



PY2018

2nd Quarter Report
January – June 2018

AUGUST 14, 2018

PY2018 Quarterly Report

Q2

QUARTERLY REPORTING

Ameren Illinois Company d/b/a Ameren Illinois (“Ameren Illinois”) provides this quarterly report for the period of January-June 2018 pursuant to Section 6.5 of the Illinois Energy Efficiency Policy Manual version 1.1 (eff. Jan. 1, 2018). Consistent with Section 6.5, Ameren Illinois provides this report using a common template developed in collaboration with other Illinois utilities and stakeholders and designed to provide the categories of information set forth in Section 6.5(i)-(vii). The information in this quarterly report may be based on preliminary results and is subject to revision and evaluation adjustment. As set forth in Section 6.5, interested stakeholders should raise any questions regarding the programs addressed in this report through the Illinois Stakeholder Advisory Group process or with Ameren Illinois directly. As has been done previously, AIC will address questions, when practicable, through the appropriate channels, including updates to this report.

PROGRAM-LEVEL NARRATIVE:

RESIDENTIAL PROGRAM

The Residential Program includes eight initiatives that address key electric and natural gas end-uses in single family homes and multi-family properties. The Residential Program offers a range of educational opportunities and incentives for consumers to implement a series of energy efficiency improvements. Direct installation initiatives, targeted primarily to low- to moderate-income customers, are designed to achieve deep reductions in energy consumption within participants' homes through the installation of low-cost energy saving measures followed by comprehensive weatherization services. Each initiative is a potential entry point for consumers into the Program, which is structured to facilitate cross-promotion between initiatives and maximize participation.

PY2018 began on January 1, 2018 as a result of the Future Energy Jobs Act (FEJA), P.A. 99-0906, and after approval of Ameren Illinois' 2018-2021 Plan from the Illinois Commerce Commission in the fall of 2017. There were many new activities including but not limited to serving low-income customers who were provided energy efficiency offerings through the Department of Commerce and Economic Opportunity (DCEO) for the past nine years, along with the on-boarding of several new implementation contractors. Many new, diverse implementation contractors were added to the portfolio.

Additionally, in effort to achieve additional savings through the Residential Program, an increase in the total Residential Program budget has been under consideration.

Additional dollars may need to be taken from essential non-program activities, including marketing and education, with the intention of returning those dollars to these essential activities as soon as is practicable. There were no new residential measures added during the first two quarters.

A summary report on the various residential initiatives follows, with additions to reflect the appropriate quarterly update, as indicated.

Residential Behavior Modification Initiative

The Behavior Modification Initiative generates both electric and natural gas energy savings by empowering consumers to make better-informed decisions regarding their energy use. Customers receive feedback regarding their energy consumption relative to similar homes and individually customized energy savings tips based on their energy usage patterns, housing characteristics, and demographics. Feedback is delivered by mail, email, and interactions with a customized web site.

In Q1 2018, the implementer contract was executed, data transfer protocols completed, and reports finalized. The program is on track to achieve assumed energy savings, and no significant challenges were experienced other than typical program start-up activities.

Q2 2018 Update:

During Q2, the majority of the efforts included pre-work to the distribution of Home Energy Reports. This included development and review of multiple marketing materials and finalizing the online customer portal. Approximately 116,000 reports have been distributed since mid-May.

Residential Direct Distribution of Efficient Products Initiative

The Direct Distribution of Efficient Products Initiative targets students in grades 5 through 8 providing energy education to influence families' energy behaviors. Teachers receive energy education curriculum and training by a qualified professional. Students are provided with a 'take-home' kit that raises awareness about how individual actions and low-cost measures can provide reductions in electricity, natural gas, and water consumption.

In Q1 2018, the program implementer contract was renewed, followed by successful outreach to educators, which resulted in presentations scheduled through the end of the school year. No significant challenges were experienced other than the need to quickly update kit contents and related packaging for delivery during the spring school semester.

Q2.2018 Update

Over 4,000 kits with corresponding presentations were delivered to 64 different schools by the end of May. In June, outreach and recruitment of low-income schools was an area of focus.

Residential Retail Products Initiative

The Retail Products Initiative intervenes at the point of sale to encourage residential customers to purchase high efficiency products through “brick and mortar” retail stores and online e-commerce sites. Customers receive instant discounts and/or mail-in cash rebates as an incentive to upgrade to ENERGY STAR® and other qualified high efficiency lighting products, home appliances, and programmable and smart thermostats.

