

2023

Quarterly Report Third Quarter

July 1, 2023 - September 30, 2023



Energy
Efficiency
Program

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Portfolio summary

Year-to-date results

January 1, 2023-September 30, 2023

7.55M

Net savings
to date

53.5%

Percent of
planned savings

14.1M

Annual
savings goal

\$31.9M

Spend
to date

69.7%

Percent of
planned spend

\$45.7M

Annual
budget

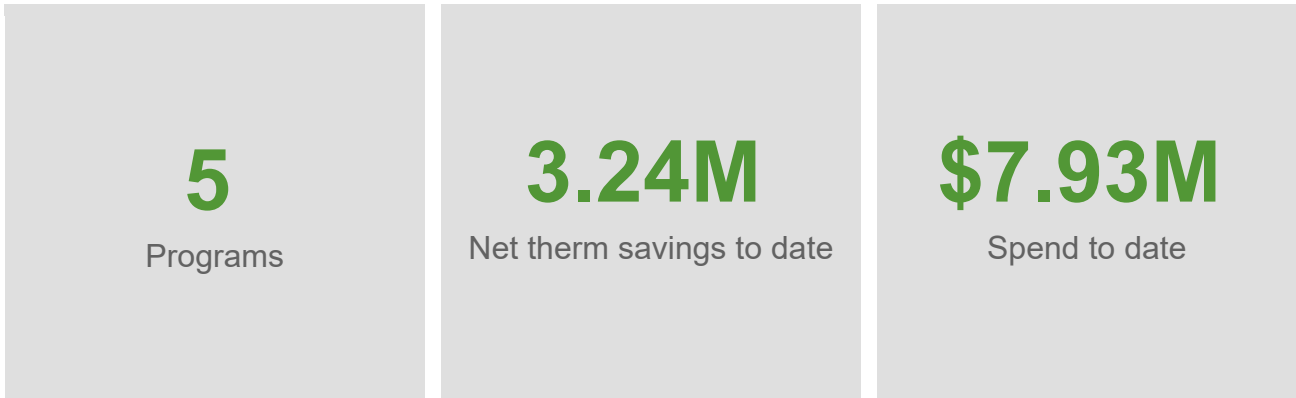
Key portfolio highlights

- Targeted outreach campaigns and proactive customer follow-ups, within the Business Energy Efficiency Rebates program effectively created awareness and drove engagement within the public sector where 19 projects were completed in just one school district.
- The addition of gas heat pump business custom projects to our pipeline represents a significant innovation milestone, showcasing the program

team's commitment to integrating advanced energy efficiency solutions into the program offerings

- In 2023, so far, we have served over 35,000 customers through the Nicor Gas Energy Efficiency Program.

Residential programs



Key highlights

- In the third quarter, the HEER program incentivized over 3,000 high-efficiency furnaces, boilers and tankless water heaters, as well as over 3,400 smart thermostats to our customers.
- The Air Sealing and Insulation offering of HES has served 352 homes, within the third quarter, which is 84 more homes than what the offering achieved this time last year.
- Residential New Construction completed and provided incentives for 530 homes within the third quarter.

Program overviews

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.

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.

Multi-family (MF)

The Multi-Family (“MF”) program 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.

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.

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

Residential programs

Home Energy Efficiency Rebates (HEER)

Savings achieved to date – 1,414,253 Net Therms

- In the third quarter, the Program incentivized over 3,000 high-efficiency furnaces, boilers and tankless water heaters, as well as over 3,400 smart thermostats to our customers.
- In 2023, the Program began offering customers a bundled rebate, up to \$275, when the customer submits a smart thermostat and a high-efficiency furnace on the same application. In the third quarter, 150 customers took advantage of this bundled rebate. The intent of this bundled rebate is to increase smart thermostat participation, and the Program has seen Trade Allies and contractors submitting more applications for smart thermostats compared to last year.
- The most popular measure this quarter was smart thermostats, with over 3,400 incentivized. The participation success is a direct result of using bill inserts, newsletters and digital ads targeted to both our customers and Trade Allies.

Home Energy Savings (HES)

Savings achieved to date – 312,812 Net Therms

- In the third quarter, the Program provided 952 customers with home energy assessments, with 60 being served virtually and 892 served in-person.
- The Home Energy Assessment offering added five new Energy Star certified smart thermostats that can be installed in customer's homes. This expansion of smart thermostat options allows for more flexibility and convenience to the customer. This change translates to more smart thermostats installed in customer homes that otherwise may not receive one due to the age of their existing HVAC equipment.
- The transition of the in-field implementation of the home energy assessment offering from Franklin Energy to Utility Energy Services (UES) is complete. 18 Energy Advisors have been hired and trained, many of which transitioned directly from Franklin Energy and did not have a gap in employment.
- In the third quarter, the Air Sealing and Insulation offering of HES served 352 homes, which is 84 more homes than what the offering achieved this time last year.
- The Air Sealing and Insulation portion of HES held a Trade Ally roundtable meeting to better understand the current market and customer's needs. The roundtable was also used to discuss the launch of the online application portal which streamlined the application process and has been well received by Trade Allies.

