

Nicor Gas Company
Energy Efficiency Program – Plan Year 6
Quarterly Report: First Quarter
(June 1, 2016 to August 31, 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 6 (“PY6”), June 1, 2016 through May 31, 2017, 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, 2016 through August 31, 2016. As shown, Nicor Gas’ programs have accumulated net savings of 350,628 net therms in PY6, or four percent of its planned energy savings of 8,538,383 therms for PY6 as stated in its EEP. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of \$5.5 million, or fourteen percent of the PY6 budget of \$40 million (excludes Department of Commerce and Economic Opportunity (the “Department”) spending).

III. Quarter Highlights

Residential Programs:

Home Energy Efficiency Rebates:

The Home Energy Efficiency Rebates (“HEER”) offering is entering PY6 with very minor changes. The only change to this offering is a dedicated rebate for Smart Thermostats. We continue to look for strong participation with 95% AFUE furnaces, programmable and smart thermostats.

Additionally, under the HEER program, Nicor Gas continues to promote the distribution of energy savings kits (“ESKs”) via the nicorgasrebates.com website, multi-cultural newspaper ads, targeted emails, targeted social media placements, and

at live events. In the first quarter, Nicor Gas distributed 2,041 ESKs, achieving 8% of its PY6 therm savings goal for this offering. It should be noted that only another 3,535 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 experienced consistent volume throughout PY5. So far we have experienced the same consistent volume within the first quarter of PY6. The added measure of the Ecobee in the second quarter of PY5 continues to be a popular measure with customers.

The prescriptive air sealing/insulation portion of the program is tracking to its forecast within PY6 and we anticipate stronger participation throughout the heating months.

Multi-family Comprehensive Energy Efficiency Program:

The Multi-family Comprehensive Energy Efficiency Program is continuing its steady participation in assessments and direct installs throughout the first quarter of PY6. This was accomplished by a strong program pipeline within the assessment and direct install portion of this program within PY5. The prescriptive portion is tracking below our forecast however we continue to see strong trade ally participation and feel confident that this program will achieve its therm saving goal.

Residential New Construction:

For the first quarter, RNC certified 193 homes (19.3% of goal), while achieving a net savings of almost 44,000 therms, which is 9% of the overall PY6 goal. The average savings per home was 350 therms.

The overall savings for this program would have been higher were it not for the delay in launching the statewide Residential Code Compliance offering, which is now underway under the administration of the Department of Commerce and Economic Opportunity. While no therm savings are anticipated for this offering in PY6, the information gathered through market research being conducted by Leidos (the program implementer), will be the basis for the direction of the program going forward in PY7 through PY9.

Outreach efforts for RNC included a four-hour “Building High Performance Homes: More Than Sticks and Bricks” training session for builders, raters and trade allies at Brookfield Zoo on June 23, as well as a similar two-hour session for a major builder’s sales team on June 24.

Total spending was about \$135,000 which is 11% of the overall budget target.

Elementary Energy Education:

In the first quarter, planning activities took place for the Elementary Energy Education (“Super Savers”) program, including the targeting of mid/low-income focus communities for recruiting purposes, finalizing of program materials, and the development of an implementation schedule.

Based on the findings of teacher focus groups conducted in May, the following program materials changes have been incorporated as a continuous-improvement effort:

- Update the Student Surveys to include Spanish
- The Student Workbook is less “wordy”
- The math problems are easier
- Promote the website more in printed materials

It is estimated that 9,600 fifth-grade students will participate in this year’s program, which is a 10% increase over PY5.

Program spending will begin in the second quarter and therm-savings reporting will take place in the fourth quarter.

Behavioral Energy Savings:

In the first quarter, program implementer, CLEAResult, recruited the “Cold Water Wash” demonstration’s first participating property in Carpentersville, IL, which has a total of 650 units.

Data loggers were placed on 49 washer units on August 22, and will record hot water usage (pre-and-post “cold water wash” messaging) through late October. A kickoff event took place at the apartment complex on September 24, at which detergent, laundry bags and program information were provided to tenants that stopped by our booth.

The remaining detergent, laundry bags, and informational materials will be distributed to the units to further program awareness. Additionally, program posters informing the residents of the benefits of washing in cold water have been posted in the complex’s multiple communal laundry rooms.

