

## 2.4 Residential New Construction Pilot

<b>PROGRAM ELEMENT</b>	<b>Residential New Construction Pilot</b>
<b>Objective</b>	The objective of the Residential New Construction Pilot Program is to create energy savings by increasing the energy efficiency in the new construction of single-family homes and duplexes that meet the ENERGY STAR National Performance Path efficiency standard. Through this pilot, program data will be collected and evaluated to determine if this effort should be extended to a full program.
<b>Target Market</b>	The program targets builders who are not currently Tier 1 ENERGY STAR partners, although all builders will be eligible to participate. According to the U.S. Department of Energy, in 2009, only 449 ENERGY STAR homes were built in all of Illinois <sup>14</sup> .
<b>Program Duration &amp; Milestones</b>	This program will be offered as a pilot in Program Year 1 and then will be offered through full implementation in Program Years 2 and 3 if deemed successful.
<b>Program Description</b>	<p>The Residential New Construction Pilot will provide customers with lower energy bills by improving the energy performance of their home through increased insulation levels, improved mechanical systems and quality installation. It is designed to educate builders and trade allies on the benefits of ENERGY STAR homes and improved building practices. The program implementation vendor will provide builders with technical training and the guidelines to meet the requirements of ENERGY STAR. Financial incentives will be provided to help offset the higher first cost of building to the ENERGY STAR standard.</p> <p>Program goals will be met by identifying and recruiting builders who are not frequently building homes that meet the ENERGY STAR standard. Builders will receive incentives towards the incremental cost to upgrade and certify each home. To qualify for this program, builders must meet all requirements of the ENERGY STAR National Performance Path standard, which is met by reaching an acceptable Home Energy Rating as well as install high efficiency natural gas heating and water heating equipment.</p>

<sup>14</sup> [http://www.energystar.gov/index.cfm?fuseaction=new\\_homes\\_partners.showStateResults&s\\_code=IL](http://www.energystar.gov/index.cfm?fuseaction=new_homes_partners.showStateResults&s_code=IL)

<b>PROGRAM ELEMENT</b>	<b>Residential New Construction Pilot (cont'd)</b>														
<b>Eligible Measures</b>	<table border="1" data-bbox="502 290 1391 528"> <thead> <tr> <th data-bbox="502 290 774 424"><b>Measure</b></th> <th data-bbox="774 290 933 424"><b>Gross Annual Savings (therms)</b></th> <th data-bbox="933 290 1125 424"><b>Incremental Cost (\$)</b></th> <th data-bbox="1125 290 1300 424"><b>Incentive (per unit)</b></th> <th data-bbox="1300 290 1391 424"><b>TRC</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="502 424 774 528">ENERGY STAR Home with HERS Ratio of <math>\leq 85</math></td> <td data-bbox="774 424 933 528">143</td> <td data-bbox="933 424 1125 528">\$3,752</td> <td data-bbox="1125 424 1300 528">\$750/\$100</td> <td data-bbox="1300 424 1391 528">1.8</td> </tr> </tbody> </table> <p data-bbox="478 549 1396 694">Builders may claim incentives on an unlimited number of homes with a HERS Index <math>\leq 85</math>. Builders must meet all requirements of the ENERGY STAR National Performance Path standard. The program also provides an incentive to Home Energy Raters of \$100 for each home evaluated.</p>					<b>Measure</b>	<b>Gross Annual Savings (therms)</b>	<b>Incremental Cost (\$)</b>	<b>Incentive (per unit)</b>	<b>TRC</b>	ENERGY STAR Home with HERS Ratio of $\leq 85$	143	\$3,752	\$750/\$100	1.8
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ENERGY STAR Home with HERS Ratio of $\leq 85$	143	\$3,752	\$750/\$100	1.8											
<b>Implementation Strategy</b>	<p data-bbox="478 725 1340 932">There are two paths to qualify a home to meet ENERGY STAR's guidelines for efficiency. Both require independent verification by a qualified Home Energy Rater. Nicor Gas' pilot program utilizes the National Performance Path in which a home energy rating (or HERS rating) is set and software is used to model the home's energy use to verify that it meets a target score.</p> <p data-bbox="478 963 1284 1025">The following are mandatory program requirements to reach the ENERGY STAR Qualified Homes National Performance Path:</p> <ul data-bbox="526 1036 1380 1357" style="list-style-type: none"> <li>• Envelope: Completed Thermal Bypass Inspection Checklist</li> <li>• Ductwork: Leakage <math>\leq 6</math> cfm to outdoors / 100 sq. ft.</li> <li>• Include at least one ENERGY STAR qualified product category: <ul data-bbox="574 1149 1324 1357" style="list-style-type: none"> <li>▪ Heating or cooling equipment;</li> <li>▪ Windows with a U-value of <math>\leq 0.40</math> and SHGC<sup>15</sup> of <math>\leq 0.55</math>;</li> <li>▪ Water heating equipment; or</li> <li>▪ Five or more ENERGY STAR qualified light fixtures, appliances, ceiling fans equipped with lighting fixtures, and/or ventilation fans.</li> </ul> </li> </ul> <p data-bbox="478 1377 1380 1595">To receive an incentive through Nicor Gas' Residential New Construction Pilot, builders must install energy efficient natural gas heating and water heating equipment in each new home. Builders are required to submit the HERS rating score and report, along with product invoices or a copy of the ENERGY STAR certificate to receive incentives.</p>														
<b>Marketing Strategy</b>	<p data-bbox="478 1626 1356 1750">Builder participation will be developed through education and training including frequent communication and outreach. Strong partnerships will be established with builders through direct business-to-business contacts undertaken by Nicor Gas' administrative vendor.</p>														

<sup>15</sup> Solar Heat Gain Coefficient is a measure of how much of the sun's heat is transmitted through a window. A value of 0.3 means that the window allows 30% of the sun's heat to pass through.

<b>PROGRAM ELEMENT</b>	<b>Residential New Construction Pilot (cont'd)</b>																													
<b>Utility Coordination</b>	It is the intent of Nicor Gas and ComEd to cooperate in the offering of this program. There are some measures that could reduce both the gas and electric energy use. Coordinated offerings, where possible, will be made transparent to the customer. In addition, the utilities will collaborate in raising awareness of, and educating customers on, the benefits of energy efficiency.																													
<b>EM&amp;V Requirements</b>	The HERS Rater will be required to submit blower door test results to Nicor Gas to assess the relative efficiency of each new home participating in this program. These results will be compared to baseline estimates for the residential market within the Nicor Gas service territory to determine estimates of program impact. An EM&V contractor will conduct phone surveys with participating home builders to determine how program may be improved in the future.																													
<b>Administrative Requirements</b>	This program will be administered by an implementation vendor selected through an RFP process. The vendor will build relationships with builders to meet the program goals. The vendor will contact builders to promote the program, conduct builder training on marketing ENERGY STAR homes, and uphold the ENERGY STAR performance path standard. In addition, the implementation vendor will provide technical assistance, market recognition, and financial incentives to participating builders and raters.																													
<b>Estimated Participation, Savings, and Budgets</b>	<table border="1"> <thead> <tr> <th></th> <th><b>PY1</b></th> <th><b>PY2</b></th> <th><b>PY3</b></th> <th><b>Total</b></th> </tr> </thead> <tbody> <tr> <td>Participation (new homes)</td> <td>200</td> <td>400</td> <td>750</td> <td>1,350</td> </tr> <tr> <td>Net Savings (therms)</td> <td>22,938</td> <td>45,875</td> <td>86,016</td> <td>154,829</td> </tr> <tr> <td>Budget (\$)</td> <td>\$442,728</td> <td>\$676,438</td> <td>\$1,028,917</td> <td>\$2,148,083</td> </tr> <tr> <td>TRC</td> <td>1.2</td> <td>1.4</td> <td>1.5</td> <td>N/A</td> </tr> </tbody> </table>						<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>Total</b>	Participation (new homes)	200	400	750	1,350	Net Savings (therms)	22,938	45,875	86,016	154,829	Budget (\$)	\$442,728	\$676,438	\$1,028,917	\$2,148,083	TRC	1.2	1.4	1.5	N/A
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<b>Vendor Selection Process</b>	This is a new program for Nicor Gas, and Nicor Gas does not have an existing vendor relationship. It is Nicor Gas' intent to select a vendor through an RFP process.																													

