong pipeline and are scheduled into August of 2019.
- Program has converted multiple boiler tune-up projects in Q1.
- Several pipe insulation, steam trap, and domestic hot water tank insulation projects have been identified for conversion in 2019.
- First smart thermostat installation opportunity identified in Q1 with installation scheduled for Q2.

Description of Program Challenges

- North Shore Gas territory continues to be challenging to find comprehensive cost-effective projects as building stock is relatively modern compared to Peoples Gas territory.

VI. Income Eligible Programs

Program Descriptions

Program Name	Description
Multi-Family Income Eligible	Offers prescriptive gas rebates, energy assessments, and direct-install at income-qualified multi-family buildings.
Public Housing	Offers prescriptive and custom rebates for gas measures in housing owned by Public Housing Authorities.
Affordable Housing New Construction	Provides custom incentives for Affordable Housing New Construction projects, jointly delivered with ComEd.
Illinois Home Weatherization Assistance Program	Provides supplemental funding for energy efficiency projects for low income residents.

Key Program Changes

- No key program changes for 2019.

Description of Program Successes

- All income eligible programs started on time in 2019 with a strong Q1 performance.
- All programs are in the second year of implementation and have momentum to achieve higher volumes than in 2018. Working with programs to manage budget and therm savings.

Description of Program Challenges

- Looking at ways to improve the income eligible portfolio's cost-effectiveness. Programs are aiming to maintain the 2018 spend levels and achieve greater therm savings.

VII. Demonstration of Breakthrough Equipment and Devices

Program Descriptions

Program Name	Description
Research and Development	Focus is on evaluating innovative technologies and projects for possible inclusion in programs to achieve additional therm savings. Projects are funded through the research organizations, educational institutions, and non-profit organizations.

Key Program Changes

- Q1 saw continuing push for innovative projects and programs. Market Transformation is moving to center stage with launch of the implementation phase of the GTI Commercial Food Service project and the opportunity for a new Energy Efficiency Codes initiative with the other IOUs.

Description of Program Successes

- The IIT Open Source Building Sensors and Controls project (OSBS) has wrapped up heating season testing, demonstrating substantial savings in the dozen or so rooms where the devices were installed in Alumni Hall on the Illinois Institute of Technology campus.

Description of Program Challenges

- Art Institute of Chicago project implementation of phase three has started with continued expansion into additional galleries anticipated through 2019. McGuire related delays.

IV. Portfolio Level Narrative

- All measures that are demonstrated as successful through a Program Administrator Breakthrough Equipment and Devices Program
 - Through the Wall Condensing furnaces now a measure in the TRM
- Fund-shifts meeting threshold of Section 6.1
 - N/A
- Key changes to marketing strategies such as new marketing channels or marketing campaigns
 - N/A
- List of market research studies conducted by consultants if study costs exceed \$25,000 and are not protected by license agreements or other proprietary arrangements
 - N/A
- Brief description of new pilots/programs, including target market, strategy and key Measures
 - N/A
- Any discontinued programs
 - N/A