

**Nicor Gas Company**  
**Energy Efficiency Program – Plan Year 6**  
**Quarterly Report: Third Quarter**  
**(June 1, 2016 to February 28, 2017)**

**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. 13-0549 concerning the content of such report. On May 30, 2014 Nicor Gas made the required compliance filing of its three-year Energy Efficiency Plan (“EEP”). This report first discusses EEP energy therm savings and program expenses for Plan Year 6 (“PY6”), June 1, 2016 through May 31, 2017, as of the end of the reporting quarter period. 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 Appendix A which shows in tabular format energy therm savings and expenses for each residential and business energy efficiency program for the period June 1, 2016 through February 28, 2017. As shown, Nicor Gas’ programs have accumulated net savings of 6.4 million net therms in PY6, or seventy-five percent of its planned energy savings of 8,538,383 therms for PY6 as stated in its EEP. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of \$19.3 million, or sixty-four percent of the PY6 budget of \$30.3 million (excludes Department Commerce Economic Opportunity (“The Department”) spending).

**III. Quarter Highlights**

**Residential Programs:**

**Home Energy Efficiency Rebates (HEER):**

The HEER offering continues to see strong participation with 95% AFUE furnaces and programmable thermostats. A new Smart Thermostat measure is being offered this year, with a higher rebate level than the programmable thermostat measure under which they previously qualified. We continue to see stronger participation in this measure than planned.

Additionally, under the HEER program, Nicor Gas continues to promote the distribution of energy savings kits (ESKs) via the nicorgasrebates.com website and in-person at energySMART events. In the third quarter, Nicor Gas distributed 1,791 ESKs, for an overall total of 7,416 ESKs distributed this year, achieving 28.4% of its PY6 net therm savings goal for ESKs. The program has achieved its 3-year goal of 60,000 total ESKs distributed and has surpassed a total of 170,000 kits distributed overall since the program's inception in 2013.

Home Energy Savings (HES):

The HES program continues to see higher numbers of home assessments than expected in the third quarter of PY6. This was caused by some mass media events and the continued popularity of the direct install measure.

The prescriptive air sealing/insulation portion of the program is tracking to its forecast within PY6 and has experienced strong participation throughout the heating months.

In September we introduced a Low to Moderate Income Weatherization offering to our customers. This offering mirrors the income requirements of the Nicor Gas Sharing Program (150-300% of poverty level income) and all customers are income qualified by the Salvation Army, which is the administrator of the Sharing Program. Since the launch of this program we have expanded our presence in our territory by teaming up with Rebuilding Together, a not-for-profit that works with income qualified residences that have major to minor home repair needs that would prevent these customers from receiving weatherization work. Once the home repairs are completed by Rebuilding Together we can perform a home assessment and, if the home qualifies, weatherization work will be completed. The same approach is being used with United Way of Rockford. No customer will be turned away based on their income level unless it is higher than 300% of poverty, in which case they are directed to the standard HES offering. Our Marketing and Outreach staff contacts the qualifying customers, explains the offering and transfers the customer to the participating contractor. The customer receives a Building Performance Institute approved assessment of their home along with gas-saving direct install measures (showerheads, aerators, programmable thermostat and pipe insulation). If the home qualifies, the contractor will secure a second appointment to perform air sealing and insulation. There is no out of pocket expense for the income qualified customer. We have experienced a slow start, however we have addressed some issues of awareness to the program and have experienced a slight increase in customers interested in receiving assessments, air sealing and insulation toward the end of the third quarter.

Enhanced Home Energy Savings Assessment is a Nicor Gas offering that consists of a Building Performance Institute assessment of the home and a report that provides customers a more detailed analysis of energy saving improvements for their home. The Energy Advisor (EA) provides detailed information concerning the home's air

sealing and insulation opportunities as well as the opportunity for high efficiency mechanical improvements. The EA utilizes the concierge approach to help the customer address their home's energy efficiency improvements and to encourage the whole home approach for these energy efficiency improvements.

Multi-family Comprehensive Energy Efficiency Program:

The Multi-family Comprehensive Energy Efficiency Program continued developing steady participation in assessments and direct installs throughout the third quarter of PY6. This program continues to have a strong pipeline within the assessment and direct install portion of this program. The prescriptive portion is tracking below our forecast, however, we continue to see strong trade ally participation and are confident that this program will achieve its therm saving goal.

Residential New Construction (RNC):

For the third quarter, RNC certified 273 homes (653 total this year, or 65.3% of goal), while achieving a net savings of 61,051 therms, or 146,701 net therms saved overall. This is 30.5% of the overall PY6 goal that includes Code Compliance. The average savings per home was 344 gross therms (223.6 net therms).

The overall savings for this program would have been higher were it not for the delay in launching the statewide Residential Code Compliance offering, which is now underway. While no therm savings will be garnered for this offering in PY6, the information gathered through market research being conducted by Leidos (the program implementer), will establish the framework for the direction of the program going forward.

