

**Nicor Gas Company**  
**Energy Efficiency Program – Plan Year 6**  
**Quarterly Report: Sixth Quarter (“Transition Period”)**  
**(June 1, 2016 to December 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”), September 1, 2017 through December 31, 2017, as of the end of the reporting quarter period. This quarter will be referred to as the “Sixth 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 December 31, 2017. As shown, Nicor Gas’ programs have accumulated net savings of 17.9 million net therms in PY6, or slightly over

one hundred thirty-two 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 \$62.4 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 during the Transition Period continued 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 sixth quarter, Nicor Gas distributed 962 ESKs, for an overall total of 12,231 ESKs distributed in PY6, resulting in 183,131 net therms saved overall. The program has exceeded its 3-year goal of 60,000 total ESKs by distributing a total of 64,653 kits, and has distributed a total of 175,165 kits overall since the program's inception in 2013. Income qualified 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 experienced a higher than anticipated participation of home assessments in the sixth quarter of PY6. This was generated through a strong response to mass media events and the continued popularity of the direct install measures. The prescriptive air sealing/insulation portion of the program tracked a little lower than its forecast within PY6; however, there was strong participation throughout the heating months.

The Low to Moderate Income Weatherization offering has completed over 120 home assessments and weatherized 70 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 Transition 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.

#### Multi-family Comprehensive Energy Efficiency Program:

The Multi-family Comprehensive Energy Efficiency Program continued developing steady participation in assessments and direct installs throughout the sixth 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 forecast. There continues 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, projects underway will be reported in 2018.

#### Residential New Construction (RNC):

For the sixth quarter, RNC certified 249 homes (1,424 total, or 142% of the PY6 goal), while achieving a net savings of 51,927 therms, or 301,319 net therms saved overall. The average PY6 savings per home was 325.5 gross therms (211.6 net therms).

Outreach efforts included phone calls to builders and raters, encouraging them to attend the Better Buildings: Better Business conference in February 2018. The implementer also called raters to inform them about the Department of Energy's update to standardize water heater efficiencies.

Beginning in 2018, per our evaluator's recommendation, prescriptive therm savings will be tracked and claimed for clothes washers and dishwashers that use natural gas to heat the hot water used.

Additionally, the Affordable Housing New Construction Program (formerly administered by the Department) was launched and completed one project in 2017 for a total savings of 5,952 gross therms. The project is a 33-unit independent living apartment complex located in Des Plaines, Illinois.

To support the affordable housing development community and promote the program, an Affordable Housing New Construction Summit took place on December 5, 2017 at the Ivy Room in Chicago. The well-attended, half-day event was targeted to developers, owners, architects, engineers, and others with interest in constructing high-performance buildings in the affordable housing sector.

#### Elementary Energy Education:

In the sixth quarter, the Fall program included 5,088 students participating in the joint program and 345 students participating in the Nicor Gas-only program, for a total of 5,433 participants. The total savings is 53,732 net therms. The total participation for the program year was 15,033 students for a total savings of 175,886 net therms.

For 2018 and beyond, as the program year is now a calendar year, the program will split participation between a Winter/Spring program and a Fall program, with each program distributing around 50% of the kits. The quantities will depend on annual participation goals.

#### Behavioral Energy Savings:

In the sixth quarter, a final report for the Cold Water Wash Laundry pilot was provided by the pilot implementer. While the pilot only garnered a therm savings of 841.4 gross therms, it was successful in influencing behavior change in its participants.

The pilot targeted the tenants of a low-income apartment complex and a senior living facility. In both instances, the tenants used common laundry rooms to wash and dry their clothing.

Through educational events, laundry room signage and targeted messaging, both facilities realized a reduction in hot/warm-water clothes washing cycles and an increase in cold-water clothes washing cycles.

An analysis of 6,029 total wash cycles showed that, at the apartment complex, cold-water usage increased from 12.7% to 20.5% (7.8% increase) and at the senior living facility, cold-water usage increased from 11.1% to 17.7% (6.6% increase).

## **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 Q1-6 of PY6 (over 83% of measures had participation). In Q5 through Q6, pipe insulation and steam traps rebate levels were reduced in order to allow more customers to participate in the offering. The offering continued to perform well and was able to meet customer participation demands. The stipulation that 50% of total cost be spent on incentives was met for the cycle for this offering. Ongoing customer and contractor engagement through outreach has enabled effective management of the program's project pipeline and continued to meet the program's goals. This strategic approach will be applied in program offerings in 2018.

### **Business Custom:**

In the sixth quarter, the business custom pipeline was robust, with over 400,000 net therm savings. Several custom projects have been added to the pipeline. 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. In PY6 Nicor Gas tracked close to 250 Custom projects, 26 Facility Assessments and 51 Opportunity Assessments. These assessments identified over 130 potential energy efficiency measures with over 2 million gross therm potential savings. It is up to the customer which measures they pursue.

