

Nicor Gas Company
Energy Efficiency Program – Plan Year 2018
Quarterly Report: First Quarter
(January 1, 2018 to March 31, 2018)

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 2018 (“PY2018”), January 1, 2018 through December 31, 2018, as of the end of the reporting quarter period. This quarter will be referred to as the “First Quarter”. Secondly, the report discusses activity highlights for the quarter. Lastly, the Commission’s enumerated directives are discussed as appropriate.

II. Energy Therm Savings and Expenses

Attached hereto and made a part of this report is the Statewide Quarterly Report Template which shows, among other things, ex-ante results, costs, historical energy saved, and historical other – environmental and economic impacts for the period January 1, 2018 through March 31, 2018. As shown, Nicor Gas’ programs have accumulated net savings of 1.5 million net therms in PY2018, or about 9.0 percent of its planned energy savings of 16,509,651 therms for PY2018 as stated in its EEP filing. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of approximately \$6.0 million.

III. Quarter Highlights

Residential Programs:

Home Energy Efficiency Rebates (HEER):

The objective of the Home Energy Efficiency Rebate (“HEER”) Program is to obtain energy savings by overcoming market barriers to the purchase, installation and maintenance of high efficient natural gas space-heating equipment as well as other targeted measures in residential applications.

Key Program Changes:

None

Program Successes:

The participation level for boiler replacements has been higher than expected. The market conditions allowed us to maintain constant participation in our boiler replacement offering.

Program Challenges:

No significant issues.

Home Energy Savings (HES):

The Home Energy Savings (“HES”) program is a whole house single family weatherization program with the objective to obtain natural gas and electricity savings in existing single-family buildings by overcoming market barriers to the installation of energy efficiency measures. The HES program provides weatherization and shell improvement opportunities using standard, prescriptive and whole-house approaches.

Key Program Changes:

None

Program Successes:

We have experienced higher than expected customer participation for the assessment offering within this program.

Program Challenges:

No significant issues

Multi-Family (MF):

The Multi-Family Program (“MF”) addresses residential (living units) and commercial (communal areas, central plants) energy efficiency opportunities available in multi-family buildings. The program aims to overcome market barriers to the installation of energy efficiency measures in multi-family buildings by offering comprehensive assessments, technical assistance and incentives. MF offers property owners with turnkey services to reduce energy and water use in both residential living units, communal areas building shell.

Key Program Changes:

None

Program Successes:

On-target

Program Challenges:

No significant issues

Residential New Construction (RNC):

The objective of the Residential New Construction Program (“RNC”) is to obtain energy savings by increasing the energy efficiency in the new construction of single-family homes and duplexes beyond existing building codes.

Key Program Changes:

Per our evaluator’s recommendation, in homes with natural gas hot water heaters, we will claim prescriptive therm savings for dishwashers and clothes washers beginning in 2018.

Program Successes:

The HouseRater mobile data collection app has been released in the app store and is available for download by all rating companies participating in the RNC program. Currently, there are two rating companies that are beta testing the app and evaluating it for incorporation into their rating process. Initial feedback has been very positive. For companies that choose to not utilize the mobile app, the standard web-based intake will continue to be available.

Program Challenges:

No significant issues

Energy Education and Outreach:

The energy education and outreach program aims to enhance residential customer's understanding of energy usage in their homes and educate these customers on available energy efficiency opportunities through energySMART. This program includes three offerings:

Energy Saving Kits ("ESKs")

Energy Education Kits ("EEKs")

Behavior Energy Savings ("Behavior")

Key Program Changes:

None

Program Successes:

In the first quarter, 1,099 ESKs were distributed to customers, including 730 kits at customer events. These events included the Chicago Home Show (Orland Park and Aurora), Spring Home and Garden Show (Arlington Heights and Tinley Park), and the DeKalb/Sycamore Community Expo.

Due to school demand, the Super Savers (EEKs) Offering exceeded its spring program participation goal. Participation expansion for the fall program is under consideration to meet customer experience expectations.

The Behavior Offering is under development, with productive conversations with three vendors capable of implementing a Home Energy Reports program. The information gathered will assist in developing a program RFP during Q2.

Program Challenges:

The ESK Offering is currently below participation goal; marketing efforts (social media channels, newspaper ads and a bill insert) will be implemented in subsequent quarters to ensure the participation goal of 10,251 kits is met.