Residential programs

Multi-family (MF)

Savings achieved to date – 246,447 Net Therms

- In the third quarter, the prescriptive portion of MF has been cost-effective by leveraging pipe insulation and boiler tune-up projects. The offering achieved 25% of the annual savings goal this quarter, while only spending 20% of the annual incentive budget.
- The Central Plant Optimization Program of MF has been cost-effective by leveraging boiler tune-up, pipe insulation and tank insulation projects. The offering achieved 37% of the annual savings goal this quarter, while only spending 24% of the annual incentive budget.
- In the third quarter, the Multi-Family Air Sealing and Insulation offering launched a bonus that provides an additional \$250 per unit that is air sealed and insulated through the offering. Exterior door sweeps and weatherstripping were also introduced as direct-install measures. The starting R-values for attic insulation were expanded from <R14 to <R20, which will allow more customers to participate in the offering. The offering also increased the contractor network capacity by 50%. The offering gained notable traction this quarter by incentivizing three weatherization projects with a total of 20 units, and the project pipeline continues to grow into the next quarter.
- The custom and assessment portions of MF have continued to see lower than expected participation, but ongoing marketing and outreach campaigns will raise visibility with customers.

Residential New Construction (RNC)

Savings achieved to date – 424,003 Net Therms

- In the third quarter, 530 homes were completed and received incentives.
- We offer three qualifying packages within the RNC program. In the third quarter, the Prescriptive Package was most popular, with 258 homes meeting the requirements and receiving incentives. The requirement for this package is to install, at a minimum, an advanced thermostat and a 95%+ AFUE furnace or boiler.
- During the third quarter, Nicor Gas met with homebuilders and developers to educate them on the Residential New Construction offering and explain the benefits of participating.

Residential programs

Energy Education and Outreach

Energy Saving Kits (“ESKs”)

Savings achieved to date – 593,560 Net Therms

- In the third quarter of 2023, Nicor Gas distributed 1,751 ESKs to customers, of which 1,394 were water-saving kits and 357 were weatherization kits.
- The most popular kit requested by customers was the water saving kit, making up 80% of all kits distributed in the third quarter.
- Nicor Gas utilized our Marketing and Outreach teams to drive the success of this program. The Outreach team attended many community events during the third quarter, in which kits were present and handed out to customers.

In the third quarter of 2023, Nicor Gas distributed a total of 1,751 ESKs to customers, of which 1,394 were water-saving kits and 357 were weatherization kits.

Elementary Education Kits (“EEKs”)

Savings achieved to date – 252,213 Net Therms

- In the third quarter, 7,692 total kits were delivered to schools. 7,590 were Joint Utility kits and 102 were Nicor Gas-only kits.
- In 2023, Nicor Gas introduced a Joint Utility Income Eligible (IE) Elementary Education kit. In the third quarter, 1,595 Joint Utility IE kits were delivered to schools.
- School selection is intentional and focuses on enrolling schools from various socioeconomic levels and racially diverse student populations. The program also strives to include up to five schools that focus on students with special needs.

Home Energy Reports (“HER”)

Savings achieved to date – 0 Net Therms

- During the third quarter of 2023, Nicor Gas has continued delivering emailed and printed Home Energy Reports to customers. The approximate reach for the HERs in 2023 is 370,000 customers.
- The HER program is a behavioral program designed to combine feedback on energy use with contextual information that helps educate and motivate customers to reduce their energy use while increasing customer satisfaction and engagement.

Income-eligible programs



Key highlights

- Through the end of Q3, DeKalb Housing Authority has completed and scheduled projects for a combined total of \$152,000 in incentives. Furnace and boiler tune-ups, weatherization, HVAC upgrades, and appliance upgrades were completed.
- In Q3, we completed a 4-phase MF Retrofit project at Arbor West Apartments in Aurora. The program completed air sealing and insulation and remediated health and safety issues in the attic by

Income-eligible programs

installing exhaust fans at their 373-unit property. This project saved a total of 70,966 therms and received \$389,365 in gas incentives.

- The SF and MF DI to Comprehensive project conversion rate is 85% and 80% respectively.

