

Nicor Gas Company
Energy Efficiency Program – Plan Year 4
Quarterly Report: Fourth Quarter
(March 1, 2015, to May 31, 2015)

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 May 31, 2015. As shown, Nicor Gas’ programs have accumulated net savings of 12,092,107 therms in PY4, or 124 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 \$29.8 million, or 94.3 percent of the PY4 budget of \$31,560,000 (excludes Department Commerce Economic Opportunity (“DCEO”) spending).

III. Quarter Highlights

Residential Programs:

Home Energy Efficiency Rebates:

Nicor Gas has exceeded its annual PY4 goal for the Home Energy Efficiency Rebates Program (“HEER”) by over 1,974,689 therms. Increased customer demand for 95 and 97 percent efficient furnaces has been a key driver in exceeding this goal. This has been made possible by strong trade ally participation and promotion for this type of equipment.

Additionally, under the HEER program, Nicor Gas continues to promote the distribution of energy savings kits (“ESKs”) by utilizing targeted customer e-mails and bill inserts. In PY4, Nicor Gas distributed over 41,000 ESKs, achieving 217% of its PY4 therm savings goal for this offering. Nicor Gas will manage future demand

for ESKs in PY5 and PY6 to reach its overall original participation goal of 60,000 kits for the three-year period.

Home Energy Savings:

In PY4, the Home Energy Savings (“HES”) program began following a prescriptive track which allows more contractors access to the program. HES has experienced strong participation in assessments, direct installs and prescriptive air sealing/insulations offerings. This program exceeded its annual goal by 49,835 therms.

Multi-family Comprehensive Energy Efficiency Program:

The Multi-family Home Energy Savings has experienced a large participation increase in its prescriptive selection of offerings - primarily pipe wrap insulation. Also in the fourth quarter there was an increase in the direct install measures. The momentum seen in the fourth quarter within direct install and building assessments looks promising for PY5. Although the program was on track to reach 100% of its goal in the fourth quarter, some projects slipped into June resulting in an achievement of 97.4% of the PY4 goal.

Residential New Construction:

Nicor Gas was able to exceed its therm-savings goal, 10% higher than its PY4 goal, for the Residential New Construction Program as a result of the program’s “tiered” builder incentive structure and a greater number of therms saved on average per home. This program continues to be very popular with builders and raters. Savings for this program would have been higher were it not for the delay in launching the Residential Code Compliance offering. This offering is contingent upon participation by the DCEO, which has not been obtained at this time. When the code compliance offering launches, the intention is to have DCEO as the administrator. The reported PY4 results were achieved while spending about 75% of the total budget.

Elementary Energy Education:

Nicor Gas was able to exceed the therm-savings goal for the Elementary Energy Education Program by almost 18% due to higher student participation than planned. During PY4, a total of 9,591 fifth-grade students participated in the program. Nicor Gas hired a new implementation contractor, Resource Action Programs, to administer the PY4 program branded as “Super Savers.” The lessons were taught over a five or ten-day period which involved teachers and students discussing concepts such as energy efficiency, energy conservation and renewable energy. Students were provided a kit that included water-savings measures to install in their homes. The budget for this program was slightly exceeded as a result of accommodating the higher student participation levels.

Behavioral Energy Savings:

During PY4, Nicor Gas had no therm savings for the Behavioral Energy Savings (“BES”) Program. Nicor Gas’ efforts during PY4 concentrated on conducting and evaluating a wasted energy study in accordance with the Commission’s directive in Docket No. 13-0549. This study will be the basis for the design and implementation of the BES program for PY5 and PY6. As a result of the start-up of this program in PY5, Nicor Gas anticipates that no savings will be reported for this program until late PY5.

