



**Nicor Gas Company**  
**Energy Efficiency Program – Plan Year 2019**  
**Quarterly Report: Third Quarter**  
**(January 1, 2019 to September 30, 2019)**

**I. Introduction**

Nicor Gas is filing this quarterly report as required by its Rider 30 – Energy Efficiency Plan Cost Recovery and in compliance with the Illinois Commerce Commission’s (“Commission”) directives in Docket No. 17-0310, which approved Nicor Gas’ four-year Energy Efficiency Plan (“EEP”); January 1, 2018 through December 31, 2021. This report first discusses EEP energy therm savings and program expenses for Plan Year 2019 (“PY2019”), through September 30, 2019, as of the end of the reporting quarter period. This quarter will be referred to as the “Third Quarter”. Secondly, the report discusses activity highlights for the quarter. Lastly, the Commission’s enumerated directives are discussed as appropriate.

**II. Energy Therm Savings and Expenses**

Attached hereto and made a part of this report is the Statewide Quarterly Report Template which shows, among other things, ex-ante results, costs, historical energy saved, and historical other environmental and economic impacts for the period January 1, 2019 through September 30, 2019. As shown, Nicor Gas’ programs have accumulated net savings of 5.46 million net therms in PY2019, or about 33.3 percent of its planned energy savings of 16,406,931 therms for PY2019 as stated in its adjustable goal EEP template. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of approximately \$22.3 million.

**III. Quarter Highlights**

**Residential Programs:**

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

**Key Program Changes:** None

**Program Successes:** Participation in the HEER program remains steady and the Company continues to see participation from our customers. The Program will be increasing furnace rebates, as of 10/1/2019, to assist with the cost of furnace replacement, for 95% and 97% efficiency furnaces. The increased incentives will influence customers to be more efficient when choosing a furnace for their home and reduce some of the financial cost of replacement. The 95% AFUE furnace rebate continues to have the highest level of participation across the measures.

**Program Challenges:** The Program experienced delays in launching its Smart Thermostat rebate on the ComEd Marketplace. This delay is due to the execution of an MSA and SOW between the vendor and the other Illinois Gas utilities. Program launch is now estimated for November, which the Company originally targeted for August.

**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 and electricity 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.

**Key Program Changes:** None

**Program Successes:** The Home Energy Assessment offering continues to be a highly engaged program from Nicor Gas customers. Due to the engagement, and low wait times, the Program expects to be above its goal for 2019.

**Program Challenges:** Due to the delay in Nicor Gas launching the new website, the Company has been unable to launch the online scheduling portal. Once the website is live, Nicor Gas will be able to offer this additional scheduling option to our customers.

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

**Key Program Changes:** None

**Program Successes:** Within the Multi-Family offering, the direct installation portion of the Program looks to exceed savings goals for 2019. Franklin Energy, our subcontractor, continues to reach out to Multi-Family property management companies to install energy efficiency measures. The high level of participation is a direct result of Franklin's substantial outreach efforts.

**Program Challenges:** Participation within the prescriptive portion of the program continues to be lower than expected. Nicor Gas will be launching a new prescriptive approach in 2020, to assist with meeting our goals in the future.

**Residential New Construction (RNC):** The objective of the Residential New Construction Program ("RNC") is to obtain energy savings by increasing energy efficiency in the new construction of single-family homes and duplexes beyond existing building codes.

**Key Program Changes:** The current RNC offering will sunset at the end of 2019. A letter announcing this program change was sent to participating builders and raters on 8/13/19. Email reminders to raters responsible for submitting data will be sent monthly through the end of the year. To receive incentives, under the current design, homes must be submitted by December 15.

**Program Successes:** In Q3, 190 joint homes and 7 gas-only homes were completed, for a total therm savings of 35,357 net therms.

**Program Challenges:** Developing a cost-effective gas-only replacement program has been challenging, but a unique prescriptive-based program model will be implemented by Q1 2020.