## 2.5 Elementary Energy Education Program

<b>PROGRAM ELEMENT</b>	<b>Elementary Energy Education Program</b>														
<b>Objective</b>	The objective of the Elementary Energy Education Program is to encourage students and their families to take actions that can reduce their home energy use and increase efficiency.														
<b>Target Market</b>	The program is currently offered under Nicor Gas' Rider 29 plan, and it will continue to be offered to students in the fifth grade at elementary schools in Nicor Gas' service territory.														
<b>Program Duration &amp; Milestones</b>	This program will be launched in Program Year 1 and continue through Program Year 3, building on the existing effort offered under Rider 29 by enhancing the incentives offered.														
<b>Program Description</b>	<p>The program will target students in the fifth grade, providing education and a take-home kit that raises awareness about how individual actions and low-cost measures can provide significant reductions in natural gas and water consumption.</p> <p>The program consists of a take-home kit that includes: a high-efficiency showerhead (1.5 GPM), a filter tone alarm, a kitchen aerator (1.5 GPM), a bathroom faucet aerator (1.0 GPM), a shower timer, a toilet flow-rate test bag, a water temperature check card, a fun facts slide chart, light switch stickers and a natural gas safety sticker. Kits may also include CFLs or CFL coupons in coordination with ComEd.</p>														
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<b>Implementation Strategy</b>	<p>The implementation contractor will work with the public school districts and large parochial schools to introduce the program to schools throughout the Nicor Gas service territory through letters and electronic communication systems utilized specifically by teachers or education administrators.</p> <p>The implementation contractor will be responsible for school recruitment, program delivery, and tabulation of the results. Implementation-related administrative requirements will include:</p>														

<b>PROGRAM ELEMENT</b>	<b>Elementary Energy Education Program (cont'd)</b>
<b>Implementation Strategy (cont'd)</b>	<ul style="list-style-type: none"> <li>• Overseeing the work of the energy education contractor ;</li> <li>• Data tracking and reporting;</li> <li>• Investment tracking and reporting;</li> <li>• Managing public relations; and</li> <li>• Customer satisfaction/problem resolution.</li> </ul>
<b>Marketing Strategy</b>	Marketing will be conducted directly to elementary schools within Nicor Gas' territory through letters and electronic communication systems utilized specifically by teachers or education administrators. All educational materials and take-home efficiency kits will be free of charge to the schools and students.
<b>Utility Coordination</b>	It is the intent of Nicor Gas, ComEd, and other regional electric providers to cooperate in the offering of this program. There are some measures that could reduce both the gas and electric energy use. Coordinated offerings, where possible, will be made transparent to the customer. In addition, the utilities will collaborate in raising awareness of, and educating customers on, the benefits of energy efficiency.
<b>EM&amp;V Requirements</b>	<p>All evaluation activities will be conducted by a third-party contractor selected by Nicor Gas through a competitive bidding process. The implementation contractor will report on the number of kits installed by tabulating the participation sheets completed by students and teachers. They will also share information regarding the satisfaction level of teachers with the program delivery.</p> <p>The program will require that students record the following to determine energy savings:</p> <ul style="list-style-type: none"> <li>• Installation of low flow showerhead;</li> <li>• Installation of low flow kitchen faucet aerator;</li> <li>• Installation of low flow bathroom faucet aerator;</li> <li>• Pre and post flow rate measurements for all devices replaced;</li> <li>• Water heating fuel source;</li> <li>• Other data, such as installation of filter tone alarm, intent to reduce space or water temperature set points, number of CFLs installed, etc.</li> </ul>

<b>PROGRAM ELEMENT</b>	<b>Elementary Energy Education Program (cont'd)</b>																													
<b>Administrative Requirements</b>	This program will be administered by a third-party implementation vendor selected through an RFP process. Responsibilities include: recruitment, selection, and management of the implementation contractor(s), coordination of marketing strategy/public relations among programs and market sectors, data warehousing, and goal achievement within investment. Nicor Gas will be responsible for general administrative oversight of the program as outlined in the RFP and oversight of recruitment, selection, and management of the evaluation contractor.																													
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<b>Vendor Selection Process</b>	Nicor Gas currently has an existing vendor relationship through Rider 29. Nicor Gas may negotiate a contract extension with the existing vendor or initiate a new vendor RFP process.																													

## 2.6 Behavioral Energy Savings Pilot

<b>PROGRAM ELEMENT</b>	<b>Behavioral Energy Savings Pilot</b>
<b>Objective</b>	The objective of the Behavioral Energy Savings Pilot is to obtain energy savings by providing customers with energy use and comparison information that will help them identify how to change their energy usage behaviors and save energy. During this pilot program, the implementation vendor will collect and evaluate customer energy use and behavioral information to determine the extent to which behavioral messaging can result in energy savings. If successful, this pilot program is expected to be expanded to more customers and become one of Nicor Gas' programs for the remainder of the three-year EEP.
<b>Target Market</b>	A sample of residential customers will be targeted to receive ongoing energy communications and outreach and recommendations on their energy use and how to reduce their energy consumption.
<b>Program Duration &amp; Milestones</b>	This program will be offered as a pilot in Program Year 1, and then will be offered as a full implementation in PY2 if deemed successful.
<b>Program Description</b>	<p>This program will utilize one or more implementation vendors to provide individualized energy use information to participants to create awareness of energy use habits and create changes in behavior. Reports may use utility energy use data, customer demographics, and other information to provide personalized, actionable tips to customers. Information will be delivered to customers in multiple formats on a regular basis to provide education about natural gas consumption and energy efficiency opportunities. Several vendors currently provide home energy reports through email or direct mail.</p> <p>Reports are delivered to customers online, through the mail, and via email. The reports display household energy use, compare it to similar households, and provide efficiency recommendations. This combination of multi-channel communications, targeted messaging, energy usage analytics, and behavioral science has been shown to result in behavior changes related to energy usage and increase program participation.</p>

<b>PROGRAM ELEMENT</b>	<b>Behavioral Energy Savings Pilot</b>																
<b>Eligible Measures &amp; Incentive Levels</b>	<table border="1" data-bbox="512 298 1401 555"> <thead> <tr> <th data-bbox="512 298 719 478">Measure</th> <th data-bbox="719 298 906 478">Gross Annual Savings (therms/customer)</th> <th data-bbox="906 298 1098 478">Incremental Cost</th> <th data-bbox="1098 298 1270 478">Incentive (per unit)</th> <th colspan="2" data-bbox="1270 298 1401 478">TRC</th> </tr> </thead> <tbody> <tr> <td data-bbox="512 478 719 555">Behavioral Changes</td> <td data-bbox="719 478 906 555">16</td> <td data-bbox="906 478 1098 555">\$10</td> <td data-bbox="1098 478 1270 555">N/A</td> <td colspan="2" data-bbox="1270 478 1401 555">2.1</td> </tr> </tbody> </table>					Measure	Gross Annual Savings (therms/customer)	Incremental Cost	Incentive (per unit)	TRC		Behavioral Changes	16	\$10	N/A	2.1	
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Behavioral Changes	16	\$10	N/A	2.1													
<b>Implementation Strategy</b>	<p>This program will be managed and delivered by an implementation vendor who will utilize Nicor Gas' customer data to create customized energy usage reports. Personalized information will be accessed by targeted customers in multiple ways on an ongoing basis. Research has shown that comparison data of one customer household to another can increase a customers' interest in efficiency and result in reduced energy consumption.</p> <p>In the future, this program may provide the functionality for customers to create their personalized online energy profile, which would describe the characteristics (age of home, square footage, types and ages of appliances, number of occupants, etc.) of their home and the energy efficiency measures needed. As the customer completes the energy efficiency measures, they would track their progress and see their energy profile improve.</p>																
<b>Marketing Strategy</b>	<p>Behavioral-based mailings, email, and online tools will be the primary delivery channels for this program. Customers will be selected for the pilot to represent a cross section of Nicor Gas' residential customer base. Customer reports will be delivered at regular intervals throughout the year. In addition, online communications will be conducted to drive traffic to the online web portal and link to Nicor Gas' other energy efficiency program information.</p>																
<b>Utility Coordination</b>	<p>This program will be offered by Nicor Gas and coordinated with ComEd. Where appropriate and economically and technically feasible, the Company will collaborate with ComEd on vendor selection, program design, marketing, and delivery.</p>																
<b>EM&amp;V Requirements</b>	<p>This program will be evaluated through a series of telephone surveys addressing the method of information dissemination that will build a database from which a statistical analysis can be applied to determine the relative impact of each marketing method.</p>																