In Q1 2018, the program implementer contract was renewed and related agreements with retailers and manufacturers reached which are consistent with the approved plan. Contract completion, execution, and related start-up activities impacted savings, which were less than expected. Rebate processing for smart thermostats has also experienced program start-up challenges. It is anticipated that start-up challenges should be resolved in Q2.

Q2 2018 Update:

Several challenges with receiving data from retail partners continued through May but were resolved by the end of the quarter. The level of incentives and number of products available with discounts were increased which resulted in relatively high savings during the slower summer season. The Smart Thermostat Instant Rebate portal was launched in May and the online Marketplace was launched in June. Over 6,700 instant rebate coupons were reserved and more than 1,600 were redeemed by AIC customers. In total, over 670,000 products were sold equaling nearly 15 million kWh and over 147,500 therms in energy savings.

Residential HVAC Initiative

The HVAC Initiative partners with HVAC contractors to offer consumers instant discounts and/or mail-in cash-back rebates on energy efficient electric heating and cooling equipment, heat pump water heaters, and both programmable and smart thermostats.

In Q1 2018, continuity in program operations with the program ally network and implementation contractor provided a strong pipeline of projects resulting in electric savings greater than anticipated.

Q2 2018 Update

Q2 continued with strong activity from HVAC contractors with higher than expected savings. Programmable thermostats were removed as part of the offering but smart thermostats remain available. Incentives were provided for nearly 2,000 HVAC units and more than 125 smart thermostats.

Residential Appliance Recycling Initiative

In the Appliance Recycling Initiative, operable inefficient refrigerators and freezers are permanently removed and recycled in an environmentally responsible manner. The pickup service is paid for by energy efficiency funds without additional cost to the customers, who also receive a cash reward for each qualified appliance they turn in.

In Q1 2018, the initiative was launched with a diverse implementation contractor that brings national experience in this market following a competitive RFP process and successful contract negotiations. This new, diverse vendor successfully executed the necessary start-up activities including hiring staff, securing office/warehouse space and leasing transportation equipment. Marketing activities generated the expected demand.

Q2 2018 Update

Several startup challenges were experienced and resolved. In response to start-up delays, the contractor revised its implementation strategy, increased the number of field resources and expanded operating hours. Marketing strategies and activities were also increased in order to generate the necessary customer participation and related savings. With the support of Ameren Illinois, the contractor chose to begin recruitment for a local, full time, project manager. At the conclusion of Q2, the initiative had recycled almost 2,000 appliances compared to an annual goal of 6,000 units.

Residential Income Qualified Initiative

The Income Qualified (IQ) Initiative helps low- to moderate-income customers manage their energy consumption through comprehensive home weatherization services, enhanced rebates on HVAC equipment, LED lighting, and direct distribution of energy saving kits. Single family homes and multi-family living units and properties with average household incomes below 300% of Federal Poverty Guidelines may receive a free comprehensive home weatherization assessment, including a health and safety evaluation, to identify the weatherization services to be provided. Low-cost energy saving devices will be installed in conjunction with the assessment at no cost. Comprehensive weatherization measures are also installed at no cost including: insulation, air sealing, duct sealing, and ECM blower replacement. In addition, eligible customers receive enhanced incentives on energy efficient HVAC equipment. Energy saving kits are distributed at no cost through special events and other direct distribution efforts.

Moderate Income Implementation Contractor Channel

In Q1 2018, the initiative was launched with a diverse implementation contractor with a proven commitment to developing community-focused energy efficiency initiatives following a competitive RFP process and successful contract negotiations. This new, diverse contractor successfully managed several operational and logistic challenges related to launch of a complex program in an unfamiliar territory in an abbreviated time period. Despite these challenges, the contractor has successfully hired staff, secured office/warehouse space, trained auditors, finalized program design, finalized incentive levels, and established partnerships with trade allies. Marketing activities generated expected demand resulting in completed audits and projects by program allies.

Q2 2018 Update

Staffing, training and other ramp-up activities continued with a total of 484 single family homes being served.

Low Income Community Action Agency Channel

In Q1 2018, and consistent with the provisions of FEJA, several meetings were held with the Illinois Association of Community Action Agencies (IACAA), local Community Action Agencies (CAAs) and DCEO. Topics of the meetings included education regarding the approved Ameren Illinois Plan, negotiations between AIC and DCEO, and agreements between the program implementer and CAAs. Final contract language was not reached with DCEO resulting in delays with agreements between the implementation contractor and CAAs. Significant challenges were also experienced with the extraction of data and flexibility associated with Illinois Home Weatherization Assistance Program (IHWAP) data collection systems. New marketing outreach and education created leads and direct distribution of efficiency kits. Products and education were provided at outreach events for low-income customers.

