



Nicor Gas Company
Energy Efficiency Program – Plan Year 2019
Quarterly Report: Fourth Quarter
(October 1, 2019 to December 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”), through December 31, 2019, as of the end of the reporting quarter period. This quarter will be referred to as the “Fourth 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 external impacts for the period January 1, 2019 through December 31, 2019. As shown, Nicor Gas’ programs have accumulated net savings of 27.12 million net therms in PY2019, or about 165.3 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 \$40.8 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: Smart Thermostats launched on the ComEd Marketplace

Program Successes: To increase participation, within the HEER program, furnace rebate incentives were increased as of 10/1/2019. Additionally, Smart Thermostat rebates were launched on the ComEd Marketplace, as of 11/21/2019. We were able to provide approximately 8,000 smart t-stat rebates to customers between 11/21/19 and 12/31/19.

Program Challenges: Target launch for Smart Thermostats was originally August but due to delays with the vendor and coordination with the other Illinois Gas utilities we were unable to launch until November. Participation in the rebates for 97% furnaces is lower than anticipated and the increase in the number of rebates provided to customers will be a strong focus in 2020

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. This offering consists of a home energy assessment (HEA), and air sealing and insulation (ASI) components.

Key Program Changes: Leave behind kits will be added in 2020 for HEA. ASI will be a Nicor Gas only offering in 2020 as ComEd has discontinued participation in this component. ComEd will continue to jointly fund the HEA component in 2020.

Program Successes: The Home Energy Assessment offering continues to be a highly welcomed program from Nicor Gas customers and has a low wait time for appointments. We anticipate comparable customer participation in 2020 and will be launching a HEA leave behind kit for Nicor Gas’s customers. This kit will include weather stripping, door sweeps and a shower timer.

Program Challenges: ASI in 2020 will be fully funded by Nicor Gas. Incentive levels will remain consistent, but a lower planned volume of projects is anticipated.

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 and communal areas building shell.

Key Program Changes: Centralized Plant Optimization Program (CPOP) will be launching in 2020. The CPOP program will consist of incentivized trade ally direct installation of prescriptive measures for customers. The CPOP program will provide a one stop shop for customers.

Program Successes: Within the Multi-Family offering, the direct installation exceeded the program’s savings goals for 2019 and has a list of customers for 2020. The high level of participation is a direct result of outreach efforts. Nicor Gas completed a MF custom project for an independent senior living community in the fourth quarter.

Program Challenges: The prescriptive portion of MF has continued to see lower than expected participation. To assist with meeting the program’s future goals, we are launching the CPOP offering in 2020 to target boiler central heating systems.

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 performance-based RNC joint offering was discontinued on 12/31/19 with ComEd ending participation in the program. A revised, prescriptive-based-program offered by Nicor Gas only will be implemented as of 1/1/20. The revised RNC program provides participating new home builders and their verifier companies a financial incentive to either a) exceed state and local building code requirements regarding duct and air sealing, along with the installation of specific high-efficiency equipment, or b) install prescriptive high-efficiency equipment only.

Program Successes:

In Q4, 252 joint homes and 11 gas-only homes were completed, for a PY2019 total of 822 completed homes, or 117% of annual goal.

On Dec. 17, 2019 a webinar was held for builders and verifier companies that explained the revised program and provided contact information. A recorded version was posted online for those who could not attend the live event. On Dec. 18, 2019, a link to the recorded webinar, the webinar presentation and a program fact sheet were emailed to all potential program participants.

Program Challenges:

Adjusting the program with ComEd no longer a partner will result in transition to new requirements, and procedures for the trade allies to incorporate. The change mid-way through the four-year cycle will be a challenge as we maintain momentum and relationships with the builders in our territory.

Energy Education and Outreach: The energy education and outreach program is 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 began offering a “weatherization” kit on 11/5/19. The kit includes measures to better insulate a home, including weather stripping, rope caulk, light switch and outlet sealers, and a door sweep.