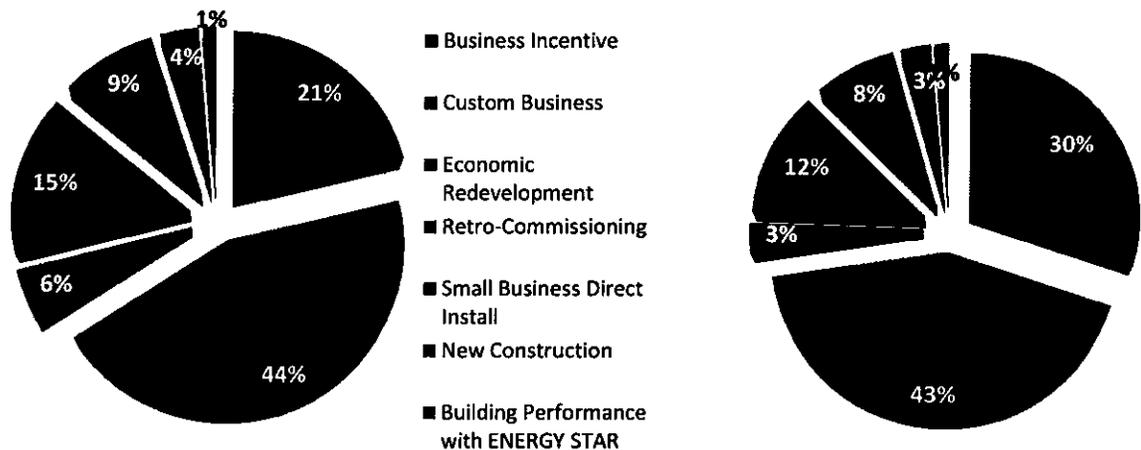
<b>PROGRAM ELEMENT</b>	<b>Behavioral Energy Savings Pilot (cont'd)</b>																													
<b>Administrative Requirements</b>	This program will be administered by an implementation vendor selected by Nicor Gas through an RFP process. The vendor will be responsible for developing and managing customer energy reports and ongoing customer communications using hard copy mailings, an electronic newsletter, and online energy assessment tools.																													
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<b>Vendor Selection Process</b>	This is a new program for Nicor Gas, and Nicor Gas does not have an existing vendor relationship. It is Nicor Gas' intent to select a vendor through an RFP process. Proposals will be requested through an open bidding process. The RFP will be clear that the implementation vendor must promote other EEP programs and measures as part of the delivery of this program, as well as collaborate with ComEd. It is the Company's understanding that no vendor yet has the capability to economically combine gas and electric customer data and reports from differing utilities. The Company's RFP will seek further technical and cost information from vendors on how a combined report could be prepared with gas information from Nicor Gas and electric information from ComEd.																													

### 3 Commercial and Industrial Programs

Nicor Gas' Commercial and Industrial Segment will include seven programs offering a variety of approaches to encourage customers to incorporate energy efficient measures into their businesses. Programs will offer: incentives for prescriptive and customized upgrades to more efficient equipment, incentives and expert advice on incorporating energy efficiency measures into new construction, funds targeted for energy efficient economic redevelopment, teams of installation contractors to target small businesses, and auditing services combined with incentives to improve the efficiency of existing building systems.

Most of Nicor Gas' programs targeted to business customers are offered jointly with the other regional utilities. The Company believes that these collaborations will result in increased savings for its customers, by capturing both electric and natural gas measures within the same project, as well as cost savings for both the utilities and their customers.

Figure 4. EEP Three-Year Total C&I Program Budgets (left) and Savings (right)



### 3.1 Business Incentive Program

<b>PROGRAM ELEMENT</b>	<b>Business Incentive Program</b>
<b>Objective</b>	The purpose of the Business Incentive Program is to promote the selection and installation of high efficiency gas technologies and energy efficiency measures in commercial and industrial properties.
<b>Target Market</b>	Nicor Gas' Business Incentive Program is targeted to all eligible commercial customer classes as well as installation contractors, equipment vendors and companies that specify equipment. A broad menu of crosscutting technologies will be offered through the program that addresses a variety of market sectors and industries.
<b>Program Duration &amp; Milestones</b>	This program will be launched in Program Year 1 and continue through Program Year 3, building on the existing effort offered under Rider 29 by enhancing the incentives offered.
<b>Program Description</b>	<p>Using the Rider 29 prescriptive business offerings as a starting point, Nicor Gas' Business Incentive Program will offer incentives to customers who choose to implement off-the-shelf energy efficient natural gas measures that show consistent, standardized energy savings. The program will rebate the most common gas retrofit opportunities such as kitchen equipment and space and water heating solutions. Customers will apply for incentives for high efficiency equipment once the installation is complete.</p> <p>The program expands upon the list of measures promoted by Nicor Gas in its Rider 29 Program and can be ramped up quickly. Additional measures included in this plan were identified as cost-effective in Nicor Gas' Market Potential Study. Measures were chosen based on their lifetime and the amount of gas that they use. In particular, heating and water heating equipment may have a life of 10 to 20 years or more, and kitchen equipment can consume large quantities of natural gas.</p> <p>Relationships with trade allies including equipment distributors, manufactures, equipment installers and vendors are critical to promoting this program to customers. Trade allies specify, install, ship and stock the high efficiency equipment. Incentives will be issued to the customer; however, Nicor Gas will evaluate and employ an upstream incentive program to distributors if the availability of high efficiency equipment remains limited.</p>

<b>PROGRAM ELEMENT</b>	<b>Business Incentive Program (cont'd)</b>				
<b>Eligible Measures &amp; Incentive Levels</b>	<b>Measure</b>	<b>Gross Annual Savings (therms)</b>	<b>Incremental Cost</b>	<b>Rebate (per unit)</b>	<b>TRC</b>
	<b>FURNACES (&lt;150 MBH)</b>				
	>92% AFUE Furnace	218	\$295	\$200	11.3
	95%+ AFUE Furnace	238	\$1,325	\$250	2.7
<b>CONDENSING UNIT HEATERS (&lt;300 MBH)</b>					
	90% TE with power venting	266	\$676	\$200	6.7
<b>HYDRONIC BOILERS (&gt;85% TE)</b>					
	Up to 300 MBH	433	\$1,470	\$400	5.0
	301 to 499 MBH	477	\$1,620	\$1,000	5.0
	500 to 999 MBH	580	\$1,970	\$1,250	5.0
	1000 to 1700 MBH	756	\$2,570	\$1,750	5.0
	1701 to 2000 MBH	904	\$3,070	\$2,500	5.0
<b>CONDENSING BOILERS (&gt;90% TE)</b>					
	Up to 300 MBH	709	\$3,365	\$500	3.6
	301 to 499 MBH	882	\$4,190	\$1,500	3.6
	500 to 999 MBH	1,288	\$6,115	\$2,500	3.6
	1000 to 1700 MBH	1,982	\$9,415	\$5,000	3.6
	1701 to 2000 MBH	2,561	\$12,165	\$7,500	3.6
	Infrared Heater	451	\$1,716	\$700	2.6
<b>WATER HEATING</b>					
	88% TE Water Heater (large)	251	\$209	\$150	14.7
	0.67 EF Water Heater	148	\$400	\$100	4.5
<b>INTEGRATED WATER HEATER/CONDENSING BOILER</b>					
	>90% AFUE Combined H-E Boiler/Water Heating	246	\$2,185	\$1,600	1.9
<b>CONTROLS &amp; SERVICES</b>					
	Steam Trap	203	\$77	\$50	12.3
	Programmable Thermostat	178	\$75	\$53	17.0
	Boiler Reset Controls	867	\$600	\$250	24.8
	Boiler Tune-Up	303	\$650	\$350	1.8
<b>KITCHENS</b>					
	HE Pre-Rinse Spray Valve	262	\$60	\$25	15.8
	Commercial Steamer>38% E	2,084	\$3,700	\$1,000	5.3
	Convection Oven>40% E	323	\$1,900	\$500	1.6
	H-E Combined Oven>40% E	644	\$4,300	\$500	1.4
	H-E Rack Oven>50%	2,064	\$8,646	\$1,400	2.3
	H-E Conveyor Oven>42% E	733	\$1,800	\$500	5.6
	ENERGY STAR Griddle	184	\$800	\$250	2.2
	ENERGY STAR Fryer>50%E	505	\$1,200	\$500	5.1
	Infrared Upright Broiler	1,089	\$5,900	\$500	1.4
	Infrared Charbroiler	661	\$2,200	\$500	2.8
	Pasta Cooker	1,380	\$2,400	\$200	5.4
	Infrared Rotisserie Oven	554	\$2,700	\$500	1.9
	Infrared Salamander Broiler	239	\$1,000	\$500	2.3

