

Nicor Gas Company
Energy Efficiency Program – Plan Year 6
Quarterly Report: Fifth Quarter (“Transition Period”)
(June 1, 2016 to August 31, 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 (the “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”); June 1, 2014 through May 31, 2017. On June 1, 2017, the Commission granted Nicor Gas an extension to its current EEP to include the period June 1, 2017 through December 31, 2017 (“Transition Period”) with pro rata increases in goals and budgets, to cover the period in which Nicor Gas would be transitioning towards a new four-year EEP plan under the applicable provisions of the Public Act 99-0906. Additionally, the Commission approved Nicor Gas’ approaches to addressing the low-income and public sector customer segments, as well as market transformation initiatives during the Transition Period. The Department of Commerce and Economic Opportunity (the “Department”) ceased serving these segments and performing market transformation activities on May 31, 2017. This report first discusses EEP energy therm savings and program expenses for Plan Year 6 (“PY6”), June 1, 2016 through August 31, 2017, as of the end of the reporting quarter period. This quarter will be referred to as the “Fifth Quarter” as a result of the Transition Period extension. 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 August 31, 2017. As shown, Nicor Gas’ programs have accumulated net savings of 14.6 million net therms in PY6, or slightly over one hundred five percent of its planned energy savings of 13,884,559 therms for PY6 as stated in its EEP extension. As of the end of the reporting quarter, Nicor Gas had achieved

these therm savings with spending of \$47.9 million, or eighty percent of the PY6 budget of \$59.9 million (excludes the Department's spending).

III. Quarter Highlights

Residential Programs:

Home Energy Efficiency Rebates (HEER):

The HEER offering continues to see strong participation with 95% AFUE furnaces. The Smart Thermostat measure offered this year continues to perform at levels expected.

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 fifth quarter, Nicor Gas distributed 1,198 ESKs, for an overall total of 10,828 ESKs distributed in PY6 thus far, resulting in 161,935 net therms saved overall, while achieving 41.7% of its PY6 net therm savings goal. The program has exceeded its 3-year goal of 60,000 total ESKs distributed (63,498 as of 8/31) and has surpassed a total of 174,000 kits distributed overall since the program's inception in 2013. Nicor Gas is exploring opportunities to coordinate ESK distributions at utility low-income events through the end of PY6. Low-income event ESK distributions will be included as a strategic planning element of ESK distributions in 2018 and beyond.

Home Energy Savings (HES):

The HES program has leveled to the anticipated participation of home assessments in the fifth quarter of PY6.

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.

The Low to Moderate Income Weatherization offering has completed over 105 home assessments and weatherized 55 homes. Nicor Gas continues to work with the Salvation Army within the Nicor Gas Sharing Program to qualify customers. The marketing efforts of bill inserts, letters, and postcards to qualified customers have brought awareness to this offering. Nicor Gas continues to explore new outreach strategies to reach this customer sector and will be using these strategies within our income qualified offerings in 2018.

On June 1, 2017 Nicor Gas launched the IHWAP program formerly administered by the Department. This program provides free assessments, weatherization, and mechanicals to income qualified customers. The transition from the Department to the energySMART

program was seamless, and all Income Qualified customers in the IHWAP pipeline have been served during the bridge period.

Additionally Nicor Gas launched on June 1, 2017 the Residential Retrofit Multi-Family program formerly administered by the Department. This program provides project management services from Elevate Energy to influence and be the subject matter expert for energy efficiency multi-family upgrades along with incentives for energy efficiency measures. No projects have been completed during this reporting period but Elevate Energy is forecasting activity towards the end of the transition period.

Multi-family Comprehensive Energy Efficiency Program:

The Multi-family Comprehensive Energy Efficiency Program continued developing steady participation in assessments and direct installs throughout the fifth 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 to our forecast. There continues to be strong trade ally participation and it is anticipated that this program will achieve its therm saving goal.

On June 1, 2017 Nicor Gas launched the Public Housing Authority energy efficiency program formerly administered by the Department. This program provides free assessments and incentives for energy efficiency measures to Public Housing Authorities. While no projects have been completed in this reporting period, the contractor is anticipating production towards the end of the Transition Period.

Residential New Construction (RNC):

For the fifth quarter, RNC certified 273 homes (1,120 total, or 112% of the PY6 goal), while achieving a net savings of 50,016 therms, or 236,920 net therms saved overall. This production represents 49.3% of the overall PY6 goal, including the Code Compliance offering which will have no further activity or therm savings in PY6. The average PY6 savings per home is 325.4 gross therms (211.5 net therms).

Outreach efforts included program implementer RSR having in-person meetings with three participating raters: Energy Diagnostics, Priority Energy, and EcoAchievers. Conversations. This includes discussions on improvements to marketing efforts and meaningful dialogue with program builders.

Additionally, the Affordable Housing New Construction Program (formerly administered by the Department) was launched and is currently forecasted to complete one project in 2017 for a total savings of 3,465 gross therms.

To launch and promote the program, a Stakeholder's meeting/webinar took place at the Midwest Energy Efficiency Alliance office in Chicago on June 28, 2017. At this session Stakeholders met utility and implementer representatives and were provided with an update on program changes. Stakeholders were also given an opportunity to ask questions about the changes.

Additional program activities include:

- An informational on-demand webinar regarding the program and 2018 changes, planned for November 2017.
- A December 5, 2017 program event at the Ivy Room in Chicago. The half-day event is targeted to developers and design teams that focus on the affordable housing market. The program will be future-focused, while trends and best practices will be shared.

Elementary Energy Education:

In the fifth quarter, no additional therm savings were achieved. However, planning began and materials were revised in anticipation of a fall program that will conclude by December 31, 2017.