Q2 2018 Update

A majority of the 27 CAAs serving Ameren Illinois customers signed on to participate with Ameren Illinois to serve low income customers. Agreements addressed customer eligibility, measures and coordination with AIC's Moderate Income Initiative, Contracting difficulty surrounding the DCEO memorandum of understanding persisted, but AIC continues to work with DCEO to resolve outstanding questions. Due to these contract challenges, CAAs were only able to incorporate AIC funding into 29 projects.

Residential Public Housing Initiative

The Public Housing Initiative targets public sector housing owned by government entities including federal, state, and municipal housing authorities. The initiative mirrors the comprehensive home weatherization service offered through the IQ Initiative in

terms of income eligibility, home assessment, weatherization services, and incentive structure.

In Q1 2018, the initiative was launched with a diverse implementation contractor following a competitive RFP process and successful contract negotiations. This new, diverse contractor successfully managed operational and logistic challenges related to launch of this program in the service territory within an abbreviated time period. Despite these challenges, the contractor has successfully finalized program design, hired staff, secured office/warehouse space, trained installers, and conducted outreach. Outreach to property managers has generated expected demand resulting in a pipeline of projects. The initiative experienced limited success with implementation of building envelope measures. Ductless mini splits have not been included in the list of offered measures during Q1, though they remain available should interest rise.

Q2 2018 Update

This Initiative experienced higher than expected participation in the Direct Install measures. As a result, funds have been redirected from other Initiatives to support demand. A total of 1,444 units were served during Q2.

Residential Multifamily Initiative

The Multifamily Initiative provides electric and gas energy savings in multifamily buildings for market rate and low-income customers that are not a part of the IQ Initiative through the direct installation of free low-cost energy saving measures in individual living units and common areas.

In Q1 2018, the initiative was launched with a diverse implementation contractor following a competitive RFP process and successful contract negotiations. This new, diverse contractor successfully managed operational and logistic challenges related to launch of this program in an unfamiliar territory in an abbreviated time period. Despite these challenges, the contractor has successfully finalized program design, hired staff, secured office/warehouse space, trained installers, and conducted outreach generating a pipeline of projects consistent with planned expectations.

Q2 2018 Update

In Q2, smart thermostats were added to this initiative. Customer interest is growing as additional marketing materials have been developed and education for property owners was increased.

Residential DCEO New Construction Commitments

While the DCEO New Construction Commitments is not an Ameren Illinois Initiative under the Residential Program, it is being reported under this section because it covers

the cost of incentives associated with pre-existing commitments DCEO made to income-qualified new construction projects in the Ameren Illinois service territory and for which budget was allocated.

In Q1 2018, projects continue to be tracked with planned incentives to be provided to qualified properties.

Q2 2018 Update

The new construction project at Fox Meadows was completed. However, this project initiated by DCEO in previous years, was determined to be a municipal electric customer and not an Ameren Illinois customer. Therefore, incentives were not distributed. Other projects continue to be tracked with planned incentives to be provided to qualified properties.

BUSINESS PROGRAM

The Business Program provides incentives and services to non-residential customers to achieve electric and gas energy savings. The core initiatives for the Business Program are Standard, Custom, Retro-commissioning (RCx) and Streetlighting. Financial incentives are provided to business customers to drive them to conduct energy efficiency projects. Other aspects include education and training for customers and market professionals, energy efficiency marketing, and advancement of energy systems construction and monitoring beyond standard industry practices.

Similar to the Residential Program, the Business Program began on January 1, 2018 as a result of FEJA and after approval of Ameren Illinois' 2018-2021 Plan from the Illinois Commerce Commission in the fall of 2017. There were many new activities including serving Ameren Illinois customers within the public sector who were provided energy efficiency offerings through DCEO managed programs for the past nine years. This significant change created a need for increased training and education efforts targeted to trade allies. Additionally, in effort to achieve additional savings through the Business Program, and in response to apparent market conditions, the shifting of funds between certain Initiatives is under consideration. For example, AIC is considering to shift funds from the Business Custom Initiatives and Business Retro-Commissioning Initiatives to the Business Standard Initiative, as well as reducing the overall budget for the Business Streetlighting Initiative.