<b>PROGRAM ELEMENT</b>	<b>Business Incentive Program (cont'd)</b>
<b>Eligible Measures &amp; Incentive Levels (cont'd)</b>	<p>This program provides incentives for equipment with predictable savings. Incentive levels are established to cover between 25-75% of the incremental cost to purchase a high efficiency product compared with a similar standard efficiency product. Tiered incentive levels have been developed to promote premium efficiency equipment. Additional incentives may be included to promote the installation of multiple measures (a package) within a facility. Upstream incentives to trade allies will be employed if efficient product sales fall below goal or it is determined that high efficiency equipment availability is limited. Over time Nicor Gas will adjust the incentive levels based on program evaluation, customer reaction, and market experience.</p>
<b>Implementation Strategy</b>	<p>An implementation vendor selected through an RFP process will be responsible for implementing the program. In addition, Nicor Gas account executives will help promote the program to Nicor Gas customers and provide leads to the implementation vendor. The customer will be responsible for the selection of an installation contractor and the installation of the equipment.</p> <p>In addition the implementation vendor will provide technical assistance to assist customers in understanding various equipment and make referrals to other programs as appropriate. The customer will submit the incentive application and required documentation after the installation of qualified energy efficiency measures. The implementation vendor will review the incentive applications to ensure that appropriate documentation is provided and that the incentive was calculated correctly. The implementation vendor will perform an on-site inspection of at least 2% of projects completed prior to incentive payment. The implementation vendor will enter all program information into the program database and will seek to expedite incentive payments.</p>
<b>Marketing Strategy</b>	<p>The program will be marketed directly to C&amp;I customers, business and facility owners, and property managers who use natural gas for space and water heating in their buildings. Nicor Gas will also proactively engage customers who use commercial kitchen equipment in their business (e.g. restaurants and institutional kitchens) and corresponding trade allies and professional organizations. Trade ally promotion will be conducted with equipment vendors, plumbing and heating installation contractors, and the manufacturers, distributors, and wholesalers who bring this equipment to market.</p>

<b>PROGRAM ELEMENT</b>	<b>Business Incentive Program (cont'd)</b>
<b>Marketing Strategy (cont'd)</b>	<p>Nicor Gas will rely on the trade ally community to promote energy efficient equipment to their customers, provide quality installation, and ensure product availability. A key program element will be the development of a contractor network as a resource for Nicor Gas and the business customers. This network will become increasingly important to attaining the accelerated savings goals in Program Years 2 and 3 of the plan. The network will permit quick outreach to contractors notifying them of program changes, training, and events. Also, a web-based listing of contractors will be developed to assist customers identify installation assistance. The listing will identify those contractors that have met certain requirements and have worked with high efficiency equipment. A minimum set of requirements (e.g. participation in training courses, proof of insurance, licenses, Better Business Bureau ratings) may be required to participate. The Company will develop a metric to identify and track how many high efficiency incentives each contractor helped facilitate. A mechanism for incentivizing contractors that facilitate the highest numbers of efficiency incentives will be developed (e.g. co-branded promotions, local publicity and awards).</p> <p>Business customer education will include promotion of the program on Nicor Gas' website, targeted marketing, development and promotion of collateral, articles in the newsletter, bill inserts, direct mail, and participation in trade shows and association events. The program will also be promoted through customer and association newsletters.</p>
<b>Utility Coordination</b>	<p>It is the intent of Nicor Gas, ComEd, and other regional electric providers to cooperate in the offering of this program. There are some measures that could reduce both the gas and electric energy use. Coordinated offerings, where possible, will be made transparent to the customer. In addition, the utilities will collaborate in raising awareness of, and educating customers on, the benefits of energy efficiency.</p>
<b>EM&amp;V Requirements</b>	<p>The incentives provided by this program will be delivered via the application form submitted to the utility. This incentive form will require the submission of measure descriptive criteria that can be used to differentiate the deemed savings developed for each measure. Evaluation will include confirmation of the deemed savings for each measure via engineering analysis or building simulation, whichever is more applicable for the measure.</p> <p>Since the major objective of this program is to stimulate the market and overcome any market barriers found for the commercial and industrial sectors, phone surveys of participants and non-participants will be</p>

<b>PROGRAM ELEMENT</b>	<b>Business Incentive Program (cont'd)</b>																													
<b>EM&amp;V Requirements (cont'd)</b>	<p>conducted to define the barriers to participation and assess market movement towards the higher efficiency levels. Surveys will also provide data on free-ridership and spillover.</p> <p>The process flow for this program will be reviewed through selective interviews with the program administration, as well as through questions of the participant survey.</p>																													
<b>Administrative Requirements</b>	<p>This program will be managed by an implementation vendor selected by Nicor Gas through an RFP process. The vendor will be responsible for responding to customer inquiries, processing incentives, tracking customer installations, quality assurance, fraud detection and prevention, and accounting for program savings, incentives, and other implementation costs. The vendor will be responsible for increasing awareness of the program in conjunction with Nicor Gas and developing education sessions to expand trade ally promotion and participation in the program.</p>																													
<b>Estimated Participation, Savings, and Budgets</b>	<table border="1" data-bbox="496 944 1385 1203"> <thead> <tr> <th></th> <th><b>PY1</b></th> <th><b>PY2</b></th> <th><b>PY3</b></th> <th><b>Total</b></th> </tr> </thead> <tbody> <tr> <td>Participation (measures)</td> <td>3,310</td> <td>6,455</td> <td>11,505</td> <td>21,270</td> </tr> <tr> <td>Net Savings (therms)</td> <td>991,607</td> <td>2,026,860</td> <td>3,718,644</td> <td>6,737,111</td> </tr> <tr> <td>Budget (\$)</td> <td>\$1,689,670</td> <td>\$2,742,347</td> <td>\$4,868,929</td> <td>\$9,300,946</td> </tr> <tr> <td>TRC</td> <td>4.2</td> <td>4.8</td> <td>4.8</td> <td>N/A</td> </tr> </tbody> </table>						<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>Total</b>	Participation (measures)	3,310	6,455	11,505	21,270	Net Savings (therms)	991,607	2,026,860	3,718,644	6,737,111	Budget (\$)	\$1,689,670	\$2,742,347	\$4,868,929	\$9,300,946	TRC	4.2	4.8	4.8	N/A
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<b>Vendor Selection Process</b>	<p>Nicor Gas currently has an existing vendor relationship through Rider 29. Nicor Gas may negotiate a contract extension with the existing vendor or initiate a new vendor RFP process.</p>																													

