

Nicor Gas Company
Energy Efficiency Program – Plan Year 2018
Quarterly Report: Third Quarter
(July 1, 2018 to September 30, 2018)

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 2018 (“PY2018”), January 1, 2018 through September 30, 2018, as of the end of the reporting quarter period. This quarter will be referred to as the “Third 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 historical other – environmental and economic impacts for the period January 1, 2018 through September 30, 2018. As shown, Nicor Gas’ programs have accumulated net savings of 5.9 million net therms in PY2018, or about 36.3 percent of its planned energy savings of 16,509,651 therms for PY2018 as stated in its EEP filing. As of the end of the reporting quarter, Nicor Gas had achieved these therm savings with spending of approximately \$16.4 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 efficient natural gas space-heating equipment as well as other targeted measures in residential applications.

Key Program Changes: None

Program Successes: We continue to see higher than anticipated participation within our boiler replacement. The program looks to be right on target with our therm savings goal for 2018.

Program Challenges: We continue to see lower than anticipated participation within the Quality Install and Quality Maintenance portion of the program, due to a change in vendor technologies.

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 and electricity 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.

Key Program Changes: None

Program Successes: The assessment participation has been extremely successful, and we continue to see customers taking advantage of the offering. We are currently on track with our savings goal and look to end 2018 at approximately 120% of our forecasted savings goal. Online scheduling is still a main focal point for 2018.

Program Challenges: Air Sealing and Insulation (ASI) production is lower than anticipated. Increases in production should be seen within the coming winter months.

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 offers property owners with turnkey services to reduce energy and water use in both residential living units, communal areas building shell.

Key Program Changes: None

Program Successes: We continue to see strong participation in the direct installation portion of the program. Franklin Energy, our subcontractor attended the Chicagoland Property Management Condo and HOA Expo, on 9/26. During the event they were able to engage property management companies and sign them up for assessments. They will also be attending the Cooperator Expo Chicago event in November.

Program Challenges: Participation in the prescriptive portion of the Multi-Family Program is lower than anticipated. We have been working with our marketing team to engage property managers that have participated in our direct install offering but did not move forward with any prescriptive measures.

Residential New Construction (RNC):

The objective of the Residential New Construction Program (“RNC”) is to obtain energy savings by increasing the energy efficiency in the new construction of single-family homes and duplexes beyond existing building codes.

Key Program Changes:

In August, the program team approved the lowering of the minimum program requirement from “20% better than code” to 15%, thus creating a new 15-19.99% incentive tier, while increasing the existing tier incentives. This adjustment was necessary due to a recent calculation update in the third-party modeling software used by HERS Raters in the program. This update reduced the cooling electrical usage in the reference home. While this update did not directly affect gas savings, the program uses **total** energy-percent-better than code to determine program qualification, thus it did impact the number of homes that would be able to meet the program’s “20% better than code” requirement. This drop in qualified homes would cause the program to forecast significantly short of our year-end energy-saving goals. In September, the first month for the new tier, Raters submitted 30 homes under the new tier, with an average per-home savings of 170 gross therms and 525 gross kWh. Along with the update to the builder incentives, September also saw the addition of a \$50 Rater bonus incentive for each home submitted into one of the top two incentive tiers. The bonus has given Raters an additional inducement to work with their builders to improve building practices and equipment. The table below shows the new rebate structure which will be in place through the end of the 2018 program year:

Bonus incentives		
% above code	Builder	Rater
15-19.99%	\$150	\$350
20-24.99%	\$300	\$350
25-29.99%	\$450	\$400
30% or better	\$500	\$400

Program Successes: On September 27, the RNC program held a seminar called High-Performance Homes: Evolution and Innovation. The half-day event, held at the Gas Technology Institute, featured a keynote address by Sam Rashkin, Chief Architect, U.S. Dept. of Energy, Building Technologies Office. Sam’s address was titled, The Evolving Housing Market and the Business Case for High-Performance Homes. Other sessions included discussions on 1) construction practices designed to help builders exceed current IECC codes and 2) the reduction of air filtration to increase comfort. Fifty-six people attended; among the attendees were builders, raters, architects, home inspectors, manufacturers, engineers, energy auditors, realtors and HVAC contractors. At the conclusion of the presentations, GTI provided campus tours for the attendees. In a follow-up survey, on a scale from 1 to 5, attendees gave the seminar a 4.59 overall grade regarding satisfaction and meeting objectives.

Program Challenges: Illinois is scheduled to adopt the new 2018 IECC energy code later this year, with enforcement beginning March 1, 2019. Each time a new, more stringent code is adopted, it makes the attainment of the required above-code participation thresholds more difficult to achieve. Adding to the challenge, a final version of the code is not expected to be released until December of this year. This has a drastic impact on program planning since the software companies will not create a new reference (code baseline) home until the approved code is released; therefore, the program team is currently forecasting participation and savings for 2019 that references a baseline that we have created in-house to replicate what we believe the final code will be. It is likely we will not be able to compare our projections to the official reference until after the 2019 program year is underway.

