



November 15, 2018

Quarterly Report of the North Shore Gas Company and the Peoples Gas Light and Coke Company

Program Year 2018, 3rd Quarter Report, July 2018 – September 2018

PEOPLES GAS[®]
ENERGY EFFICIENCY PROGRAM

NORTH SHORE GAS[®]
ENERGY EFFICIENCY PROGRAM

Pursuant to the Illinois Commerce Commission (“Commission”) final order in Docket No. 17-0309, attached is the Program Year 2018, Third Quarter (3Q) qualitative report accompanying the 2018, 3Q quantitative report which details program results from a savings and cost perspective.

Peoples Gas

I. Program, Sector and Portfolio Ex Ante Results

At the end of the third quarter, the Peoples Gas Energy Efficiency Programs have achieved 39% of realized savings goals, with C&I programs contributing 44% of realized savings; Residential programs 39%; and Income Qualified programs 17%. Ex Ante results are detailed in the Q3 Quantitative report.

II. Portfolio Level Costs

At the end of the third quarter, the Peoples Gas Energy Efficiency Programs have utilized 61% of the budget, with C&I programs comprising 26% of costs, Residential programs 24%, Income Qualified programs 47%, and Demonstration of Breakthrough Equipment and Devices 3%. Costs are detailed in the Q3 Quantitative report.

III. Program Level Narratives

I. Business – Commercial and Industrial

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of facility's energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility's operations to support implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study, an inventory of uninsulated steam piping, and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phase approach to implement identified measures.
Staffing Grant	Program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.
Strategic Energy Management (SEM)	Program engages customers to deliver a continuous improvement approach to energy efficiency by engaging site management,

leveraging data, and by promoting best practices at the site.

Key Program Changes

- New measures: None in Q3

Description of Program Successes

- Customers from Peoples and North Shore Gas gathered at Medline Industries for the second workshop of the SEM series, where the program provided valuable information on energy management and energy saving strategies to some of our largest industrial customers.

Description of Program Challenges

- The transition from a program year to a calendar year cycle is impacting 2018 savings achievement due the timing of the heating season. The Program is updating and implementing new outreach strategies to overcome the challenges of the heating season falling at the beginning and end of the program year cycle. Planning for Q1 2019 is underway in order to maximize opportunities during the tail end of heating season next year.
- We are closely monitoring 2018 monthly forecast and pipeline by working with trade allies and customers to ensure 2018 goal achievement.

II. Business – Public Sector

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of facility’s energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility’s operations to support implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study; an inventory of uninsulated steam piping; and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phased approach to implement identified measures.



Staffing Grant	Program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.
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Key Program Changes

- New measures (aligned with the Business – Commercial and Industrial program):
 - None in Q3

Description of Program Successes

- We hosted a Public Sector Energy Efficiency Luncheon which resulted in an increased visibility of EE programs and generated several meetings with key public sector customers as a result of this luncheon.

Description of Program Challenges

- There is a limited pipeline from previous program years to feed 2018 projects. We are identifying and developing initial project opportunities and working to close projects in 2018 to achieve savings and spend targets.

III. Business – Small Business

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.

Key Program Changes

- None in Q3

Description of Program Successes

- We finalized promotional video focusing on small business energy savings opportunities.

Description of Program Challenges

- As with the Business programs, the transition from a program year to a calendar year cycle is impacting 2018 savings achievement due the timing of the heating season. The Program is updating and implementing new outreach strategies to overcome the challenges of the heating season falling at the beginning and end of the program year cycle. Planning for Q1 2019 is underway in order to maximize opportunities during the tail end of heating season next year.

- We are closely monitoring 2018 monthly forecast and pipeline by working with trade allies and customers to ensure 2018 goal achievement.

IV. Residential – Single Family Programs

Program Descriptions

Program Name	Description
Home Energy Jumpstart (HEJ)	Offers an assessment and direct installation of energy-saving materials at no cost to the customer. Additional measures are available for a co-pay.
Home Energy Rebates (HER)	Offers rebates on energy efficient equipment and qualifying weatherization projects for residential customers.
Home Energy Reports	Opt-out program that provides residential customers with free reports showing their energy usage compared to their peers, with tips for reducing energy consumption in the home.
Elementary Education	Elementary education program targeting fifth grade classrooms, providing teachers with energy efficiency lesson plans, activity guides, and take-home kits for students containing free direct installation materials for their home.

