



**February 15 2018**

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

***Program Year 2018, 4<sup>th</sup> Quarter Report, October 2018 – December 2018***

**PEOPLES GAS<sup>®</sup>**  
**ENERGY EFFICIENCY PROGRAM**

**NORTH SHORE GAS<sup>®</sup>**  
**ENERGY EFFICIENCY PROGRAM**

Pursuant to the Illinois Commerce Commission ("Commission") final order in Docket No. 17-0309, attached is the Program Year 2018, Fourth Quarter (4Q) qualitative report accompanying the 2018, 4Q 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 fourth quarter, the Peoples Gas Energy Efficiency Programs have achieved 69% of realized savings goals, with C&I programs contributing 51% of realized savings; Residential programs 36%; and Income Qualified programs 13%. Ex Ante results are detailed in the Q4 Quantitative report.

### II. Portfolio Level Costs

At the end of the fourth quarter, the Peoples Gas Energy Efficiency Programs have utilized 88% of the budget, with C&I programs comprising 31% of costs, Residential programs 25%, Income Qualified programs 42%, and Demonstration of Breakthrough Equipment and Devices 3%. Costs are detailed in the Q4 Quantitative report.

### III. Program Level Narratives

#### I. Business – Commercial and Industrial

##### *Program Descriptions*

| Program Name                           | Description   |
|--|---|
| <b>Prescriptive and Custom Rebates</b> | 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.                                     |
| <b>New Construction Rebates</b>        | Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.   |
| <b>Gas Optimization Studies</b>        | Provides an analysis of facility's energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.   |
| <b>Retro-Commissioning</b>             | 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. |
| <b>Engineering Studies</b>             | Analysis of a single system within a facility's operations to support implementation of natural gas saving project.   |
| <b>Smart Check Studies</b>             | 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.       |
| <b>Staffing Grant</b>                  | 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.                       |



|  |  |
|--|--|
| <b>Strategic Energy Management (SEM)</b> | 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 Q4

*Description of Program Successes*

- Customer Appreciation luncheon to gather customers to share successes over the year, refresh them on program offerings
- Trade Ally Summit: Our annual event for our Trade Allies and Service Providers to refresh their understanding of program rules, share customer feedback, and engage with program staff to brainstorm how to better serve our ratepayers

*Description of Program Challenges*

- The transition from a program year to a calendar year cycle impacted 2018 savings achievement due the timing of the heating season which runs from September – March. The Program is updating and implementing new outreach strategies to overcome this change, which will take effect in 2019.

## II. Business – Public Sector

### Program Descriptions

| Program Name                           | Description   |
|--|---|
| <b>Prescriptive and Custom Rebates</b> | 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.                                     |
| <b>New Construction Rebates</b>        | Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.   |
| <b>Gas Optimization Studies</b>        | Provides an analysis of facility’s energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.   |
| <b>Retro-Commissioning</b>             | 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. |
| <b>Engineering Studies</b>             | Analysis of a single system within a facility’s operations to support implementation of natural gas saving project.   |
| <b>Smart Check Studies</b>             | 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.      |
| <b>Staffing Grant</b>                  | 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 Q4

### Description of Program Successes

- Engaged with two of our four largest public-sector accounts to schedule quarterly progress meetings to discuss energy efficiency projects and how the programs can better serve our customers.
- Public Sector Expo: The Energy Efficiency Expo was designed specifically to educate and engage Public Sector Customers in utility energy efficiency programs. We had nearly 400 attendees and received overwhelmingly positive feedback from participants.
- Trade Ally Summit: Our annual event for our Trade Allies and Service Providers to refresh their understanding of program rules, share customer feedback, and engage with program staff to brainstorm how to better serve our ratepayers

### *Description of Program Challenges*

- There was a limited pipeline from previous program years to feed 2018 projects. The program team utilized 2018 to establish new relationships in the public sector and build up momentum for future program years.

### III. Business – Small Business

#### *Program Descriptions*

| Program Name                           | Description   |
|--|---|
| <b>Prescriptive and Custom Rebates</b> | 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. |
| <b>New Construction Rebates</b>        | Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.   |

#### *Key Program Changes*

- None in Q4

#### *Description of Program Successes*

- We finalized promotional video focusing on small business energy savings opportunities.
- Presentations to BOMA and Local Union 399 (Union of Operating Engineers) has led to a number of projects.