Program overviews

The objective of the Income-Eligible Energy Efficiency (“IE”) program is to provide broad and deep energy efficiency opportunities to income-eligible 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)

Single-family/Multi-family Weatherization and Retrofits Program overview

Savings achieved to date – 852,037 Net Therms

- In partnership with the Community Action Agencies within our territory, we have served 189 single-family homes with direct installs and weatherization through our SF IHWAP offering within the first three quarters of 2023. The SF IHWAP offering ended the third quarter at 86% to our annual incentive goal and 73% to our annual savings goal. There have been no MF IHWAP projects completed so far in 2023, and it is an area of focus for the remainder of the year.
- The SF Retrofits offering has served over 832 single-family customers this year, 46 of which were served in Q3. The success of the SF Retrofits offering is attributed to the partnerships with 28 community-based organizations, which increase the reach of our programs into their communities. The SF Retrofits offering ended the third quarter at 100% to our annual incentive goal and 87% to our annual savings goal. Funding for 2023 projects has been fully reserved, and all customers in the current pipeline have their funding fully reserved to be served comprehensively in 2024.
- MF Retrofits saw strong performance and has a strong pipeline at the close of the third quarter. The offering is operating cost-effectively and is currently 23% below our planned \$/therm. The MF Retrofits offering ended the third quarter at 74% to our annual incentive goal and 95% to our annual savings goal. Through MF Retrofits, we have served 10,080 MF units' year to date, serving 6,834 units in Q3 alone. In Q3, we completed a 4-phase MF Retrofit project at Arbor West Apartments in Aurora. The program completed air sealing and insulation and remediated health and safety issues in the attic by installing exhaust fans at their 373-unit property. This project saved a total of 70,966 therms and \$389,365 of gas incentives were allocated to the project.

Income-eligible programs

Public Housing Authority

Savings achieved to date – 24,544 Net Therms

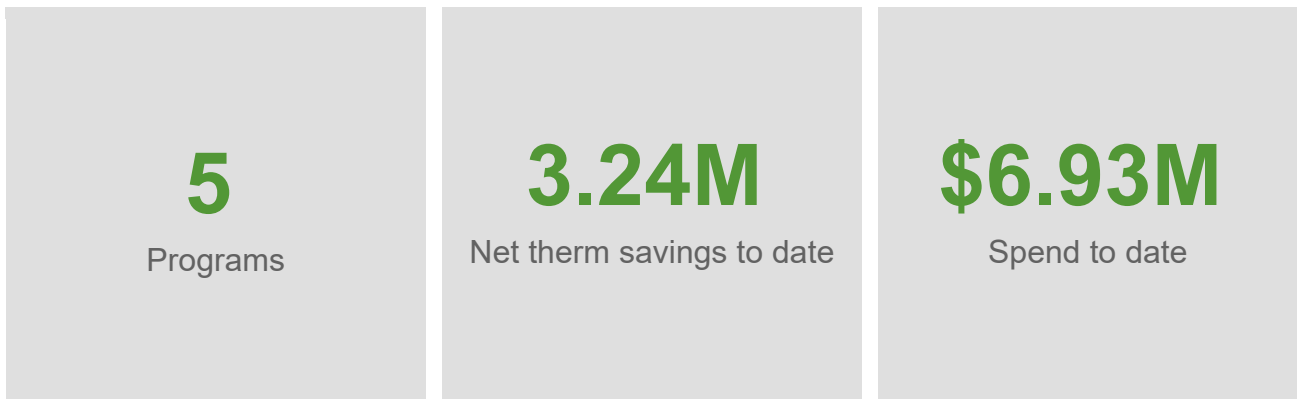
- Over 487 units have been served to date within PHA (Public Housing Authority), with 176 units being served in Q3 alone. The program is currently trending at our planned \$/therm. Through Q3, we are at 49% of our annual savings goal and 47% of our annual spending goal.
- In Q3, we continued work with the DeKalb County Housing Authority. Through the end of Q3, DeKalb has completed and scheduled projects for a combined total of \$152,277 in incentives. Furnace and boiler tune-ups, weatherization, HVAC upgrades, and appliance upgrades. Housing authority staff from DeKalb County was so pleased with the MFES offering, they recommended it to former colleagues at Lake County Housing Authority. Because of this interaction, Lake County attended the presentation at the IL NAHRO Annual Meeting on August 10. Immediately following the conference, they scheduled assessments for 5 sites. Assessments were completed on September 5 and identified potential weatherization and furnace/boiler tune-up services. Projects are expected to begin in early 2024.

Affordable Housing New Construction

Savings achieved to date – 3,875 Net Therms

- In the third quarter, no projects were completed.
- There are five total projects expected to close in 2023, with the next project expected to be completed in October.

