



Nicor Gas Company
Energy Efficiency Program – Plan Year 2020
Quarterly Report: Second Quarter
(April 1, 2020 to June 30, 2020)

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. 17-0310, which approved Nicor Gas’ four-year Energy Efficiency Plan (“EEP”); January 1, 2018 through December 31, 2021. This report first discusses EEP energy therm savings and program expenses for Plan Year 2020 (“PY2020”), January 1, 2020 through December 31, 2020, as of the end of the reporting quarter period. This quarter, covering April 1, 2020 through June 30, 2020, will be referred to as the “Second Quarter.” 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 the Statewide Quarterly Report Template which shows, among other things, ex-ante results, costs, historical energy saved, and external impacts for the period January 1, 2020 through June 30, 2020. As shown, Nicor Gas’ programs have accumulated net savings of 5.27 million net therms through the Second Quarter of PY2020, or about 32.0 percent of its planned energy savings of 16,468,775 therms for PY2020 as stated in its adjustable goal EEP template. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of approximately \$18.2 million.

III. Quarter Highlights

RESIDENTIAL PROGRAMS:

Home Energy Efficiency Rebates (HEER):

The objective of the Home Energy Efficiency Rebate (“HEER”) Program is to obtain energy savings by overcoming market barriers to the purchase, installation and maintenance of high-efficiency natural gas space-heating equipment as well as other targeted measures in residential applications.

Key Program Changes: Nicor Gas is offering a temporary rebate bonus of \$50 to residential customers who replace their existing furnace with a new high-efficiency 95% or 97% AFUE furnace between June 1, 2020 and September 30, 2020. The rebate for a 95% AFUE furnace was raised from \$200 to \$250 and the rebate for a 97% AFUE furnace was raised from \$225 to \$275. The Program has an online and paper channel for smart thermostats as of June 1st.

Program Successes: From April 1 through June 30, 2020, the Program has incentivized over 1,800 high efficiency furnaces and boilers and over 7,600 smart thermostats to our customers.

Program Challenges: As of March 12, 2020, and through all of the Second Quarter, COVID-19 impacted the ability for trade allies to access customers' homes to perform installations. Nicor Gas is still offering rebates to customers for high efficiency furnaces, boilers and smart thermostats. COVID-19 impacts will likely persist into the Third Quarter.

Home Energy Savings (HES):

The Home Energy Savings (“HES”) program is a whole-house single-family weatherization program with the objective to obtain natural gas savings in existing single-family buildings by overcoming market barriers to the installation of energy efficiency measures. The HES program provides weatherization and shell improvement opportunities using standard, prescriptive and whole-house approaches. This offering consists of a home energy assessment (HEA) and air sealing and insulation (ASI) components.

Key Program Changes: In 2020, the Program implemented leave-behind kits that are provided to customers during their home energy assessments. The leave-behind kits include weatherstripping, a door sweep and a shower timer. Also, on January 1, 2020, ASI launched as a Nicor Gas-only offering.

Program Successes: The Program will be launching a Virtual Assessment option for customers in July 2020. The air sealing and insulation offering within HES continues to be successful in 2020. The Program has been able to serve over 200 homes. Additionally, the Program is seeing higher therm savings per home than anticipated.

Program Challenges: As of March 12, 2020, the Program stopped all in-home assessments and have rescheduled customers for future dates. A relaunch of in-person home assessments is scheduled for July 2020 pending Restore Illinois requirements. Nicor Gas continues to offer rebates to customers for air sealing and insulation.

Multi-Family (MF):

The Multi-Family Program (“MF”) addresses residential (living units) and commercial (communal areas, central plants) energy efficiency opportunities available in multi-family buildings. The program aims to overcome market barriers to the installation of energy efficiency measures in multi-family buildings by offering comprehensive assessments, technical assistance and incentives. MF provides property owners with turnkey services to reduce energy and water use in residential living units, communal areas and in the building shell.

Key Program Changes: The Centralized Plant Optimization Program (CPOP) launched at the beginning of 2020 as a pilot program. Based on the program’s success to date, a 12-month budget was approved in the Second Quarter to fund the program through the remainder of the year.

Program Successes: CPOP continues to perform with better-than-anticipated dollar per therm. The program has experienced little-to-no impact as a result of COVID-19 thus far, and 93% of the 2020 CPOP savings goal has been realized through 267 projects.

Program Challenges: The prescriptive portion of MF has continued to see lower-than-expected participation. COVID-19 has impacted both assessments and direct installations due to restrictions from entering tenant units and building common areas. All multi-family assessments and direct installs planned for the Second Quarter were rescheduled to future dates.