Key Program Changes

- None in Q3

Description of Program Successes

- Realizing higher than anticipated therm savings per home in the Home Energy Jumpstart program (38 therms per home actual vs. 33 therms per home planned).
- High customer satisfaction score of 4.93 out of 5.00 for Home Energy Jumpstart and 9.39 out of 10.00 for Home Energy Rebates.
- First Home Energy Report went out in early September.
- 59% to enrollment goal for Elementary Education.

Description of Program Challenges

- Lower overall participation for the Home Energy Jumpstart and Home Energy Rebate programs. HER slow start is due to lower participation in weatherization and HVAC measures which is anticipated in the first two quarters of the year. HEJ will continue to focus on increased marketing efforts in Q4 to bring demand back to a steady state.
- Smart Thermostat rebates, which the program provides funding for, won't show realized savings until Q4.

V. Residential – Multi-Family

Program Descriptions

Program Name	Description
Multi Family Energy Jumpstart	Offers free direct installation of energy-saving measures for multi-family buildings.

Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
Gas Optimization	Analysis of energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
New Construction Prescriptive and Custom Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.

Key Program Changes

- None in Q3

Description of Program Successes

- Multi-Family demand is high, assessments and direct installation appointments have a strong pipeline and are scheduled into December.
- High customer satisfaction scores for Multi-Family: Property Manager Survey score 9.46 out of 10 for Q3.

Description of Program Challenges

- Limited opportunity identified for comprehensive projects so far through assessments, will be looking into levers from previous year popular measures.
- Monitoring 2018 monthly forecast and pipeline by working with trade allies and customers to ensure 2018 goal achievement.

VI. Income Eligible Programs

Program Descriptions

Program Name	Description
Multi-Family Income Eligible	Offers prescriptive gas rebates, energy assessments, and direct-install at income-qualified multi-family buildings.
Public Housing	Offers prescriptive and custom rebates for gas measures in housing owned by Public Housing Authorities.
Income Eligible Weatherization	Offers direct install products and no-cost weatherization services for income eligible single family home customers.
Affordable Housing New Construction	Provides custom incentives for Affordable Housing New Construction projects, jointly delivered with ComEd.
Illinois Home Weatherization Assistance Program	Provides supplemental funding for energy efficiency projects for low income residents.

Key Program Changes

- Elevate Energy is implementing the Multi-Family Income Eligible and Public Housing programs.

- PGL/NSG is coordinating with DCEO, the IHWAP program, and Northern IL utilities to continue joint delivery with utility funding. Due to the large increase in utility funding for this program, cost allocation methodologies for all parties needed to be developed, and are now completed.
- Chicago Bungalow Association is continuing to provide outreach and intake for the Income Eligible Weatherization program. No changes in Q3.

Description of Program Successes

- Working closely with IHWAP Community Action Agencies (CEDA) and Elevate Energy to develop 2018 forecast to achieve program goals.
- First projects realized for the IHWAP program in Q3.
- The Elevate Energy Income Eligible Multi-Family program is forecasting to hit program savings goal in 2018.
- Income Eligible Weatherization is ahead through Q3 with 85% of production goal invoiced.
- Customer feedback from completed projects in the Income Eligible Weatherization track is 9.98 out of 10.00.
- Multi-Family Income Eligible has a strong pipeline to reach goals in 2018.

Description of Program Challenges

- Coordination effort between all Northern IL utilities and IHWAP has been extensive in order to ensure program alignment with utility objectives.
- Public Housing program is limited in flexibility for energy savings as it only serves a single housing authority
- Income Eligible Weatherization is seeing low install rates for the direct install measures.

VII. Demonstration of Breakthrough Equipment and Devices

Program Descriptions

Program Name	Description
Research and Development	Focus is on evaluating innovative technologies and projects for possible inclusion in programs to achieve additional therm savings. Projects are funded through the technical organizations, educational institutions, and non-profit organizations.

Key Program Changes

- None in Q3

Description of Program Successes

- Completed Venturi Steam Trap study finding opportunities for energy savings.

Description of Program Challenges

- Art Institute of Chicago project has had delays in implementing phase three.