Business programs



Key highlights

- Business New Construction completed 14 commercial/industrial projects in the third quarter of 2023.
- The addition of gas heat pump projects to our Custom Program pipeline represents a significant innovation milestone. This showcases the program team’s commitment to integrating advanced energy efficiency solutions into program offerings.

Program overviews

Business Energy Efficiency Rebates

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.

Business New Construction

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.

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 of 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 (Heating, Ventilation, Air Conditioning) systems in existing buildings. The aim of the retro-commissioning offering is to optimize operation 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.

Small Business Energy Savings

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, with energy efficiency retrofits and financial incentives to influence the installation of highly efficient natural gas equipment.

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 through improved behavioral methods.

Business Energy Efficiency Rebates

Savings achieved to date – 1,392,641 Net Therms

- Targeted outreach campaigns and proactive customer follow-ups played a pivotal role in creating awareness and driving engagement within the public sector, where 19 projects were completed in just one school district.
- Emphasis was placed on driving projects through assessments. This resulted in 44,000 therms being achieved through assessments and direct install opportunities. This reflects the team's commitment to identifying and capitalizing on untapped energy-saving opportunities.
- The program saw a significant uptick in steam trap project participation, which resulted in strong interest from hospitals and large industrial customers. This targeted interest led to impactful increase in therm savings. There was a large influx of 350,000 therms this quarter from industrial customers, showcasing the value and trust of the industrial sector in the initiatives.

Business programs

Business New Construction

Savings achieved to date – 108,669 Net Therms

- In the third quarter of 2023, Nicor Gas completed 14 commercial/industrial projects; 12 were private sector projects, and 2 were public sector projects.

TYPE (*public sector)	SQ. FEET	ANNUAL GROSS THERM SAVINGS	MEASURES
*Helen Plum Public Library	54,310	4,237	<ul style="list-style-type: none"> • Roof insulation • Mass wall insulation • Curtainwall assembly • DOAS energy recovery ventilation • Low flow fixtures
Mercy health Crystal Lake	167,830	11,564	<ul style="list-style-type: none"> • Mass wall insulation • Boilers efficiency • Snow melt boiler efficiency
Melody Living Phase II	111,400	2,124	<ul style="list-style-type: none"> • Windows • Low-flow plumbing fixtures • Heating and cooling system efficiency
Bensenville 20	337,000	3,366	<ul style="list-style-type: none"> • Direct-fired make-up-air units
Bensenville 21	259,868	2,978	<ul style="list-style-type: none"> • Direct-fired make-up-air units
McHenry Courthouse and Jail	32,410	207	<ul style="list-style-type: none"> • Demand control ventilation • Condensing DHW heaters
Davey Road Industrial Project	360,625	12,235	<ul style="list-style-type: none"> • Direct-fired make-up-air units • Overhead door insulation
Bridge Elk Grove Building 1	145,571	5,965	<ul style="list-style-type: none"> • Direct-fired make-up-air units • Mass wall insulation
Bridge Elk Grove Building 2	59,332	3,093	<ul style="list-style-type: none"> • Direct-fired Make-up-air units • Mass Wall Insulation
Weber55 Logistics Park Building 1	627,602	13,717	<ul style="list-style-type: none"> • Direct-fired make-up-air units
Weber55 Logistics Park Building 2	270,000	8,271	<ul style="list-style-type: none"> • Direct-fired make-up-air units
*Field Elementary	82,408	3,970	<ul style="list-style-type: none"> • Mass and steel framed wall insulation • DOAS energy recovery ventilation
Westbrook at Canterfield	136,219	1,833	<ul style="list-style-type: none"> • Windows • Low-flow plumbing fixtures

Business programs

			<ul style="list-style-type: none">• Heating and cooling efficiency• Advanced water heating
UC Huntley	99,821	5,779	<ul style="list-style-type: none">• Direct-fired make-up-air units

Custom Incentives

Savings achieved to date – 576,654 Net Therms

- In Q3, 20 custom projects were completed and paid out, which is a record for this year. This also puts the team in a strong position to achieve a forecasted therm goal of 102%.
- The program focus is also on improving assessment conversion through improved follow-up communications. The outreach process has been revamped to review past assessment reports, identify leads and drive the reach back campaign.
- The addition of gas heat pump projects to our pipeline represents a significant innovation milestone, showcasing the program team’s commitment to integrating advanced energy efficiency solutions into the program offerings.

