



Nicor Gas Company
Energy Efficiency Program – Plan Year 2020
Quarterly Report: Third Quarter
(July 1, 2020 to September 30, 2020)

I. Introduction

Nicor Gas is filing this quarterly report as required by its Rider 30 – Energy Efficiency Plan Cost Recovery and in compliance with the Illinois Commerce Commission’s (“Commission”) directives in Docket No. 17-0310, which approved Nicor Gas’ four-year Energy Efficiency Plan (“EEP”); January 1, 2018 through December 31, 2021. This report first discusses EEP energy therm savings and program expenses for Plan Year 2020 (“PY2020”), January 1, 2020 through December 31, 2020, as of the end of the reporting quarter period. This quarter, covering July 1, 2020 through September 30, 2020, will be referred to as the “Third Quarter.” Secondly, the report discusses activity highlights for the quarter. Lastly, the Commission’s enumerated directives are discussed as appropriate.

II. Energy Therm Savings and Expenses

Attached hereto and made a part of this report is the Statewide Quarterly Report Template which shows, among other things, ex-ante results, costs, historical energy saved, and external impacts for the period January 1, 2020 through September 30, 2020. As shown, Nicor Gas’ programs have accumulated net savings of 7.58 million net therms through the Third Quarter of PY2020, or about 46.1 percent of its planned energy savings of 16,468,775 therms for PY2020 as stated in its adjustable goal EEP template. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of approximately \$28.6 million.

III. Quarter Highlights

RESIDENTIAL PROGRAMS:

Home Energy Efficiency Rebates (HEER):

The objective of the Home Energy Efficiency Rebate (“HEER”) Program is to obtain energy savings by overcoming market barriers to the purchase, installation and maintenance of high-efficiency natural gas space-heating equipment as well as other targeted measures in residential applications.

Key Program Changes: Nicor Gas extended the rebate bonus of \$50 to residential customers who replace their existing furnace with a new high-efficiency 95% or 97% AFUE furnace to December 31st, 2020. The rebate for a 95% AFUE furnace was raised from \$200 to \$250 and the rebate for a 97% AFUE furnace was raised from \$225 to \$275.

Program Successes: From July 1 through September 30, 2020, the Program has incentivized over 3,500 high efficiency furnaces and boilers and over 3,500 smart thermostats to our customers.

Program Challenges: COVID-19 has impacted furnace manufacturing supply chains that also impact the abilities of distributors and trade allies to serve customers. Issues still persist with the ability of trade allies to access customers' homes to perform installations and assessments. Nicor Gas is still offering rebates to customers for high efficiency furnaces, boilers and smart thermostats. COVID-19 impacts will likely persist into the Fourth Quarter.

Home Energy Savings (HES):

The Home Energy Savings (“HES”) program is a whole-house single-family weatherization program with the objective to obtain natural gas savings in existing single-family buildings by overcoming market barriers to the installation of energy efficiency measures. The HES program provides weatherization and shell improvement opportunities using standard, prescriptive and whole-house approaches. This offering consists of a home energy assessment (HEA) and air sealing and insulation (ASI) components.

Key Program Changes: Virtual Home Energy Assessments launched in July as an option for customers to complete Home Assessments with no contact with an Energy Advisor.

Program Successes: Through September 30, 2020, the Program has been able to provide over 4,000 customers with home energy assessments. Additionally, the Program launched a Virtual Assessment option for customers in July 2020, completing over 130 appointments through the end of the reporting period.

The air sealing and insulation offering within HES has continued to be successful, serving over 500 customers. The Program continues to see higher therm savings per home than anticipated.

Program Challenges: On March 12, 2020, the Program stopped all in-home assessments and rescheduled customers for future dates. The Program was relaunched in July 2020, in accordance with the Restore Illinois requirements.