Program Successes: In Q4, 6,912 ESKs (water-saving kits) were distributed to customers, including 2,373 kits at customer events. The significant increase in ESKs distributed in Q4 can be attributed to the renewed customer awareness of the program created by the weatherization kit offering. Additionally, 25,791 weatherization kits were distributed to customers, including 952 at customer events. This was more than double what we had anticipated would be distributed.

The EEK program distributed 12,654 kits in Q4, which was 2,722 kits short of the PY2019 forecast, but still achieved 112% of the overall goal.

In Q4, the Behavior (Home Energy Reports) program distributed 302,740 (mailed) print reports and 178,317 emailed reports to program participants. Since the program launched in September, only 96 participants that were sent a print report (0.032%) have opted out of the program, and only 15 participants that were sent an email report (0.008%) have opted out of the program. The overall open rate for emails is 27.4%.

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: IQ Energy Savings kits were added to the IQ channel in 2019. The CAA’s were able to distribute over 4,500 kits to customers throughout the year. Through partnership with the Community Action Agencies, we were able to improve the quality of life for 29 special needs households within Will County.

Affordable Housing New Construction (AHNC) Q4 Completed Projects

TYPE	SQ. FEET	ANNUAL GROSS THERM SAVINGS
Rehab of a 14-unit multi-family housing facility	10,311	1,039
New construction of a 16-unit multi-family housing facility	13,968	5,123
New construction of a 16-unit multi-family housing facility	10,905	3,720
New construction of a 4-story, 52-unit, residential apartment community for veterans	48,039	1,164
Rehab of a 28-unit multi-family housing facility	21,811	624

Program Challenges: Cost per therm is still higher than planned. This will be a focus in 2020 by finding measure and project level opportunities to improve the dollar per therm on projects.

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 a pipe insulation rebate increase from \$2-\$4 per linear ft in Q4. The rebate increase is designed to boost participation for the program’s pipe insulation offerings in Q4 2019 and build a Q1 2020 pipeline.

Program Successes: The industrial steam trap bonus was very successful creating substantial customer participation which yielded nearly 1.3 million net therms. 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 has achieved the annual therm goal.

Program Challenges: Currently, the Program participation for pipe insulation is lower than forecasted. The Company analyzed this measure and implemented a fourth quarter rebate increase to gain interest and boost participation going into 2020.

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 the program’s 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 which has helped identify customers who 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. Nicor Gas's relationship with Exxon Mobil, has resulted in substantial therm savings from two large projects in Q4. These projects have assisted in the Program achieving the 2019 therm savings goal, while staying within budget. CHP activity continues to build. There are a total of seven CHP Feasibility Studies currently being written and seven others that are completed waiting for the customers 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 activity in Q3. One Public Sector CHP 375 kW system is in construction and is expected to be flame-on in Q2-3 of 2020.

Program Challenges: None

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 were underway in Q4: K-12 Public Sector (Includes six school districts); MEGA (Includes eight of Nicor Gas's largest customers starting their first year of SEM); and Alumni (Includes 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). The Alumni Cohort resulted in significantly better than expected therm savings, the MEGA Cohort came very close to goal, and the K-12 Cohort will end in 2020. Overall the SEM offering significantly exceeded the annual goal by 1,101,742 therms.

Program Challenges: For the 4th quarter, the K-12 cohort is continuing to ramp up. The regression models have been developed, updated and are tracking savings. Some K-12 models are not yet seeing the therm savings expected thus far, but are expected to improve as the heating season continues. Also, top customer management engagement continues to be 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. The Program has achieved its term 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:

Q4 Completed Projects (both are private sector projects)

PROJECT	SQ. FEET	ANNUAL GROSS THERM SAVINGS	MEASURES
New construction two-story core and shell office, link passageway, and expansions to the existing parking lots	39,000	5,347	<ul style="list-style-type: none">• High-efficiency boiler and windows• Demand control ventilation
Major renovation of an existing monastery building into a science wing with a laboratory, classrooms and offices	30,609	3,171	<ul style="list-style-type: none">• HVAC “chilled beams” system w/ dedicated outside air system• Improved windows• Elevated levels of wall insulation• Condensing DHW heaters• Condensing boilers

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 and no additional pilots were completed before the close of the quarter. Nicor Gas currently has 8 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.