

Nicor Gas Company
Energy Efficiency Program – Plan Year 5
Quarterly Report: First Quarter
(June 1, 2015, to August 31, 2015)

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 August 31, 2016. As shown, Nicor Gas’ programs have accumulated net savings of 736,500 therms in PY5, or 8 percent of its planned energy savings of 9,213,000 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 \$4.6 million, or 14.9 percent of the PY5 budget of \$31,195,000 (excludes Department Commerce Economic Opportunity (“The Department”) spending).

III. Quarter Highlights

Residential Programs:

Home Energy Efficiency Rebates:

The Home Energy Efficiency Rebates (“HEER”) offering had some minor changes at the start of program year that streamlined the application process and eliminated the rebate for 92% AFUE furnace rebate. The HEER offering is tracking to meet the PY5 goals and with the heating season on the horizon the production will naturally increase in the second quarter.

Additionally, under the HEER program, Nicor Gas continues to promote the distribution of energy savings kits (“ESKs”) via the nicorgasrebates.com website and at live events. In PY5 Q1, Nicor Gas distributed 3,989 ESKs, achieving 21% of its

PY5 therm-savings goal for this offering. It should be noted that only another 14,185 ESKs need to be distributed to achieve the 3-year goal of 60,000 total ESKs distributed. To ensure an adequate ESK supply will remain through PY6 to meet customer demand, no major promotional efforts are planned in PY5, thus therm savings (which were exceeded significantly in PY4) are likely to be lower than initially planned in PY5 and PY6.

Home Energy Savings:

The Home Energy Savings (“HES”) program experienced lower than expected participation in the assessment portion of this program due to a high cancellation/no-show rate. However, the volume of assessments is expected to increase in the fall and winter months to make up the short fall experienced in the first quarter. While the assessment portion fell short of our first quarter goal, the prescriptive air sealing/insulation portion exceed our first quarter goal. Overall, it would appear at this time that we are on track to obtain our PY5 therm saving goal for this program.

Multi-family Comprehensive Energy Efficiency Program:

The Multi-family Comprehensive Energy Efficiency Program experienced lower than expected assessments and direct installs in the first quarter. However, there is a strong program pipeline and momentum going into the second quarter within the assessment and direct install portion of this program. The prescriptive portion is tracking to goal and continues to see strong trade ally participation.

Residential New Construction:

For PY5 Q1, the RNC program certified 180 homes (18% of goal), while achieving a net savings of 74,925 therms, which is 21% of the overall PY5 goal, or about 90%% of the RNC program goal, exclusive of the Residential Code Compliance offering. The average savings per home was 347 therms.

The tiered incentive approach continues to be successful, as it rewards builders for greater levels of “above code” construction, further driving market transformation in that builders are being influenced to consider improving levels of “above code” efficiency when building new homes.

As indicated in previous reports, the overall savings for this program would have been higher were it not for the delay in launching the Residential Code Compliance offering. This offering is contingent upon participation by The Department, which was delayed due to State of Illinois budgetary issues. When the code compliance offering launches, the intention is to have The Department as the administrator.

Elementary Energy Education:

In PY5 Q1, planning activities took place for the Elementary Energy Education (“Super Savers”) program, including the confirmation of school contacts, ordering of program materials, and the development of an implementation schedule.

It is estimated that approximately 8,600 fifth-grade students will participate in this year’s program. This represents an 11% decrease compared to PY4 which is necessary to ensure that budget targets are not exceeded.

Program spending will begin in PY5 Q2 and therm-savings reporting will take place in PY5 Q4.

Behavioral Energy Savings:

Nicor Gas’ efforts during PY4 concentrated on conducting and evaluating a wasted energy study. The study was completed and program development is now underway based on the recommendations of that study. Program launch is anticipated in the third quarter of PY5.

Business Programs:

Business Energy Efficiency Rebates:

The PY5 program is essentially the same as the program conducted in PY4. In order to boost participation, Nicor Gas increased rebates for select indoor and outdoor pipe insulation. The programmable thermostat rebate was decreased due to decreased savings from new TRM assumptions. All of the above changes became effective June 1, 2015. PY5 is continuing to ramp up after completing and closing out PY4.

Business Custom Program:

Nicor Gas continues to work its program pipeline of business custom projects after a busy end to PY4. Nicor Gas did not reach its PY4 goal for Business Custom, as not all projects were installed and operational by the May 31st deadline. Those projects have been carried-over into PY5, 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.

Nicor Gas also continued its offering of Strategic Energy Management (“SEM”), which is a 12 month pilot program that began November 2014. Participants have already shown significant savings by taking advantage of prescriptive measures. Savings through low cost/no cost measures will be calculated at the end of the calendar year.

Small Business Energy Efficiency Program:

Similar to the Business Energy Efficiency Rebate and Custom Programs, during PY5, activities have focused on rebuilding the pipeline of projects that was exhausted in PY4. The PY5 program is essentially the same as the program conducted in PY4. In order to boost participation, Nicor Gas increased rebates for select indoor and outdoor pipe insulation, and added Drop-in Assessment and Salon Sprayer measures. The Direct Install programmable thermostat was discontinued due to a TRM savings reduction. The Direct Install water heater setback measure was discontinued due to low participation. The following rebates were reduced to limit the risk of oversubscription: Condensing boilers $\geq 90\%$ AFUE, $< 300\text{MBH}$; Furnaces $\geq 92\%$ & $\geq 95\%$; and Infrared Heaters. All of the above changes became effective June 1, 2015.

Business New Construction:

For PY5 Q1, Business New Construction (“BNC”) achieved a net savings of 118,470 therms. Although this is 38.6% of the overall PY5 goal, it is notable that 98% of the BNC program goal exclusive of the Business Code Compliance offering has already been achieved in the first quarter.

The number of BNC PY5 projects continues to be robust, with a combined therm-savings pipeline of 1.5 million gross therms. However, it is anticipated that a number of these projects will slip into future program years due to construction completion and verification timing.

As indicated in previous reports, the overall savings for this program would have been higher were it not for the delay in launching the Business Code Compliance offering. This offering is contingent upon participation by The Department, which was delayed due to State of Illinois budgetary issues. When the code compliance offering launches, the intention is to have The Department as the administrator.

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, with draft reports and supporting data spreadsheets to be completed in the second quarter. In addition, there are currently seven products currently 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 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. During the first quarter of PY5, no programs were added and no programs were discontinued. The following measures were discontinued: Direct Install programmable thermostat and Direct Install water heater setback from the Small Business Energy Efficiency Program, and 92% AFUE furnaces from Home Energy Efficiency Rebates.
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 three new measures during the first quarter: Central Domestic Hot Water Controls, Drop-in Assessments, and Salon Sprayers. The results of the Total Resource Cost ("TRC") test for each new measure are provided in the attached Appendix B. Measures not included in Nicor Gas EEP filing are marked by an X.

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

Actions: Under the new SBES measure known as Drop-ins, Nicor Gas will perform assessments and offer free products to small businesses by "dropping-in"

on the customer's premise when in the area doing other energy efficiency work. This, in essence, amounts to a "cold call" on the customer and the costs associated with these measures account for the assessor's time and effort. Any free products installed on the customer's premises (such as faucet aerators for kitchen/bath, low-flow shower heads, and/or pre-rinse spray valves for a commercial kitchen) are accounted for through already documented measures in Nicor Gas' EEP. This enhances customer experience and customer satisfaction by providing free products and assessments to utility customers who otherwise may not have taken advantage of our offerings.