

Nicor Gas Company
Energy Efficiency Program – Plan Year 2019
Quarterly Report: First Quarter
(January 1, 2019 to March 31, 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”), January 1, 2019 through March 31, 2019, as of the end of the reporting quarter period. This quarter will be referred to as the “First 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 March 31, 2019. As shown, Nicor Gas’ programs have accumulated net savings of 1.32 million net therms in PY2019, or about 8.1 percent of its adjusted energy savings of 16,406,931 therms for PY2019 as stated in its EEP Compliance Filing dated February 15, 2019 in Docket 17-0310. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of approximately \$7.6 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: Within the HEER program, there is solid participation and the program is on target to meet the 2019 goal.

Program Challenges:

Due to the inability of the Implementation Contractor (MEEA) to find a compatible technology platform, to calculate savings, the HVAC Save program has not been offered, in 2019.

Nicor Gas will continue to work ComEd to launch the Smart Thermostat stacked rebates on their marketplace.

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:

Customer participation within the assessment portion of HES is very strong. Assessments are tracking along with the participating in Q1. ASI has also started off strong, in Q1, and look to be right on target for the year.

Program Challenges: N/A

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:

MF direct install participation remains strong with a current pipeline into June. The MF prescriptive sector has seen greater participation in 2019, due to effective communications from our trade ally outreach team Trade Ally outreach will continue to be an area of focus. The MF custom offering has had more interest due to the trade ally outreach teams focus as well. There are potential custom projects in the pipeline for 2019.

Program Challenges: The MF prescriptive sector participation is still lower than desired. This will continue to be a focus the remainder of 2019.

Residential New Construction (RNC):

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

Key Program Changes:

The RNC offering is working to approve Ekotrope as a second modeling software for the offering. In the last couple years, Ekotrope has been gaining popularity with HERS Raters and is now being used in about half of the ratings conducted across the nation. Approving this software for use in RNC will allow Raters the flexibility to use the software they are most comfortable with. The review process started in 2018 and is still ongoing, but is making progress. The first round of analysis identified some variances that needed to be addressed between the software programs. These are currently being reviewed and addressed by the Ekotrope team who will be providing their findings and next steps. Once those are received, final review and determination should be complete in Q2 of this year.

Program Successes:

Q1 saw the addition of two new builders in the RNC offering, Pulte Homes and Finney Homes.

Pulte Homes, who was discussed in the Q4 2018 update, is a national builder and former RNC participant. Code updates and offering changes had caused Pulte’s former building practices to no longer meet the RNC requirements. It was a long process, but through many conversations and a shift in their corporate culture, Pulte has made several updates to their homes, thereby increasing the energy performance to not only meet, but now exceed, program requirements. These improvements, including increased wall R-value, higher efficiency furnaces, and improved air sealing practices, will also help create a

more comfortable product for their homeowners. Through the first three months of 2019, Pulte has completed 4 homes in RNC and currently has 70 enrolled for completion later in the year.

Finney Homes is a smaller custom home builder who completes about 12 homes per year. They are very excited about constructing the best homes they can and have been working with a HERS Raters to inspect all their homes. Typically, builders who join RNC are not currently working with a HERS Rater and look to the offering to help start that relationship. In this case, since Finney Homes has an existing relationship with a Rater who is not currently active in RNC, a new rating company was onboarded. Adding to our pool of approved rating companies increases the number of builders we can reach.

Program Challenges:

Illinois was scheduled to adopt the new IL Energy Conservation code, based on the 2018 IECC, late in 2018 with enforcement beginning March 1, 2019. As of April, the State has yet to approve the appended code. This approval delay has also pushed the anticipated enforcement date back to June 1, 2019. Without an approved code, the RNC team is not able to accurately forecast for the 2019 program year. The RNC team is currently working with the REM/Rate and Ekotrope software teams to begin development of the updated code baseline so it will be available for Raters and the program team to begin performing impact analyses for builders who are wondering what impact this new code will have on their current practices, and help them identify ways to maintain a level of performance that will meet offering requirements.

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 energySMART. This program includes three offerings:

- Energy Saving Kits (“ESKs”)*
- Energy Education Kits (“EEKs”)*
- Behavior Energy Savings (“Behavior”)*

Key Program Changes: None

Program Successes: In Q1, 1,129 ESKs were distributed to customers, including 604 kits at customer events. These events included the Chicago and Bloomington Home Shows, Aurora Family Fun Fair, Going Green Matters Event (Wilmette), and the Holi Festival of Colors (Naperville).

The winter/spring 2019 EEK program is underway, with a distribution of 5,077 kits to the students, which is 52% of the winter/spring participation goal and 26% of the PY2019 overall participation goal.