Outreach efforts for RNC included contacting Home Builder Associations to determine interest in hosting a "Building High Performance Homes" training session. This resulted in the Southwest Suburban Homebuilders Association accepting the offer and will host an event on May 4. Additionally, the energySMART marketing team published a "Contractor Spotlight" feature on their trade ally web portal, highlighting recognition received by local homebuilder and RNC participant Bright Leaf Homes. Bright Leaf Homes received the DOE Housing Innovation Award in 2015 and 2016.

Total spending through the third quarter is \$520,452 which is 42.2% of the overall budget target, and includes the Code Compliance offering.

Elementary Energy Education:

In the third quarter, program kit distribution and student instruction activities took place for the Elementary Energy Education ("Super Savers") program.

As of February 2017, the "Nicor Gas only" program was fully enrolled with 850 students. The joint program with ComEd was 98% enrolled with 8,605 students signed up out of a targeted 8,750 total. 9,600 total students will participate in PY6.

Total spending through the third quarter is \$290,913 which is 128.7% of the overall PY6 budget target. Additional budget was allocated for this program to meet customer experience expectations.

Behavioral Energy Savings:

In the third quarter, program implementer, CLEAResult, collected washing machine logger data for 30 days pre-and-post an event that took place in an assisted living facility in Northbrook on December 12, 2016. The loggers have since been collected and data analysis is underway. Therm-saving results will be shared in the fourth quarter.

Total spending through the third quarter is \$248,341 which is 139.1% of the overall PY6 budget target. However, the program is still on target to be approximately \$45,000 under budget overall for PY4-PY6.

**Business Programs:**

Business Energy Efficiency Rebates (BEER):

The PY6 BEER offerings are essentially the same as those in PY5 with the exception that all measure rebates are offered at the same amount to eliminate customer confusion. In order to boost customer participation, bonuses were established for furnaces, infrared heaters, condensing and non-condensing boilers, direct fired space heaters, dry cleaner steam traps, and select commercial food service measures, effective August 1, 2016 continuing until February 28, 2017.

The BEER offering typically sees low therm production in the first and second quarters, but makes up the therms and finishes strong in the third and fourth quarters. The BEER offering is forecasted to exceed the therm and financial goals for PY6 and exceed the three-year cycle therm goal.

Business Custom:

Nicor Gas continues to work its offering pipeline of business custom projects after a busy end to PY5. Nicor Gas was slightly short of its PY5 goal for Business Custom, as not all projects were installed and operational by the May 31<sup>st</sup> deadline. Those projects have been carried-over into PY6, similar to results seen in prior years as projects under this offering tend to be longer-term in nature and require customer commitment for start-up and completion.

The Custom offering is forecasted to meet the PY6 therm and financial goals and meet the three-year cycle therm goal while being slightly under budget.

The Industrial SEM Continuation program, which ended December 31, 2016, provided participants with both low cost/no cost and incentivized savings. The low cost/no cost savings will be claimed later in PY6. The second cohort, which began in June and consists of a mixture of health care facilities, universities, and manufacturers

is progressing well. Participants continue to provide the information required to develop and maintain their energy models, and have identified over 325 energy saving opportunities during individual energy assessments.

**Small Business Energy Efficiency:**

During PY6, activities have focused on meeting our small customers' needs. In anticipation of the future realignment of programs and tracks in PY7, prescriptive measures have the same rebate amounts for all business offerings. To eliminate customer confusion and processing, all business prescriptive rebates are offered in the BEER offering which streamlines the customer experience.

The Small Business offering is forecasted to be below the PY6 therm and financial goals, however, it will exceed the three-year cycle therm goal.

**Business New Construction (BNC):**

For the third quarter, BNC achieved a net savings of 35,698 therms or 130,051 net therms saved overall. This is 33.2% of the overall PY6 goal that includes Code Compliance.

The BNC PY6 pipeline of projects currently stands at a combined therm-savings potential of an additional 37,866 net therms through May 31 (as of February, 2017).

In the third quarter, the program accepted eleven new projects into the program in the Nicor Gas service territory. Together these projects total 2,481,068 sq. ft. and a savings of 88,111 gross therms for PY7-10.

The overall savings for this program would have been higher were it not for the delay in launching the statewide Business Code Compliance offering, which is now underway. While no therm savings will be garnered for this offering in PY6, the information gathered through market research being conducted by Leidos (the program implementer), will establish the framework for the direction of the program going forward.

Total spending was \$329,948 which is 33.5% of the overall budget target, and includes the Code Compliance offering.

**Emerging Technology:**

Recruitment of participants for a smart thermostat pilot with ComEd has begun. This pilot will utilize energy networks to capture smart thermostat data and will end after the 2018 heating season. Further, four other product tests and evaluations continued in the third quarter.

#### 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

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 B for a discussion and list of new measures added to Nicor Gas' programs. During the third quarter of PY6, no programs were added and no programs or measures were discontinued.
4. Spending and savings by program are shown in Appendix A.
5. Nothing to report for the third quarter.

- C. New Energy Efficiency Measures: Cost-effectiveness screening results for new measures.

Actions: Nicor Gas added no new measures during the third quarter.

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

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