Multi-Family (MF):

The Multi-Family Program (“MF”) addresses residential (living units) and commercial (communal areas, central plants) energy efficiency opportunities available in multi-family buildings. The program aims to overcome market barriers to the installation of energy efficiency measures in multi-family buildings by offering comprehensive assessments, technical assistance and incentives. MF provides property owners with turnkey services to reduce energy and water use in residential living units, communal areas and in the building shell.

Key Program Changes: N/A

Program Successes: The assessments and direct installs that were rescheduled during the COVID-19 shut-down in Q2 restarted as of July 20. Assessments and direct installs have been scheduled for the remainder of the year, with only 3 cancellations in the year. The Centralized Plan Optimization Program (CPOP) continues to perform with a better-than-anticipated dollar per therm. The program has experienced little-to-no impact as a result of COVID-19 thus far, and 123% of the 2020 CPOP savings goal has been realized through 318 projects.

Program Challenges: The prescriptive portion of MF has continued to see lower-than-expected participation.

Residential New Construction (RNC):

The objective of the Residential New Construction Program (“RNC”) is to obtain energy savings by increasing the energy efficiency of single-family and duplex new construction homes. The program provides participating new home builders and their verifier companies a financial incentive to either a) exceed state and local building code requirements regarding duct and air sealing, along with the installation of specific high-efficiency equipment, or b) install prescriptive high-efficiency equipment only.

Key Program Changes: None.

Program Successes: In the Third Quarter, 205 homes were completed, for a total of 430 completed homes or 39% of the annual participation goal. While the program is currently tracking to be short of participation goal, the 44% increase from Q2 to Q3 (and 146% increase vs. Q1) is a promising sign that the new program design is gaining momentum.

Through builder outreach, the program implementer discovered that a participating builder now installs advanced thermostats in **all** of their homes, showing that the new (for PY2020) advanced thermostat bonus incentive has influenced additional energy efficiency engagement.

Program Challenges: None.

Energy Education and Outreach:

The energy education and outreach program is intended to enhance residential customers' understanding of energy usage in their homes and educate these customers on available energy efficiency opportunities through the Nicor Gas Energy Efficiency Program.

- Energy Saving Kits (“ESKs”)
- Energy Education Kits (“EEKs”)
- Behavior Energy Savings (“Behavior”)

Key Program Changes:

Behavior (Home Energy Reports)

In order to meet 4-year therm-savings goals, the HER implementer expanded the program by 200,000 email report participants in September. Additionally, the program will be expanded by 210,000 paper report participants beginning in November. This expansion brings the total number of participants to 565,000.

Program Successes:

ESK

In the Third Quarter, 2,599 water-saving kits and 6,657 weatherization kits were distributed to customers; this resulted in a total of 8,912 water-saving kits and 23,429 weatherization kits distributed through September. A utility bill insert featuring the ESK offering (weatherization kit) was distributed in September, resulting in 114% more water-saving kit orders and 182% more weatherization kit orders vs. August orders.

EEK

In the Third Quarter, with initial recruiting efforts beginning in August, the Elementary Energy Education (Super Savers) program enrolled 3,417 students, which is 15% of the participation goal of 22,095. A majority of enrollments are anticipated for October and November.

Behavior (HER)

In the Third Quarter, the Behavior (Home Energy Reports) program distributed 369,676 email reports to program participants. The overall open rate for emails is 24%. Thus far in PY2020, only 47 participants (0.013%) have opted out of the program.

Program Challenges:

ESK

The lack of in-person ESK distribution events due to COVID-19 has resulted in a reduction in participation. It is estimated that approximately 3,300 fewer water-saving kits and 5,300 fewer weatherization kits have been distributed through Q3 due to COVID-19.

Income Qualified Energy Efficiency:

The objective of the Income Qualified Energy Efficiency (“IQ”) program is to provide broad and deep energy efficiency opportunities to income-qualified customers living in single-family homes and multi-family buildings, and for the construction of new energy-efficient affordable housing. This program includes:

- Single Family and Multi-Family Weatherization and Retrofits
- PHA/Multi-Family Buildings
- Affordable Housing New Construction (AHNC)

Key Program Changes: None

Program Successes: Through September 30, 2020, Nicor Gas, in collaboration with Community Action Agencies, was able to serve over 230 single family homes and complete two multi-family projects. Additionally, through our contractor channel, we were able to serve 198 single-family homes and 1,463 multi-family units. We were also able to serve an additional 175 multi-family units through the Public Housing Authority Income Qualified offering.

