

Nicor Gas Company
Energy Efficiency Program – Plan Year 5
Quarterly Report: Third Quarter
(June 1, 2015, to February 29, 2016)

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 6.4 million therms in PY5, or about 70 percent of its planned energy savings of 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 \$19.5 million, or 63 percent of the PY5 budget of \$31,195,000 (excludes Department Commerce Economic Opportunity (“DCEO”) spending).

III. Quarter Highlights

Residential Programs:

Home Energy Efficiency Rebates:

The Home Energy Efficiency Rebates (“HEER”) offering is tracking to the PY5 goals. We have seen strong participation with 95% AFUE furnaces and programmable thermostats. We are seeing an increase of applications which are in line with our forecast and goals due to the heating season.

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 outreach events. In Q3, Nicor Gas distributed 2,505 ESKs, for an overall distribution total of 9,354 ESKs, achieving 35.4% of its PY5 net therm-savings goal for this offering. It should be noted that only another 8,820 ESKs need to be distributed to achieve the total 3-year goal of 60,000 total ESKs distributed.

Home Energy Savings:

The Home Energy Savings (“HES”) program has experienced consistent volume throughout the winter months. The introduction in the second quarter of PY5 of the Ecobee3, a smart thermostat, for Nicor Gas and Commonwealth Edison (“ComEd”) customers has been successful, so Nicor Gas expanded this offering to their Nicor Gas-only customers in the third quarter of PY5. This portion of the offering is tracking to exceed the therms saving goal.

The prescriptive air sealing/insulation portion is tracking slightly behind our forecast coming out of the third quarter. Overall, it appears at this time that we are on track to obtain our PY5 therm saving goal based on the participation within the assessment portion of this program.

Multi-family Comprehensive Energy Efficiency Program:

The Multi-family Comprehensive Energy Efficiency Program has experienced steady participation in assessments and direct installs throughout the third quarter. There is a strong program pipeline and momentum going into the fourth 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:

For Q3, the RNC program certified 194 homes, for an overall PY5 total of 584 homes (58.4% of goal), while achieving a savings of 70,511 net therms and 205,281 cumulative net therms overall. This savings represents 57.5% of the overall PY5 goal, or 245% of the RNC program goal, exclusive of the Residential Code Compliance offering. The average therm-savings per home was 364 therms in Q3.

In Q3, we began to see the positive effect of our Q2 outreach and training efforts. Specifically, our two-hour training offered on November 19, 2015 called “Selling High-Performance Homes” was very successful. As a direct result of the training, one new builder, Homeway Homes, has begun to enroll projects in the program. Two additional builder attendees, Pulte Homes and Crestview Homes, are interested in participating in the program, but have not yet enrolled any projects. Both builders are currently working to determine energy efficiency upgrades needed to meet program requirements. The program has been especially diligent in lending Pulte Homes its expertise in trying to meet program requirements. Should Pulte qualify, they could potentially bring 400 completed homes annually to the program.

During February, program implementer Residential Science Resources met with a HERS rater who owns the company Home Comfort Consultants (“HCC”). This meeting influenced HCC to submit new construction houses for three new builders while following the program’s inspection, verification and completion processes. Additionally, three other new builders completed houses during Q3 and one more builder had a house enrolled that is not yet complete. Two of these new builders, Liv

Companies LLC and Lynn Builders, attended the March 30 “Selling High Performance Homes” training.

Elementary Energy Education:

In Q3, program implementer, Resource Action Programs focused on survey collection from the 8,737 participants (from 128 total schools and 160 total classes), with a minimum 40% required return rate. Final survey results and therm-savings calculations will be available in Q4.

Behavioral Energy Savings:

In Q3, based on data requests fulfilled by Nicor Gas, Navigant determined a means to evaluate the “cold water wash challenge” portion of the program. Program recruiting and launch will take place in mid-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 Q3 were approximately four times that of Q1 and Q2 combined, but were below forecast. The BEER program is at 24.4% of the therm goal while at 44% of the budget. At the end of PY5, therms are expected to be at or above goal and expenses to be below budget. 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, (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) and 3) on March 1, 2016, the BEER program launched a steam trap survey bonus.

Business Custom Program:

Nicor Gas continues to work its very strong program pipeline of business custom projects after a busy end to PY4. PY5 Q3 therm savings are tracking at or better than forecast at 52.3 % of the therm goal while at 41.7% of the expenses goal. 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. As a result, the PY5 forecast is for therms to be above goal and expenses below goal.

Final 1st year savings for low cost/no cost measures in Nicor Gas’ pilot offering of Strategic Energy Management (“SEM”) were 410,078 therms. Nicor Gas’s kick off for the continuation of the Industrial SEM pilot program was held January 28 with 8 of the original 10 participants remaining in the program for an additional year. Nicor Gas is also actively recruiting for a commercial SEM Hospital/Education (“Med/Ed”) cohort to begin in late spring.

Small Business Energy Efficiency Program:

The PY5 program is essentially the same as the program conducted in PY4. From a slow start in Q1 therm savings, Q2 and Q3 therm savings have tracked better than forecast, as they did in PY4. The small business prescriptive and custom savings and pipeline have been very strong for this very popular offering. For Q3, therms are at 99.7% of goal and expenses at 114.3% of goal. The following adjustments have been made in PY5: updated the pipe insulation savings algorithm to claim more savings and meet customer needs; lowered rebates on space heating and steam traps; reduced marketing the program and outreach for assessments.

Business New Construction:

For Q3, BNC achieved a savings of 583,710 net therms and 947,804 net therms overall, which is 309% of the overall PY5 goal, or 782% of the BNC program goal, exclusive of the Business Code Compliance offering.

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 report and supporting spreadsheets for Automated Steam Trap Status Monitoring Systems is now complete, and development is underway for EMIS with completion expected in the fourth quarter. 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 third quarter's highlights.
2. Please see the above section on the third 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 third quarter of PY5, no programs and one measure was 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 third quarter.

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

Actions: Nicor Gas added one new measure in the third 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 cost-ineffective measures in the third quarter.