**Energy Education and Outreach:** The energy education and outreach program are intended to enhance residential customer's understanding of energy usage in their homes and educate these customers on available energy efficiency opportunities through the Nicor Gas Energy Efficiency Program

- Energy Saving Kits ("ESKs")
- Energy Education Kits ("EEKs")
- Behavior Energy Savings ("Behavior")

**Key Program Changes:** The ESK program will begin offering a "weatherization" kit in early November that will include measures to better insulate a home, including weather stripping, rope caulk, light switch and outlet sealers, and a door sweep. Each

kit will save 29.81 net therms, and customers may request a maximum of two kits. It is estimated that at least 50,000 kits will be distributed through mid-2020.

**Program Successes:** In Q3, 3,368 ESKs were distributed to customers, including 1,976 kits at customer events. These events included the Naperville Rib Fest, Polonaise Festival (Niles), DeKalb Cornfest, Ford Heights Health and Wellness Fair, and the Fiesta En El Calle (Joliet).

The EEK program is still on track to distribute an additional 15,376 kits by year-end, for an estimated total of 24,344 kits (125% of the PY2019 participation goal).

The Behavior (Home Energy Reports) program launched on September 20, when ~104,000 “Welcome” emails were sent to program participants. The first emailed reports were sent in early October and print reports will be mailed to ~155,000 participants in early November and December.

**Program Challenges:** None

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

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

**Key Program Changes:** None

**Program Successes:** In 2019, Nicor Gas added an IQ Energy Saving Kit to the program, with the Community Action Agencies. The goal for the year was set at 2,500 kits, which was met in the beginning of September. The Company now estimates to be at approximately 5,000 kits for 2019.

**Program Challenges:** Within the Public Housing Authority Channel, our subcontractor identified challenges with scheduling and access to PHA units. The challenge is due in part to Housing Authorities’ lack of staff availability to complete the identified Direct Install projects, or capital funding availability. Nicor Gas is currently working towards a resolution for this obstacle.



## **BUSINESS PROGRAMS:**

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

**Key Program Changes:** Nicor Gas implemented an industrial steam trap bonus, running from August 1 – October 31, 2019. This bonus is designed to assist customers in finding which traps have failed and completing their large steam trap projects sooner. This bonus allows the customer to include the survey cost into the total project cost, resulting in up to a \$50 bonus per trap, on top of the \$300 per trap rebate.

**Program Successes:** Through the first two months of the steam trap bonus, the Program received nine participation requests. This increase is expected to continue in the fourth quarter. The Program is continuing to see high interest and participation within the Public Sector. This is mainly due to a two-pronged public sector outreach approach executed earlier in the year, by CLEAResult and Nicor Gas’ Marketing and Outreach teams. Nicor Gas anticipates further public sector outreach from these groups, to ensure the Program is educating all markets within the public sector. The Program is forecasting to achieve the annual therm goal.

**Program Challenges:** Currently, the Program participation for pipe insulation is lower than forecasted. The Company analyzed this measure and will be implementing a strategy in the fourth quarter to gain interest and boost participation.

**Custom Incentives:** The purpose of the Custom Incentives (“Custom”) program is to assist medium to large commercial, multi-family non-prescriptive, 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 or SB Program. Participation is driven through our free energy assessments, which informs the customer on ways to be more efficient. These assessment recommendations can spill over into other commercial and industrial program participation as well. 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 of existing buildings. The aim of the retro-commissioning offering is to optimize operation and improve facility efficiency by

returning to their intended operation or design specifications. The Custom program also includes a CHP offering.