Affordable Housing New Construction (AHNC) Third Quarter Completed Projects

TYPE	SQ. FEET	ANNUAL GROSS THERM SAVINGS
No AHNC projects completed in Q3; it is anticipated that two additional projects will complete by year end.		

Program Challenges:

Due to COVID-19, all in-home assessments and weatherization for Single Family and Multi-Family Weatherization and Retrofits and PHA stopped on March 12, but resumed in July 2020, in accordance with Restore Illinois requirements.

BUSINESS PROGRAMS:

Business Energy Efficiency Rebates (BEER):

The Business Energy Efficiency Rebates (“BEER”) program’s goal is to produce natural gas energy savings in the business and public sectors by promoting the purchase and installation of energy efficiency measures such as: high-efficiency space heating, water heating, food service technologies, tune-ups and upgrades. This is accomplished by providing the direct installation of free energy-saving products, completing free energy assessments of customers’ facilities and providing tailored energy efficiency project recommendations.

Key Program Changes: None.

Program Successes: The program is continuing to see public sector assessment and direct install interest, due to a multi-pronged public sector outreach approach. The customer interest pipeline, which was built before the Restore Illinois Order was rolled out, is being fulfilled, as more customer segments are open to in-person visits from Program Energy Advisors. Nicor Gas is continuing further public sector outreach through our Marketing and Outreach team and our Implementation Contractor Outreach team, to ensure the program is educating all markets within the public sector. Park Districts, Forest Preserves and Counties are current public sector segments being targeted. Steam traps continue to be key measures and the Program anticipates this trend will continue.

Program Challenges: Due to COVID-19 financial impacts on public sector and commercial customer segments, we are finding that customers may not have sufficient or approved funding available to do Energy Efficiency projects, or may not have Energy Efficiency plans at this time. We are currently developing ways to address this in the Fourth Quarter.

Custom Incentives:

The purpose of the Custom Incentives (“Custom”) program is to assist medium-to-large commercial, multi-family, public sector and industrial customers in identifying and implementing cost-effective natural gas energy efficiency measures that are not otherwise addressed in Nicor Gas’ BEER, MF or SB Programs. Participation is driven through the program’s free energy assessments, which inform the customer on ways to be more efficient. These assessment recommendations can spill over into other commercial and industrial program participation. Additionally, the Custom program offers a Retro-Commissioning (RCx) offering, assisting participants with low-cost and no-cost tune-ups and adjustments to their operating systems, building controls, energy management systems and HVAC systems in existing buildings. The aim of the retro-commissioning offering is to optimize operations and improve facility efficiency by returning equipment

to its intended operation or design specifications. The Custom program also includes a Combined Heat and Power (CHP) offering.

Key Program Changes: N/A

Program Successes: The program continues to have a robust pipeline, which includes roughly 70 active projects. The program has completed 31 projects for a total of roughly 500,000 net therms. The program is continuing to see public sector interest, due to a multi-pronged public sector outreach approach to public schools, municipalities, Park Districts, Forest Preserves and Counties. The follow-up outreach cadence on assessments has increased, which has helped identify customers who will be acting on assessment recommendations. CHP activity continues to build. One CHP Feasibility Study (FS) was started in the Third Quarter. Eight CHP FSs have been completed to-date in 2020, with a total potential 20,488 kW. One 800 kW CHP system, the first in Nicor Gas/ComEd joint territory, is expected to complete EM&V in the Fourth Quarter of 2020. One public sector CHP 375 kW system began their 16-month EM&V process in the third quarter of 2020.