### 3.2 Custom Business Program

<b>PROGRAM ELEMENT</b>	<b>Custom Business Program</b>
<b>Objective</b>	The purpose of the Custom Business Program is to assist C&I customers in identifying and implementing cost-effective gas energy efficiency measures that are not otherwise addressed in Nicor Gas' Business Incentive Program.
<b>Target Market</b>	The initial emphasis will be placed on large customers with more complex facilities that would benefit the most from a custom approach during new equipment purchases, facility modernization and industrial process improvements. Specialized approaches will be developed for certain target industries.
<b>Program Duration &amp; Milestones</b>	This program will be launched in Program Year 1 and continue through Program Year 3, building on the existing effort offered under Rider 29 by enhancing the incentives offered.
<b>Program Description</b>	This program provides incentives and technical assistance to aid in the identification and implementation of energy efficiency retrofit and new construction opportunities not covered by the Business Incentive Program. Many C&I projects involve unique or process-related equipment or multiple measures with interactive effects that are not well-suited for the prescriptive program. In this program, performance-based incentives are provided to customers working on larger-scale projects. Incentives are typically higher than prescriptive incentives and are based on an energy or engineering analysis. Technical assistance is provided to customers or their contractors to help quantify the energy savings opportunity and customize incentives for specific projects. The program also provides custom audits and engineering studies to assist customers in understanding their efficiency opportunities by quantifying the estimated project costs, energy savings, and forecasted incentives.
<b>Eligible Measures &amp; Incentive Levels</b>	Large customers and customers that require a more comprehensive energy analysis may receive custom energy audits or assessments for specific applications such as combustion controls and heating system redesigns. Nicor Gas will co-fund the cost of an energy assessment or engineering study up 50% of the pre-approved study cost with maximum co-funding of \$15,000. Based upon Nicor Gas' experience and the customer's potential energy savings, the co-funding maximum may be increased to accommodate the higher cost of engineering studies for larger and more complex projects.

<b>PROGRAM ELEMENT</b>	<b>Custom Business Program (cont'd)</b>																																
<b>Eligible Measures &amp; Incentive Levels (cont'd)</b>	<p>The customer's share of the cost of the assessment or engineering study will be reimbursed when the customer implements cost-effective gas efficiency measures that achieve 75% or more of the gas savings identified in the study. If the customer implements projects that achieve 50-75% of the identified gas savings, half the customer's cost will be reimbursed. If the customer implements projects that save less than 50% of the gas savings identified in the study, none of the customer's share of the study costs will be reimbursed. Wherever possible, Nicor Gas will coordinate with other utilities to identify both electric and gas energy efficiency opportunities and share the cost of engineering assessments.</p> <p>All cost-effective, energy efficient gas technologies that exceed applicable energy codes, provide reliable, long-term savings and are not covered in other Nicor Gas programs qualify for incentives under this program. This includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>• Building envelope and glazing;</li> <li>• Commercial sized space heating equipment;</li> <li>• Commercial sized water heating equipment;</li> <li>• Buildings and spaces that require large amounts of fresh air through ventilation;</li> <li>• Heat-intensive manufacturing processes; and</li> <li>• Steam systems: steam system assessments &amp; steam balancing.</li> </ul> <p>Nicor Gas and its implementation vendor will calculate customer incentives based on therm savings for installed measures and process improvements using the following criteria:</p> <table border="1" data-bbox="496 1272 1386 1622"> <thead> <tr> <th data-bbox="496 1272 975 1307"><b>Program Parameters</b></th> <th data-bbox="975 1272 1110 1307"><b>PY 1</b></th> <th data-bbox="1110 1272 1246 1307"><b>PY 2</b></th> <th data-bbox="1246 1272 1386 1307"><b>PY 3</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="496 1307 975 1342">Incentives (\$/therm)</td> <td data-bbox="975 1307 1110 1342">\$1.00</td> <td data-bbox="1110 1307 1246 1342">\$1.25</td> <td data-bbox="1246 1307 1386 1342">\$1.25</td> </tr> <tr> <td data-bbox="496 1342 975 1377">Max. Incentive Per Project</td> <td data-bbox="975 1342 1110 1377">\$100,000</td> <td data-bbox="1110 1342 1246 1377">\$150,000</td> <td data-bbox="1246 1342 1386 1377">\$150,000</td> </tr> <tr> <td data-bbox="496 1377 975 1413">Max. Customer Incentive Per Year</td> <td data-bbox="975 1377 1110 1413">\$100,000</td> <td data-bbox="1110 1377 1246 1413">\$150,000</td> <td data-bbox="1246 1377 1386 1413">\$150,000</td> </tr> <tr> <td data-bbox="496 1413 975 1450">Min. Project Payback (After Rebate)</td> <td colspan="3" data-bbox="975 1413 1386 1450">1 year</td> </tr> <tr> <td data-bbox="496 1450 975 1485">Max. % of Total Project Cost (Retrofit)</td> <td colspan="3" data-bbox="975 1450 1386 1485">30%</td> </tr> <tr> <td data-bbox="496 1485 975 1570">Max. % of Incremental Cost of Replacement &amp; New Construction</td> <td data-bbox="975 1485 1110 1570">50%</td> <td data-bbox="1110 1485 1246 1570">75%</td> <td data-bbox="1246 1485 1386 1570">75%</td> </tr> <tr> <td data-bbox="496 1570 975 1622">Max. % of Study Cost Paid By Nicor</td> <td colspan="3" data-bbox="975 1570 1386 1622">50% up to \$15,000<sup>16</sup></td> </tr> </tbody> </table>	<b>Program Parameters</b>	<b>PY 1</b>	<b>PY 2</b>	<b>PY 3</b>	Incentives (\$/therm)	\$1.00	\$1.25	\$1.25	Max. Incentive Per Project	\$100,000	\$150,000	\$150,000	Max. Customer Incentive Per Year	\$100,000	\$150,000	\$150,000	Min. Project Payback (After Rebate)	1 year			Max. % of Total Project Cost (Retrofit)	30%			Max. % of Incremental Cost of Replacement & New Construction	50%	75%	75%	Max. % of Study Cost Paid By Nicor	50% up to \$15,000 <sup>16</sup>		
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<sup>16</sup> Reimbursable depending on the level of savings implemented by the customer.

<b>PROGRAM ELEMENT</b>	<b>Custom Business Program (cont'd)</b>										
<b>Eligible Measures &amp; Incentive Levels (cont'd)</b>	<p>As more specific program implementation history becomes available, the incentive structure may be adjusted to meet increasing energy savings goals.</p> <table border="1" data-bbox="501 441 1402 640"> <thead> <tr> <th data-bbox="501 441 863 607"><b>Measure</b></th> <th data-bbox="863 441 1002 607"><b>Gross Average Annual Savings (therms)</b></th> <th data-bbox="1002 441 1177 607"><b>Average Incremental Cost Per Project</b></th> <th data-bbox="1177 441 1307 607"><b>Average Rebate (per Project)</b></th> <th data-bbox="1307 441 1402 607"><b>TRC</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="501 607 863 640">Custom Project</td> <td data-bbox="863 607 1002 640">20,938</td> <td data-bbox="1002 607 1177 640">\$62,813</td> <td data-bbox="1177 607 1307 640">\$20,938</td> <td data-bbox="1307 607 1402 640">2.6</td> </tr> </tbody> </table> <p>The Custom Business Program will pay incentives on verifiable therm savings achieved beyond minimum industry or government standards. Energy savings will be calculated using equipment nameplate information and/or engineering parameters. In such a case, the applicant must submit an M&amp;V plan to the Program Administrator for review and approval.</p> <p>For projects that do not require M&amp;V, the full incentive will be paid after installation of the project is confirmed. For projects that do require M&amp;V, 60% of the approved incentive will be paid after confirmation of installation of the project is confirmed, and the balance will be paid following approval of the final operating report.</p>	<b>Measure</b>	<b>Gross Average Annual Savings (therms)</b>	<b>Average Incremental Cost Per Project</b>	<b>Average Rebate (per Project)</b>	<b>TRC</b>	Custom Project	20,938	\$62,813	\$20,938	2.6
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Custom Project	20,938	\$62,813	\$20,938	2.6							
<b>Implementation Strategy</b>	<p>Nicor Gas will select an implementation vendor to administer this program through an RFP process. The implementation strategy will expand on the efforts initiated under Rider 29. Nicor Gas' implementation vendor will provide assistance with the applications and conduct pre- and post-inspection visits on all larger projects to verify equipment installation and operation.</p> <p>The applicant will follow a multi-step application process using forms supplied specifically for the Custom Business Program. The customer must provide specific information, including site and measure data and estimated energy savings. The forms will be submitted to the implementation vendor for review and approval prior to equipment installation. The implementation vendor will review the application and may schedule an inspection of the existing equipment. Once approved, Nicor Gas will extend an Offer Agreement to the customer.</p>										

