

Nicor Gas Company
Energy Efficiency Program – Plan Year 5
Quarterly Report: Second Quarter
(September 1, 2015 to November 30, 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 5 (“PY5”), June 1, 2015 through May 31, 2016, 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, 2015 through May 31, 2016. As shown, Nicor Gas’ programs have accumulated net savings of about 3,161,000 therms to date in PY5, or 34 percent of its planned energy savings of approximately 9,213,000 therms for PY5 as stated in its EEP. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of nearly \$11,634,000, or 37 percent of the PY5 budget of approximately \$31,195,000 (excludes Illinois Department of Commerce and Economic Opportunity (“Department”) spending).

III. Quarter Highlights

Residential Programs:

Home Energy Efficiency Rebates:

The Home Energy Efficiency Rebates (“HEER”) offering is tracking to the PY5 goals. Changes were made to the applications at the start of PY5 and these changes have helped streamline the product information for the customer and contractor. Also, as the heating season is upon us, we are seeing an increase of applications which are in line with our forecast and goals.

Additionally, under the HEER program, Nicor Gas continues to promote the distribution of energy savings kits (“ESKs”) via the nicorgasrebates.com website and at live events. In Q2, Nicor Gas distributed over 2,700 ESKs, for an overall distribution total of 6,700 ESKs, achieving 25% of its PY5 therm-savings goal for

this offering. It should be noted that only another 11,400 ESKs need to be distributed to achieve the 3-year goal of 60,000 total ESKs distributed.

Home Energy Savings:

The Home Energy Savings (“HES”) program is experiencing an increase in the volume of assessments as we enter the fall and winter months, as expected. We introduced the addition of Ecobee3, a smart thermostat, for Nicor Gas and Commonwealth Edison Company (“ComEd”) customers with a co-pay of \$150 for this product which includes installation. Since the introduction of this measure, 30% of all customer assessments are taking advantage of this offering.

The prescriptive air sealing/insulation portion is tracking to our forecast within the first and second quarter. Overall, it would appear at this time that we are on track to obtain our PY5 therm saving goal for this program.

Multi-family Comprehensive Energy Efficiency Program:

The Multi-family Comprehensive Energy Efficiency Program has experienced an increase in assessments and direct installs from the first quarter. There is a strong program pipeline and momentum going into the third quarter within the assessment and direct install portion of this program. The prescriptive portion is tracking to goal and continues to see strong trade ally participation.

Residential New Construction:

The Residential New Construction (“RNC”) program certified 210 homes during the second quarter, for an overall PY5 total of 390 homes (39% of goal). The program achieved a net savings of nearly 72,000 therms for the quarter and 135,000 net therms have been achieved overall for PY5. In the Plan year to date, 38% of the overall PY5 goal (or about 161% of the RNC program goal exclusive of the Residential Code Compliance offering) has been achieved. The average savings per home was 342 therms during Q2, which is down slightly from an average of 347 therms in Q1.

In support of outreach and recruiting efforts with builders and raters (professionals who measure and verify the achieved efficiency of the building), the program conducted a two-hour training called “Selling High-Performance Homes” at the Nicor Gas general office on November 19, 2015. The presenter was the president of Building Trust LLC, who has been in the building industry for over 26 years and is considered a champion in the field of “green” and energy-efficient home building. The attendees included three participating builders, three non-participating builders, three participating raters, and an insulation manufacturer (Dow Chemical).

As indicated in previous reports, the overall savings for this program would have been higher were it not for the delay in launching the Residential Code Compliance offering. This offering has been awarded to Leidos Engineering LLC for implementation and will be administrated by the Department once State of Illinois funding is made available.

Elementary Energy Education:

In Q2, the Super Savers program became fully enrolled and the student kits were distributed. The total participation for the Nicor Gas/ComEd program is 8,350 and for the Nicor Gas-only program is 387, for a total participation of 8,737.

This represents a 9% decrease compared to PY4 which is necessary to ensure that budget targets are not exceeded. Therm savings will be reported in Q4, after participant surveys have been returned and tabulated.

Additionally, outreach was conducted on November 11, 2015 at Rock Cut Elementary School in Loves Park, Illinois. At the event, the utility partners and Nicor Gas leadership addressed the students regarding the program and career opportunities in the natural gas industry.

Behavioral Energy Savings:

In Q2, a program proposal developed by CLEAResult was accepted by Nicor Gas and is currently being vetted by Navigant Consulting for evaluation impacts. The program is targeted to renters and involves a cold-water clothes washing “challenge,” as well as education for multifamily residents on a number of energy-saving strategies. Program launch is anticipated in PY5 Q4.

Business Programs:

Business Energy Efficiency Rebates:

The Business Energy Efficiency Rebate (“BEER”) PY5 program is essentially the same as the program conducted in PY4 and is continuing to ramp up after completing and closing out PY4. Therm savings for Q2 were approximately four times that of Q1, but were below forecast. In order to boost participation and measure mix diversification: (1) on October 1, 2015, the BEER program added bonuses to 10 prescriptive measures in the following five categories: ozone laundry; medium to large condensing and hydronic boilers; furnaces and infrared heaters and (2) the BEER program is providing Trade Ally and customer training for infrared heaters and boiler tune-ups, and is distributing new measure fact sheets (infrared heaters) and case studies (ozone laundry).

Business Custom Program:

Nicor Gas continues to work its very strong program pipeline of business custom projects after a busy end to PY4. PY5 Q2 therm savings were approximately 15 times more than in Q1 and are tracking at or better than forecast. Similar to results seen in prior years, custom projects tend to be longer-term in nature and require customer commitment for start-up and completion. Project completion and verification tends to mainly occur in Q4.

Nicor Gas completed its pilot offering of Strategic Energy Management (“SEM”), which is a 12 month pilot program that began November 2014. Final 1st year Savings through low cost/no cost measures are currently being calculated. Nicor Gas is

continuing the program with the same cohort for another year beginning January 1, 2016.

Small Business Energy Efficiency Program:

The PY5 program is essentially the same as the program conducted in PY4. PY5 activities have focused on rebuilding the pipeline of projects that was exhausted in PY4. From a slow start in Q1 therm savings, Q2 therm savings were approximately four times more than in Q1 and are now tracking at or better than forecast. The small business prescriptive and custom savings and pipeline are very strong.

Business New Construction:

For the second quarter, Business New Construction (“BNC”) achieved a net savings of nearly 240,000 therms for the quarter and about 354,000 net therms have been achieved overall for PY5. In the Plan year to date, 116% of the overall PY5 goal (or about 292% of the BNC program goal exclusive of the Business Code Compliance offering) has been achieved.

As indicated in previous reports, the overall savings for this program would have been higher were it not for the delay in launching the Residential Code Compliance offering. This offering has been awarded to Leidos Engineering LLC for implementation and will be administrated by the Department once State of Illinois funding is made available.

Emerging Technology:

Two projects (Small Commercial Energy Management Information System (“EMIS”) and Automated Steam Trap Status Monitoring System) concluded monitoring activities in the first quarter of PY5. The final analyses are underway with completion expected in the third quarter of PY5. The final report and supporting spreadsheets for both projects will be completed by the end of January, 2016. In addition, there are currently seven products currently undergoing testing.

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 measures added to Nicor Gas' programs. During the second quarter of PY5, 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 second quarter.

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

Actions: Nicor Gas added one new measure in the second quarter. The result of the Total Resource Cost ("TRC") test for this measure is provided in the attached Appendix B.

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

Actions: There were no new measures in the second quarter.