Program Challenges: The program is finding that customers may not have as much capital funding approved, due to COVID-19 financial implications in certain sectors. Our follow-up cadence is crucial to ensuring customers are keeping Energy Efficiency as a viable investment option.

Strategic Energy Management:

The objective of the Strategic Energy Management (“SEM”) program is to obtain long-term energy savings by focusing on improving and optimizing commercial, industrial and public sector operations, processes and energy equipment.

Key Program Changes: None

Program Successes: Two cohorts were underway in the Third Quarter: 2020 Public Sector (includes nine customers starting their first year of SEM, two more customers joined the Cohort this quarter); and 2020 Alumni (includes 14 joint Nicor Gas/ComEd customers, four ComEd-only and six Nicor Gas-only customers that are continuing the second, third, fourth or fifth year of their energy-saving journey; six of these are public sector customers).

Program Challenges: For the Third Quarter, the new (first-year) 2020 Public Sector cohort was, and continues to be, in recruiting. On March 12, all in-person meetings and site visits ceased in response to COVID-19 and were replaced with virtual meetings. In-person site visits resumed in July depending on Customer, Utility and Implementation Contractor approvals. COVID-19 impacts have been seen in the Third Quarter. Many industrial customers continue to operate, but a

few shut down for a short period in the Second Quarter and are gradually resuming production, while others increased production based on demand. Also gradually beginning to open back up are: schools and universities closed in unoccupied mode, switching to online classes though some had international student occupancy; and office buildings that reduced occupancy depending on if tenants were considered essential workers.

Small Business:

The Small Business Program’s (“SB”) objective is to obtain long-term natural gas energy savings from small business gas customers, including public sector customers, through energy efficiency retrofits and financial incentives to influence the installation of highly-efficient natural gas equipment.

Key Program Changes: None

Program Successes: The program continues to see increased public sector interest in our assessments and direct install areas. Nicor Gas is continuing further public sector outreach to additional segments: Park Districts, Forest Preserves, Counties and Police Departments. The Program’s interest pipeline, which was created before COVID-19 Restore Illinois Plan, has been targeted by Outreach and fulfilled based on customer assessment interest. Dry cleaner steam traps participation has steadily increased in the Third Quarter, and we anticipate this to continue to the end of the year.

Program Challenges: Small Businesses and Public Sector customers were large customer groups impacted by COVID-19. These customers may not have sufficient funding to implement Energy Efficiency recommendations. We are currently working on a way to address this challenge.

Business New Construction (BNC):

The objective of the Business New Construction (“BNC”) Program is to obtain energy savings during the design and construction of new buildings, major renovations of existing buildings, and tenant buildouts in the commercial, public sector and industrial market.

The Business New Construction offering provides education, financial incentives and technical assistance to help building owners and design teams exceed current energy codes.

Key Program Changes: None

Program Successes:

Third Quarter Completed Projects (*public sector project)

TYPE	SQ. FEET	ANNUAL GROSS THERM SAVINGS	MEASURES
County vehicle storage facility*	11,500	1,651	<ul style="list-style-type: none"> • Overhead door insulation • Mass wall insulation • Destratification fans
Church renovation	14,631	2,596	<ul style="list-style-type: none"> • Demand control ventilation • Condensing furnaces
Warehouse	159,170	6,022	<ul style="list-style-type: none"> • Direct-fired make-up air units
4-story hotel	59,892	1,521	<ul style="list-style-type: none"> • Low-flow fixtures • Condensing DHW heaters
Self-storage facility	132,941	4,837	<ul style="list-style-type: none"> • Drive-thru ventilation control • Condensing furnaces • Dock door, metal roof and mass wall insulation
Machine products facility	100,197	2,644	<ul style="list-style-type: none"> • Mass wall insulation • Direct-fired MAUs
Fire station*	11,301	1,011	<ul style="list-style-type: none"> • Mass wall insulation • Condensing furnaces • Infrared heaters
Public works building*	43,523	15,667	<ul style="list-style-type: none"> • Mass wall insulation • Sectional overhead door insulation • Parking garage ventilation control • Destratification fans • Furnace efficiency
6-story apartment building	561,050	19,535	<ul style="list-style-type: none"> • Roof insulation • Window assembly U-value • Living units interior lighting power • Amenity unit furnace efficiency • Boiler efficiency
Manufacturing/warehouse facility	338,834	164,719	<ul style="list-style-type: none"> • Mass wall, metal building and opaque door insulation

