North Shore Gas Company and The Peoples Gas Light and Coke Company
Stipulated Settlement of their
Energy Efficiency Plan as filed in ICC Docket No. 17-0309

I. Introduction

This Stipulated Settlement ("Agreement"), as executed, constitutes a valid settlement agreement between North Shore Gas Company ("North Shore" or "NS") and The Peoples Gas Light and Coke Company ("Peoples Gas" or "PG") (collectively "NS-PG" or the "Companies") and each undersigned stakeholder ("Stakeholder") that is a participant in the Energy Efficiency Stakeholder Advisory Group ("SAG"). The Companies and each Stakeholder may be referred to individually as a "Party" or collectively, the "Parties."

The Agreement is being filed with the Illinois Commerce Commission (the "Commission") as a supporting exhibit to the NS-PG Energy Efficiency Plan for Program Years 7 through 10 ("PY7-10") ("Plan 3"), which run during calendar years 2018 through 2021. While North Shore and Peoples Gas each have separate plans, goals, and budgets, for purposes of efficiency, these two Plan 3s are being filed in the same docket, similar to their energy efficiency plan filings in Docket Nos. 10-0564 ("Plan 1"), 13-0550 ("Plan 2"), and 16-0466. This Agreement of the Parties is applicable to North Shore's and Peoples Gas' Plan 3.

This Agreement is the result of extensive discussions and negotiation at arms' length between the Companies and the Stakeholders, individually and collectively, over the course of 2017. This Agreement is the result of give and take among the Parties, all of whom have been represented by counsel, and memorializes the Parties' commitments. To the extent that any provision in this Stipulation is not specifically memorialized in the filed Plans, NS/PG agree that they will implement the Plans consistent with the terms of this Stipulation. Thus, the Parties, intending to be legally bound and acknowledging the benefit to be derived from the mutual promises and commitments contained herein, agree as follows. Compromise by any Party on any particular issue set forth in this Stipulation or in Plan 3 shall not constitute, and shall not be construed or interpreted to constitute an endorsement of a resolution achieved by that compromise for any purpose other than as set forth in this Stipulation.

II. Portfolio Stipulations

A. Overview

The Parties agree that the positions memorialized in this Agreement that neither North Shore or Peoples are able to meet the statutory savings goals as described in 220 ILCS 5/8-104(c) ("Section 8-104(c)") of the Illinois Public Utilities Act (the "Act") given the budgetary limitations on energy efficiency program recoveries under Section 8-104(d). The Parties agree that the Plan 3 for North Shore and Peoples Gas shall achieve the modified savings goals as indicated herein and permitted under Section 8-104(d) of the Act, subject to the modifications pursuant to the Adjustable Savings Goal policy under the Illinois Energy Efficiency Policy Manual (the "Policy Manual") and pursuant to the limitations identified herein. Further, the Parties agree that North Shore's and Peoples Gas' respective Plan 3 are consistent with and satisfies the statutory obligations under Section 8-104(e-5) and Section 8-104(f) applicable subsections including:

1. Each Plan 3 will achieve the requirements of subsection (c) of Section 8-104, as modified, due to the budgetary limitations imposed by subsection (d);

2. Each Plan 3 presents specific proposals to implement new building and appliance standards;

3. Each Plan 3 presents estimates of the total amount paid for gas service expressed on a per-therm basis associated with the proposed portfolio of measures designed to meet the requirements that are identified in subsection (c) of Section 8-104, as modified by subsection (d);

4. Each Plan 3 presents a portfolio of energy efficiency measures proportionate to the share of total annual utility revenues in Illinois from households at or below 150% of the poverty level in each of the Companies' service territories, whose programs are targeted to households with incomes at or below 80% of area median income, and procures a minimum of 10% of the energy efficiency measures in the portfolio from local government, municipal corporations, school districts and community college districts;

5. Each Plan 3 demonstrates that the overall portfolio of energy efficiency measures, not including programs covered by Section 8-104(f)(4), are cost-effective using the total resource cost test and represent a diverse cross section of opportunities for customers of all rate classes to participate in the programs;

