

Nicor Gas Company
Energy Efficiency Program – Plan Year 2019
Quarterly Report: Second Quarter
(January 1, 2019 to June 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 June 30, 2019, as of the end of the reporting quarter period. This quarter will be referred to as the “Second 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 June 30, 2019. As shown, Nicor Gas’ programs have accumulated net savings of 3.42 million net therms in PY2019, or about 20.8 percent of its planned energy savings of 16,406,931 therms for PY2019 as stated in its EEP filing. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of approximately \$16.8 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 consistent with previous years. The Program continues to see consistent levels of participation from our customers. The 95% AFUE furnace rebate has 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 September, which the Company originally estimated as 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 continues to be a strong entry point into the Nicor Gas Energy Efficiency Program. This is a result of customers referring friends and family, while trusting the Nicor Gas Energy Efficiency offering. The Program is estimated to exceed its target for 2019.

Program Challenges: The online scheduling portal has been tested and is complete. This tool is estimated to be fully active in the 3rd quarter.

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: The direct installation portion of the Program continues to see a high level of participation, resulting from the continued outreach efforts of our subcontractor, Franklin Energy.

Program Challenges: Participation within the prescriptive portion of the program has continued to not meet Company expectations. Nicor Gas will be launching a new prescriptive approach within the next few months, to assist with meeting our goals.

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 current RNC offering will sunset at the end of 2019. To receive rebates under the current design, homes must be submitted by December 15th. Recent EM&V results have been greatly impacted by models utilized and the program now yields a reduced therm savings return. The Nicor Gas utility partner, ComEd, has elected to sunset this program due to the diminished energy returns, and therefore, Nicor Gas will no longer offer this program in this format after 2019.

Program Successes: Updates to validations in HouseRater now allow them to be customized for each offering. This allows Raters to see potential issues and identify missing information prior to submitting a home for completion. In addition to providing Raters real-time feedback, it has reduced the number of incomplete submissions and helped streamline the final QA review process.

Program Challenges: Illinois approved an amended version of the 2018 IECC in June. This new code went into effect on July 1 and further increases the efficiency of code-built homes. The major update in this code is a further reduction in the allowable air leakage rate from 5ACH50 down to 4ACH50. Since the offering uses permit date to determine baseline, we expect to begin seeing 2018 code homes submitted for incentives beginning in October.

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 Q2, 3,614 ESKs were distributed to customers, including 722 kits at customer events. These events included the Chrysler Earth Day Event (Belvidere), Brookfield Zoo Family Day, Skokie Festival of Cultures, and Piyesta Pinoy Philippine Fest (Bolingbrook).

The winter/spring 2019 EEK program completed with a distribution of 8,968 kits to the students. To meet participation demands, the fall program will distribute an additional 15,376 kits by year-end, for an estimated total of 24,344 kits (125% of the PY2019 participation goal).

For the Behavior (Home Energy Reports) program in Q2, EEP staff worked with the implementer on program data and marketing requirements. Initial home energy report emails are scheduled for distribution in Q3 and the initial paper (mailed) reports in Q4.

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: Nicor Gas added a new channel, within our IQ sector, that launched in May. The new channel focuses on both single family and multi-family properties from Community Based Organizations. This new channel has allowed us to expand within the Income Qualified sector and allowed us to reach more customers and assist them with becoming more energy efficient.

An AHNC project \ was provided with a final incentive. This 3-story facility consists of 25 units of affordable housing targeted to veterans and the disabled. The energy efficiency measures installed will save the facility an estimated 4,099 gross therms annually.

Program Challenges: Offerings within the IQ sector have a higher price per therm than anticipated. This will be a main focus for the remainder of the year and cycle.

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: None

Program Successes: The Program increased participation within Public Sector (PS) Assessments and Direct Installs. This is mainly due to engagement with School Districts, Park District and Municipalities. In addition, Public Sector Commercial Steam Trap projects have seen high participation YTD. Nicor Gas is currently anticipating to meet its annual therm goal. The Company is currently doing two-pronged PS outreach through CLEAResult and the Company’s Marketing and Outreach teams. This targeted outreach is expected to yield further PS projects in the upcoming quarters.

Program Challenges: Currently, the Program participation for industrial steam traps and pipe insulation is lower than forecasted. Nicor Gas anticipates these measures to get back on track, as the Company has multiple large projects in the pipeline. Nicor Gas is also analyzing the current incentive levels for the pipe insulation measures, to ensure the Program is staying competitive in the market and increase 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: Nicor Gas is obtaining and fulfilling a significant amount of Public Sector opportunity and facility assessment requests. Outreach cadence has increased on regular follow-ups with customers who have received an assessment in the past. Outreach efforts will increase further, with the hope to spark project interest and revitalize the Program's Retro Commissioning (RCx) offering, through an additional implementation contractor channel. CHP activity continues to build. One more CHP Feasibility Study Application was received in June, bringing the total currently being written to five and three completed waiting for the customer go/no go decision. One 800 kW CHP system, the first in Nicor Gas/ComEd joint territory, is going through 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 in Q1 of 2020.

Program Challenges: Customer participation is lower than forecasted to this point. This is mainly due to customer projects being pushed into later months and the reduction of Retro Commissioning projects in the forecast. Nicor Gas is working to increase the project pipeline which continues to build and existing projects within that pipeline close as forecasted in the upcoming quarters.

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: 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.

Program Challenges: For the 2nd quarter, the new SEM cohorts – K-12 and MEGA are ramping up but they have yet to fully incorporate possible saving opportunities. As a result, the regression models are not yet seeing the therm savings expected thus far. Also, top management engagement has been a challenge due to executive changes in three 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 also seeing higher participation in the Public Sector. Currently, the Public Sector incentive spend is 15% of the total incentive spend.

Program Challenges: Maintaining the 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: Q2 Completed Projects (all private sector)

TYPE	SQ. FEET	ANNUAL GROSS THERM SAVINGS	MEASURES
Office/warehouse	48,876	1,808	<ul style="list-style-type: none"> • Demand control ventilation • Low-flow water fixtures • Elevated levels of insulation
Spec Warehouse	190,226	4,849	<ul style="list-style-type: none"> • High-efficiency Rooftop Unit (RTU)
Out-patient clinic	60,798	802	<ul style="list-style-type: none"> • High-efficiency water heating equipment

			<ul style="list-style-type: none"> • High-efficiency windows
Office/warehouse	88,000	5,069	<ul style="list-style-type: none"> • High-efficiency Rooftop Unit (RTU) • Elevated levels of insulation
Supermarket	30,000	818	<ul style="list-style-type: none"> • Heat exchanger • High-efficiency water heating equipment

An additional 8 private sector and 4 public sector projects (with associated therm savings) are slated 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, Nicor Gas completed 2 additional pilots before the close of the quarter. One of the two pilots completed demonstrated much more promising results – the Venturi Steam Trap. Nicor Gas will continue a second phase of testing with the Venturi Steam Trap and assess how to specify the traps (size and pressure), install the traps, and the projected lifetime of the traps.

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.