			<ul style="list-style-type: none"> • MAU energy recovery ventilation • Zero flash steam heat exchanger
15-story multi-family building	319,000	9,685	<ul style="list-style-type: none"> • Window assembly U-value • Low-flow fixtures • Condensing DHW heaters • Condensing boilers • Smart thermostats • ENERGY STAR® clothes washers • ENERGY STAR® dish washers
Elementary school*	42,281	559	<ul style="list-style-type: none"> • Low-flow fixtures
Warehouse	161,900	5,940	<ul style="list-style-type: none"> • Roof, wall and dock door insulation • MAU heating efficiency
Vehicle storage and maintenance warehouse*	7,760	369	<ul style="list-style-type: none"> • Infrared heater

Program Challenges: The BNC program has continued to experience project delays due to COVID-19. To date, we’ve had 41 projects move out of the 2020 pipeline. In addition, the program has moved to an “all remote” verification process, as the positivity rates in the area remain high. The remote process requires the customer to provide additional project documentation regarding installed energy efficiency measures and participate in a conference call with the team to discuss the project and walk through the documentation provided.

Emerging Technology:

The primary mission of the Nicor Gas Emerging Technology Program (“ETP”) is to seek out new or unproven technologies that may be suitable for inclusion in the Nicor Gas Energy Efficiency Program and verify their natural gas savings through field tests and in-situ pilot demonstrations.

Successful Measures:

No new workpapers or pilots were initiated in the Third Quarter. Due to COVID-19, several pilots have experienced delays with gather data. The following pilots are still underway:

#1113 Air Deflector

- #1119 Venturi Steam Traps
- #1085 Boiler Chemical Descaling
- #1118 Low-E Windows
- #1123 Smart Radiator Valves
- #1115 On-Demand Boiler Array
- #1116 Intellihot Commercial Tankless Water Heater
- #1139 Pipe Insulation
- #1137 Hydronic Heating Plumbing System
- #1147 Residential Dryer Sensor

IV. Program Operations

- A) **Budget Flexibility:** Nicor Gas may adjust program budgets by up to 20% but may not shift budgets between residential and business programs by more than 10%.

Actions: Nicor Gas has not exceeded the flexibility provisions authorized by the Commission in its Final Order.

- B) **Program Activities:** Nicor Gas shall summarize the following:

- 1) Program activities
- 2) Implementation modifications
- 3) Additions or discontinuations of specific measures or programs.
- 4) Spending and savings amounts compared to the Plan filing
- 5) How the Company responds to past evaluators' recommendations and changes in the IL-TRM, NTG ratios, market research findings, and other relevant information the Company relies upon in making its decisions
- 6) Pilots completed and the results

Actions:

- 1) Please see the above section on the Third Quarter's highlights.
- 2) Please see the above section on the Third Quarter's highlights.
- 3) Please see Section C below and Appendix A for a discussion and list of new measures added to Nicor Gas' programs.
- 4) Spending and savings by program are shown in the attached Statewide Quarterly Report Template.
- 5) Please see Appendix B for actions taken in response to evaluators' recommendations.
- 6) Please see the above section on the Third Quarter's highlights.

B) **New Energy Efficiency Measures:** Cost-effectiveness screening results for new measures.

Actions: Actions taken in PY2020 in response to past evaluators' recommendations are shown in Appendix B.

C) **Cost-Ineffective Measures:** Explain reasons for including new cost-ineffective measures in programs.

Actions: There are no new cost-ineffective measures included in programs.