6. Each Plan 3 includes a cost recovery tariff mechanism to fund the proposed energy efficiency measures and to ensure the recovery of the prudently and reasonably incurred costs of Commission-approved programs;

7. Each Plan 3 provides for quarterly status reports tracking implementation of and expenditures for the portfolio of measures, an annual independent review, and a full independent evaluation of the 3-year results of the performance and the cost-effectiveness of the portfolio of measures and broader net program impacts and, to the extent practical,

for adjustment of the measures on a going forward basis as a result of the evaluations; and

8. The resources dedicated to evaluation shall not exceed 3% of each Plan 3's portfolio resources in any given 3-year period.

B. Savings Goals

1. It appears to the Parties that it is highly unlikely that the Companies could achieve the statutory savings requirements defined in Section 8-104(c) of the Act and also meet the requirement of Section 8-104(d) to limit the estimated average increase in the amounts paid by retail customers to no more than 2%.

To that end, the Commission should reduce energy savings requirements for the Companies from the statutory requirements of Section 8-104(c) to the following amounts:

<u>Peoples Gas:</u>

a. Savings of 9,868,975 annual net therms in 2018, 9,505,670 annual net therms in 2019, 9,457,541 annual net therms in 2020, and 9,493,167 annual net therms in 2021.

b. Savings of 38,325,353 annual net therms for the four-year Plan period.

<u>North Shore Gas:</u>

c. Savings of 2,196,540 annual net therms in 2018, 1,941,718 annual net therms in 2019, 1,790,399 annual net therms in 2020, and 1,931,439 annual net therms in 2021.

d. Savings of 7,860,097 annual net therms for the four-year Plan period.

2. The Companies may comply with Section II.B.1 of this Stipulation by meeting the total savings goal across the four years.

3. The Companies will operate and implement their energy efficiency programs in a manner that seeks to ensure that no disruption in the delivery of measures and programs will occur during the course of a program year.

4. While the Companies retain the flexibility, as documented in the Policy Manual, to shift resources between programs and measures, Peoples Gas agrees that it will not exercise this flexibility in a way that results in a portfolio weighted average measure life decrease greater than 0.5 years from its Plan 3 weighted average measure life of 12.3 years. North Shore agrees that it will not exercise this flexibility in a way that results in a portfolio weighted average measure life decrease greater than 0.5 years from its Plan 3 weighted average measure life of 9.4 years.

5. The first-year annual net savings goals as reflected in Sections II.B.1.a-d, of this Stipulation are subject to change based on the annual IL-TRM adjustments applicable for the each of the program years of Plan 3, consistent with the Adjustable Savings Goal policy approved in the in Illinois Energy Efficiency Policy Manual and the Adjustable Savings Goals provisions set forth in this stipulation.

C. Spending Requirements

1. During Plan 4, notwithstanding the portfolio flexibility provisions of the Illinois Energy Efficiency Policy Manual, Peoples Gas agrees to spend an average of at least $8.81 million per year over the 2018-2021 (i.e. outside of the regular Residential program portfolio), through jointly delivered NS-PG and ComEd electric Low Income programs, as described in this Stipulation and in its filed Plan. This amount *excludes* the allocations for Public Housing in the Companies' Public Sector Program budget, as well as any allocation of portfolio-level costs.

2. During Plan 4, notwithstanding the portfolio flexibility provisions of the Illinois Energy Efficiency Policy Manual, North Shore Gas agrees to spend an average of at least $465,948 per year over the 2018-2021 on low income sector targeted programs or initiatives (i.e. outside of the regular Residential program portfolio), through jointly delivered PGL/NS gas and ComEd electric Low Income programs, as described in this Stipulation and in its filed Plan. This amount *excludes* the allocations for Public Housing in the Companies' Public Sector Program budget, as well as any allocation of portfolio-level costs.

3. Spending for the public sector programs for local government, municipal corporations, school districts and community college districts over the Plan 3 period shall be, at a minimum, $10,997,024 for Peoples Gas and a minimum of $1,656,416 for North Shore.