<b>PROGRAM ELEMENT</b>	<b>Custom Business Program (cont'd)</b>
<b>Implementation Strategy (cont'd)</b>	<p>The customer or customer's agent will submit an installation report after all project measures are installed, fully commissioned, and are fully operational. All invoices and cost documentation must be attached. The implementation vendor may schedule an inspection of the installation equipment prior to approval of incentive payment. For projects that require M&amp;V, an operating report must be submitted at the end of the predetermined performance period. The implementation vendor will review the report and may choose to inspect the equipment prior to granting approval of the incentive. The implementation vendor will calculate the final incentive payment based on the reported savings.</p> <p>Nicor Gas' account executives, as well as the implementation vendor, will drive participation to this program through outreach activities to prescreened customers. The implementation vendor will conduct outreach to key market influencers, such as trade associations, energy service companies (ESCOs), engineering firms, and architects. Outreach may be in the form of training seminars or educational strategies. Nicor Gas expects that some participation will come from cross referrals from other programs.</p> <p>Energy efficiency assessments or engineering studies will be performed by the implementation vendor or third-party engineering consultants. These studies will be subject to internal quality reviewed by Nicor Gas' program staff to ensure the accuracy of the savings and incentives calculations. Where appropriate, Nicor Gas and ComEd will coordinate their efforts to provide a more comprehensive (both gas and electric) assessment of the building opportunities for the customer and reduce the overall cost of the study.</p>
<b>Marketing Strategy</b>	<p>Direct outreach to customers and key trade allies will be the primary marketing approach for this program. This will be accomplished through Nicor Gas account executive visits, direct mail, trainings, presentations, participation in events such as industry trade shows, chamber meetings, technology seminars, and trade conferences. Communications and outreach will also occur through channel partners such as manufacturers, distributors, engineers and architects. This program will also be featured on Nicor Gas' energy efficiency website.</p>

<b>PROGRAM ELEMENT</b>	<b>Custom Business Program (cont'd)</b>
<b>Marketing Strategy (cont'd)</b>	<p>For the market sector targeting effort, Nicor Gas will build relationships with those targeted industries' key market actors to broaden program outreach and education. Strategic alliances with industry associations and other market influencers will provide Nicor Gas with the opportunity to leverage these relationships to reach a large subset of the market with lower marketing cost. Marketing materials, webinars and web coverage will bring together all relevant Nicor Gas programs and tailor the message to the specific industry audience. Over time, Nicor Gas will develop case studies to showcase a variety of projects.</p>
<b>Utility Coordination</b>	<p>It is the intent of Nicor Gas, ComEd, and other regional electric providers to cooperate in the offering of this program. There are some measures that could reduce both the gas and electric energy use. Coordinated offerings, where possible, will be made transparent to the customer. In addition, the utilities will collaborate in raising awareness of, and educating customers on, the benefits of energy efficiency.</p>
<b>EM&amp;V Requirements</b>	<p>Customers must substantiate their savings data either through the Custom software tool, other engineering estimates, or an engineering study. In any case where reliable energy savings estimates are not available, an M&amp;V plan and final M&amp;V report will be required before the final payment is made. The information submitted at each step in the process may be further substantiated by the implementation vendor through a site inspection.</p> <p>Telephone surveys will be initiated with program participants to determine their satisfaction with the program and to ascertain the barriers to participation. Program processes will be reviewed through selective interviews with the implementation vendor, as well as through questions asked in the participant survey.</p>
<b>Administrative Requirements</b>	<p>The implementation vendor will assist customers with applications. In addition, customers with multiple properties will be guided through Nicor Gas' programs. The vendor will provide on-site pre- and post-installation verification of a statistically significant number of projects to confirm installation and conformance with measure specifications prior to incentive payments.</p> <p>The implementation vendor will be responsible for:</p> <ul style="list-style-type: none"> <li>• Customer outreach and recruitment including working closely with Nicor Gas account executives;</li> <li>• Trade ally outreach recruitment and training;</li> <li>• Technical analysis of custom project opportunities and savings;</li> </ul>

<b>PROGRAM ELEMENT</b>	<b>Custom Business Program (cont'd)</b>																													
<b>Administrative Requirements (cont'd)</b>	<ul style="list-style-type: none"> <li>• Customer assistance for submitting applications;</li> <li>• Tracking data in the system and processing the incentive;</li> <li>• Quality assurance and post-installation inspection;</li> <li>• Fraud detection and prevention;</li> <li>• Develop marketing and outreach materials; and</li> <li>• Developing and implementing a strategy for each targeted market sector.</li> </ul>																													
<b>Estimated Participation, Savings, and Budgets</b>	<table border="1" data-bbox="496 596 1385 855"> <thead> <tr> <th></th> <th><b>PY1</b></th> <th><b>PY2</b></th> <th><b>PY3</b></th> <th><b>Total</b></th> </tr> </thead> <tbody> <tr> <td>Participation (projects)</td> <td>67</td> <td>204</td> <td>295</td> <td>566</td> </tr> <tr> <td>Net Savings (therms)</td> <td>1,122,250</td> <td>3,417,000</td> <td>4,941,250</td> <td>9,480,500</td> </tr> <tr> <td>Budget (\$)</td> <td>\$2,610,360</td> <td>\$7,081,891</td> <td>\$9,681,600</td> <td>\$19,373,851</td> </tr> <tr> <td>TRC</td> <td>1.9</td> <td>2.0</td> <td>2.1</td> <td>N/A</td> </tr> </tbody> </table>						<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>Total</b>	Participation (projects)	67	204	295	566	Net Savings (therms)	1,122,250	3,417,000	4,941,250	9,480,500	Budget (\$)	\$2,610,360	\$7,081,891	\$9,681,600	\$19,373,851	TRC	1.9	2.0	2.1	N/A
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<b>Vendor Selection Process</b>	<p>Nicor Gas currently has an existing vendor relationship through Rider 29. Nicor Gas may negotiate a contract extension with the existing vendor or initiate a new vendor RFP process.</p>																													

### 3.3 Economic Redevelopment Program

<b>PROGRAM ELEMENT</b>	<b>Economic Redevelopment Program</b>
<b>Objective</b>	The primary objective of the Economic Redevelopment Program is to target existing facilities and properties undergoing major renovation in established “redevelopment areas” and ensure that they incorporate energy efficiency measures into the renovation process. The program will provide enhanced incentives to render energy efficiency projects more affordable within economically challenged communities.
<b>Target Market</b>	The targets for this program are commercial, industrial and commercial sized multi-family projects that are located in State of Illinois designated “redevelopment areas” in accordance with the Tax Increment Financing (TIF) Program or designated as Enterprise Zones. Additional targets include projects that provide significant community benefits such as services to low income or hard to reach customers, create jobs or rehabilitate or repurpose vacant or underutilized buildings. Community organizations, economic redevelopment, and non-profit organizations will also be targeted as sources of leads for potential projects.
<b>Program Duration &amp; Milestones</b>	This program will be launched in Program Year 1 and continue through Program Year 3.
<b>Program Description</b>	<p>The program will provide financial incentives to customers who implement energy efficiency measures in renovation projects conducted in economically challenged regions. By providing increased resources to facilitate energy efficiency improvements in those projects that may be marginal financially, Nicor Gas can ensure that gas energy efficiency opportunities will be realized that otherwise would be lost for decades while creating a positive impact in the community. By working with Chambers of Commerce, economic redevelopment organizations, non-profit organizations and private development corporations and businesses, the program will leverage energy efficiency funds with other investments that are being made for community improvement purposes. The program will also work with community based and not-for-profit organizations to increase the energy efficiency of their facilities and reduce their energy cost burden, allowing the organizations to devote more of their resources to providing essential community services.</p> <p>Funding will focus on projects that demonstrate a strong positive community impact, including:</p> <ul style="list-style-type: none"> <li>• Brown-field site rehabilitation;</li> <li>• Job Creation;</li> <li>• Provide housing solutions; or</li> <li>• Are integral in providing community based programs.</li> </ul>

