

**Nicor Gas**  
**Energy Efficiency Program – Plan Year 4**  
**Quarterly Report: Second Quarter**  
**(September 1, 2014 to November 30, 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 cumulative energy therm savings and expenses for each residential and business energy efficiency program for the period June 1, 2014 through November 30, 2014. As shown, Nicor Gas’ programs have accumulated net savings of approximately 2,567,000 therms in PY4, about 26% 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 \$11.0 million, or about 35 percent of the PY4 budget of \$31,560,000 (excludes DCEO spending).

**III. Second Quarter Highlights**

**Residential Programs:**

Home Energy Efficiency Rebates:

Participation in the program is increasing as the heating season approaches and should be on pace to meet PY4 goals. During the second quarter, Nicor Gas began increasing the promotion of energy savings kit distribution by utilizing emails and bill inserts. This will continue into the third quarter and result in an increase of kit deliveries over the remaining part of PY4.

Home Energy Savings:

In PY4, the Home Energy Savings (“HES”) program saw a new implementation contractor (CLEARresult) become the manager of the program and the program’s focus began following a prescriptive track. By allowing more contractors access to the program, this approach should reduce overall program costs and yield more energy savings compared to the previous approach. Nicor Gas’ focus during the first two quarters was on implementing these changes. Consequently, results from this change will be greater in the third and fourth quarters of PY4.

#### Multi-family Comprehensive Energy Efficiency Program:

The primary activities for this quarter included the introduction of a new implementation contractor (CLEAResult) and, like HES, an increase in access for more contractor participation. This program, while lagging in results to-date, has a very strong pipeline and should be on track to achieve PY4 goals.

#### Residential New Construction:

PY4 has 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 the tiered incentive structure has been very popular with builders.

#### Elementary Energy Education:

PY4 started with a new implementation contractor, Resource Action Programs. The company provides energy efficiency teaching materials to the instructors. The lessons are intended to be taught over a five or ten-day period during the school year. This is a change from the previous model, which included a single in-class presentation by instructors provided by the implementation contractor. The program is fully enrolled with approximately 9,600 students. Therm savings for the program will begin to be reported in the third quarter of PY4.

#### Behavioral Energy Savings:

Nicor Gas chose The Forward Curve consultancy to perform a wasted energy study which will be the basis for designing and implementing a Behavioral Energy Savings program for the following year (PY5). The study is expected to be completed at the start of the fourth quarter of PY4. No savings are planned to be reported for this program until late PY5.

### **Business Programs:**

#### Business Energy Efficiency Rebates:

The PY4 program is essentially the same as in PY3. During the first and second quarters of PY4, activities have focused on rebuilding the pipeline of projects which was exhausted at the end of the EEP first three-year cycle. Currently, Nicor Gas estimates that the pipeline of therm savings are in line to achieve PY4 goals.

#### Business Custom Program:

A busy end to PY3 has led to a slowdown of initial new PY4 projects. During the second quarter, Nicor Gas focused on re-visiting customers who had previously participated in the program. As a result of this activity, Nicor Gas anticipates the number of projects increasing as PY4 moves into the third and fourth quarters. This is very similar to results seen in prior years as projects under this program tend to be of longer-term in nature in obtaining customer commitment.

#### Small Business Energy Efficiency Program:

The transition to a new implementation contractor (CLEAResult) continues with emphasis on the new direct install delivery method. Similar to the Business Energy Efficiency Rebates Program, during the first and second quarters of PY4, activities have focused on rebuilding the pipeline of projects which was exhausted in the fourth quarter of PY3. Currently, Nicor Gas estimates that the pipeline of therm savings are in line to achieve PY4 goals especially 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 projects that began in PY3 are completing 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 second quarter's highlights.
2. Please see the above section on the second quarter's highlights.
3. Please see Section C below and Appendix B for a discussion and list of new measure(s) added to Nicor Gas' program(s). During the second quarter of PY4, no programs were added but one new measure (Strategic Energy Management) was added to the Custom Program. No programs or measures were discontinued.
4. Spending and savings by program are shown in Appendix A.
5. During the second quarter of PY4, Nicor Gas made a data collection process change for the commercial thermostat measure in response to the measure being added to the IL-TRM. In addition, Nicor Gas adjusted its Home Energy Efficiency Rebate and Business Energy Efficiency Rebate programs by accelerating the distribution of Energy Savings Kits into PY4 and increasing the rebates for steam traps into PY4 for each program respectively. Nicor Gas made these adjustments as a result of managing customer experience and evaluation, measurement and valuation issues/risks.

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

Actions: Nicor Gas added one new measure during the second quarter. Strategic Energy Management (“SEM”) is a joint measure with Commonwealth Edison. SEM’s premise is to create a group (“cohort”) of approximately ten large industrial customers that will commit to a facility assessment to discover no-and-low cost ways to conserve energy at their facilities. Eleven participating companies were recruited. Cohort members are required to sign an agreement that states that they will assign a program champion and executive sponsor, and they will make a “good faith effort” to attend meetings (12 group and individual meetings over a one-year period). These meetings provide cohort members the value and opportunity of interaction with other energy decision-makers and are able to share their ideas for conserving energy. In addition, if a member makes a capital improvement through one of Nicor Gas’ other programs, the member receives an additional 10% added to their rebate amount, with a total maximum rebate of \$500,000.

The results of the Total Resource Cost (“TRC”) test for each new measure are provided in the attached Appendix B. The measure(s) 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: No new cost-ineffective measures were added during the quarter.