D. Adjustable Savings Goals

1. North Shore and Peoples Gas shall each file a completed Adjustable Savings Goal Template for the Section 8-104 Programs and Measures as an attachment to its Plan 3.

2. For purposes of the Section 8-104 programs Adjustable Savings Goals policy approved in the Policy Manual, the measure participation levels identified in each approved Plan 3 to derive the energy savings goals shall be fixed for the entirety of each Plan 3, in the adjustable savings goal calculation.

3. In advance of filing the first updated Adjustable Savings Goal Template with the Commission, Peoples Gas and North Shore will present to the SAG its first updated

Adjustable Savings Goal Template containing the savings goal adjustments due to the changes reflected in the consensus 2019 IL-TRM resulting from the existing stakeholder consensus processes in place in order to provide stakeholders with an opportunity to ask questions concerning the updated Adjustable Savings Goal Template and reach agreement on the adjusted savings goal.

E. **TRCs and Non-Energy Benefits.**

North Shore and Peoples Gas shall each file their respective Plan 3 with and without non-energy benefits ("NEBs") and shall include the joint TRC values for the joint energy efficiency programs within the Plan filing.

F. Upon the filing of Plan 3 with the Commission, NS-PG agree to provide the Stipulating Parties with all work papers (in their native file format) that support NS-PG's Plans, testimony, and exhibits.

G. **Income Qualified Subcommittee, Workforce Development and Reporting**

1. The Companies shall investigate a way to integrate workforce development initiatives, in coordination with ComEd and other workforce development entities, including the IHWAP, within its Market Transformation program.

2. The Companies shall engage in discussion within the low-income energy efficiency advisory committee convened pursuant to Section 8-103B(c) of the Act ("Economically Disadvantaged Advisory Group") aimed at increasing the diversity and number of locally-based trainees, vendors, and employees of the energy efficiency workforce within each of the Companies' service territories and integrating workforce development initiatives, as described herein, and in coordination with ComEd and the Department of Commerce and Economic Opportunity's Office of Employment and Training and Office of Community Assistance. The Companies shall report to SAG and the Economically Disadvantaged Advisory Committee progress related to use of diverse business enterprises and diversity training and hiring related to energy efficiency programs.

3. Income-Qualified Subcommittee

a. The Companies shall provide reports, in conjunction with its regular energy efficiency reporting activities, on a quarterly basis to the Income-Qualified Subcommittee of the Stakeholder Advisory Group ("SAG") on the following topics:

i. Identification of budget, savings and number of participants served through income-qualified Plan funding, separately tracking by single-family and multifamily programs;

ii. initiated or supported job training in economically disadvantaged and diverse communities within its service territory, including training offered through the IHWAP program necessary to increase capacity to deliver services in the Companies territories;
iii. Income-qualified pilot program results;
iv. Identification of implementation and evaluation vendors who receive funding designated for income-qualified programs, indicating whether vendor as described in III.D.1.

b. The Companies shall work in good faith to consult with and, reach consensus with the Income-Qualified Subcommittee on issues of importance to the Committee, including but not limited to the following:

i. Evaluation metrics and practices for income-qualified programs, including the identification and reflection of non-energy benefits such as comfort, health and safety, reduced tenant turnover, reduced shut-offs, reduction in revenue collection costs and lower energy burden in income-qualified measures and programs;

ii. Branding, marketing, outreach, design, and innovation opportunities;

iii. Opportunities for coordination of energy efficiency, IHWAP and other job training initiatives, including in conjunction with applicable state agencies, in low income communities;

iv. Diversity in training and hiring of individuals for energy efficiency from economically disadvantaged and diverse communities;

v. Best practices and direct contracting with Illinois-based independent third parties that have demonstrated capabilities to serve income-qualified households, with a preference for not-for-profit entities and government agencies that have existing relationships with or experience serving low-income communities in the State, including the evaluation of programs;