IV. Portfolio Level Narrative

- All measures that are demonstrated as successful through a Program Administrator Breakthrough Equipment and Devices Program
 - i. N/A
- Fund-shifts meeting threshold of Section 6.1
 - ii. N/A
- Key changes to marketing strategies, such as new marketing channels or marketing campaigns
 - iii. N/A – nothing new to report
- List of market research studies conducted by consultants if study costs exceed \$25,000 and are not protected by license agreements or other proprietary arrangements
 - iv. N/A – nothing new to report
- Brief description of new pilots and Programs, including target market, delivery strategy and key Measures
 - N/A – nothing new to report
- Any discontinued programs
 - N/A

North Shore Gas

I. Program, Sector and Portfolio Ex Ante Results

At the end of the third quarter, the North Shore Gas Energy Efficiency Programs have achieved 28% of realized savings, with C&I programs contributing 29% of savings; Residential programs 67%, and Income Qualified programs less than 4%. Ex Ante results are detailed in the Q3 Quantitative report.

II. Portfolio Level Costs

At the end of the third quarter, the North Shore Gas Energy Efficiency Programs have utilized 64% of the budget, with C&I programs comprising 25% of costs; Residential programs 56%, Income Qualified 14%, and Demonstration of Breakthrough Equipment and Devices 4%. Costs are detailed in the Q3 Quantitative report.

III. Program Level Narratives

I. Business – Commercial and Industrial

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of facility's energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility's operations to support implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study; an inventory of uninsulated steam piping; and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phase approach to implement identified measures.
Staffing Grant	Program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.
Strategic Energy Management (SEM)	Program engages customers to deliver a continuous improvement approach to energy efficiency by engaging site management, leveraging data, and by promoting best practices at the site.

Key Program Changes

- New measures: None in Q3

Description of Program Successes

- Launched a Trade Ally Challenge in North Shore Gas territory to increase contractor engagement in programs. The Challenge was launched through a kickoff event for Trade Allies and provided the opportunity to develop projects, identify leads and also helped lead to developing a large savings opportunity at St. Mary of the Lake.
- We hosted a customer appreciation event for large business North Shore Gas customers, generating several project leads.
- Customers from Peoples and North Shore Gas gathered at Medline Industries for the second workshop of the SEM series, where the program provided valuable information on energy management and energy saving strategies to some of our largest industrial customers.

Description of Program Challenges

- With the start of the 2018 program year, savings goals for the North Shore Gas Business Program increased over 2.5 times the previous program year goals. The Business Program is implementing outreach and engagement strategies to meet increased savings goals.
- The transition from a program year to a calendar year cycle is impacting 2018 savings achievement due the timing of the heating season. The Program is updating and implementing new outreach strategies to overcome the challenges of the heating season falling at the beginning and end of the program year cycle. Planning for Q1 2019 is underway in order to maximize opportunities during the tail end of heating season next year.
- We are closely monitoring 2018 monthly forecast and pipeline by working with trade allies and customers to ensure 2018 goal achievement.

II. Business – Public Sector

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of facility's energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.

Engineering Studies	Analysis of a single system within a facility's operations to support implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study; an inventory of uninsulated steam piping; and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phased approach to implement identified measures.
Staffing Grant	Program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.

Key Program Changes

- New measures (aligned with the Business – Commercial and Industrial program):
 - None in Q3

Description of Program Successes

- We hosted a Public Sector Energy Efficiency Luncheon which resulted in an increased visibility of EE programs and generated several meetings as a result of this luncheon.

Description of Program Challenges

- There is a limited pipeline from previous program years to feed 2018 projects. We are identifying and developing initial project opportunities and working to close projects in 2018 to achieve savings and spend targets.

I. Business – Small Business

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.

Key Program Changes

- None in Q3

Description of Program Successes

- We launched a Trade Ally Challenge in North Shore Gas territory to increase contractor engagement in programs which has led to over 20 additional projects.
- We finalized promotional video focusing on small business energy savings opportunities.

Description of Program Challenges

- With the start of the 2018 program year, savings goals for the North Shore Gas Small Business program increased over 2.5 times the previous program year goals. The Small Business Program is implementing strategies to meet increased savings goals.
- As with the Business programs, the transition from a program year to a calendar year cycle is impacting 2018 savings achievement due the timing of the heating season. The Program is updating and implementing new outreach strategies to overcome the challenges of the heating season falling at the beginning and end of the program year cycle. Planning for Q1 2019 is underway in order to maximize opportunities during the tail end of heating season next year.
- We are closely monitoring 2018 monthly forecast and pipeline by working with trade allies and customers to ensure 2018 goal achievement.

II. Residential – Single Family Programs

Program Descriptions

Program Name	Description
Home Energy Jumpstart (HEJ)	Offers an assessment and direct installation of energy-saving materials at no cost to the customer. Additional measures are available for a co-pay.
Home Energy Rebates (HER)	Offers rebates on energy efficient equipment and qualifying weatherization projects for residential customers.
Home Energy Reports	Opt-out program that provides residential customers with free reports showing their energy usage compared to their peers, with tips for reducing energy consumption in the home.
Elementary Education	Elementary education program targeting fifth grade classrooms, providing teachers with energy efficiency lesson plans, activity guides, and take-home kits for students containing free direct installation materials for their home.

