

Nicor Gas Company
Energy Efficiency Program – Plan Year 2018
Quarterly Report: Second Quarter
(January 1, 2018 to June 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 June 30, 2018, as of the end of the reporting quarter period. This quarter 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 historical other – environmental and economic impacts for the period January 1, 2018 through June 30, 2018. As shown, Nicor Gas’ programs have accumulated net savings of 3.9 million net therms in PY2018, or about 23.7 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 \$10.8 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, currently at 148% of goal. The program looks to be right on target with our therm savings goal for 2018.

Program Challenges: None

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. We are currently at 32.8% of our therms savings goal and look to end 2018 at approximately 110%. Online scheduling will be launching for customers within the next few months. This will allow customers to schedule their appointments via the internet, which offers as a convenience for them.

Program Challenges: None

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: The Multi-Family Program has seen a strong participation in the direct installation portion of the program. Franklin Energy has built great relationships with property managers. We are currently at 17.5% of our therm savings goal and look to end 2018 at approximately 136%.

Program Challenges: Participation in the prescriptive portion of the Multi-Family Program is lower than anticipated.

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: The program team is conducting ongoing efforts with Navigant to determine natural gas savings for the prescriptive measures (clothes washers and dishwashers) that we began collecting data on in 2018. Initial calculations have been provided and we expect Navigant’s feedback in Fall 2018.

Program Successes: In May, the RNC team attended the Northern Illinois Home Builder Association (“NIHBA”) Mega Conference where they distributed information about the program and connected with a considerable number of participating and non-participating builders.

Program Challenges: Late last year, the modeling software used in the RNC program (Rem/Rate) issued an update. With this update, the cooling energy use in the reference home was reduced by about 20%. By reducing this use, we have seen a savings reduction of between 200 and 300 kWh per house. While this update does not directly affect gas savings, since we use total energy percent better than code to determine program qualification, this does impact the number of homes that meet the program’s “20% above code” requirement.

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 second-quarter 2018, 1,322 ESKs were distributed to customers, including 1,016 kits at customer events. These events included the Holi-Festival of Colors (Indian cultural festival) in Naperville, Party for the Planet at Brookfield Zoo, Cinco de Mayo Festival in Aurora, Festival of Cultures in Skokie, Piyesta Pinoy (Philippine festival) in Bolingbrook, “Taste of Joliet” in Joliet, and the Solar Power and Energy Efficiency Expo in Rockford.

Due to school demand, and to ensure a positive customer experience, expansion planning for the fall 2018 Super Savers program is underway; we are estimating that we will expand the program by ~4,900 kits, bringing the 2018 total to ~18,000 kits distributed to students, which will be 137% of participation goal.

The Behavior (Home Energy Reports) program RFP has been completed and will be released to qualifying candidates by the end of July. The program will be a 3-year engagement (2019-2021) and will garner 5.1 million gross therm savings.

Program Challenges: The ESK program is tracking at 24% of participation goal; however, marketing efforts (social media channels, bus shelter ads in income-qualified areas, emails and bill inserts) are being implemented to ensure the participation goal of 10,251 kits is met.

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 (Anthony Place) in Yorkville, IL. This facility consists of 51 units of affordable senior housing in a 2-story low-rise building. The energy efficiency measures installed included upgraded roof and wall insulation, and high-efficiency hot water boilers that will save Anthony Place 7,975 therms annually.

Program Challenges: Therm savings have yet to be mapped into the EEP data system. The therm values are anticipated to be reflected retroactive to January in this report once they have been accounted for in the system of record (energyENGINE).

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: We are receiving a lot of interest and participation in the Public Sector. In June, Cook County Forest Preserve received four assessments. They have established a committee for evaluating energy efficiency recommendations from Nicor Gas and Commonwealth Edison (“ComEd”) to identify future projects.

Program Challenges: High participation in some public-sector measures results in higher \$/therm ratio as compared to the same private sector measure (i.e. furnaces).

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: The CHP Implementation Contractors were previously serviced by an implementation contractor for the private sector customers and an implementation contractor for the public-sector customers. We now utilize one implementation contractor (Energy Resource Center (ERC) at the University of Illinois at Chicago (UIC)).

Program Successes: The first joint ComEd/Nicor Gas CHP project is on track to be completed by September 2018. Also, we are initiating the launch of our energySMART RCx offering. This is a key element to cost-effective delivery.

Program Challenges: Despite the fact the joint project will come online in September of 2018, the overall process took 2.5 years and illustrated the vast amounts of coordination required to complete a CHP project. This project also highlighted how complex CHP projects can be.

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 initiated the development of new SEM cohort groups which include both MEGA customers (large customers not eligible for EEP starting 1/1/2020), K-12, Cohort #4 and Alumni. Contracts will be finalized in third-quarter 2018 and expected to begin in fourth-quarter 2018.

Program Successes: SEM savings are now forecasting to eclipse the overall goal of the filed plan.

Program Challenges: Two Cohort #3 companies that enrolled in the SEM program in fourth-quarter 2017 asked that they be put on-hold due to company priorities. They have resumed working on SEM, are playing catchup and are expected to finish on-time with the rest of the Cohort.

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: We built a great relationship with the Korean dry cleaner market, as Team A Plus has been a high participator of dry cleaner steam trap rebates. We have been working to get an understanding of their potential forecast for the remainder of the year.

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: Within the CINC Division of the BNC program, the Pedigree Ovens (pet food and treats manufacturing) received an incentive from Nicor Gas that aided in the expansion project of their 211,460-sq. ft. office, manufacturing and warehouse plant in Harvard, IL. An annual energy savings of 31,136 therms will be realized as the result of the installation of direct-fired make-up-air equipment and improvements to boiler system efficiencies.

Additionally, the expansion has resulted in Pedigree Ovens increasing production five times over previous levels at their old facility. They have created 100 new jobs to cover this production increase.

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.