vi. Development of a metric to be added to quarterly energy efficiency reports filed with the Commission that reports the number of businesses and employees based in economically disadvantaged communities hired to assist in the delivery of energy efficiency programs; and

vii. Discussion and establishment of goals and best practices outside the context of Docket No. 17-0309, in consultation with the Economically Disadvantaged Advisory Committee and other job training initiatives, for increasing the diversity and number of locally-based trainees, vendors and employees of its energy efficiency workforce, and for establishing tracking methodologies for reporting purposes. NS/PG will coordinate and consult with the Economically Disadvantaged Advisory Committee, IHWAP, and other workforce development program administrators to establish best practices and methodologies for attracting, training, and employing diverse candidates for the EE 2018-2021 Plan and other workforce development efforts.

H. Marketing Coordination and Transparency

In an effort to employ best practices and minimize energy efficiency Plan 3 costs, the Companies' marketing of energy efficiency programs shall be coordinated across all utilities, and where relevant, non-utility energy efficiency programs to ensure implementers, contractors, and other stakeholders are aware of all program offerings and communicate appropriate opportunities to customers with consistent language. Such communications shall disclose, among other pertinent details of program offerings:

1. When rebates begin and expire, if applicable; and

2. A single point of contact to navigate program offerings in joint programs or in instances wherein customers may take advantage of residential and commercial offerings.

I. TRM Development

The Companies agree that, to the extent a consensus among the utilities and intervening parties cannot be reached regarding a measure or measure values in the TRM, the IL-TRM Administrator shall have the authority to use its best judgment to decide on the measure or measure value. The Companies further agree to work with the other utilities and implementing stakeholders to agree on a joint procedure for this process and to include it in the next Policy Manual update.

The Companies agree that it is not appropriate for financially interested vendors to participate in the IL-TRM TAC meetings, unless they are specifically invited by the TRM Administrator to present information regarding a particular measure. The Companies further agree to work with the other utilities and implementing stakeholders to develop a final policy on this issue and to include it in the next Policy Manual update.

J. Research and Development / Evaluation, Measurement, and Verification

1. **Coordination.** The Companies commit to work with interested stakeholders and use best efforts to reach consensus through the SAG in the development of evaluation, measurement and verification ("EM&V") approaches and pilot Research & Development ("R&D") programs to develop new programs and measures.

2. **Evaluation Methods:** Where practical, program evaluations shall be conducted using randomized controlled trials or quasi-experimental design methods. When a program evaluator believes that randomized control trials or quasi-experimental designs are not practical, the program evaluator shall provide an explanation and support for its decision as part of its evaluation plan.

3. **Revisit the EM&V Framework:** NS-PG agrees to engage in discussions at SAG, or within a subcommittee of SAG, regarding the current EM&V framework. NS-PG understands that this will be a "big picture" discussion and will include reviewing how evaluation contractors are hired/selected, how frequently they are or should be changed, opportunities for more integration of EM&V work across utility service territories, the levels of emphasis on different kinds of evaluation (process vs. impact, NTG vs. other, peak vs. energy, value of NEBs, etc.), opportunities for better leveraging AMI data, opportunities for better integration and prioritization of evaluation research with the IL-TRM update process, etc.

K. Updates to the Illinois Energy Efficiency Policy Manual

a. NS-PG shall participate in Policy Manual Subcommittee discussions for Illinois Energy Efficiency Policy Manual Version 2.0, following Commission approval of the Energy Efficiency Plans beginning in 2018.

b. NS-PG shall make good faith efforts to expeditiously reach consensus regarding an Illinois Energy Efficiency Policy Manual Version 2.0

L. Common Statewide Reporting Templates

NS-PG shall make good faith efforts to have completed statewide common reporting templates for Program Administrator Quarterly Reports required by Section 6.5 of the Illinois Energy Efficiency Policy Manual available in advance of filing the first NS-PG Quarterly Report for 2018. NS-PG also shall make good faith efforts to have completed statewide common reporting templates for Program Administrator Annual Summary of Activities (Annual Reports) required by Section 6.6 of the Illinois Energy Efficiency Policy Manual available in advance of filing the fourth NS-PG Quarterly Report for 2018.