Key Program Changes

- None in Q3.

Description of Program Successes

- Realizing higher than anticipated therm savings per home in the Home Energy Jumpstart program (24 therms per home actual vs. 20 therms per home planned).
- High customer satisfaction score of 4.93 out of 5.00 for Home Energy Jumpstart and 9.38 out of 10.00 for Home Energy Rebates.
- First Home Energy Report went out in early September.
- 56% to enrollment goal for Elementary Education.

Description of Program Challenges

- Lower overall production for the Home Energy Jumpstart and Home Energy Rebate program. HER slow start is due to lower participation in weatherization and HVAC measures which is

anticipated in the first two quarters of the year. HEJ will continue to focus on increased marketing efforts in Q3 to bring demand back to a steady state.

- Smart Thermostat rebates, which the program provides funding for, won't show realized savings until Q4.

III. Residential – Multi-Family

Program Descriptions

Program Name	Description
Multi Family Energy Jumpstart	Offers free direct installation of energy-saving measures for multi-family buildings.
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
Gas Optimization	Analysis of energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
New Construction Prescriptive and Custom Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.

Key Program Changes

- No Changes in Q3

Description of Program Successes

- Multi-Family demand is high, assessments and direct installation appointments have a strong pipeline and are scheduled into December.
- High customer satisfaction scores for Multi-Family: Property Manager Survey score 9.46 out of 10 for Q3.
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Description of Program Challenges

- Limited opportunity identified for comprehensive projects so far through assessments, will be looking into levers from previous year popular measures.
- Monitoring 2018 monthly forecast and pipeline by working with trade allies and customers to ensure 2018 goal achievement.

IV. Income Eligible Programs

Program Descriptions

Program Name	Description
Multi-Family Income Eligible	Offers prescriptive gas rebates, energy assessments, and direct-install

	at income-qualified multi-family buildings.
Public Housing	Offers prescriptive and custom rebates for gas measures in housing owned by Public Housing Authorities.
Affordable Housing New Construction	Provides custom incentives for Affordable Housing New Construction projects, jointly delivered with ComEd.
Illinois Home Weatherization Assistance Program	Provides supplemental funding for energy efficiency projects for low income residents.

Key Program Changes

- Elevate Energy is implementing the Multi-Family Income Eligible and Public Housing programs.
- PGL/NSG is coordinating with DCEO, the IHWAP program, and Northern IL utilities to continue joint delivery with utility funding. Due to the large increase in utility funding for this program, cost allocation methodologies for all parties needed to be developed, and are now completed.

Description of Program Successes

- Working closely with IHWAP Community Action Agencies (Lake County) and Elevate Energy to develop 2018 forecast to achieve program goals.
- Cost allocation agreements have been agreed to between utilities for all income eligible programs.

Description of Program Challenges

- Coordination effort between all Northern IL utilities and IHWAP has been extensive in order to ensure program alignment with utility objectives.
- Realized savings and projects for income eligible programs are low due to program year startup activities such as program design updates and contracting with new vendors.
- Public Housing program forecasting is limited by three qualifying housing authorities.

V. Demonstration of Breakthrough Equipment and Devices

Program Descriptions

Program Name	Description
Research and Development	Focus is on evaluating innovative technologies and projects for possible inclusion in programs to achieve additional therm savings. Projects are funded through the technical organizations, educational institutions, and non-profit organizations.

Key Program Changes

- None in Q3

Description of Program Successes

- Completed Venturi Steam Trap study finding opportunities for gas savings.




Description of Program Challenges

- None in Q3

IV. Portfolio Level Narrative

- All measures that are demonstrated as successful through a Program Administrator Breakthrough Equipment and Devices Program
 - v. N/A
- Fund-shifts meeting threshold of Section 6.1
 - vi. N/A
- Key changes to marketing strategies, such as new marketing channels or marketing campaigns
 - vii. N/A – nothing new to report
- List of market research studies conducted by consultants if study costs exceed \$25,000 and are not protected by license agreements or other proprietary arrangements
 - viii. N/A – nothing new to report
- Brief description of new pilots and Programs, including target market, delivery strategy and key Measures
 - ix. N/A – nothing new to report
- Any discontinued programs
 - x. N/A