Energy Education and Outreach:

The energy education and outreach program are intended to enhance residential customer's understanding of energy usage in their homes and educate these customers on available energy efficiency opportunities through energySMART. This program includes three offerings:

Energy Saving Kits ("ESKs")
Energy Education Kits ("EEKs")
Behavior Energy Savings ("Behavior")

Key Program Changes: None

Program Successes: In Q3, 5,702 ESKs were distributed to customers, including 1,686 kits at customer events. These events included Ribfest and India Day in Naperville, the Puerto Rican Heritage Festival in Aurora, the Ford Heights Health and Wellness Fair, the Community Small Business and Health Resource Fair in Bellwood, and the Midtown Ethnic Parade and Festival in Rockford. Additionally, program marketing efforts are gaining traction, so the program is now estimated to attain ~123% of participation goal, or ~12,600 total ESKs.

The fall 2018 Super Savers program is underway; we are still estimating that we will distribute ~4,900 kits to the students, bringing the 2018 total to ~18,000 kits distributed, which will be 137% of participation goal.

Candidate interviews are underway for The Behavior (Home Energy Reports) program RFP. The program will be a 3-year engagement (2019-2021) and will garner 5.1 million gross therm savings. It is anticipated that a vendor will be chosen by late November.

Program Challenges: None

Income Qualified Energy Efficiency:

The objective of the Income Qualified Energy Efficiency ("IQ") program is to provide broad and deep energy efficiency opportunities to the IQ customers living in single family homes, 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: An AHNC project was completed (New Lenox Horizon Senior Living) in New Lenox, IL. This facility consists of 53 units of affordable senior housing in a 3-story apartment building. The high-efficiency space and water heating measures installed will save New Lenox Horizon Senior Living 7,466 therms annually.

Program Challenges: None

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 sector by promoting the purchase and installation of energy efficiency measures such as high-efficiency space heating, water heating and food service technologies, tune-ups and upgrades. This is accomplished by providing the direct installation of free, energy-saving products and by completing energy assessments of customers’ facilities and providing tailored energy efficiency project recommendations.

Key Program Changes: None

Program Successes: In addition, we have been working with Hyatt Regency, O’Hare and Waubensee Community College on high quantity direct installation projects (showerheads and aerators). This has resulted in a great customer experience with these customers.

Program Challenges: None

Custom Incentives:

The purpose of the Custom Incentives (“Custom”) program is to assist medium to large commercial, multi-family non-prescriptive public sector and industrial customers in identifying and implementing cost-effective gas energy efficiency measures that are not otherwise addressed in Nicor Gas’ BEER or SB Program. Additionally, the Custom program offers a Retro-Commissioning offering, assisting participants with low-cost and no cost tune-ups and adjustments to the operating systems, building controls, energy management systems and HVAC of existing buildings. The aim of the retro-commissioning is to optimize operation and improve their building efficiency by returning them to their intended operation or design specifications. The Custom program also includes a CHP offering.

Key Program Changes: There is a goal to utilize more feasibility studies for CHP participants in the upcoming quarters. One feasibility study has already been completed.

Program Successes: This quarter, Nicor Gas has been able to build our assessment pipeline and perform more assessments than previous quarters. Nicor Gas incorporated additional marketing efforts through the Trade Ally Newsletter and garnered a sizeable response. The program also plans to utilize tailored outreach messaging that targets its largest commercial and industrial customers. Also, the first joint ComEd/Nicor Gas CHP project is on track to begin operation in November 2018, a second project to begin operation Q1 2020.

Program Challenges: The program is currently forecasting to be below its spend and term goals for the custom program, but it has developed some promotions that will help realign all forecasted targets. Furthermore, CHP projects have demonstrated the propensity to take much time and coordination to get online. The first two projects took an average of 2 ½ years to come to fruition, which illustrates the long-term cycle.

Strategic Energy Management:

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

Key Program Changes: Nicor Gas is recruiting customers for two new SEM cohorts: MEGA (large customers not eligible for EEP starting 1/1/2020) and Public Sector K-12. Nicor Gas is in the process of developing Cohort #4 and an Alumni Cohort, which will be contracted in Q4 2018 or Q1 2019 and is expected to begin in Q1 2019.

Program Successes: Forecasted Low-Cost-No-Cost SEM savings look to be on target for Cohort #3 and the Participant Cohort, which will be reported in December 2018.

Program Challenges: One Cohort #3 company that enrolled in the SEM program in Q4 2017 dropped out of the program in August 2018 due to reassignment of plant staff that was not backfilled.

Small Business:

The Small Business Program’s (“SB”) objective is to obtain long-term natural gas energy savings from small business gas customers with energy efficiency retrofit and financial incentives to influence the installation of high efficient natural gas equipment.

Key Program Changes: None

Program Successes: None

Program Challenges: None

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 build-outs 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 the current energy codes.

Key Program Changes: None

Program Successes: The Palos Health South Campus project received an incentive from Nicor Gas that aided in the construction of this 81,000-sq. ft. healthcare clinic building located in Orland Park, IL. An annual energy savings of 5,817 therms will be realized as the result of the installation of high efficiency condensing boilers and water heaters, as well as upgraded wall insulation, roof insulation and windows.

Program Challenges: None

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 energySMART program and verify their natural gas-savings through field tests and *in-situ* pilot demonstrations.

Successful Measures:

No measures were finalized during the quarter, however, Nicor Gas continued with its five pilots that were initiated in the first-quarter of 2018 within the ETP initiative.

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.

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

Actions: Actions taken in PY 2018 in response to past evaluators' recommendations are shown in Appendix B.

- 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.