Small Business Energy Savings

Savings achieved to date – 626,983 Net Therms

- The program team delivered 60 assessments, emphasizing the team’s commitment to supporting small businesses in their energy efficiency endeavors. The program remains on track to exceed the annual goal in 2023.
- Collaborating with Cook County to help enhance their Businesses Reducing Impact on the Environment (“BRITE”) Program has not only brought in valuable customer leads, but highlights our strength in establishing strategic partnerships that enhance the program performance.

Strategic Energy Management

Savings achieved to date – 538,762 Net Therms

- In Q3, 555,000 gross therms were submitted for final claims. This is 46% of full year target of 1.2M therms. PQ Joliet (287k therms) and Diageo (126k therms) delivered the 2 largest customer savings. 8 other customers reported measured savings averaging about 18,000 therms each.

Business programs

- 4 new customers joined SEM in Q3 – Mondelez Naperville, Sunset Foods, NIU and Kensing – adding 11M therms to baseline.
- SEM workshops held in Q3 included SEM Energy Foundations in Naperville (the Nicor Gas office), SEM Community Cohort Celebration in Rockford and Employee Engagement in Rosemont.

Emerging technology and market transformation

Program overviews

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 pilot demonstrations.

ETP continues work on ongoing field pilot projects. The active projects are as follows:

Small Commercial Boiler Manufacturer Controller

Remote monitoring of central boiler-based heating and domestic hot water systems to identify operational inefficiencies and proactively maintain systems in real-time. Potential sites identified for field demonstration. Manufacturer that ETP has previously engaged with has dropped out. ETP team will re-engage with other manufacturers in action plan development.

Emerson Sensi

A sensor suite from Emerson to monitor existing furnace and air conditioner. If the system is newly installed, then it will verify proper/optimal installation while on an older system, it will monitor based on target performance. Lab study completed. Field study is ongoing at 30 test sites. We are currently monitoring HVAC system operation data and are interfacing with the end users to provide insight on their HVAC system operation. Manufacturer decided to terminate the product offering and support for this technology and opted not to share project specific datasets for final analysis. ETP is preparing a memo report outlining the operation, functionality of the technology using recorded corrective actions and observations, and barriers/limitations due to product termination.

Phase Change Ceiling Tile

New engineered dual-temperature phase change material (PCM) technology that positively impacts HVAC energy consumption, improves HVAC cycling profiles, and extends HVAC lifespan during both summer and winter seasons. PCM technology installed, and data collection is currently ongoing and is planned to continue till 2023-2024 heating season. Ongoing discussions with the manufacturer to determine a path forward for the technology in energy efficiency programs at the conclusion of the study. Data collection started for the 2023-2024 heating season and ongoing data monitoring for PCM retrofit performance analysis.

Smart Fuel Switching Control - Hybrid Residential HVAC

Cloud-based technology is designed to reduce utility costs and GHG (Green House Gas) emissions in residential space heating by optimizing the operation of a hybrid heating system, consisting of a natural-gas

Nicor Gas Company

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furnace (or mini boiler) and an electric air source heat pump (ASHP). Preliminary lab testing based GHG emission and cost-based switching for cold climate operation was completed. ETP worked with the manufacturer to fix the fuel-switching algorithm for both emissions and operating cost reduction operating modes. Improved fuel switching algorithm to be lab tested in the 2023-2024 heating season.

Low-Cost Low Carbon Public School

Mechanical retrofit of existing HVAC with existing boiler and GAHP (gas fired absorption heat pumps) pilot study. Schools not selected for first award round. Project team is considering proposal revisions to be submitted for future rounds.

Fume Hood Control Valves

Add or retrofit airflow control valve in laboratories. Consists of fume hood valves, supply duct, exhaust duct valves and sensors, all integrated with digital controls. Precise control of fume hood air flow based upon open sash area thus minimizing ventilation heating load, saving energy. Pilot site selection in progress. ETP ongoing discussions with three Universities for host site selection.

Cloud Based Building Optimization Platform

Predictive, self-adapting Artificial Intelligence used to control and optimize Description building HVAC systems. ETP had discussion with manufacturer to onboard them onto pilot study. Manufacturer is keen to collaborate in study. Ongoing discussion on Action Plan and site recruitment. ETP reviewing manufacturer provided potential customer list in Illinois for site selection.

ETP Webpage Updates

ETP is planning to update publicly available information like program webpages, application webpages and other program related flyers to reflect current branding information, new terms and conditions and to add clarity. ETP team and legal team review completed for materials to be updated. Materials are currently under marketing review before publishing.

Commercial Secondary Windows

Envelope retrofit technology in commercial buildings that improves thermal performance of poorly performing existing windows. The technology involves one or more transparent panes in a frame that attaches to the interior or exterior of existing windows without replacing the original glass or frame. ETP is developing an action plan for development of a prescriptive TRM measure for this technology.