#### *Description of Program Challenges*

- The small business program continued to engage larger customers in 2018. This was built on success of previous program years. This strategy has paid off in higher therms, but has also led to longer project timelines that have extended projects into 2019.

### 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 Q4.

### 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 4.89 out of 5.00 for Home Energy Jumpstart and 9.7 out of 10.00 for Home Energy Rebates.
- Coordinating with ComEd on the smart thermostats offering. Anticipating an additional 786,247 therms at \$0.62/therm in Peoples Gas once cost allocation agreement is finalized. This will add 8.0% to the overall Peoples Gas portfolio savings goal achievement.

### Description of Program Challenges

- Lower temperatures contributed to an uptick in participation in Home Energy Rebates offerings, however demand for weatherization is still lower than anticipated. The program team will conduct focus groups with customers in early 2019 to better understand how they perceive weatherization and how we can improve messaging to affect demand.

## 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 Q4

### Description of Program Successes

- Multi-Family demand is high, assessments and direct installation appointments have a strong pipeline and are scheduled into 2019

### *Description of Program Challenges*

- Limited opportunity identified for comprehensive projects so far through assessments, will be looking into levers from previous year popular measures.
- Steam trap projects which were identified in 2018 won't be realized until 2019 due to weather.

## 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*

- Programs ramped up in Q4 to achieve year end goals for Peoples Gas.

### *Description of Program Successes*

- The IHWAP Peoples Gas program achieved 252,900 total therms. CEDA closed the year with 87 single-family joint with IHWAP projects.
- Multi-Family Income Eligible/Public Housing
  - Income Eligible Multi-Family continued momentum in Q4 by successfully engaging larger property management companies to complete projects.
  - Public Housing achieved steady program delivery in Q4 with very positive feedback from housing authorities.
- Income Eligible Weatherization achieved 102% of budget with 96% of the original savings goal. Customer feedback from completed projects in the Income Eligible Weatherization track is 9.98 out of 10.00.
- Total Peoples Gas income eligible program achieved 101% of total budget spend.

### *Description of Program Challenges*

- Coordination efforts between all Northern IL utilities and IHWAP have 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

## VII. Demonstration of Breakthrough Equipment and Devices

### *Program Descriptions*

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

### *Key Program Changes*

- None in Q4

### *Description of Program Successes*

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

### *Description of Program Challenges*

- Art Institute of Chicago project has started implementing phase three.

## IV. Portfolio Level Narrative

- All measures that are demonstrated as successful through a Program Administrator Breakthrough Equipment and Devices Program
  - N/A
- Fund-shifts meeting threshold of Section 6.1
  - N/A
- Key changes to marketing strategies, such as new marketing channels or marketing campaigns
  - 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
  - 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 fourth quarter, the North Shore Gas Energy Efficiency Programs have achieved 63% of realized savings, with C&I programs contributing 41% of savings; Residential programs 56%, and Income Qualified programs less than 3%. Ex Ante results are detailed in the Q4 Quantitative report.

### II. Portfolio Level Costs

At the end of the fourth quarter, the North Shore Gas Energy Efficiency Programs have utilized 96% of the budget, with C&I programs comprising 35% of costs; Residential programs 46%, Income Qualified 14%, and Demonstration of Breakthrough Equipment and Devices 4%. Costs are detailed in the Q4 Quantitative report.

### III. Program Level Narratives

#### I. Business – Commercial and Industrial

##### *Program Descriptions*

| Program Name                             | Description   |
|--|---|
| <b>Prescriptive and Custom Rebates</b>   | 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.                                     |
| <b>New Construction Rebates</b>          | Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.   |
| <b>Gas Optimization Studies</b>          | Provides an analysis of facility’s energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.   |
| <b>Retro-Commissioning</b>               | 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. |
| <b>Engineering Studies</b>               | Analysis of a single system within a facility’s operations to support implementation of natural gas saving project.   |
| <b>Smart Check Studies</b>               | 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.       |
| <b>Staffing Grant</b>                    | 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.                       |
| <b>Strategic Energy Management (SEM)</b> | 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 Q4

### *Description of Program Successes*

- Steam Trap Bonus: Our double bonus for Steam Traps encouraged customers to act on previously identified projects which they had overlooked, in particular St. Mary of the Lake which completed a project with savings of 88,000 therms.
- Trade Ally Challenge: Culmination of the Trade Ally challenge which increased the engagement of our Trade Allies in North Shore Gas and their outreach and projects with our North Shore Gas Customers
- Trade Ally Summit: Our annual event for our Trade Allies and Service Providers to refresh their understanding of program rules, share customer feedback, and engage with program staff to brainstorm how to better serve our ratepayers

### *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 impacted 2018 savings achievement due the timing of the heating season which runs from September – March. The Program is updating and implementing new outreach strategies to overcome this change, which will take effect in 2019.