M. Annual Ex Post Total Resource Cost ("TRC") Test Evaluation

NS-PG shall direct its independent third-party evaluator to conduct an ex post TRC cost-effectiveness analysis annually during the course of the 4-year portfolio plan. NS-PG shall also direct its independent third-party evaluator to conduct a TRC cost-effectiveness analysis at the conclusion of the 4-year program plan pursuant to Section 8-104(f)(8) of the Act. Both the annual ex post TRC analysis and the 4-year TRC cost-effectiveness analysis shall include both the gas and electric costs and benefits for the joint energy efficiency programs that NS-PG offer in conjunction with another Program Administrator such as ComEd.

N. Independence of Facilitators and Evaluators

1. **SAG Facilitator Independence:** NS-PG agree to implement protocols to ensure that SAG Facilitator independence is maintained. To the extent SAG Facilitator Independence provisions are added to a future Commission-approved Illinois Energy Efficiency Policy Manual, such provisions appearing in the Policy Manual will supersede the SAG Facilitator Independence provisions in this Stipulation. Specifically, NS-PG agree to implement the following protocols:

   a. NS-PG shall submit the finalized but not yet executed contract with the independent SAG Facilitator to the Commission by letter to the Executive Director. Staff will submit a report to the Commission containing its assessment of the contract and describing its recommendations for Commission action, if any. In addition, NS-PG will submit any contract and scope of work with the independent SAG Facilitator as a compliance filing in the applicable EEP docket within fourteen (14) days of execution.

   b. NS-PG will include language in the independent SAG Facilitator contract that provides that the Commission has the right to terminate the SAG Facilitator contract if the Commission determines the SAG Facilitator is not acting independently, or is unable or unwilling to independently facilitate the Illinois Energy Efficiency Stakeholder Advisory Group.

   c. The SAG Facilitator contract with NS-PG will automatically terminate upon a Commission finding that the contract should be terminated, after issuance of notice and hearing and an opportunity for the utilities, the SAG Facilitator, and other interested parties to be heard.

   d. In the event that NS-PG or the SAG Facilitator issues a notice of termination or notice of default of the contract, the issuer of the notice shall contemporaneously provide a copy of such notice to the Commission.

2. **IL-TRM Administrator Independence:** NS-PG agrees to implement protocols to ensure that IL-TRM Administrator independence is maintained. To the extent IL-TRM Administrator Independence provisions are added to a future Commission-approved Illinois Energy Efficiency Policy Manual, such provisions appearing in the Policy Manual will supersede the IL-TRM Administrator Independence provisions in this Stipulation. Specifically, NS-PG agree to implement the following protocols:

a. NS-PG shall submit the finalized but not yet executed contract with the independent IL-TRM Administrator to the Commission by letter to the Executive Director. Staff will submit a report to the Commission containing its assessment of the contract and describing its recommendations for Commission action, if any. In addition, NS-PG will submit any contract and scope of work with the independent IL-TRM Administrator as a compliance filing in the applicable EEP docket within fourteen (14) days of execution.

b. NS-PG will include language in the independent IL-TRM Administrator contract that provides that the Commission has the right to terminate the IL-TRM Administrator contract if the Commission determines the IL-TRM Administrator is not acting independently, or is unable or unwilling to independently administer the Illinois Statewide Technical Reference Manual for Energy Efficiency.

c. The IL-TRM Administrator contract with NS-PG will automatically terminate upon a Commission finding that the contract should be terminated, after issuance of notice and hearing and an opportunity for the utilities, the IL-TRM Administrator, and other interested parties to be heard.

d. In the event that NS-PG or the IL-TRM Administrator issues a notice of termination or notice of default of the contract, the issuer of the notice shall contemporaneously provide a copy of such notice to the Commission.