Residential New Construction (RNC):

The objective of the Residential New Construction Program (“RNC”) is to obtain energy savings by increasing the energy efficiency of single-family and duplex new construction homes. The program provides participating new home builders and their verifier companies a financial incentive to either a) exceed state and local building code requirements regarding duct and air sealing, along with the installation of specific high-efficiency equipment, or b) install prescriptive high-efficiency equipment only.

Key Program Changes: In an effort to increase participation and qualify more homes, the duct sealing requirement was revised from 2 CFM/100 sq. ft. to 3 CFM/100 sq. ft. for townhome projects, and the air sealing requirement was revised from 2.5 ACH50 to 3.0 ACH50 for single-family projects and 3.5 ACH50 for townhomes. Additionally, the verifier fee per completed home was increased from \$50 to \$75 for homes with inspection dates after May 31, 2020.

Program Successes: In the Second Quarter, 142 homes were completed, for a mid-year total of 225 completed homes or 20.4% of the annual goal. While the program is currently tracking to be short of the participation goal, the 71% participation increase from the First Quarter to the Second Quarter is a promising sign that the new program design is gaining momentum.

Program Challenges: To remain cost effective as a Nicor Gas-only program, the program had to reduce rater (verifier) incentives, which has dissuaded some raters from participating at their previous levels. As they are also on-site during home construction, the program has begun outreach with HVAC contractors to provide verifier services for the program, which is anticipated to increase program participation.

Energy Education and Outreach:

The energy education and outreach program is intended to enhance residential customers' understanding of energy usage in their homes and educate these customers on available energy efficiency opportunities through the Nicor Gas Energy Efficiency Program.

- Energy Saving Kits (“ESKs”)
- Energy Education Kits (“EEKs”)
- Behavior Energy Savings (“Behavior”)

Key Program Changes:

Behavior (HER)

In order to meet 4-year therm-savings goals, the HER implementer will be expanding the program by 210,000 paper report participants and will be adding a separate wave of 200,000 email report participants. This expansion is targeted to be in place by September 2020.

Program Successes:

ESK

In the Second Quarter, 3,371 water-saving kits and 7,879 weatherization kits were distributed to customers; this resulted in a total of 6,313 water-saving kits and 16,772 weatherization kits distributed through mid-year.

EEK

Plans have been developed for the implementation of the fall EEK (Super Savers) program that address scenarios in which schools are 1) fully in session, 2) partially in session with alternative kit distribution sites and 3) closed due to

COVID-19 concerns (i.e. remote learning), with kits being delivered directly to students' homes. In scenarios 2 and 3, virtual learning approaches would be available for implementation.

Behavior (HER)

In the Second Quarter, the Behavior (Home Energy Reports) program distributed 85,773 email reports to program participants. The overall open rate for emails is 24%. Thus far in PY2020, only 36 participants (0.02%) have opted out of the program.

Program Challenges:

ESK

The lack of in-person ESK distribution events due to COVID-19 has resulted in a reduction in participation. It is estimated that approximately 1,300 fewer water-saving kits and 3,000 fewer weatherization kits have been distributed through mid-year due to COVID-19.

Income Qualified Energy Efficiency:

The objective of the Income Qualified Energy Efficiency (“IQ”) program is to provide broad and deep energy efficiency opportunities to income-qualified customers living in single-family homes and multi-family buildings, and for the construction of new energy-efficient affordable housing. This program includes:

- Single Family and Multi-Family Weatherization and Retrofits
- PHA/Multi-Family Buildings
- Affordable Housing New Construction (AHNC)

Key Program Changes: None

Program Successes: Through June 30, 2020, Nicor Gas, in collaboration with Community Action Agencies, was able to serve 137 single family homes. Additionally, through our contractor channel, we were able to serve 174 single-family homes and 1,397 multi-family units. We were also able to serve an additional 150 multi-family units through the Public Housing Authority Income Qualified offering.

Affordable Housing New Construction (AHNC) Second Quarter Completed Projects

TYPE	SQ. FEET	ANNUAL GROSS THERM SAVINGS
New construction of a 3-story, 60-unit senior living facility	46,605	824

Program Challenges:

Due to COVID-19, all in-home assessments and weatherization for Single Family and Multi-Family Weatherization and Retrofits and PHA have stopped, as of March 12, but is scheduled to resume in July 2020 pending Restore Illinois requirements.

The AHNC program is implementing a Remote Verification Process so that incentive payments for projects that are completed during COVID-19 aren't delayed. Nicor Gas may see minor project delays as the Program works with customers to complete the remote verification process, as it takes longer to compile and review all the information necessary to verify installation remotely.