New measures added during the first quarter with accompanying Total Resource Cost (TRC) results are as follows:

| | |
|---|------|
| ○ Low Pressure Drop Filters for Compressed Air..... | 3.57 |
| ○ AC Tune-Up..... | 5.48 |
| ○ LED Open Sign..... | 4.04 |
| ○ Linkageless Boiler Controls..... | 1.89 |
| ○ Night Covers..... | 4.36 |
| ○ Stack Economizer..... | 8.40 |
| ○ Outdoor Pipe Insulation..... | 7.14 |
| ○ Other Indoor Pipe Insulation..... | 3.14 |
| ○ HTHV Direct Fired Heater-2..... | 3.80 |
| ○ Adjust programmable thermostat schedule..... | 8.67 |

There were no new measures added during the second quarter.

Business Standard Initiative

The Business Standard Initiative incentivizes customers to purchase energy efficient products. Applications are filled out and delivered to AIC via contractors, customers or through the AmerenIllinoisSavings.com website. Program Allies – including contractors, retailers, and distributors – are the main sales force promoting and educating consumers about the Standard Initiative. Midstream offerings in lighting technologies provide simple access to incentives for the business customer. Small businesses, including non-profits, schools, and local government facilities, receive unique services and higher incentives through a network of Program Allies experienced and trained to assist facilities receiving delivery services under the DS-2 rate.

In Q1 2018, continuity in program operations with the program ally network and implementation contractor provided a strong pipeline of projects resulting in electric savings greater than budget for the commercial/industrial sectors.

For the small business sector, a robust group of projects was successfully implemented following a competitive RFP process and successful contract negotiations. The program implementer selected for leading this effort finalized program design, hired staff, secured office space, and trained energy advisors. The program implementer also hired a diverse subcontractor for completing a significant portion of the outreach activities. Initial launch of the program offered incentives that were higher than plan levels which were, in part, designed to generate strong and early engagement by program allies. Further adjustments to incentives were developed in response to market feedback in order to increase public sector participation.

Registration and fees related to certified energy efficiency installer requirements as outlined by FEJA created significant operational challenges and program ally frustrations. Specifically, AIC's implementation contractor held meetings with approximately 400 Program Allies to assist them in completing the application process. Timely management of this work streamlined the process for the ICC and maintained program continuity.

Q2 2018 Update

Marketing efforts for all sectors were ramped up with an increased focus on public sector. Those efforts appear to be bringing in some positive results with an increase in total visitors to the Business Program webpages on AmerenIllinoisSavings.com.

At the outset of Q2, there was decreased activity in the small business sector resulting in some enhancements to the Initiative during the quarter. A public sector Program Ally bonus was initiated during the second quarter and a summer break bonus initiated at

the beginning of summer for the public sector. Power lunch webinars were also being planned for public sector customers.

Incentives were increased for HVAC and other measures to drive additional savings.

Activity for T12 lighting replacements was higher than originally planned. While replacement of this old technology is beneficial for customers, a higher mix of T12 replacements may reduce persistent savings compared to the approved Plan.

Business Custom Initiative

The Business Custom Initiative offers incentives, training, and education for improving efficiency of compressed air, lighting, HVAC, refrigeration, motors/drives, waste/water treatment, and manufacturing processes. Complex and large scale new construction and building renovation projects also qualify under the Custom Initiative. Services such as the Staffing Grant, Metering & Monitoring, Strategic Energy Management, and the Feasibility Study are also provided.

In Q1 2018, continuity in program operations with the program ally network and implementation contractor provided a timely and effective launch of all measures. The number of gas projects and related savings was well above plan targets for the commercial/industrial sectors. Some of this savings was due to Staffing Grant services and the Business Symposium coupon offer. Electric projects and related savings were lower than planning levels. Several steps were taken to increase the number of submitted projects, including, but not limited to, energy advisors increased focus and outreach to customers with demand in the 5 MW to 10 MW range. Outreach and increased incentives for Electric Feasibility Studies were implemented in order to generate a future pipeline of projects. Custom electric incentives were increased from \$.08/kWh to \$.10/kWh. Custom Waste Water Treatment Plant (WWTP) incentives were increased from \$.08/kWh to \$.21/kWh. New Construction Lighting incentives were increased by 20-40% (depending on improvement above code).

Q2 2018 Update

Overall, large energy efficiency project activity is greatly reduced from the past nine years. However, during June, the Business Custom Initiative received more projects from the public sector compared to the private sector.

The Staffing Grant was released in April with more than 40 applications received.