For the Behavior (Home Energy Reports) program in Q1, program design, therm-savings methodologies and contractual details were developed with the implementor, Ecotagious. Initial HER emails are scheduled for distribution in Q3 and the initial paper (mailed) reports are scheduled for distribution in Q4. The total number of participants is estimated at ~150,000.

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:

The PHA portion of IQ is on track to hit goal, for 2019. The CAA portion of IQ has had a strong start in 2019, achieving 20% of the annual goal with a strong pipeline. There were 105 homes completed of the 505 goal. A new channel will be launching, mid-May, and will focus on reaching additional single family and multi-family customers, within the IQ sector.

An AHNC project, Fox River Crossing (located in Elgin), was provided with an initial incentive. This 4-story facility consists of 60 units of affordable senior housing. The energy efficiency measures installed will save the facility an estimated 9,164 gross therms annually. Construction is scheduled to complete in April 2020.

Program Challenges: CAA forecasting is still something to review and focus on.

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: The public sector prescriptive rebates have been aligned with private sector. This will allow coverage of a wider range of the Nicor Gas territory and educate the public sector on what they can take advantage of, while staying within budget.

Program Successes: There has been a spike in assessment requests in this sector and expect this will boost participation of projects. The outreach efforts in 2019, will continue to educate and drive participation in this market. There has also been an interest with steam trap participants, which will drive therm production in the private sector.

Program Challenges: None

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: The public sector incentives have been aligned with private sector \$0.60/therm and \$0.80/therm structure.

Program Successes: CHP activity continues to build. Two more CHP Feasibility Study Applications were received in January, bringing the total currently being written to five, one report has been completed awaiting a customer presentation, and one completed waiting for a customer go/no go decision. One 800 kW CHP system, the first in Nicor Gas/ComEd joint territory, is going thru commissioning and will soon begin the 12-16 month EM&V period. One Public Sector CHP system is in construction and is expected to be flame on Q1 2020. Through targeted assessment marketing and outreach efforts, there has been increased interest in public sector assessments (OA and FA). This increased interest will result in projects as the year progresses.

Program Challenges: Alsip Mini Mill was a large project that was pushed from Q4, 2018 to Q1, 2019, due to the customer's installation of equipment. There was an incident at Alsip in early March 2019, which resulted in an explosion inside of their boiler. There were no injuries on site, but this will cause this anticipated project to be placed on hold for the time being. This project was estimating ~500,000 gross therms and would have received a capped \$350,000 incentive.

Another program challenge in the public sector is the long timeframe needed to educate a customer to project completion. Education and delivering on assessment reports starts the dialogue, but takes time for capital improvement dollars to be approved, before projects hit the 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 underway:

- K-12 Public Sector: four school districts signed enrollment agreements & six school districts have verbally committed to join;
- MEGA: seven of our largest customers starting their first year of SEM; and
- Alumni: 14 joint Nicor Gas/ComEd customers and two gas-only customers that are continuing the second, third or fourth year of their energy saving journey.

Program Challenges: Six verbally committed school districts have not signed enrollment agreements because they have not yet received School Board approval. Those projects are on hold until approvals are obtained.

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: The public sector prescriptive rebates have been aligned with private sector. This will allow coverage of a wider range of the Nicor Gas territory and educate the public sector on what they can take advantage of, while staying within budget.

Program Successes: Through the outreach/marketing efforts of the program, there has been increased interest in the public sector. Public sector customers are requesting assessments and receiving direct installs.

Program Challenges: With a lower incentive budget than previous years, in order to mitigate overspend, the program will need to be managed closely. The same volume is expected for dry cleaner steam traps.

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: For the private sector, Ridge Franklin Park received an incentive from Nicor Gas for a 178,500-sq. ft. warehouse project in Franklin Park. An annual energy savings of 9,367 gross therms will be realized as the result of the installation of make-up air units and elevated levels of insulation. Rexnord Altitude received an incentive for a 235,000-sq. ft. aerospace manufacturing and offices facility in Downers Grove. An annual energy savings of 1,694 gross therms will be realized as the result of the installation of elevated levels of insulation and low U-Value windows. School Health Corporation received an incentive for a 123,000-sq. ft. warehouse and offices facility in Rolling Meadows. An annual energy savings of 1,946 gross therms will be realized as the result of the installation of make-up air units.

For the public sector, the Arlington Heights Police Department received an incentive from Nicor Gas for the construction of a new, 70,000-sq. ft. police station. An annual

energy savings of 3,050 gross therms will be realized as the result of the installation of high-efficiency boilers and elevated levels of insulation.

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 first quarter, however, Nicor Gas has a total of 8 active projects within the ETP initiative (as of May 2019).

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 PY2019 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.