**Key Program Changes: None**

**Program Successes:** The Program is seeing higher interest in Public Sector assessments. Follow-up outreach cadence on assessments has increased, to gauge if customers will be acting on recommendations. Outreach efforts have also increased, to spark Retro-Commissioning (RCx) project interest. This additional RCx outreach is designed to build a pipeline for 2020. CHP activity continues to build as the Program is tracking close to 40 opportunities. The total CHP Feasibility Studies currently being written is four and four others are completed waiting for the customer go/no go decision. One 800 kW CHP system, the first in Nicor Gas/ComEd joint territory, is commissioned and began the 12-16 month EM&V this period. One Public Sector CHP 375 kW system is in construction and is expected to be flame-on in Q1 of 2020, EM&V expected Q2 2021.

**Program Challenges:** RCx projects have been reduced for the 2019 forecast. The additional outreach around these projects will hopefully drive increased interest into Q4 and 2020 but will mostly likely not result in projects until 2020. Nicor Gas, through multiple outreach channels, is working to increase the project pipeline.

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

**Key Program Changes: None**

**Program Successes:** Three Cohorts are well underway: K-12 Public Sector: six school districts; MEGA: eight of our largest customers starting their first year of SEM; and Alumni: 13 joint Nicor Gas/ComEd customers and three gas-only customers that are continuing the second, third or fourth year of their energy saving journey. So far the Alumni cohort models are showing better than expected therm savings. Overall the SEM offering is expected to meet the annual therm goal.

**Program Challenges:** For the 3rd quarter, the new SEM cohorts – K-12 and MEGA are continuing to ramp up. As a result, most of the regression models have been developed, updated and are tracking savings. Some K-12 and MEGA models are not yet seeing the therm savings expected thus far. Also, top customer management engagement has been a challenge due to executive and priority changes in several of the participants.

**Small Business:** The Small Business Program’s (“SB”) objective is to obtain long-term natural gas energy savings from small business gas customers, including public sector,

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

**Key Program Changes:** None

**Program Successes:** This program is continuing to see high participation from the Dry Cleaner Steam Trap measure. The majority of this participation is from the Korean dry cleaner community. The Program has seen an increase in the program measure mix. It is continuing to see high participation in the Public Sector. Currently, the Public Sector incentive spend is 14% of the total incentive spend. The Program is currently forecasting to achieve its therm goal for the year.

**Program Challenges:** Maintaining an increased measure mix is challenging and is requiring additional outreach.

**Business New Construction (BNC):** The objective of the Business New Construction (“BNC”) Program is to obtain energy savings during the design and construction of new buildings, major renovations of existing buildings, and tenant build-outs 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 the current energy codes.

**Key Program Changes:** None

**Program Successes:**

Q3 Completed Projects (public sector projects are noted)

TYPE	SQ. FEET	ANNUAL GROSS THERM SAVINGS	MEASURES
Religious education center and mosque	16,625	557	<ul style="list-style-type: none"><li>• High-efficiency water heating equipment</li><li>• Elevated levels of insulation</li></ul>
Refrigerated warehouse	32,200	5,976	<ul style="list-style-type: none"><li>• Refrigeration waste heat recovery</li></ul>
Recreation center expansion (PUBLIC SECTOR)	40,540	2,358	<ul style="list-style-type: none"><li>• High-efficiency water heating equipment</li></ul>

			<ul style="list-style-type: none"> <li>• Elevated levels of wall insulation</li> <li>• High-efficiency condensing boilers</li> </ul>
Village Hall renovation and 911 dispatch center addition (PUBLIC SECTOR)	31,882	992	<ul style="list-style-type: none"> <li>• High-efficiency condensing boilers</li> </ul>

An additional 2 private sector and 1 public sector projects are scheduled for completion in PY2019.

**Program Challenges:** None

**Emerging Technology:**

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

**Successful Measures:**

No measures were finalized during the quarter, however, and no additional pilots were completed before the close of the quarter. Nicor Gas currently has 9 pilots underway and this increased activity is reflected in the increased spending for the 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



6. Pilots completed and the results

Actions:

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

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

Actions: Actions taken in PY 2019 in response to past evaluators' recommendations are shown in Appendix B.

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.