The gas budget for custom projects available for private sector customers was fully subscribed. Two projects were completed for the public sector and 14 projects were completed for the private sector.

Business Retro-commissioning (RCx)

The Business RCx Initiative identifies no cost/low cost (zero- to one-year payback) energy efficiency measures to optimize the operation of existing systems for compressed air, healthcare, commercial and public sector building facilities, industrial ventilation systems, industrial refrigeration and grocery stores. The energy efficiency measures in this Initiative generally go beyond what is offered by the Standard Initiative.

In Q1 2018, continuity in program operations with the program ally network and implementation contractor provided a timely and effective launch of this service. Several electric projects were completed with a few new retro-commissioning service providers (RSPs) conducting projects. There was no significant change to incentives compared to plan assumptions.

Q2 2018 Update

Recruitment efforts were initiated to increase the number of qualified Retro-Commissioning Service Providers (RSP).

The Program Ally bonus was increased for public sector RCx projects to spur participation from this sector. In addition, a new offering, RCx Lite, was initiated during the second quarter with a push towards retro-commissioning opportunities for smaller facilities, especially in the public sector. For this Initiative, 545,000,000 kWh in savings were completed through the end of Q2.

Business Streetlighting

The Streetlighting Initiative incentivizes municipal customers to upgrade their streetlight fixtures to LED technology. Ameren Illinois-owned streetlight fixtures are incentivized to encourage replacement prior to burn out with a per fixture incentive provided to the customer.

In Q1 2018, significant outreach and discussions occurred with several communities and the State of Illinois Department of Transportation. No projects were completed and market feedback indicates initial incentive level assumed for Ameren Illinois-owned lights may need to be increased. Incentive for municipality-owned streetlights was increased to \$0.70/watts of power reduction for a given retrofit.

Q2 2018 Update

During Q2, only five applications from the public sector, including the Illinois Department of Transportation, were received. In response to these market conditions and with very little activity occurring for early replacement of Ameren-owned Streetlighting, funds were redirected to the Business Standard Initiative. Additionally, AIC continued to work to identify a diverse contractor, low income communities and necessary enhanced incentives to upgrade Ameren-owned lights.

PORTFOLIO-LEVEL NARRATIVE

BREAKTHROUGH EQUIPMENT AND DEVICES

Market Development Initiative

In Q1 2018, Ameren Illinois employees with support from its implementation contractors provided outreach and education to over 2,100 low-income customers. Specific activities included distribution and demonstration of energy saving products contained in an energy efficiency kit. Outreach was delivered through LIHEAP bill payment assistance events at four locations in the AIC service territory.

Several meetings were conducted creating a network of Community-Based Organizations (CBOs) with the goal of creating collaborative activities focused on education and delivery of energy efficiency measures to low-income communities. Content of the meetings included assessing CBO's areas of interest, capabilities, and insight on community needs. Preliminary plans were established for specific CBO's with creation of an overall Market Development Action Plan.

Q2 2018 Update

During Q2, this initiative included activities targeted at engaging the newly established network of CBOs to provide job training, economic development, and education/outreach related to energy efficiency. Many of the CBOs agreed upon metrics and budgets to be used in order to complete these efforts. Several woman and minority owned businesses were engaged or sought out to explore their ability to participate in the AIC energy efficiency program. Additionally, AIC launched its first Energy Efficiency Internship and Summer Work program. This program is new to Ameren Illinois and was designed to assist local and diverse job candidates in gaining experience and exposure to the energy efficiency industry. This program includes both an onsite work experience as well as instructor-led energy efficiency training with information about critical energy efficiency topics. AIC also furthered the development of a pilot project aimed at assisting moderate and low income customers in taking advantage of new technology like smart thermostats. This effort also focused on finding and engaging local and diverse service vendors to operate as program allies in delivery of these measures and services.

Pilot Program for Online Distribution of Measures

In Q1 2018, Ameren Illinois implemented a pilot for delivery of measures through an online platform for processing midstream incentives for business customers. Unique to this platform is the integration of the online transaction with large e-commerce distributors which seamlessly integrates the existing vendor websites to incentive processing. The partners to the company implementing this pilot are experts in the online advertising space and are able to target customers with relevant, actionable advertisements.

Q2 2018 Update

A third-party contractor offered the Rebate Bus service which provided online discounts for energy efficient lighting. This effort was an attempt to expand the number of online vendors available to AIC customers and was intended to compliment AIC's existing online store. However, as of the end of the second quarter, Rebate Bus has been unable to recruit a significant number of new lighting vendors.