

Nicor Gas Company
Energy Efficiency Program – Plan Year 5
Quarterly Report: Fourth Quarter
(June 1, 2015 to May 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 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 9.8 million therms in PY5, or 106 percent of its planned energy savings of 9.2 million 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 \$27.6 million, or 88 percent of the PY5 budget of \$31.2 million (excludes Department of Commerce and Economic Opportunity (“Department”) spending).

III. Quarter Highlights

Residential Programs:

Home Energy Efficiency Rebates:

The Home Energy Efficiency Rebates (“HEER”) offering has achieved the PY5 goals. This was accomplished by strong participation with 95% AFUE furnaces, and programmable and smart thermostats.

Also under the HEER program, Nicor Gas continued to promote the distribution of energy savings kits (“ESKs”) via the nicorgasrebates.com website and at live events. In Q4, Nicor Gas distributed 2,073 ESKs for an overall distribution total of 11,427, achieving 43.4% of its PY5 net therm-savings goal for this offering. It should be noted that only another 6,753 ESKs need to be distributed to achieve the 3-year goal of 60,000 total ESKs distributed. Additionally, the offering has achieved 130.6% of its combined PY4 and PY5 net therm-savings goal.

Home Energy Savings:

The Home Energy Savings (“HES”) program has experienced consistent volume throughout PY5 and has achieved its goal. The introduction in the second quarter of PY5 of the Ecobee3, a smart thermostat, for Nicor Gas and Commonwealth Edison Company (“ComEd”) customers has been successful, therefore, Nicor Gas expanded this offering to Nicor Gas-only customers in the third quarter of PY5 and has seen moderate success.

The prescriptive air sealing/insulation portion of the program tracked slightly behind our PY5 forecast. However, this offering still obtained our PY5 therm savings 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 experienced steady participation in assessments and direct installs throughout PY5. This was accomplished by a strong program pipeline within the assessment and direct install portion of this program. The prescriptive portion is tracked to our forecast and continues to see strong trade ally participation.

Residential New Construction:

For Q4, the RNC program certified 301 homes, for an overall PY5 total of 885 homes (88.5% of goal), while achieving a savings of 104,170 net therms for the quarter and 309,451 net therms for the program year, overall. This savings represents 86.6% of the overall PY5 goal, or 369% of the RNC program goal, exclusive of the Residential Code Compliance offering. The average therm-savings per home was 346 therms in Q4.

Additionally, on March 30, energySMART conducted a second “Selling High-Performance Homes” training session with 23 builders, raters and other appropriate trade allies. This was more than double the attendance of the November 2015 session.

Finally, program implementer Residential Science Resources (“RSR”), made updates to the HouseRater tracking software to accommodate changes in the Illinois state energy code, IECC 2015, with Illinois-specific amendments. Illinois adopted the new code on January 1, 2016. The RESNET accredited HERS rating software, REM/Rate, released an update to include this new reference code during Q4. RSR expects to begin completing homes permitted under this new code during Q1 of PY6.

Elementary Energy Education:

In Q4, program implementer, Resource Action Programs (“RAP”) completed the survey collection from the program participants (that included 128 total schools and 160 total classes), resulting in a return rate of 45% for the joint offering and 52% for the gas-only offering, thus exceeding the minimum 40% required return rate. The 8,737 Super Savers kits distributed resulted in a savings of 107,334 net therms, which is 150.6% of goal. Additionally, in May, as a continuous-improvement initiative, RAP conducted a focus group with several participating teachers. The goal of the focus group was to solicit overall reactions to the program, discover how they use the program and ask what they believe could be improved with the program (format, curriculum and materials). Funding for the focus group was provided by RAP; program budget was not used.

Behavioral Energy Savings:

In Q4, program implementer, CLEAResult, began recruiting multi-family properties for the “cold water wash challenge.” Program results and therm savings will be reported throughout PY6.

Business Programs:

Business Energy Efficiency Rebates:

The Business Energy Efficiency Rebate (“BEER”) PY5 program is essentially the same as the program conducted in PY4 that rebuilt the pipeline and ramped up after completing and closing out PY4. Therm savings for PY5 Q4 were approximately 30% more than that of PY5 Q1-3 combined, but remain below forecast. The BEER program is at 55.0% of the therm goal while at 78.3% of the budget. At the end of PY6, therms are expected to be near goal.

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 provided Trade Ally and customer training for infrared heaters and boiler tune-ups, and distributed 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 Q4 therm savings are tracking at or better than forecast at 98.9% of the therm goal while at 82.8% 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.

The Industrial SEM continuation program works toward continued energy savings in their second year. Participants have received over \$36,000 in bonus payments

resulting from projects that were identified during the pilot. Due to the success of the initial SEM program, recruiting began in March for a second cohort consisting of a mixture of health care facilities, universities and manufacturers. The kick off for the second Cohort was held June 9 with nine participants.

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, Q2-4 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. The following adjustments have been made in PY5: increased data collection to more precisely calculate savings; lowered rebates on space heating and steam traps; reduced marketing for the program and outreach for assessments.

Business New Construction:

For Q4, BNC achieved a savings of 33,475 net therms and 981,279 net therms overall, which is 320% of the overall PY5 goal, or 810% of the BNC program goal, exclusive of the Business Code Compliance offering. The program has performed well due to an increase in construction activity. Interest in the program remains strong.

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 complete. This technology identifies failing (leaking and blowing) steam traps and notifies operators (mostly commercial & industrial customers) instantly via an internet-based system. The final report for a Commercial Energy Management System was delayed to the first quarter of PY6. This technology is targeted for small commercial buildings and multiple buildings/locations under common owner/operator. It is a cloud based system, integrated with meter and communication hardware for real-time customer access to building utility data. In addition, there are currently seven products 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 fourth quarter's highlights.
2. Please see the above section on the fourth 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 fourth quarter of PY5, no programs were 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 fourth quarter.

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

Actions: There were no new cost-effective measures in the fourth quarter.

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

Actions: There were no new cost-ineffective measures in the fourth quarter.