3. **Evaluator Independence:** NS-PG shall put protocols into place to ensure that evaluator independence is maintained, as required by Section 8-104 of the Act.[1] The evaluator would not be "independent" as required by statute if the Program Administrator had control over the Evaluator.[2]

[1] 220 ILCS 5/8-104(f)(8).
[2] ICC Order on Rehearing Docket No. 07-0539 at 3 (March 26, 2008); ICC Order on Rehearing Docket No. 07-0540 at 2-4 (March 26, 2008). Retrieved from https://www.icc.illinois.gov/downloads/public/edocket/218815.pdf.

a. Evaluator independence protocols include:

  i. Any contract between NS-PG and the independent evaluator shall provide that: (i) the Commission has the right to terminate the contract; and (ii) the evaluator must act independently from the Companies and be able to independently evaluate the energy savings performance and cost-effectiveness of NS-PG's energy efficiency programs.
  ii. NS-PG shall submit the finalized but not yet executed contract with the independent evaluator to the Commission by letter to the Executive Director. Staff will submit a report to the Commission containing its assessment of the contract and describing its recommendations for Commission action, if any. In addition, NS-PG shall submit any contract and scope of work with the independent evaluator as a compliance filing in the applicable Energy Efficiency Plan docket within fourteen (14) days of execution.
  iii. Evaluators shall develop EM&V work plans consistent with the Policy Manual.
  iv. NS-PG shall ensure that the data used in the evaluations can be made available to the Commission upon request.
  v. The evaluator contract with NS-PG shall automatically terminate upon a Final Order of the Commission finding that the contract should be terminated, after issuance of notice and hearing and an opportunity for NS-PG, the evaluator, and other interested parties to be heard.
  vi. In the event that NS-PG or the evaluator issues a notice of termination or notice of default of the contract, it shall contemporaneously provide a copy of such notice to the Commission.

III. PROGRAM-LEVEL STIPULATIONS

A. Income-Qualified Residential Programs -- Eligibility Criteria

1. The Companies Income-Qualified Programs will be designed with the intent to serve eligible Low Income ("Income Eligible") Customers, defined as customers whose annual income falls at or below 80% Area Median Income ("AMI").

2. The Companies and their implementers shall identify and target and qualify eligible Single- and Multi-family Low Income Customers using U.S. Census tract data and/or other methodologies consistent with best practices for determining that the customers being served by the low and low moderate income programs qualify for the programs. The Company shall also offer a secondary compliance method of allowing owners of Multi-family buildings, whose buildings are not in designated census tracts, to qualify. The Company may offer a secondary compliance method of single-family, Income Eligible Customers. The details of developing such secondary compliance

method shall be considered in consultation with the Economically Disadvantaged Advisory Committee.

3. To the extent that customers whose annual incomes fall between 200% of the federal poverty level (the Illinois Home Weatherization Assistance Program's eligibility cut-off) and at or below 80% of Area Median Income, the Companies will ensure that these customers likewise have access to income-qualified single-family and multi-family weatherization programs and measures.

4. Single-family program customers whose income falls at or below 80% AMI shall not be required to pay a co-pay for income-qualified measures.

B. Multi-family Income-Qualified Program Design

The following provisions address program design for multi-family buildings in the Income-Qualified Programs. Multi-family buildings as used in this section is defined as 3 or more units in a building.

1. The Companies shall commit to providing appropriate incentive levels for the subsidized and unsubsidized multifamily rental stock that are flexible enough to meet the individual needs of the owner. To that end, the Companies shall commit to the following in the implementation of its Multifamily Income-Qualified Programs:

a. <u>Subsidized Multifamily Buildings</u>

i. In the Companies' Plan 3 program incentives shall be offered with incentives with no less than 75% of the incremental cost for retrofits to subsidized multifamily building owners and at a level that takes into account the owner's financial situation. Depending on program performance, owner's financing needs and market conditions, those incentive/grants may be adjusted, in consultation with interested SAG participants;

ii. Offer On-Bill Financing, to the extent funding is available, or other financing mechanisms to participants in the Income-Qualified program;

iii. Provide project commitments, including providing a binding commitment when needed by the multifamily subsidized building owner.