BUSINESS PROGRAMS:

Business Energy Efficiency Rebates (BEER):

The Business Energy Efficiency Rebates ("BEER") program's goal is to produce natural gas energy savings in the business and public sectors by promoting the purchase and installation of energy efficiency measures such as: high-efficiency space heating, water heating, food service technologies, tune-ups and upgrades. This is accomplished by providing the direct installation of free energy-saving products, completing free energy assessments of customers' facilities and providing tailored energy efficiency project recommendations.

Key Program Changes: Due to COVID-19, the program has developed ways to interact with our customers remotely, while tracking a pipeline of customer interest that the program can pursue when able to return to the field safely.

Program Successes: The program is continuing to see public sector assessment and direct install interest, due to a multi-pronged public sector outreach approach, which will be fulfilled pending Restore Illinois requirements. This outreach initiative has reached out to 420 public school districts and 200 municipalities. Nicor Gas is continuing further public sector outreach through our Marketing and Outreach team, to ensure the program is educating all markets within the public

sector. Steam traps continue to be key measures and the Program anticipates this trend will continue.

Program Challenges: The program suspension of all assessments and face-to-face customer interactions has continued through the Second Quarter. The Program has monitored the Restore Illinois phases and hopes to lift this suspension in the Third Quarter. Outreach efforts have continued, but the Program is seeing less interest and has had difficulty reaching customers and trade allies. Nicor Gas is evaluating the COVID-19 impacts to the program, and anticipates a reduction of projects and lower therm savings in the Third Quarter. The program is currently developing ways to counteract this impact.

Custom Incentives:

The purpose of the Custom Incentives (“Custom”) program is to assist medium-to-large commercial, multi-family, public sector and industrial customers in identifying and implementing cost-effective natural gas energy efficiency measures that are not otherwise addressed in Nicor Gas’ BEER, MF or SB Programs. Participation is driven through the program’s free energy assessments, which inform the customer on ways to be more efficient. These assessment recommendations can spill over into other commercial and industrial program participation. Additionally, the Custom program offers a Retro-Commissioning (RCx) offering, assisting participants with low-cost and no-cost tune-ups and adjustments to their operating systems, building controls, energy management systems and HVAC systems in existing buildings. The aim of the retro-commissioning offering is to optimize operation and improve facility efficiency by returning equipment to its intended operation or design specifications. The Custom program also includes a Combined Heat and Power (CHP) offering.

Key Program Changes: Due to COVID-19, the program has developed ways to interact with our customers remotely, while tracking a pipeline of customer interest that the program can pursue when able to return to the field safely.

Program Successes: The program has a robust pipeline, which currently includes roughly 60 projects. The program has completed 15 projects (including two RCx projects through the ComEd/Nexant MOU) for a total of roughly 307,000 net therms. Engineering and Outreach teams have implemented remote working protocols (due to virus restrictions) in order to continue building the pipeline and find new opportunities. The program is continuing to see public sector interest, due to a multi-pronged public sector outreach approach to public schools and municipalities. The follow-up outreach cadence on assessments has increased, which has helped identify customers who will be acting on assessment recommendations. Outreach efforts to spark Retro-Commissioning (RCx) project

interest have also increased. CHP activity continues to build. One CHP Feasibility Study (FS) was finalized in the Second Quarter. Eight CHP FSs have been completed to-date in 2020, with a total potential 20,488 kW. One 800 kW CHP system, the first in Nicor Gas/ComEd joint territory, began the 16-month EM&V process in the third quarter of 2019 and is expected to complete EM&V in the Fourth Quarter of 2020. One public sector CHP 375 kW system is in construction and is expected to be flame-on in the third quarter of 2020.

Program Challenges: The program is continuing to evaluate the COVID-19 impacts. Due to the suspension of assessments and face to face customer interactions, it is anticipated that the program will see a reduction in projects and therm savings in the Third Quarter. Outreach efforts have continued to develop a pipeline and counteract this negative impact.

Strategic Energy Management:

The objective of the Strategic Energy Management (“SEM”) program is to obtain long-term energy savings by focusing on improving and optimizing commercial, industrial and public-sector operations, processes and energy equipment.

Key Program Changes: None

Program Successes: Three cohorts were underway in the Second Quarter: 2019/2020 K-12 Public Sector (five of six school districts completed their performance period) claimed savings of 249,811 therms; 2020 Public Sector (includes seven customers starting their first year of SEM); and 2020 Alumni (includes 15 joint Nicor Gas/ComEd customers, four ComEd-only and six Nicor Gas-only customers that are continuing the second, third, fourth or fifth year of their energy-saving journey; six of these are public sector customers).

