

Nicor Gas Company
Energy Efficiency Program – Plan Year 4
Quarterly Report: First Quarter
(June 1, 2014 to August 31, 2014)

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. 13-0549 concerning the content of such report. On May 30, 2014 Nicor Gas made the required compliance filing of its three-year Energy Efficiency Plan (“EEP”). This report first discusses EEP energy therm savings and program expenses for Plan Year 4 (“PY4”), June 1, 2014 through May 31, 2015, as of the end of the reporting quarter period. 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 Appendix A which shows in tabular format energy therm savings and expenses for each residential and business energy efficiency program for the period June 1, 2014 through August 31, 2014. As shown, Nicor Gas’ programs have accumulated net savings of 443,747 therms in PY4, or 4.6 percent of its planned energy savings of 9,743,000 therms for PY4 as stated in its EEP. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of \$4.0 million, or 12.6 percent of the PY4 budget of \$31,560,000. (excludes DCEO spending)

III. First Quarter Highlights

Residential Programs:

Home Energy Efficiency Rebates:

The program is ramping up as the installation of a new rebate processing system is being completed and the PY3 program is being finalized. Participation in the program is increasing as the heating season approaches and should be on pace to meet PY4 goals. Kit distribution was not heavily promoted during the first quarter. However, a substantial increase in promotional efforts should result in an increase of kit deliveries over the remaining part of PY4.

Home Energy Savings:

The Home Energy Savings (“HES”) program is managed by a new implementation contractor for PY4. The program has adjusted its focus from the filing to eliminate the “Standard” offering and instead offer only the Prescriptive track. This approach reduces overall program costs and yields more energy savings compared to the dual-track approach in offered in previous years and described in the filing. Installing a new implementation contractor and launching the Home Assessment and Direct Install portion of this offering was the primary activity for this quarter. The contractor prescriptive offering is growing and producing therm savings.

Multi-family Comprehensive Energy Efficiency Program:

The primary activities for this quarter included the introduction of a new implementation contractor, along with installation of the new rebate processing system. However, projects pipeline shows greater than expected therms savings moving into the second quarter. Thus, the program should be on track to meet the PY4 forecasted goal.

Residential New Construction:

PY4 started with a new "tiered" incentive structure that has thus far resulted in a greater number of therms saved on an average per home basis. The program is going strong and will likely hit its goal in third quarter of PY4.

Elementary Energy Education:

PY4 started with a new implementation contractor, Resource Action Programs. The company provides materials to the teachers for instruction during the school year, and is a change from the previous model, which included in-class presentations by selected instructors. Therm savings for the program will be reported in the fourth quarter of PY4.

Behavioral Energy Savings:

Nicor Gas started the process of selecting a firm to conduct a wasted energy study which will be the basis for designing and implementing a Behavioral Energy Savings program for the following year (PY5).

Business Programs:

Business Energy Efficiency Rebates:

The PY4 program is essentially the same as in PY3. Therm savings are tracking in line for meeting the PY4 goals. New measures were added as described below.

Business Customer Program:

A busy end to PY3 has led to a slowdown of initial PY4 projects. Nicor Gas anticipates the number of projects increasing as PY4 moves into the second and third quarters.

Small Business Energy Efficiency Program:

The primary activities for Small Business in this quarter were to transition to a new implementation contractor and emphasize the new direct install delivery method. Therm savings are anticipated to increase significantly over first quarter results as the program moves into the winter months.

Business New Construction:

Therm savings slowed with emphasis on completing PY3 projects and the startup of the new Energy Efficiency Plan. However, a robust pipeline of committed projects is estimated to yield substantial therm savings later in the year.

Emerging Technology:

A number of PY3 projects are finishing up in PY4. During PY4, five new pilot projects will be started with three of the projects in partnership with Commonwealth Edison. Additionally, four pilot projects are under consideration for startup during PY4.

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.

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 B for a discussion and list of new measures added to Nicor Gas' programs. During the first quarter of PY4, no programs were added and no programs or measures were discontinued.
4. Spending and savings by program are shown in Appendix A.
5. During the first quarter of PY4, Nicor Gas made numerous program process changes in response to its evaluator's PY2 program processes evaluations. Nicor Gas made no adjustments to its EEP programs in consideration of changes to the IL-TRM, NTG ratios, market research findings or other relevant information available to Nicor Gas.

- C. New Energy Efficiency Measures: Cost-effectiveness screening results for new measures.

Actions: Nicor Gas added twenty-three new measures during the first quarter. A large majority of these measures were included in the Nicor Gas EEP and are now either reconfigured or made available in more programs. The results of the Total Resource Cost ("TRC") test for each new measure are provided in the attached Appendix B. The measures not included in Nicor Gas EEP filing are marked by an X.

- D. Cost-Ineffective Measures: Explain reasons for including new cost-ineffective measures in programs.

Actions: One cost-ineffective measure was added during the quarter. As shown in Appendix B, the hydronic boiler measure in the Small Business EEP program has a TRC of 0.98. Nicor Gas is including this measure for the following reasons:

- **Consistency Across Prescriptive C&I Offerings**

This measure was included in Nicor Gas' compliance EEP using three different size configurations (<100 kBtu; 100-200 kBtu, and 200-300 kBtu), one of which (<100 kBtu) had a TRC below 1.0. This new measure is essentially a weighted average of the three separate measures included in the EEP. To improve the customer and trade ally experience, the Nicor Gas EEP has made the prescriptive offerings consistent across all C&I prescriptive programs (Business Energy Efficiency Rebates, Multi-Family Common Area, and Small Business EEP). While the incentives offered may differ between the programs, the types and efficiency requirements of the measures have been aligned to reduce confusion, ease participation, and encourage trade allies to participate in all program offerings.