The fall program will include 4,877 students participating in the joint program and 345 students participating in the Nicor Gas-only program, for a total of 5,222 participants. The estimated savings is 51,646 net therms.

Additional budget was allocated for this program to meet the customer participant requests for this popular program.

Behavioral Energy Savings:

In the fifth quarter, the data results of the cold water wash pilot were analyzed. Once completed and verified, the therm savings will be reported in Q6. Total spending is anticipated to be under budget overall for the PY4-6 period.

Business Programs:

Business Energy Efficiency Rebates (BEER):

This program has continued to be very successful by all accounts. The program achieved high participation and a diverse measure mix in Q1-4 of PY6. In Q5, pipe insulation and steam traps rebate levels were reduced. The offering continues to perform well, and is able to meet customer participation demands. Ongoing customer and contractor engagement through outreach has enabled Nicor Gas to manage the program's project

pipeline effectively and continue to meet the program's goals. This strategic approach will be applied in program offerings in 2018.

Business Custom:

In the fifth quarter, the business custom pipeline is robust, with over 1.7M therm savings. Several custom projects have been added to the pipeline and Nicor Gas is forecasted to complete those projects later this year or early next year. Nicor Gas continues outreach efforts focused on supporting customer projects in the pipeline and generating new applications which will increase the pipeline for future therm savings.

Strategic Energy Management:

The Strategic Energy Management Program provides participants with both low cost/no cost and incentivized savings. The mixed cohort, which included hospitals, private colleges, and certain manufacturers, ended April 30, 2017 and saw a savings of 814,392 therms. Recruiting for a new cohort and a practitioner cohort began in this reporting period and will conclude in Q6.

Small Business Energy Efficiency:

In the fifth quarter, steam trap and pipe insulation rebate levels were reduced. This offering was also extended to Small Business customers. Nicor Gas continues to demonstrate an ability to manage a strong array of offerings, including direct install and assessments, custom incentives, and prescriptive rebates at optimal incentive levels. The program's outreach efforts are ongoing to ensure that customer and contractor engagement remains high.

Business New Construction (BNC):

There were no additional therm savings for BNC for the fifth quarter due to project completion and verification timing. Therefore, the program remains at 118,507 net therms saved overall, which is 30.2% of the overall PY6 goal. This includes the Code Compliance offering, which will have no further activity or therm savings in PY6.

As of Sept. 1, 2017, the BNC PY6 pipeline of projects currently stands at a combined therm-savings potential of an additional 25,483 net therms through December 31, 2017 for a total of an estimated 168,973 net therms in PY6.

The program accepted 10 new projects in the Nicor Gas service territory for 2018-2020. Together these projects total 4,140,749 sq. ft. and a savings of 81,977 net therms for 2018-2020.

Additionally, the Public Sector New Construction Program (formerly administered by the Department) has launched and currently includes five projects scheduled to complete in 2017 for a total savings of 55,403 gross therms.

The program has been promoted by the Smart Energy Design Assistance Center (“SEDAC”) at the following events:

- Illinois Municipal League Conference (Chicago Hilton Hotel), Sept. 21-23, 2017
- “Breaking Down Barriers to Energy Efficiency” - SEDAC Workshops:
 - Sept. 20, 2017: Normal City Hall, Normal, Illinois
 - Sept. 27, 2017: Moraine Valley Community College, Palos Hills, Illinois

Additional Public Sector Offerings

On June 1, 2017, Nicor Gas launched several Public Sector programs formerly administered by the Department as follows:

- Prescriptive Program – Provides incentives to the public sector for energy efficiency upgrades and projects, including furnaces, boilers, heaters, appliances and more. Incentive levels vary based on equipment.
- Custom Program – The public sector custom offering provides incentives for energy efficiency upgrades and projects that are otherwise not offered through the standard program.
- Boiler System Efficiency Program (“BSE”) – Targets natural gas savings in the public sector through energy efficient improvements to boiler systems. This program targets boiler tune-ups, mechanical pipe insulation, steam trap assessments, steam trap repair/replacement, and boiler reset controls.
- Energy Assessments and Design Assistance – Provides strategic outreach to potential public sector clients and related stakeholders with training, capacity building, consultations, energy assessments, and design assistance.
- Public Sector Energy Efficiency Program (“PSEE”) – Helps local governments, such as municipalities, update and retrofit public facilities to improve energy efficiency and save money. By completing assessments, identifying energy efficiency improvements, providing incentive and application assistance, and offering the opportunity to combine energy efficiency needs with other communities, government and public sector organizations. This “ESCO” model can help these customers save on their efficiency projects and their monthly utility bills.

- Savings through Efficient Products - Self Install (“STEP”) – Provides free energy-efficiency products, such as low-flow fixtures, pre-rinse sprayers, and more, to building owners for self-installation. A free walk-through assessment is performed that identifies the needed measures. A report is generated, and the needed measures are then sent to the customer for install. This offering is projected to deliver savings through the end of the Transition Period.
- Combined Heat and Power Program (“CHP”) –Provides public sector organizations with technical and financial assistance on Combined Heat and Power (“CHP”) projects. Assistance includes incentives at the design, construction, and production phases, as well as application assistance.
- RetroCommissioning (“RCx”) – Helps to adjust existing equipment and controls in public sector buildings to improve comfort and energy consumption. RCx also works to identify low-cost to no-cost measures to improve the control, scheduling, and operation of the building.

Emerging Technology:

Recruitment of participants for a smart thermostat pilot with Commonwealth Edison Company (“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 fifth 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 fifth quarter's highlights.
2. Please see the above section on the fifth 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.
4. Spending and savings by program are shown in Appendix A.
5. Please see Appendix C for actions taken in response to evaluators' recommendations.

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

Actions: Actions taken in PY6 in response to past evaluators' recommendations are shown in Appendix C.

- 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.