



Date: October 15, 2014

Re: *Program Year 4, First Quarter Qualitative Report*

Consistent with the ICC's Order in Docket No. 13-0550, the North Shore Gas Company ("North Shore Gas") and The Peoples Gas Light and Coke Company ("Peoples Gas") provide this qualitative report to accompany the quantitative reports which details program results from a savings and cost perspective for the first quarter ("Q1") of program year 4 (Program Year 4).

By utility and each of the 5 Programs, this Program Year 4, Q1 highlights:

- a. Program Activities
- b. Implementation Modifications
- c. Additions or Discontinuation of Specific Measures or Services
- d. Changes due to EM&V Input, IL TRM changes, NTG changes, or market research findings, and
- e. TRC screening results for new measures added

Peoples Gas program highlights begin on Page 1, and North Shore Gas program highlights begin on Page 5.

Note, as a point of clarification, per the final Order in Docket No. 13-0550, Peoples Gas' and North Shore Gas' overall savings goals are evaluated over a three-year period (Program Years 4 through 6) as indicated in the Compliance Plan filed in Docket No. 13-0550. Therm savings and expenditures are tracked internally by Program Year. Internally, each Program Year has an applicable goal to ensure that energy efficiency portfolio is on track to achieve the overall therm savings goals for Program Years 4 through 6) as required in the final Order in Docket No. 13-0550.

Peoples Gas

Portfolio Overview

- Strong Q1 performance: 18% realized to therm savings realized of Program Year 4 internal goal.
- Good progress launching the new program year, and working to launch new measures, notably air sealing for residential and multi-family customers and new construction for multi-family and business customers.

- As noted below, during the Second Quarter (Q2) of Program Year 4, certain adjustments shall be made incentive levels and service offerings to manage the Peoples Gas budget through Program Year 4. The goal for this change is to keep all programs open for market consistency. Given budget caps, this will require active management of all programs to ensure the program does not oversubscribe, and deplete funds before the end of each Program Year.

1. Residential Programs

a. Program Activities

- Increased Home Energy Jumpstart (HEJ) activity compared to Program Year 3; completed service to 1,700 homes in Program Year 4 Q1 versus 800 homes in Program Year 3, Q1.
- High volume of rebate submissions is over-performing compared to the planned amounts of furnace rebates for Q1 (i.e. ~300 approved furnaces vs. 275 planned for Q1)
- Actively using HEJ to promote rebate opportunities to customers.

b. Implementation Modifications

- Planning to reduce furnace incentives in order to slow down participation and manage incentive budget.
- Reduce 95% condensing furnace incentive from \$350 to \$200 to preserve budget as it relates to measure demand

c. Addition or Discontinuation of Specific Measures or Services

- Air Sealing – preparing to roll out a prescriptive air sealing program in early 2015 (Program Year 4, Q3).
- Weatherization incentives will be updated upon air sealing program roll out, reducing insulation rebate incentive in place of more cost-effective air sealing.

d. Changes due to EM&V Input, IL TRM changes, NTG change, market research findings

- Following up with Home Energy Reports (HER) vendor on final Program 3 findings, exploring ways to cross promote HEJ and Home Energy Rebates to HER Report recipients (144,000 customers will receive reports during Program Year 4 4).

e. For new measures added, TRC screening results

- No new measures added during Q1

2. Multi-Family Programs

- a. Program Activities
 - Strong Q1 activity, notably for common area projects have the greatest amount of activity.
- b. Implementation Modifications
 - No modifications during Q1
- c. Addition or Discontinuation of Specific Measures or Services
 - To manage the Program Year 4 budget while allowing the program to remain open throughout the entirety of Program Year 4, changes will be made to the programs to reduce the amount of allowable steam and domestic hot water pipe insulation and reducing incentive levels for some of these measures.
 - Air Sealing – designing weatherization application and measures, and anticipate launching insulation, air sealing and duct sealing measures in early 2015 (Program Year 4, Q3).
- d. Changes due to EM&V Input, IL TRM changes, NTG change, market research findings
 - No changes during Q1
- e. For new measures added, TRC screening results
 - No new measures added during Q1