- **Installation Configuration Issues**

Certain customers are not able to accommodate the venting requirements associated with higher efficiency condensing boilers due to limited space or vent configuration requirements. The Nicor Gas Energy Efficiency Program decided to include hydronic boilers with efficiency greater than 85% to provide an option for these customers to participate in the program, achieve energy savings

associated with the increased efficiency, and lead to future participation in the program with additional measures.

- **Trade Ally Engagement and Participation**

Trade allies have expressed significant interest in maintaining an incentive for hydronic boilers with efficiency greater than 85%. Through discussions and focus groups, trade allies have informed Nicor Gas that inclusion of this measure within programs would lead to continued participation in the programs and reasonably lead to participation in other energy efficiency measures.

- **Initial Program Engagement**

The Nicor Gas Energy Efficiency Program views inclusion of 85% efficiency and greater hydronic boilers as a means to get customer's to initially participate in the programs, which will lead to future projects and greater energy savings as the benefits of the program and efficient equipment are realized.

**Nicor Gas Energy Efficiency Program - Plan Year 4
Quarterly Report: First Quarter
Program Year-to-Date Energy Savings and Expenses
(June 1, 2014 to August 31, 2014)**

	Energy Savings (Net Therms)			Program Expenses		
	YTD Therms	PY4 Goals	Percent	YTD Expenses 1/	PY4 Budget	Percent
Residential Programs						
Home Energy Efficiency Rebate Total	313,183	2,103,000	14.9%	\$ 872,251	\$ 7,938,000	11.0%
Home Energy Savings	23,801	311,000	7.7%	\$ 407,953	\$ 2,573,000	15.9%
Multi-Family Home Energy Savings	3,064	1,049,000	0.3%	\$ 474,683	\$ 2,670,000	17.8%
Residential New Construction	41,432	209,000	19.8%	\$ 182,978	\$ 1,015,000	18.0%
Elementary Energy Education	-	83,000	0.0%	\$ 28,449	\$ 284,000	10.0%
Behavioral Energy Savings	-	231,000	0.0%	\$ -	\$ 179,000	0.0%
Residential Programs - Total	381,480	3,986,000	9.6%	\$ 1,966,314	\$ 14,659,000	13.4%
Business Programs						
Business Energy Efficiency Rebate	-	2,825,000	0.0%	\$ 339,516	\$ 2,085,000	16.3%
Business Custom Incentive	-	2,049,000	0.0%	\$ (469,803)	\$ 5,687,000	-8.3%
Small Business Energy Savings	60,451	662,000	9.1%	\$ 715,271	\$ 1,926,000	37.1%
Business New Construction	1,816	221,000	0.8%	\$ 105,288	\$ 796,000	13.2%
Business Programs - Total	62,267	5,757,000	1.1%	\$ 690,273	\$ 10,494,000	6.6%
Other Programs						
Emerging Technology Program - Total	-	-	0.0%	\$ 260,331	\$ 931,000	28.0%
Year-to-Date Energy Savings and Program Expenses	443,747	9,743,000	4.6%	\$ 2,916,917	\$ 26,084,000	11.2%
Portfolio Administration						
Portfolio Technology				\$ 115,969	\$ 485,000	23.9%
Portfolio Marketing				\$ 320,510	\$ 1,030,000	11.3%
Portfolio Management				\$ 518,788	\$ 3,030,000	17.1%
EM&V				\$ 92,658	\$ 931,000	10.0%
Portfolio Administration - Total				\$ 1,047,925	\$ 5,476,000	19.1%
Other Programs and Portfolio Costs -Total				\$ 1,308,256	\$ 6,407,000	20.4%
				\$ 3,964,842	\$ 31,560,000	12.6%
Department of Commerce and Economic Opportunity						
				\$ 297,594	\$ 10,520,000	2.8%
Grand Total for Plan Year 4	443,747	9,743,000	4.6%	\$ 4,262,437	\$ 42,080,000	10.1%

1/ Expenses reflect accruals and carry-overs from Plan Year 3.

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New Program Measures
(June 1, 2014 to August 31, 2014)

Program	Measure Name	TRC	New in PY4
HEER	Furnace, ≥92% AFUE - Early Retirement	3.09	X
HEER	Furnace, ≥95% AFUE - Early Retirement	2.07	X
HEER	Furnace, ≥97% AFUE - Early Retirement	1.74	X
HEER	Programmable Thermostats - Direct (Contractor) Install	6.52	
HEER	Programmable Thermostats -Point of Sale (Instant Discount)	3.65	
HEER	BUNDLE #2 - 97% Furnace, WH, Tstat	1.57	
MF	Indoor Pool Covers	4.06	
MF	Outdoor Pool Covers	1.53	
MF	Ozone Laundry	2.27	
BEER	Infrared Rotisserie Oven	1.40	
BEER	Rack Oven - Single	1.43	
BEER	Rack Oven - Double	1.63	
SBEEP	Faucet Aerators - Kitchen - Direct Install	2.68	
SBEEP	DHW Water Heater Pipe Wrap - 6' - Direct Install	1.59	
SBEEP	Water Heater Set Back - Direct Install	1.61	
SBEEP	Hydronic Boilers, ≥85% AFUE <300 MBH	0.98	
SBEEP	Furnace, ≥92% AFUE	3.29	
SBEEP	Furnace, ≥95% AFUE	2.07	
SBEEP	Storage Water Heater, ≥0.67 EF	3.25	
SBEEP	Storage Water Heater, ≥88% TE	9.69	
SBEEP	Retro Commissioning Services - "RCx Lite"	1.50	
SBEEP	Additional Custom Measures >/=2,500 <7500 therms	2.69	