CLEAResult is recruiting a second property, which we would prefer to be an assisted living facility of approximately 200 units, so that we will have two unique testing environments. As a cost savings, the data loggers currently installed at the first property will be re-used at the second property once it is secured.

Program results and therm savings will be reported throughout PY6.

Business Programs:

Business Energy Efficiency Rebates:

The PY6 business rebate program is essentially the same as the program conducted in PY5 with the exception that all measure rebates are now the same across business offerings and will now be offered at the same amount to eliminate customer confusion. In order to boost participation, Nicor Gas increased rebates for boiler reset controls, space heating boiler tune up, and ozone laundry. The following rebates decreased: dry cleaner steam traps, condensing and non-condensing boilers, furnaces, infrared heaters, storage water heaters, and select indoor pipe insulation. Some rebates decreased due to the expiration of PY5 bonuses. Three new measures are now offered: direct fired unit heaters, demand control ventilation and modulating dryer retrofit. All of the above changes became effective June 1, 2016.

In order to drive more customer participation, bonuses were established for: furnaces, infrared heaters, condensing and non-condensing boilers, direct fired space heaters, dry cleaner steam traps, and select commercial food service measures, effective August 1, 2016 until February 28, 2017.

Business Custom Program:

Nicor Gas continues to work its program pipeline of business custom projects after a busy end to PY5. Nicor Gas was slightly short of its PY5 goal for Business Custom, as not all projects were installed and operational by the May 31st deadline. Those projects have been carried-over into PY6, similar to results seen in prior years as projects under this program tend to be longer-term in nature and require customer commitment for start-up and completion.

The Industrial SEM Continuation program, which began in January, continues to do well with additional low cost/no cost savings to date of over 400,000 therms. The second cohort, which began in June and consists of a mixture of health care facilities, universities and manufacturers, is progressing well. Participants are demonstrating their commitment by attending workshops and providing the information required to develop their energy models.

Small Business Energy Efficiency Program:

Similar to the Business Energy Efficiency Rebate and Custom Programs, during PY6, activities have focused on rebuilding the pipeline of projects that was exhausted in PY5. In anticipation of the future realignment of programs and tracks in PY7, prescriptive measures now have the same rebate amounts for all business programs. To eliminate customer confusion and simplify rebate processing, all business prescriptive rebates are now being offered in the BEER program which will streamline the customer experience.

Business New Construction:

For the first quarter, BNC achieved a net savings of over 64,000 therms, which is 16% of the overall PY6 goal that includes Code Compliance.

The BNC PY6 pipeline of projects currently stands at a combined therm-savings potential of an additional 130,000 net therms (as of 8/31/16).

The overall savings for this program would have been higher were it not for the delay in launching the statewide Business Code Compliance offering, which is now underway, under the administration of the Department of Commerce and Economic Opportunity. While no therm savings are anticipated for this offering in PY6, the information gathered through market research being conducted by Leidos (the program implementer), will be the basis for the direction of the program going forward in PY7 through PY9.

Total spending was approximately \$151,500, which is 15% of the overall budget target, which includes the Code Compliance offering.

Emerging Technology:

A small commercial building air balancing pilot was completed during first quarter of PY6. The final report is expected in second quarter. Further, a co-funding agreement to fund residential ozone laundry project with People Gas and North Shore gas was finalized. In addition, a new smart thermostat pilot with ComEd was discussed and initial discussions on co-funding and overall scope of the project took place during first quarter. Finally, seven other product tests and evaluations continued in the first quarter.

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 first quarter's highlights.
 2. Please see the above section on the first 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.
 4. Spending and savings by program are shown in Appendix A.
 5. Nothing to report for the first quarter.
- C. New Energy Efficiency Measures: Cost-effectiveness screening results for new measures.

Actions: Nicor Gas added four new measures during the first quarter: smart thermostats, direct fired unit heaters, demand control ventilation, and modulating dryer retrofits. The results of the Total Resource Cost ("TRC") test for each new measure are provided in the attached Appendix B. Measures not included in the Nicor Gas EEP filing are marked by an X.

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

Actions: There are no new cost-ineffective measures included in programs.