



To: Peoples Gas and North Shore Gas, Elizabeth Horne, David Brightwell, ICC Staff
CC: Celina Aguilar, Laura Agapay-Read, Jeff Erickson, Guidehouse
From: Ensar Biscevic, Guidehouse
Date: August 26, 2025
Re: Net-to-Gross Recommendations for Gas Optimization Program of Peoples Gas and North Shore Gas

1. Executive Summary

This memo documents our rationale to recommend 0.86 for the Net to Gross (NTG) ratio for the Peoples Gas (PGL) and North Shore Gas (NSG) Gas Optimization Program.

Guidehouse conducted secondary research on NTG values for the Gas Optimization Program. The research involved identifying potentially similar programs in comparable jurisdictions with recently researched NTG values. Based on our research, Guidehouse recommends using the NTG value of 0.86 from the Illinois Gas Utilities' Joint Retro-Commissioning (RCx) Program. This is based on several criteria that Guidehouse used to rate the applicability of NTG values of other programs to measures in the PGL and NSG Gas Optimization program. The methodology and the criteria used are described in Section 3 below.

2. Program Background

The Gas Optimization Program seeks to identify and implement low- or no-cost energy-saving opportunities within building heating systems, central steam plants, and process heating operations across small to mid-size businesses, commercial and industrial facilities, and public sector buildings. Through engineering studies, the program engages staff and/or vendors to assess system performance, conduct limited monitoring and testing, and recommend actionable improvements. Customers may receive up to \$15,000 for the cost of the study, provided they agree to implement the lesser of \$10,000 or all quick-payback measures identified.

3. Research Methodology and Results

Guidehouse investigated NTG values from other Gas Optimization or similar retro-commissioning type programs. We sought programs with features like the PGL and NSG program specifically targeting features that can affect the NTG of program measures:

- Customer sector: Business, Commercial, and Public Sector
- Measure technology: Assessments and retrofits
- Climate/region: Cold Climate
- Measure Implementation: Participant-Implemented
- Time frame: 2 years
- Market maturity: High maturity

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- Incentive Calculation: \$ per Therm

Our primary research included a literature review of utility evaluation reports and utility NTG memos. We considered how the program was being implemented and how the incentive was being calculated to ensure comparability. We also prioritized programs with NTG ratios that were based on recent primary research.

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The Guidehouse secondary research reviewed five potentially analogous values, shown in Table 1 below.

Table 1. Net-to-Gross Values of Gas Optimization CY2024

ID	State	Utility	Program Type	Region	Sector	Tech	Program Name	Measure Installation	NTG	FR	PSO	NPSO	Year of Research
<i>Assessment</i>													
1	IL	ComEd, Nicor Gas, PGL, & NSG	Gas & Electric	MW	Com	Retro-Commissioning	Coordinated Retro-Commissioning	Customer/contractor	0.86	0.14	0.00	0.00	2023
<i>Therm NTG value from primary FR and SO research which included PGL and NSG's retro-commissioning program.</i>													
2	MI	DTE	Gas & Electric	MW	Com	Retro-Commissioning	Retro-Commissioning	Customer	0.92	-	-	-	2022
<i>Deemed NTG value.</i>													
3	IN	NIPSCO	Gas & Electric	MW	Com	HVAC, Process, Appliance, & Lighting	Custom	Customer	0.65	0.45	0.00	-	2023
<i>Custom measures are similar, but no assessment is included.</i>													
4	MO	Ameren	Electric	MW	Com	Retro-Commissioning	Retro-commissioning	Customer	0.825	-	-	-	2023
<i>Electric only so not relevant here.</i>													
5	PA	PECO	Gas and Electric	NE	Com	LED, HVAC, Appliances, Automation & RCx,	Downstream Rebates	Customer/contractor	0.72	0.29	0.01	NA	2022
<i>Program level was not granular enough as retro-commissioning was only a sub-program.</i>													

NA = Not Available. RES = Residential, COM = Commercial

FR = Free Ridership, PSO = Participant Spillover, NPSO = Non-participant Spillover.

Source: Guidehouse Evaluation Team

4. Final NTG Results and Recommendations

Based on our secondary research, we recommend using the 0.14 free ridership value, 0.00 program-level spillover value, and 0.86 NTG value for the Gas Optimization program which is consistent with the Illinois Gas Utilities' Joint RCx Program.

We see the Illinois RCx program as an appropriate comparison because of PGL and NSG participation in these programs and the program's similarities to Gas Optimization within the factors we assessed above. Firstly, both programs target the same climate region and the same customer sectors. Both programs provide the same list of measures and the same incentives at \$1/Therm or otherwise use the same chart for specific measure incentives. The main differences between the two programs are that Gas Optimization provides a more in-depth audit and targets higher capital measures while RCx provides a simpler audit looking at low and no cost measures. The Gas Optimization incentive may be subject to a maximum reimbursement limit, meaning that only a portion of the total project cost might be covered depending on the program's funding structure or eligibility criteria. In contrast, RCx services could potentially be offered at little to no cost to the customer, as they are often fully subsidized by utility programs or energy efficiency initiatives. Even with this distinction, the RCx's similarities to Gas Optimization make it an appropriate comparison for NTG values.

Finding utilities that had programs similar to Gas Optimization and aligned with all our requirements proved difficult. Other potential comparison programs fell at different key points including not having granular enough NTG evaluations, using deemed values, and having no gas component or assessment component of the program. The Illinois RCx program proved to be closest in all categories and was thus chosen over other promising comparison programs.