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:

Key program changes associated with AHNC for 2018 are: 1) incentive structure and 2) incentive payment stipulations for projects accepted on or after January 1, 2018. The incentive structure has been simplified for both new construction and major renovation projects. Incentives are now strictly based on square footage of living space and whether projects have less than 80 total units, or 80 total units and above.

Incentives are now paid out at 40% following verification of three required building measures (windows, thermal bridging and infiltration testing) and the remaining 60% is paid upon project completion and the verification of installed energy conservation measures.

Program Successes:

One project, Huntley Senior Living Community (“HSLC”), has been completed; it consists of 79 units of affordable senior housing in a 3-story low-rise building (64 units) and three 5-unit villas. The energy efficiency measures installed will save HSLC 17,201 therms annually.

Program Challenges:

No significant issues

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 sector by promoting the purchase and installation of energy efficiency measures such as high-efficiency space heating, water heating and food service technologies, tune-ups and upgrades. This is accomplished by providing the direct installation of free, energy-saving products and by completing energy assessments of customers’ facilities and providing tailored energy efficiency project recommendations.

Key Program Changes:

None

Program Successes:

We are starting to see increased interest public sector projects such as park districts and schools.

Program Challenges:

No significant issues

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 gas energy efficiency measures that are not otherwise addressed in Nicor Gas’ BEER or SB Program. Additionally, the Custom program offers a Retro-Commissioning offering, assisting participants with low-cost and no cost tune-ups and adjustments to the operating systems, building controls, energy management systems and HVAC of existing buildings. The aim of the retro-commissioning is to optimize operation and improve their building efficiency by returning them to their intended operation or design specifications. The Custom program also includes a CHP offering.

Key Program Changes:

None

Program Successes:

On target

Program Challenges:

Participation has begun to slow from the previous year but the pipeline is beginning to build.

Strategic Energy Management:

The objective of the Strategic Energy Management (“SEM”) program is to obtain energy savings by focusing on improving and optimizing commercial and industrial operations, processes and energy equipment.

Key Program Changes:

None

Program Successes:

During an SEM customer site meeting, a difference in gas consumption was discussed. Nicor Gas and its implementation contractor recommended that gas leak detection survey be conducted by a third-party contractor of the interior of the plant. As a result, a gas leak was identified, repaired, and a safety hazard was eliminated, resulting in a very grateful customer.

Program Challenges:

No significant issues

Small Business:

The Small Business Program’s (“SB”) objective is to obtain long-term natural gas energy savings from small business gas customers with energy efficiency retrofit and financial incentives to influence the installation of high efficient natural gas equipment.

Key Program Changes:

None

Program Successes:

We experienced strong participation our steam trap offering and an unanticipated participation level for boiler tune-ups as well. We are committed to meeting the demands of the market.

Program Challenges:

No significant issues

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:

The key program change for 2018 is a tiered incentive rate that encourages participation early in the planning and design process that will result in greater energy savings. The three tiers are as follows:

TIER	ENGAGEMENT REQUIREMENT	PRIVATE SECTOR INCENTIVE RATE	PUBLIC SECTOR INCENTIVE RATE
Accelerated Performance	Prior to design team selection and include energy performance requirement	\$0.70/therm	\$1.00/therm
Comprehensive Assistance	Prior to 50 percent design completion for two building systems*	\$0.50/therm	\$0.70/therm
Expedited Assistance	At least six weeks prior to the design completion for two building systems*	\$0.35/therm	\$0.50/therm

*Building systems include envelope, primary HVAC equipment, lighting and qualified refrigeration systems.

Program Successes:

The Knead Dough (Turano) Bakery project is a 209,913-sq. ft. bakery expansion at Turano’s plant in Bolingbrook, IL, for which they received an incentive from Nicor Gas. An annual energy savings of 17,025 therms will be realized as the result of roof and wall insulation upgrades, as well as the installation of condensing, modulating boilers. Additionally, the expansion has resulted in the creation of ~100 new jobs at Turano. The expansion area is only at 60% capacity, so Turano plans to open 3-4 more product lines shortly.

Program Challenges:

No significant issues

Emerging Technology:

The primary mission of the Nicor Gas Emerging Technology Program (“ETP”) is to seek out new or unproven technologies that may be suitable for inclusion in the energySMART program and verify their natural gas-savings through field tests and *in-situ* pilot demonstrations.

Successful Measures:

No measures were finalized during the first quarter, however, Nicor Gas initiated five pilots within the ETP initiative.

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 first quarter's highlights.
2. Please see the above section on the first 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 2018 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.