b. <u>Unsubsidized Multifamily Buildings</u>

i. In the Companies' Plan 3 program incentives shall be offered that take into account the owner's financing needs, including incentives that are less than 50% of the incremental cost for retrofits, where applicable. Depending on program performance, owner's financing needs and market conditions, those incentive/grant may be adjusted, in consultation with interested SAG participants;

ii. Offer On-Bill Financing, to the extent funding is available, or other financing mechanisms to participants in the Income-Qualified program;

iii. Provide project commitments, including providing a binding commitment when needed, to the multi-family unsubsidized building owner.

c. Create long-term relationships with customers to ensure comprehensive retrofit happens over time, recognizing that customers may be unable to complete all measures at once due to capacity and resource limitations. To that end, the Companies shall allow for a multi-family building owner to be counted as a participant in multiple program years for implementing different measures in each year.

d. Maintain regular follow-up with Multi-family building owners, including the provision of commercially-reasonable construction support to ensure that the installations are done competently and result in forecasted savings, operations and maintenance training for new equipment, ongoing monitoring to and technical assistance for resolving health and safety issues.

C. Other Income-Qualified Program Design

1. The Companies shall implement an approach to energy efficiency projects that incorporates comprehensive retrofit activity. A comprehensive retrofit is defined as an energy efficiency project that applies a whole building approach that touches multiple systems and components of an eligible utility customer's residence or business facility, which may include incentives for heating, cooling, and/or the building envelope, as well as providing a whole building assessment, while ensuring that comprehensive retrofits comply with Building Performance Institute standards. Comprehensive retrofit projects focus on improving energy efficiency to result in lower whole-building energy use.

2. The Companies agree that for Income Eligible Programs being delivered through the Illinois Home Weatherization Assistance Program (IHWAP), funding contributions to IHWAP will go specifically to increased measure installations to the extent allowable by IHWAP, and will leverage, to the extent available and practicable non-EEPS funds to cover non-measure costs, including the health and safety needs of the customers. The Companies further agree that the percentage of full measure savings claimed will be

equal to the percentage of the fully installed cost of the measure the Companies are paying for, for all measures. For customers not served through IHWAP, depending on the vendors delivering the efficiency measures, it may be appropriate to support some non-measure costs.

3. The Companies will use the IHWAP program(s) for turn-key delivery of applicable Income Qualified Programs for qualifying customers.

4. The Companies shall use best efforts to provide at least 37% for Peoples Gas and 41% for North Shore Gas of the income-qualified budgets to Multi-family housing units.

D. Leveraging of Existing Low Income Program Implementers

1. Implementation of energy efficiency measures and programs targeted at low-income households should be contracted, unless not practicable, to independent Illinois-based third parties that have demonstrated capabilities to serve such households, with a preference for not-for-profit entities and government agencies that have existing relationships with or experience serving low-income communities in the State.

In that regard, the Companies shall utilize the existing IHWAP and independent Illinois-based third parties, that have demonstrated capabilities to serve low income households and buildings, with a preference for not-for-profit entities and government agencies that have existing relationships with or experience serving low-income communities in the State, to deliver Single and Multi-family retrofit programs for customers whose income falls at or below 80% AMI. Notwithstanding, the Companies reserve the right to have management services performed by its primary contractor.

2. To the extent the Companies offer any energy efficiency program training through its market transformation program, to the greatest extent practicable, the Companies shall use the existing IHWAP program training infrastructure, to the extent it is available, with an emphasis and focus on trainee recruitment in economically disadvantaged communities.

3. Coordinate the marketing of Income-Qualified Programs through existing IHWAP and independent Illinois-based third party program channels, including local vendors, trusted community partners and community action agencies that have on-the-ground experience in low-income communities;

4. For IHWAP-implemented programs, the Companies will pay only for the cost of efficiency measures and measure related-costs charged by IHWAP to the Companies. The Companies will leverage IHWAP's other sources of funding to cover health and safety costs, contractor training, marketing and administration costs, assuming the availability of federal and/or state funding to maintain the IHWAP delivery infrastructure. For customers not served through IHWAP, depending on the vendor(s)

delivering the efficiency measures, it may be appropriate to support some non-measure costs.