II. Business – Public Sector

*Program Descriptions*

| Program Name                           | Description   |
|--|---|
| <b>Prescriptive and Custom Rebates</b> | 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.                                     |
| <b>New Construction Rebates</b>        | Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.   |
| <b>Gas Optimization Studies</b>        | Provides an analysis of facility’s energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.   |
| <b>Retro-Commissioning</b>             | 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. |
| <b>Engineering Studies</b>             | Analysis of a single system within a facility’s operations to support implementation of natural gas saving project.   |
| <b>Smart Check Studies</b>             | 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.      |
| <b>Staffing Grant</b>                  | 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 Q4

*Description of Program Successes*

- Public Sector Expo: The Energy Efficiency Expo was designed specifically to educate and engage Public Sector Customers in utility energy efficiency programs. We had nearly 400 attendees, and received overwhelmingly positive feedback from participants.
- Trade Ally Summit: Our annual event for our Trade Allies and Service Providers to refresh their understanding of program rules, share customer feedback, and engage with program staff to brainstorm how to better serve our ratepayers

### Description of Program Challenges

- There was a limited pipeline from previous program years to feed 2018 projects. The program team utilized 2018 to establish new relationships in the public sector and build up momentum for future program years.

## III. Business – Small Business

### Program Descriptions

| Program Name                           | Description   |
|--|---|
| <b>Prescriptive and Custom Rebates</b> | 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. |
| <b>New Construction Rebates</b>        | Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.   |

### Key Program Changes

- None in Q4

### 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.
- Finalized promotional video focusing on small business energy savings opportunities.
- Finished year 188% to goal.

### Description of Program Challenges

- The small business program continued to engage larger customers in 2018. This was built on success of previous program years. This strategy has paid off in higher therms, but has also led to longer project timelines that have extended projects into 2019.

## 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*

- No changes in Q4.

*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 4.89 out of 5.00 for Home Energy Jumpstart and 9.7 out of 10.00 for Home Energy Rebates.
- Lower temperatures contributed to an uptick in participation in Home Energy Rebates offerings, the program realized more projects in Q4 than it did in the first three quarters combined. The program team will focus on continued engagement with the active trade allies in this territory to keep the momentum going into 2019.
- Coordinating with ComEd on the smart thermostats offering. Anticipating an additional 160,000 therms at \$0.62/therm in North Shore Gas once cost allocation agreement is finalized. This will add 7.3% to the overall North Shore Gas portfolio savings goal achievement.

*Description of Program Challenges*

- Lower temperatures contributed to an uptick in participation in Home Energy Rebates offerings, however demand for weatherization is still lower than anticipated. The program team will conduct focus groups with customers in early 2019 to better understand how they perceive weatherization and how we can improve messaging to affect demand.

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*

- No Changes in Q4

*Description of Program Successes*

- Multi-Family demand is high, assessments and direct installation appointments have a strong pipeline and are scheduled into December.
- Multiple boiler-tune up projects were completed in Q4.

*Description of Program Challenges*

- Limited opportunity identified for comprehensive projects so far through assessments, will be looking into levers from previous year popular measures.

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.             |
| 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*

- As part of the IHWAP program, Lake County completed a large multi-family project at North Lake Farms in Gurnee, along with 98 projects braided with DCEO funding and 15 utility-only funded projects.
- Total North Shore Gas income eligible program achieved 107% of total budget spend.
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*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.

## VII. Demonstration of Breakthrough Equipment and Devices

### *Program Descriptions*

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

### *Key Program Changes*

- None in Q4

### *Description of Program Successes*

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

### *Description of Program Challenges*

- None in Q4

## IV. Portfolio Level Narrative

- All measures that are demonstrated as successful through a Program Administrator Breakthrough Equipment and Devices Program
  - N/A
- Fund-shifts meeting threshold of Section 6.1
  - N/A
- Key changes to marketing strategies, such as new marketing channels or marketing campaigns
  - 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
  - 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