<b>PROGRAM ELEMENT</b>	<b>Economic Redevelopment Program (cont'd)</b>														
<b>Program Description (cont'd)</b>	<p>The enhanced incentive will be based on an increment above incentives established in Nicor Gas' other programs for the specific measure or project. Clear criteria and a scoring assessment will be developed and completed for each project application. The value of the enhanced incentives will be determined based on how closely the project meets the criteria.</p>														
<b>Eligible Measures &amp; Incentive Levels</b>	<p>All measures offered through Nicor Gas' other energy efficiency programs will qualify for the Economic Redevelopment program. Additionally, any other measure identified as being cost-effective will be considered as long as there are verifiable savings and cost information in which to determine its cost-effectiveness. A scoring mechanism for weighting the program criteria will be developed to determine the level of enhanced incentives that should be awarded for each project. In no case will the enhanced incentive exceed an amount that is determined to be cost-effective.</p> <p>The maximum funding per project is \$100,000, and individual measures must be cost-effective. In most cases, a minimum of 50 % matching funds will be required by the customer, although this requirement may be waived by Nicor Gas for highly cost-effective energy efficiency measures. Participants may also qualify for Nicor Gas' On-Bill-Financing Program or other financing that would allow the customer to pay for its contribution to the energy efficiency measures over time.</p> <table border="1" data-bbox="488 1189 1385 1425"> <thead> <tr> <th data-bbox="488 1189 847 1355"><b>Measure</b></th> <th data-bbox="847 1189 986 1355"><b>Gross Average Annual Savings (therms)</b></th> <th data-bbox="986 1189 1161 1355"><b>Average Incremental Cost Per Project</b></th> <th data-bbox="1161 1189 1294 1355"><b>Average Rebate (per Project)</b></th> <th data-bbox="1294 1189 1385 1355"><b>TRC</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="488 1355 847 1425">Economic Redevelopment Project</td> <td data-bbox="847 1355 986 1425">18,750</td> <td data-bbox="986 1355 1161 1425">\$72,000</td> <td data-bbox="1161 1355 1294 1425">\$36,000</td> <td data-bbox="1294 1355 1385 1425">3.3</td> </tr> </tbody> </table>					<b>Measure</b>	<b>Gross Average Annual Savings (therms)</b>	<b>Average Incremental Cost Per Project</b>	<b>Average Rebate (per Project)</b>	<b>TRC</b>	Economic Redevelopment Project	18,750	\$72,000	\$36,000	3.3
<b>Measure</b>	<b>Gross Average Annual Savings (therms)</b>	<b>Average Incremental Cost Per Project</b>	<b>Average Rebate (per Project)</b>	<b>TRC</b>											
Economic Redevelopment Project	18,750	\$72,000	\$36,000	3.3											
<b>Implementation Strategy</b>	<p>Program participants will be required to complete an application, which includes the following:</p> <ul style="list-style-type: none"> <li>• Description of the redevelopment project;</li> <li>• Names and background of the sponsoring organizations;</li> <li>• List of other funding sources;</li> <li>• Types of energy efficiency measures to be installed;</li> <li>• Estimated cost of project and energy savings;</li> <li>• Estimate of project schedule; and</li> <li>• How the project will provide a strong positive community impact.</li> </ul>														

<b>PROGRAM ELEMENT</b>	<b>Economic Redevelopment Program (cont'd)</b>
<b>Implementation Strategy (cont'd)</b>	<p>Applications for program funding will be individually validated and assessed. Once the application is reviewed and the organization is considered a viable candidate, a more detailed energy analysis will be conducted of the proposed project, and the entire building, to identify other energy savings opportunities that might exist. The results of this assessment will be documented in a report that includes a list of energy efficiency measures, total installation costs, annual energy costs, annual energy savings, and simple payback.</p> <p>Nicor Gas will coordinate with electric utilities during implementation of this program to ensure that a comprehensive review of the building occurs and that energy efficiency opportunities across all fuels are identified.</p>
<b>Marketing Strategy</b>	<p>Due to the small scope of this program, marketing will be limited to customer outreach by Nicor Gas' account executives, targeted mailings, newsletters, presentations and other outreach activities to relevant organizations such as Chambers of Commerce, economic redevelopment organizations, and other community based organizations. Program information will also be included on the Nicor Gas energy efficiency website.</p>
<b>Utility Coordination</b>	<p>This program will be offered solely by Nicor Gas, but it is the intent of Nicor Gas to cooperate with the electric utilities in offering electric incentives where appropriate.</p>
<b>EM&amp;V Requirements</b>	<p>This program will likely not show significant impact until the end of the three-year program cycle so evaluation will consist of a summary of participants (number) and listing of activities and project initiated.</p>
<b>Administrative Requirements</b>	<p>Nicor Gas staff will administer this program using support from its commercial and industrial implementation vendor(s). Nicor Gas' business program vendor(s) will provide technical assistance with this complementary program. The implementation vendor will develop the application and scoring criteria as well as the incentive levels for the program. The implementation vendor will track the program including cost and savings. The vendor will also need to ensure that the project and measures are cost effective.</p> <p>Nicor Gas must verify and approve each project application with the implementation vendor's assistance. Project scoring will be approved by Nicor Gas and project acceptance agreements must be signed by Nicor Gas and the customer.</p>

<b>PROGRAM ELEMENT</b>	<b>Economic Redevelopment Program (cont'd)</b>				
<b>Estimated Participation, Savings, and Budgets</b>		<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>Total</b>
	Participation (projects)	8	16	20	44
	Net Savings (therms)	120,000	240,000	300,000	660,000
	Budget (\$)	\$464,095	\$857,596	\$1,027,042	\$2,348,733
	TRC	2.4	2.5	2.6	N/A
<b>Vendor Selection Process</b>	This is a new program for Nicor Gas, and Nicor Gas does not have an existing vendor relationship. It is Nicor Gas' intent to select a vendor through an RFP process.				

### 3.4 Retro-Commissioning Program

<b>PROGRAM ELEMENT</b>	<b>Retro-Commissioning Program</b>				
<b>Objective</b>	The objective of the Retro-Commissioning Program is to identify and implement low-cost tune-ups and adjustments to the operating systems, especially the building controls and HVAC systems, of existing buildings in order to improve their efficiency by returning them to their intended operation or design specifications.				
<b>Target Market</b>	This program will be targeted to medium and large commercial and industrial customers. This program excludes those customers who have declared themselves "self-directed" customers per Section 8-104.				
<b>Program Duration &amp; Milestones</b>	This program will be launched in Program Year 1 and continue through Program Year 3.				
<b>Program Description</b>	<p>This program will help C&amp;I customers to identify and implement low and no-cost measures to improve the efficiency of existing buildings. Services are delivered through a network of commissioning providers that have been trained in program protocols and processes. For smaller facilities, commissioning providers will conduct a targeted assessment of areas with substantial energy savings opportunities such as packaged HVAC units. Larger facilities will be eligible to receive a more comprehensive assessment of building systems and controls.</p> <p>This program will include a strong customer education component to promote the value of retro-commissioning services, targeting senior management decision-makers as well as facility operations and maintenance staff. Such education will be provided through program marketing activities, and also be supported through market conditioning efforts such as Building Operator Certification (BOC) training. Nicor Gas will collaborate with other regional utilities to provide a comprehensive program that covers both gas and electric building systems.</p>				
<b>Eligible Measures &amp; Incentive Levels</b>	<b>Measure</b>	<b>Gross Average Annual Savings (therms)</b>	<b>Average Incremental Cost Per Project</b>	<b>Average Rebate (per Project)</b>	<b>TRC</b>
	Retro-Commissioning Project	34,605	\$87,468	\$45,744	1.5