5. The Companies will explore, in conjunction with ComEd, the use of, and utilize when practicable, the vendors as described in C.1., including IHWAP, for direct installation programs for Income Eligible Customers. Cost-effectiveness, inter-utility coordination, customer outreach and experience and access shall all be considered by the Companies in conjunction with ComEd.

The Companies shall preserve these budgeted dollars in Income Qualified programs to reflect these budget assumption changes, as applicable.

6. Program Administrator-initiated decisions to not contract with Illinois-based independent third parties that have demonstrated capabilities to serve income qualified households, including not-for-profit entities and government agencies that have existing relationships with or experience serving low-income communities in the State shall be communicated to non-financially interested parties in the SAG and Economically Disadvantaged Energy Efficiency Subcommittee in order to provide notice and feedback regarding the proposed change. To the extent practicable and in consideration of program continuity concerns, these contracting changes shall be presented to SAG and/or the Economically Disadvantaged Energy Efficiency Subcommittee before implementation.

7. The Companies shall develop and implement reporting procedures that address and assist in determining the amount of energy savings that can be applied to the low-income procurement and expenditure requirements set forth in Section 8-104(e)(5) of the Act and this Stipulation.

E. Other Individual Program Measures

The Companies also commit to developing the following measures during 2018 for introduction during the 2019 – 2021 program years:

1. **Smart Thermostats:** The Companies agree to work with other utilities and stakeholders toward development of a single rebate application, instant discount or midstream smart thermostat offering for implementation by January 1, 2019. The Companies shall review on an annual basis whether adjustment of incentive levels is appropriate during the Plan to ensure that incentive levels reflect the efficient use of program dollars and needed customer inducements.

F. Commercial and Industrial Programs

1. The Companies shall work with other utilities in the State, to deliver a pilot upstream incentive offering for commercial kitchen rebates for eligible business customers (possibly funded through the R&D funds), with a focus on taking advantage of statewide distributor networks and the associated efficiencies, with a goal of implementing the program beginning in 2019.

IN WITNESS WHEREOF, the Parties hereto have executed this Settlement Stipulation as of the date set forth below.

Illinois Attorney General's Office

By: ______________________

Title: ______________________

Date: ______________________

National Resources Defense Council

By: Samantha Williams (KL)

Title: Counsel for NRDC

Date: 8/1/17

Staff of the Illinois Commerce Commission

By: ______________________

Title: ______________________

Date: ______________________

North Shore Gas Company

By: Patrick Michalkiewicz

Title: MANAGER - ENERGY EFFICIENCY & MAJOR ACCOUNTS

Date: 8/1/17

The Peoples Gas Light and Coke Company

By: Patrick Michalkiewicz

Title: MANAGER - ENERGY EFFICIENCY & MAJOR ACCOUNTS

Date: 8/1/17

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National Resources Defense Council

By: ____________________________

Title: ____________________________

Date: ____________________________

Staff of the Illinois Commerce Commission

By: ____________________________

Title: Trial Supervisor, Office of General Counsel

Date: 1 August 2017

North Shore Gas Company

By: ____________________________

Title: ____________________________

Date: ____________________________

The Peoples Gas Light and Coke Company

By: ____________________________

Title: ____________________________

Date: ____________________________

IN WITNESS WHEREOF, the Parties hereto have executed this Settlement Stipulation as of the date set forth below.

Illinois Attorney General's Office

By: Karen L. Lusson

Title: Asst. Bureau Chief, Public Utilities Bureau

Date: 8/1/17

National Resources Defense Council

By: ______________________

Title: ______________________

Date: ______________________

Staff of the Illinois Commerce Commission

By: ______________________

Title: ______________________

Date: ______________________

North Shore Gas Company

By: ______________________

Title: ______________________

Date: ______________________

The Peoples Gas Light and Coke Company

By: ______________________

Title: ______________________

Date: ______________________