Venturi Steam Trap – Field Evaluation Study

Venturi steam traps are an energy efficient condensate removal technology for steam systems, and they have lower failure rates than traditional steam traps. ETP completed the field evaluation of the Venturi steam traps

Emerging Technology and Market Transformation

and collected in-depth end user feedback to validate the performance and effective useful life of the technology. Final project report is drafted and is currently under internal review.

ETP has published the following pilot project reports

- #1137 Hydronic Heating Plumbing System Flushing
- #1139 Pipe Insulation
- #1118 Low-E Interior Windows
- #1085 Boiler Chemical Descaling

ETP is writing and completing final reports for the following completed pilot projects.

Draft report finalized and QA/QC done by both GTI and Nicor Gas. Reports to be published on ETP website in Q4 2023.

- #1123 Thermostatic Radiator Valves
- #1147 SmartDry
- #1115 On Demand Boiler Array
- #1119 Venturi Steam Trap Field Evaluation Study
- Draft report to be QA/QC'd
- #1166 Emerson Sensi Lab Study Memo Report
- #1008 RE - Gradient Thermal (Draft ready)

Two ETP workpapers are published in the Illinois Technical Reference Manual version 12 for the following emerging technologies.

Measure 5.6.11 Insulating concrete forms – Insulated concrete forms (ICF) are an energy efficient wall construction assembly made of expanded polystyrene and concrete. They offer continuous insulation which improves the thermal performance of the building envelope. ETP drafted and submitted a workpaper on ICF to VEIC for review to be added in 2023 IL TRM.

Measure 4.3.13 Commercial tankless water heater array – A Central Condensing Tankless Water Heater (CCTWH) array is a type of domestic hot water heating system formed by integrating multiple condensing tankless water heating units in a modular style to increase overall system capacity, turndown capability and to reduce standby energy losses. ETP drafted and submitted a workpaper on this technology to VEIC for review to be added in 2023 IL TRM.

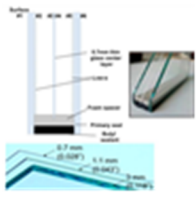


ETP is planning to develop a technical workpaper on residential gas heat pumps for inclusion in Illinois Technical Reference Manual version 13. ETP has prepared a draft workpaper template based on an energy modeling approach with required engineering input and assumptions. ETP to perform energy modeling based on actual performance data from commercially market ready residential gas heat pump equipment. Technical workpaper methodology development based on energy modeling results to be performed in Q4 2023/Q1 2024.

Market Transformation

The MT program goal is to accelerate the adoption of energy efficient products and/or services to maximize energy savings for Nicor Gas' Energy Efficiency Program. The MT program focuses on specific MT initiatives targeting technologies and services. This includes recruiting partners to bring these technologies forward, development of the MT logic and framework, and implementing activities to support the adoption of the targeted technologies and services. The MT program also focuses on expanding MT activities locally in Illinois including at the SAG, regionally, and internationally to leverage cross cutting opportunities with other utilities and organizations pursuing MT.

- In the 3rd quarter of 2023, Nicor Gas continued to work on the market transformation initiatives listed below. This included continued market characterization research and the development of the TRM MT Savings Protocols for the initiatives, in collaboration with some of the other IL utilities and Guidehouse. Nicor Gas is looking forward to the October 25 MT SAG Working Group meeting to share the High-Performance Window MT Initiative Logic Model and Market Progress Indicators with the working group for comments and feedback.