3. Residential Outreach and Education Programs

- a. Program Activities
 - Planning for HER during Q1. First HER will be mailed to 144k PGL customers during Program Year, Q2.
 - Planning activity and selection of vendor for Elementary Education program completed during Q1. Student kit boxes are currently being designed in coordination with ComEd and Nicor Gas. Each kit will contain energy-saving products that students can install at home with their families.
 - Elementary Education program is scheduled to launch in classrooms November 1, 2014, and will target 4,250 students in the Peoples Gas territory. Expected savings are 10 therms per kit, or 42,500 therms for Peoples Gas. A student survey will be used to determine which measures were installed, and the housing type.
- b. Implementation Modifications
 - None during Q1

- c. Additions or Discontinuation of Specific Measures or Services
 - None during Q1
- d. Changes due to EM&V Input, IL TRM changes, NTG change, market research findings
 - Following up with Home Energy Reports (HER) vendor on final Program 3 findings, exploring ways to cross promote HEJ and Home Energy Rebates to HER Report recipients (144,000 customers will receive reports during Program Year 4).
- e. For new measures added, TRC screening results
 - None during Q1

4. Business Programs

- a. Program Activities
 - The Peoples Gas Business Programs have achieved 19% realized savings in Q1 and is performing above forecast for the year.
- b. Implementation Modifications
 - Per the final order, North Shore Gas/Peoples Gas is working closely with ComEd to develop a New Construction program that will integrate seamlessly with the ComEd New Construction Program as well as providing a path for projects to take advantage of the standard incentives available via a New Construction Path with expected program launch early 2015 (Program Year 4, Q3 and Q4).
 - As our Program Year therm goals are met and budgets for Program Year are fully reserved, Peoples Gas will consider a plan to adjust program participation for the remainder of the Program Year. Very few measures will be removed, if any, as we endeavor to keep the programs open with minimal changes for market consistency and trade ally satisfaction. The Q2 report will outline any implemented changes.
- c. Additions or Discontinuation of Specific Measures or Services
 - None during Q1.
- d. Changes due to EM&V Input, IL TRM changes, NTG change, market research findings
 - None during Q1.

- e. For new measures added, TRC screening results
 - None during Q1.

5. Small Business Program

- a. Program Activities
 - 31% therms realized to Program Year 4 goal
 - 153 customers served
 - Performed 74 “Small Business Energy Jumpstart” customer site assessments
 - Strong participation by houses of worship (86 customers)
- b. Implementation Modifications
 - None during Q1
- c. Additions or Discontinuation of Specific Measures or Services
 - None during Q1
- d. Changes due to EM&V Input, IL TRM changes, NTG change, market research findings
 - Expanding independent steam trap testing for verification in cases of steam trap surveys showing higher-than-average “failed-open” findings
- e. For new measures added, TRC screening results
 - None during Q1

North Shore Gas

Portfolio Overview

- Strong Q1 performance: 34% realized therm savings to Program Year 4 goal.
- Good progress launching the new program year, and working to launch new measures, notably air sealing for residential and multi-family customers and new construction for multi-family and business customers.
- As noted below, during Program Year 4, Q2 the Program Team will make some adjustments to incentive levels and service offerings to manage the North Shore Gas budget. The goal is to keep all programs open for market consistency and trade ally satisfaction. Given budget caps, this will require active management of all programs to

ensure the program does not oversubscribe, and deplete funds before the end of each program year.

1. Residential Programs

a. Program Activities

- Increased HEJ activity compared to Program Year 3; completed service to 300 homes in Program Year 4 Q1 versus 150 homes in Program Year 3, Q1.
- High volume of rebate submissions is over-performing compared to the planned amounts of furnace rebates for Q1 (i.e. ~300 approved furnaces vs 175 planned)
- Actively using HEJ to promote rebate opportunities to customers.

b. Implementation Modifications

- Planning to reduce furnace incentives in order to slow down participation and manage incentive budget.
- Reduce 95% condensing furnace incentive from \$350 to \$200 to preserve budget as it relates to measure demand

c. Addition or Discontinuation of Specific Measures or Services

- Air Sealing – preparing to roll out a prescriptive air sealing program in early 2015 (Program Year 4, Q3).
- Weatherization incentives will be updated upon air sealing program roll out, reducing insulation rebate incentive in place of more cost-effective air sealing.

d. Changes due to EM&V Input, IL TRM changes, NTG change, market research findings

- Following up with Home Energy Reports (HER) vendor on final Program 3 findings, exploring ways to cross promote HEJ and Home Energy Rebates to HER Report recipients (144,000 customers will receive reports during Program Year 4 4).