### **Strategic Energy Management**

The Strategic Energy Management program provides large BTU consumption participants with both low cost/no cost and incentivized savings. A new cohort consisting of 11 participants and a practitioner (alumni) cohort consisting of 10 participants began in Q6 with a kickoff meeting followed by site visits and workshops. Alumni presented at the new cohort kickoff meeting showcasing the success that they achieved in the SEM program. Both new customers and practitioners are very excited to begin and continue in the SEM program.

### **Small Business Energy Efficiency:**

In PY6, steam trap and pipe insulation rebate levels were reduced as discussed above in the BEER program section. This rebate reduction was also extended to Small Business customers. Nicor Gas continued 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.

#### Business New Construction (BNC):

For the sixth quarter, BNC achieved a net savings of 53,401 therms or 258,178 net therms saved overall.

As of January 1, 2018, the BNC 2018 pipeline of projects stands at a combined therm-savings potential of 280,189 net therms. The combined projects size potential is over 9.5 million square feet.

Additionally, the Public Sector New Construction Program (formerly administered by the Department) was launched on June 1, 2017, and completed seven projects during the Transition Period for a total savings of 121,050 gross therms.

The program was promoted by the Smart Energy Design Assistance Center (“SEDAC”) at Illinois Association of Business Officials meetings in McHenry County (December 1, 2017) and Will County (December 6, 2017).

For 2018, the Public Sector New Construction program pipeline of projects stands at a combined therm-savings potential of 5,378 gross therms.

#### Additional Public Sector Offerings:

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

- Market Transformation Initiatives –
  - **Building Industry Training and Education Program (“BITE”):** Provided building energy codes-related training to ~600 participants in 24 training sessions. Typical participants included Code Officials and Building Inspectors, Architects, Builders, HVAC Contractors, Engineers, and Plans Examiners.
  - **Building Operator Certification (“BOC”):** Through 3 “Level 1” training series, provided BOC training to 38 participants; conducted 4 continuing education webinars.
  - **Illinois Home Performance (“IHP”):** Provided real estate continuing education training for 56 total participants (24 in Nicor Gas service

territory) through 4 courses, and Building Science Training for 57 participants through 17 courses.

- **Public Sector Outreach Initiatives –**
  - Participated in the following industry and association conferences promoting offerings and participation to customers and trade allies:
    - Illinois Fire Chiefs Association Combined Conference;
    - Illinois Library Association Annual Conference;
    - Illinois Association of Park Districts Legal Symposium; and
    - Illinois Association of County Officials Fall Conference.
  - Hosted targeted webinars to the following groups:
    - Illinois Association of Park Districts;
    - Cook County Public Sector; and
    - Illinois Library Association.
  - Hosted a Public Sector Trade Ally Working Group Roundtable targeting natural gas trade allies in order to provide them with an overview of changes and offerings as well as networking opportunities.
  - Presented an introduction to benchmarking for Public Housing Authorities.
- **Prescriptive Program** – This offering 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”)** – This offering 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** – This offering provides strategic outreach to potential public sector clients and related stakeholders with training, capacity building, consultations, energy assessments, and design assistance. During the Transition Period, this program completed 160 Energy Assessment reports – identifying over 400,000 potential gross therm savings. The program also held a workshop and presented to nine public sector organizations consisting of schools, municipalities, and libraries.
- **Public Sector Energy Efficiency Program (“PSEE”)** – This offering helps local governments, like 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. The Sheridan Correction Center showcased a successful showerhead conversion project, which saved gas, water, and wastewater. This project’s success filtered up to the Governor’s office and they are eager for additional facilities to participate. Inmates enrolled in the Rehabilitative Job Training Plumbing and Maintenance class also received hands-on experience due to the showerhead conversion project.
- **Savings through Efficient Products - Self Install (“STEP”)** – This offering 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”)** – This offering provides public sector organizations with technical and financial assistance on CHP projects. Assistance includes incentives at the design, construction and production phases, as well as application assistance.
- **RetroCommissioning (“RCx”)** – This offering helps to adjust existing equipment and controls in public sector buildings to improve comfort and energy consumption. It also works to identify low-cost to no-cost measures to improve the control, scheduling, and operation of the building.

## **Emerging Technology:**

Nicor Gas initiated two pilots in PY6 Q6 – the Boiler Array Pilot and On-demand Hot Water Array Pilot. Both pilots target commercial and industrial customers, and the Company believes these pilots can potentially be instrumental measures offered for both public and private sector customers.

## **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 sixth quarter's highlights.
2. Please see the above section on the sixth 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.