Business Programs:

Business Energy Efficiency Rebates:

The PY4 program is essentially the same as the program conducted in PY3. In order to boost participation, Nicor Gas increased the rebate for steam traps beginning March 1, 2015. As a result of the program pipeline being rebuilt and a change in steam trap rebates, Nicor Gas did exceed PY4 goals. In addition, Nicor Gas began offering assessments and direct installation of free products to medium-sized businesses in its territory as part of this program in Q4. These offerings were previously only available to customers in Nicor Gas’ Small Business Energy Savings Program.

Business Custom Program:

Nicor Gas has rebuilt its program pipeline of business custom projects over PY4 after a busy end to PY3, which saw many projects completed. Nicor Gas did not reach its PY4 goal for Business Custom, as not all current projects were installed and operational by the May 31st deadline. Those projects will be carried-over into PY5. This is very similar to results seen in prior years, as projects under this program tend to be of a longer-term in nature in light of the need to obtain customer commitment for start-up and completion.

Small Business Energy Efficiency Program:

This program was transitioned to a new implementation contractor during PY4, and the program continues its emphasis on the new direct install delivery method. Similar to the Business Energy Efficiency Rebate and Custom Programs, during PY4, activities have focused on rebuilding the pipeline of projects that was exhausted in PY3. During the third quarter of PY4, this program experienced a very strong customer demand for pipe insulation. As a result of this higher than expected participation in indoor pipe insulation, Nicor Gas reduced the incentive from \$10 to \$4 per linear foot in PY4 to align with the current incentive within the standard business prescriptive offering. Nicor Gas exceeded the PY4 goals for this program by almost 25%.

Business New Construction:

As indicated in previous quarterly report updates, Nicor Gas was slightly short (8%) of achieving the PY4 goal for Business New Construction (“BNC”) due to a delay in

launching the Business Code Compliance offering. This offering is contingent upon participation by the DCEO, which has not been obtained at this time. When the code compliance offering launches, the intention is to have DCEO as the administrator. Nicor Gas did exceed its traditional BNC therm-savings goal by 58% due to more projects completing in PY4 than expected, but only achieved 92% of overall goal due to a delay in the Code Compliance offering. This also resulted in only spending about 74% of the total budget.

Emerging Technology:

Two pilot projects, Small Commercial Energy Management Information Systems and Automated Steam Trap Status Monitoring Systems, were near conclusion in the last quarter of PY4 and draft reports are expected early in PY5. In addition, three new pilot projects were approved during this quarter with testing underway early in PY5.

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 fourth quarter's highlights.
2. Please see the above section on the fourth 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 fourth 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. Nothing to report for the fourth quarter.

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

Actions: Nicor Gas added two new cost effective measures during the fourth quarter. These measures were Pipe Insulation for Commercial Dry Cleaners and Low Flow Shower Heads (2.0 gpm). These measures were added to meet the needs of Nicor Gas' customers. As further described below, Nicor Gas also added the following two new cost-ineffective measures to the BEER program during the fourth quarter: Drop-ins and Assessments. The results of the Total Resource Cost ("TRC") test for these new measures is provided in the attached Appendix B.

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

Actions: Under the new measures known as Drop-ins and Assessments, Nicor Gas will perform assessments and offer free products to medium-sized businesses (i.e., those with 60,000 to 100,000 annual therm consumption) by "dropping-in" on the customer's premise when in the area doing other energy efficiency work. This, in essence, amounts to a "cold call" on the customer and the costs associated with these measures account for the assessor's time and effort. Any free products installed on the customer's premises (such as faucet aerators for kitchen/bath, low-flow shower heads, pre-rinse spray valves for a commercial kitchen and/or programmable thermostats) are accounted for through already documented measures in Nicor Gas' EEP. These two new measures are necessary in order to fill the gap between the currently available measures within the small business program (available to businesses who are independently owned and consume 60,000 therms or less annually) and the opportunity assessments and facility assessments being offered to customers who consume more than 100,000 therms annually. This enhances customer experience and customer satisfaction by providing free products and assessments to utility customers. This change will further enhance Nicor Gas' energy efficiency measures to provide a complete suite of incentive assessments to all business customers.