e. For new measures added, TRC screening results

- No new measures added during Q1

2. Multi-Family Programs

a. Program Activities

- Slow start in the Multi-Family programs in Program Year 4 as many of the larger buildings in the North Shore Gas service territory have previously received Direct Install programs during Program Years 1-3. North Shore Gas is developing a plan to pursue smaller multi-family buildings through the remainder of Program Year 4 and into Program Year 5.

b. Implementation Modifications

- Due to the strong performance and demand from the Business sector, \$50,000 in incentives were shifted to the Business Programs to accommodate that demand and adjust the portfolio in response to more limited savings available in the North Shore Gas MF market. Incentives for the MF program in North Shore Gas territory are budgeted at \$.87/therm, therefore approximately 57,369 therms are to be transferred to the Business Programs from North Shore Gas MF program.

c. Addition or Discontinuation of Specific Measures or Services

- To manage the Program Year 4 budget while allowing the program to remain open throughout the entirety of Program Year 4, changes will be made to the programs to reduce the amount of allowable steam and domestic hot water pipe insulation and reducing incentive levels for some of these measures.
- Air Sealing – designing weatherization application and measures, and anticipate launching insulation, air sealing and duct sealing measures in early 2015 (Program Year 4, Q3).

d. Changes due to EM&V Input, IL TRM changes, NTG change, market research findings

- No activity during Q1

e. For new measures added, TRC screening results

- No new measures added during Q1

3. Residential Outreach and Education Programs

a. Program Activities

- Planning for HER during Q1. First reports will be mailed to 87,000 North Shore Gas customers during Program Year 4 Q2
- Planning activity and selection of vendor for Elementary Education program completed during Q1. Student kit boxes are currently being designed in coordination with ComEd and Nicor Gas. Each kit will contain energy-saving products that students can install at home with their families.
- Elementary Education program is scheduled to launch in classrooms November 1, 2014, and will target 700 students in the North Shore Gas territory. Expected savings are 10 therms per kit, or 7,000 therms for North Shore Gas. A student survey will be used to determine which measures were installed, and the housing type.

- b. Implementation Modifications
 - None during Q1
- c. Additions or Discontinuation of Specific Measures or Services
 - None during Q1
- d. Changes due to EM&V Input, IL TRM changes, NTG change, market research findings
 - Following up with HER vendor on final Program 3 findings, exploring other ways to cross promote HEJ and Home Energy Rebates to HER recipients (87,000 customers will receive reports during Program Year 4).
- e. For new measures added, TRC screening results
 - None during Q1

4. Business Programs

- a. Program Activities
 - The North Shore Gas Business Portfolio is off to a tremendous start in Program Year 4. The Business Programs achieved 81% realized savings in Q1 for Program Year 4.
 - To address this strong performance early in the year, \$50,000 in incentive budget and 57,370 therms were shifted from the Multi-Family programs to the Business Program to ensure that customer demands are met.
- b. Implementation Modifications
 - Per the final order, North Shore Gas/Peoples Gas is working closely with ComEd to develop a New Construction program that will integrate seamlessly with the ComEd New Construction Program as well as providing a path for projects to take advantage of the standard incentives available via a New Construction Path with expected program launch early 2015 (Program Year 4, Q3 and Q4).
 - As our Program Year therm goals are met and budgets for Program Year are fully reserved, North Shore Gas will consider a plan to adjust program participation for the remainder of the Program Year. Very few measures will be removed, if any, as we endeavor to keep the programs open with minimal changes for market consistency and trade ally satisfaction. The Q2 report will outline any implemented changes.
- c. Additions or Discontinuation of Specific Measures or Services

- None during Q1.
- d. Changes due to EM&V Input, IL TRM changes, NTG change, market research findings
 - None during Q1.
- e. None during Q1 For new measures added, TRC screening results
 - None during Q1.

5. Small Business Program

- a. Program Activities
 - Very strong Q1. Realized 91% of Program Year 4 goal during Q1. Much of this is through strong relationships developed in the previous Program Years with area dry cleaners.
- b. Implementation Modifications
 - Pre-approval requirements for prescriptive and partner rebates
- c. Additions or Discontinuation of Specific Measures or Services
 - None during Q1
- d. Changes due to EM&V Input, IL TRM changes, NTG change, market research findings
 - Expanding independent steam trap testing for verification in cases of steam trap surveys showing higher-than-average “failed-open” findings
- e. For new measures added, TRC screening results
 - None during Q1.