Emerging technology and market transformation

Market Transformation Initiative	Initiative Details	Utility Participation	2023 Brief Status Update
<p>High Performance Windows (HPW)</p> 	<p>Accelerate the adoption of next generation of high performance window products, to improve building envelope thermal performance. A new version of high performance windows provides roughly the same insulation value (~R-5) of conventional triple pane windows without the added frame thickness and weight; uses the same glazing unit dimensions as double-pane windows; 40% more efficient than typical double-pane windows.</p>	<p>Ameren Illinois, ComEd, Nicor Gas</p>	<p>Engagement with PAWS group to build coalition of market actors supporting advanced windows.</p> <p>Finalized logic model and associated market progress indicators with Guidehouse feedback.</p> <p>High performance window measure updated in the IL TRM for v12.</p> <p>Draft natural market baseline complete. Circulating with 3rd party for external review</p>
<p>Code Advancement - Energy Stretch Codes and Building Performance Standards</p>	<p>Contracted 2023 activities to continue municipality engagement, stretch code and BPS program design considerations, finalizing the logic model and market progress indicators for each approach, and IL natural market baselines for stretch codes and BPS.</p>	<p>ComEd, Nicor Gas, Peoples Gas, Northshore Gas</p>	<p>Ongoing municipality engagement through Advanced Building Energy Efficiency Policy Task force, partnering with Municipal Mayors Caucus. 13+ communities engaged, several with 1 on 1 meetings. In-depth interviews and surveys to gather feedback</p> <p>Developing program design recommendations based off municipality feedback.</p> <p>Drafting natural market baseline and savings estimation methodology.</p>
<p>Gas Heat Pumps</p> 	<p>Accelerate the adoption of next generation of gas heat pump technologies for water heating and space conditioning. Currently participating in the North American Gas Heat Pump Collaborative with 17 total Utilities in North America including Canada.</p> <p>Conducted manufacturer engagement with GHP manufacturers to coordinate on future activities. Developing collateral to build awareness and a residential TRM workpaper. Developing adoption rates for GHPs in Nicor's service territory.</p>	<p>Nicor Gas, Peoples Gas, Northshore Gas</p>	<p>Participation in the North American Gas Heat Pump Collaborative</p> <p>Conducting manufacturer engagement with GHP manufacturers to coordinate on future activities. Developing collateral to build awareness and a residential TRM workpaper. Developing adoption rates for GHPs in Nicor Gas' service territory.</p> <p>Finalized logic model, market progress indicators - incorporating evaluator feedback.</p> <p>Drafting natural market baseline for review with evaluators.</p> <p>Approved launch to explore commercial gas heat pumps as a MT Initiative.</p> <p>Pilot for small scale installations planned with a first to market manufacturer.</p>
<p>Efficient Rooftop Units</p> 	<p>Researching efficiency of rooftop units through product differentiation and ultimately standards. Performing quantitative market research for developing IL natural market baseline and logic model development.</p> <p>Partnering with GTI and NEEA to further document</p>	<p>Nicor Gas, NEEA, GTI</p>	<p>Partnering with NEEA and GTI on: quantitative market research, developing IL natural market baseline, and logic model development</p> <p>Draft logic model and market progress indicators.</p>

Administrative Flexibility

Administrative Flexibility

- **Administrative Flexibility.** Any Program Administrator-initiated proposed budget shift of fifty percent (50%) for Programs with budgets under \$5 million or twenty percent (20%) for Programs with budgets over \$5 million shall be brought to the SAG when practicable, but no later than the next quarterly SAG meeting. It shall also be reported to the Commission in the quarterly reports.
- **Actions.** Nicor Gas has not exceeded the flexibility provisions authorized by the Commission in its Final Order.

Responses to evaluator recommendations (Refer to Appendix B)

Program Activities: Nicor Gas shall summarize the following:

Program activities
Implementation modifications
Additions or discontinuations of specific measures or programs.
Spending and savings amounts compared to the Plan filing
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
Pilots completed and the results

Actions:

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

New measure cost-effectiveness

Cost Effectiveness of New Measures (table by measure) Cost-effectiveness screening results for new measures.

- **Actions.** There are no new measures included in programs shown in Appendix A.

Cost-Ineffective Measures (explanation of why they were included) Explain reasons for including new cost-ineffective measures in programs.

- **Actions.** There are no new measures included in programs shown in Appendix A.

Stipulations

**Weighted Average
Measure Life**

13.06yrs

Stipulation: ≥ 11.91 years

**Public Sector Spend as a % of
Overall Portfolio Spend**

7.52%

Stipulation: Minimum of 10%

**Average Income-Qualified
Spend to Date**

\$ 11.0M

Stipulation: At least \$13M per year

**% of IQ Spending in
Multi-Family Housing Units**

31.68%

Stipulation: At least 30% of units treated

Supplier Diversity

The Nicor Gas Energy Efficiency Program will continue to align ourselves with professional organizations and industry groups that support business diversity and inclusion amongst underutilized areas of our business. We will partner with various advocacy organizations, our peer utilities that make up the Illinois Utility Business Development Council (IUBDC), and our diverse partners to host and/or attend diversity-related summits and events that are geared toward the advancement of diverse business enterprises. Furthermore, we will continue to leverage our diverse partners to support the development and increased utilization of diverse businesses.

Tier 1 Diverse Spend

\$14.55M

Tier 2 Diverse Spend

\$5.31M

% of Total Eligible Spend


87.8%

Key highlights


- Q3 2023 total diverse spend has increased over 60% YOY.
- Tier 2 diverse spend increased \$1.79M from Q2 to Q3.
- Nicor Gas Energy Efficiency Program has engaged a total of 38 (29 prime and 9 sub) Non-profit organizations YTD.
- In Q3, the Residential New Construction program completed and provided incentives for 530 homes, and the Business New Construction program completed 14 commercial/industrial projects, which increased VBE diverse spend to \$755,000.
- Engaged 7 new diverse sub-contractors (3 MBE and 4 WBE) YTD.