Program Challenges: For the Second Quarter, the new (first-year) 2020 Public Sector cohort was, and continues to be, in recruiting. On March 12, all in-person meetings and site visits ceased in response to COVID-19 and were replaced with virtual meetings. COVID-19 impacts have been seen in the Second Quarter. Many industrial customers continued to operate, but a few shut down for a short period and are gradually resuming production, while others increased production based on demand. Also gradually beginning to open back up are: schools and universities closed in unoccupied mode, switching to online classes though some had international student occupancy; and office buildings that reduced occupancy depending on if tenants were considered essential workers.

Small Business:

The Small Business Program's ("SB") objective is to obtain long-term natural gas energy savings from small business gas customers, including public sector customers, with energy efficiency retrofits and financial incentives to influence the installation of highly efficient natural gas equipment.

Key Program Changes: Due to COVID-19, the program is developing ways to interact with our customers remotely, while working to develop a pipeline of customer interest that the program can pursue, when able to return to the field safely.

Program Successes: The program continues to see increased public sector interest, due to our multi-pronged public sector outreach approach. This outreach initiative has reached out to 420 public school districts and 200 municipalities. Nicor Gas is continuing further public sector outreach to ensure the program is educating all markets within the public sector. The program is compiling an interest pipeline to pursue when able to return to the field safely. Outreach is still uncovering custom and prescriptive pipeline opportunities, and is keeping consistent communication with our trade allies, who anticipate a high volume of projects in the third and fourth quarter, especially dry cleaner steam trap projects. At the end of the Second Quarter, the program started seeing steady dry cleaner steam trap application submissions and anticipates this will continue into the Third Quarter.

Program Challenges: Outreach efforts are ongoing to counteract the program suspension of all assessments and face-to-face customer interactions, which has continued through the Second Quarter. We have monitored the Restore Illinois phases and hope to lift this suspension in the Third Quarter.

Business New Construction (BNC):

The objective of the Business New Construction ("BNC") Program is to obtain energy savings during the design and construction of new buildings, major renovations of existing buildings, and tenant buildouts in the commercial, public sector and industrial market.

The Business New Construction offering provides education, financial incentives and technical assistance to help building owners and design teams exceed current energy codes.

Key Program Changes: None

Program Successes:

Second Quarter Completed Projects (*public sector project)

TYPE	SQ. FEET	ANNUAL GROSS THERM SAVINGS	MEASURES
High school addition*	130,000	35,596	<ul style="list-style-type: none">• Window assembly U-Value• Mass and steel frame wall insulation• Supply air temperature reset
Two self-storage buildings	149,000	1,794	<ul style="list-style-type: none">• Mass wall insulation
2-story office building	25,000	1,264	<ul style="list-style-type: none">• Kitchen exhaust control• Condensing RTUs

Program Challenges:

The BNC program has had several projects that have been pushed back as a result of COVID-19 verification delays. To address this, the program developed a Remote Verification Process, and in June began reaching out to customers whose projects are completing during COVID-19 to ask whether they would prefer to work with us to perform a remote verification, or delay payment until the team can get back out into the field to perform on-site verifications.

Emerging Technology:

The primary mission of the Nicor Gas Emerging Technology Program (“ETP”) is to seek out new or unproven technologies that may be suitable for inclusion in the Nicor Gas Energy Efficiency Program and verify their natural gas savings through field tests and in-situ pilot demonstrations.

Successful Measures:

Nicor Gas completed and submitted 6 TRM workpapers during the Second Quarter. They are as follows:

#1119 Venturi Steam Traps

#1118 Low-E Interior Storm Windows

#1085 Chemical Boiler Descaling

#1137 Hydronic Heating Radiator Replacement

#1139 Pipe Insulation; and

#1150 Drain Water Heat Recovery

Furthermore, ETP launched a new pilot for a residential dryer sensor which is contactless, collects data remotely, and can be self-installed.

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
- 6) Pilots completed and the results

Actions:

- 1) Please see the above section on the Second Quarter's highlights.
- 2) Please see the above section on the Second Quarter's highlights.
- 3) Please see Section C below and Appendix A for a discussion and list of new measures added to Nicor Gas' programs.
- 4) Spending and savings by program are shown in the attached Statewide Quarterly Report Template.
- 5) Please see Appendix B for actions taken in response to evaluators' recommendations.
- 6) Please see the above section on the Second Quarter's highlights.

- B) **New Energy Efficiency Measures:** Cost-effectiveness screening results for new measures.

Actions: Actions taken in PY2020 in response to past evaluators' recommendations are shown in Appendix B.

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

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