VENDOR TYPE	% SPEND	PRIME	SUB	TRADE ALLIES
MBE certified	7.0%	\$501,247	\$1,090,745	\$661,708
WBE certified	72.3%	\$12,508,681	\$3,857,443	\$3,335,789
VBE certified	3.3%	\$755,475	\$0	\$0
Non-profit vendors	5.0%	\$789,001	\$350,375	N/A

Impact

 **252M+**
in incentives since 2011

- Residential and multi-family customers: energy-saving kits and home assessments
- Commercial and public sector customers: building system optimization, energy-saving projects
- Income-qualified customers: comprehensive energy upgrades at no cost
- Rebates for energy-efficient products and improvements

 **219M+**
first year therms saved since 2011

- Avoids more than 1.16M metric tons of CO2 emissions
- Equivalent to the CO2 emissions generated by 257K passenger vehicles over the course of a year

 **1.33M+**
customers in 643 communities have participated

- \$190 average incentive per customer
- Engaged 201K elementary school students in energy efficiency education

 **\$2.02B**
Economic activity spurred since 2011

- 10.4K jobs supported since 2011
- \$110M spent with diverse suppliers
- \$821M wages supported since 2011

Awards and recognition

Since launching in 2011, the Nicor Gas Energy Efficiency Program has received 21 awards from local, regional, national, and international organizations. The program has been recognized for excellence in evaluation, innovation, marketing, program design and research.

Marketing awards

- 2022 Inspiring Efficiency Marketing Award
Awarded for the Care Package effort
- 2020 Gold Stevie Award
Awarded for the Unexpected Love Story campaign from the American Business Awards
- 2020 Inspiring Efficiency Marketing Award
Awarded for the Unexpected Love Story campaign
- 2019 Gold Stevie Award for Women in Business
Awarded for the Unexpected Love Story campaign in its marketing for women, created by a woman-led team.
- 2017 Inspiring Efficiency Marketing Award for Multicultural Marketing Strategy
Awarded for multicultural marketing strategy including demographic research, event outreach, hyper-local print publication placements and digital ads.
- 2015 Inspiring Efficiency Marketing Award for Customer Journey Strategy
Awarded for marketing & communications strategy including customer journey-mapping, overhauling communications with energySMART rebranding, and Customer Stories campaign
- 2015 Inspiring Efficiency Education Award
Awarded for "What's in the Box" campaign focused on understanding how a furnace works
- 2014 Bronze Stevie Women in Business Award for Consumer Marketing Campaign of the Year
Received bronze placement for energySMART "Customer Stories" campaign
- 2014 AESP Energy Award for Outstanding Achievement in Non-Residential Marketing
Presented for "6 million therms" steam trap infographic campaign
- 2013 E Source Ad Awards Crowd Pleaser Award
Presented for peer recognition for "6 million therms" steam trap infographic campaign
- 2013 Inspiring Efficiency Marketing Award
Presented for Nicor Gas Energy Efficiency Program's "Summer Staycation" campaign
- 2013 Gold Stevie Award for Utility Marketing Campaign of the Year
Presented for Nicor Gas Energy Efficiency Program's "Liberate" campaign

Awards and recognition

Other awards

- 2019 AESP Energy Award for Outstanding Achievement in Market Research and Evaluation
Awarded for Nicor Gas's Market Research and Evaluation Initiatives through the Market Transformation program.
- 2018 ISTC Sustainability Award
Awarded to the Emerging Technology Program for its efforts to reduce environmental impact and contribute to the growth of a more sustainable economy.

Program awards

- 2014 Inspiring Efficiency Impact Award for Business New Construction Program
Presented jointly to Nicor Gas and ComEd for providing technical assistance on more than 200 business new construction and renovation projects
- 2013 ENERGY STAR Awards Special Recognition
Received special recognition for active collaboration with other Illinois utilities to provide customer-centered energy efficiency solutions
- 2013 ACEEE Honorable Mention for the Economic Redevelopment Program
Received Honorable Mention for leading program designs and practices
- 2013 ACEEE Exemplary Programs Award for the Home Energy Efficiency Rebate Program
Received Exemplary status based on program performance during Summer Staycation marketing campaign
- 2013 ENERGY STAR Homes in Leadership Award
Presented to outstanding partners who have made important contributions to energy-efficient construction and environmental protection
- 2013 ENERGY STAR Special Recognition Energy Efficiency Program Delivery
Received special recognition for energy efficiency program delivery at the ENERGY STAR awards.