<b>PROGRAM ELEMENT</b>	<b>Retro-Commissioning Program (cont'd)</b>
<b>Eligible Measures &amp; Incentive Levels (cont'd)</b>	<p>To motivate participation and ensure that customers are invested in the process, Nicor Gas will provide cost sharing to offset the cost of the retro-commissioning assessment and study, up to a per-project cap of \$20,000. It is expected that many of the studies will target low- and no-cost measures that result in a payback to the customer of 1.5 years or less. Any measures with a payback under one year will not qualify for incentives under the Retro-Commissioning Program. However, in cases where a project includes measures eligible for incentives through one of Nicor Gas' other programs, the incentive levels established by those programs will be used. For joint electric and gas customers, Nicor Gas will work with ComEd (or other electric energy suppliers or municipalities with similar funding) to develop a methodology to cost-share the development of the retro-commissioning report and the installation of measures that result in both gas and electric savings.</p>
<b>Implementation Strategy</b>	<p>This program will be administered by a program implementation vendor to oversee activities conducted by participating commissioning providers, review studies and provide independent evaluation of savings estimates, and provide post-installation verification. Key elements of program implementation include:</p> <ul style="list-style-type: none"> <li>• Customer recruitment and application pre-screening to determine if the project qualifies under the program criteria;</li> <li>• Initial project assessment: the implementation vendor will meet with the customer to determine if sufficient potential savings exist to merit participation;</li> <li>• Formal agreement: In this agreement, the customer commits to spend a certain amount to implement a bundle of measures such that the complete project has a payback of 1.5 years or greater. The customer must complete the project within 120 days after the agreement is signed.</li> <li>• Retro-commissioning study: The commissioning provider will conduct an in-depth analysis of the measures selected by the customer to generate the Diagnostic and Calculation Report.</li> <li>• Implementation: the customer implements the measures according to the report. Nicor Gas will not provide an incentive to assist with implementation costs.</li> <li>• M&amp;V: the commissioning vendor or an evaluation contractor will return to the project site to verify savings. If measures are not implemented in accordance with the agreement, then the customer will be responsible for repayment of all study costs and incentives received.</li> </ul>

<b>PROGRAM ELEMENT</b>	<b>Retro-Commissioning Program (cont'd)</b>
<b>Marketing Strategy</b>	<p>The program will be marketed to customers and trade allies. Nicor Gas account executives will be trained and provided with program collateral. The outreach strategy will include:</p> <ul style="list-style-type: none"> <li>• Customer marketing: In direct marketing efforts, Nicor Gas will target large customers and owners/operators of multiple buildings through direct mail and personal contact. Nicor Gas will also conduct outreach to the Building Owners and Managers Association (BOMA), large real estate management companies and other business associations and pursue opportunities to provide training and educational materials at trade shows and other association events.</li> <li>• Trade ally marketing: Outreach and training will be provided for commissioning providers, industry professionals and energy services companies that have business motivations for promoting retro-commissioning services to their customers.</li> <li>• Cooperative marketing: Nicor Gas will seek to leverage trade ally advertising by pursuing cooperative marketing opportunities. A clear web presence for the program element will be established along with collateral materials and targeted marketing.</li> </ul>
<b>Utility Coordination</b>	<p>It is the intent of Nicor Gas and ComEd to offer this program jointly. There is a high potential for this program to benefit both gas and electric utility customers. The utilities will determine a framework for cost allocation based on savings/benefits to each utility's customers. The framework will be fair and equitable and will increase the cost-effectiveness of the overall program for both utilities and their customers.</p>
<b>EM&amp;V Requirements</b>	<p>This Retro-Commissioning Program will be driven by a commissioning provider who will perform an assessment of potential measure improvements that can take place for maximizing the efficient performance of building components. After implementation, the provider will revisit each project and conduct M&amp;V according to the approved verification plan in the Diagnostic &amp; Calculation report. Findings will be shared with the customer and delivered to Nicor Gas to be compared with pre-program energy use and used as the basis for verifying the savings estimates. Monitoring will also be compared to non-participants to determine estimates of program impact.</p> <p>The program will be evaluated for process via interviews with administrative staff and through participant telephone surveys.</p>

<b>PROGRAM ELEMENT</b>	<b>Retro-Commissioning Program (cont'd)</b>																													
<b>Administrative Requirements</b>	<p>Nicor Gas and ComEd will market the Business Retro-Commissioning Program jointly and identify potential candidates for participation. The implementation vendor's responsibilities will include: working with the utilities on final program element design, developing marketing materials, marketing the program and performing outreach activities, managing the project, and administering quality assurance / quality control activities, fraud detection and prevention, customer and contractor dispute resolution, tracking and reporting, and program goal achievement.</p>																													
<b>Estimated Participation, Savings, and Budgets</b>	<table border="1" data-bbox="496 654 1385 969"> <thead> <tr> <th></th> <th>PY1</th> <th>PY2</th> <th>PY3</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Participation (projects)</td> <td>21</td> <td>37</td> <td>41</td> <td>99</td> </tr> <tr> <td>Net Savings (therms)</td> <td>581,364</td> <td>1,024,308</td> <td>1,135,044</td> <td>2,740,716</td> </tr> <tr> <td>Budget (\$)</td> <td>\$1,573,332</td> <td>\$2,481,678</td> <td>\$2,604,075</td> <td>\$6,659,084</td> </tr> <tr> <td>TRC</td> <td>1.1</td> <td>1.1</td> <td>1.2</td> <td>N/A</td> </tr> </tbody> </table>						PY1	PY2	PY3	Total	Participation (projects)	21	37	41	99	Net Savings (therms)	581,364	1,024,308	1,135,044	2,740,716	Budget (\$)	\$1,573,332	\$2,481,678	\$2,604,075	\$6,659,084	TRC	1.1	1.1	1.2	N/A
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<b>Vendor Selection Process</b>	<p>This program will be jointly offered by Nicor Gas and one or more other utilities. If a vendor relationship exists for the program, Nicor Gas will consider contracting with the existing vendor. If no vendor relationship exists, Nicor Gas would plan to issue a joint RFP.</p>																													

### 3.5 Small Business Direct Install Program

<b>PROGRAM ELEMENT</b>	<b>Small Business Direct Install Program</b>
<b>Objective</b>	The primary objective of the Small Business Direct Install Program is to provide small business gas customers with cost-effective turn-key energy efficiency retrofit services. Nicor Gas will offer this program jointly with ComEd to ensure comprehensive gas and electric energy efficiency services. Traditional electric small business direct install programs have focused on lighting redesign. Providing small business customers with combined gas and electric direct installation services will yield more comprehensive efficiency savings, leverage program dollars, and create a more seamless offering to the customers.
<b>Target Market</b>	Commercial small business gas customers whose annual use is less than 60,000 therms and 100 kW will qualify to participate in this program. Though this program will be offered to all market sectors, initially, the program will target those customers with the highest potential therm savings and a demonstrated need.
<b>Program Duration &amp; Milestones</b>	This program will be launched in Program Year 1 and continue through Program Year 3.
<b>Program Description</b>	This program will provide small commercial gas customers with turn-key installation services and incentives to replace older, inefficient equipment and increase the overall efficiency of buildings. Unlike large commercial businesses that have access to greater technical and financial resources, the small business sector has limited access to specialized resources to undertake energy efficiency projects. Small businesses generally benefit from a turn-key approach where a single contractor conducts an audit to identify appropriate gas measures and also installs those measures. Where appropriate, Nicor Gas will make financing options available.
<b>Eligible Measures &amp; Incentive Levels</b>	The Small Business Direct Install Program will offer direct installation of certain measures for free and other measures at the incentive levels and gas savings estimates established in Nicor Gas' other business programs. Offering this wide range of measures provides greater depth of savings and enhances the appeal for potential participants. Nicor Gas' implementation vendor will assess each customer's eligibility for the following measures:

<b>PROGRAM ELEMENT</b>	<b>Small Business Direct Install Program (cont'd)</b>					
<b>Eligible Measures &amp; Incentive Levels (cont'd)</b>	<b>Measure</b>	<b>Gross Annual Savings (therms)</b>	<b>Incremental Cost</b>	<b>Incentive (per unit)</b>	<b>TRC</b>	
	<b>Free Measures</b>					
	Low-Flow Faucet Aerators	5	\$5	N/A	3.5	
	Low-Flow Showerheads	27	\$22	N/A	6.7	
	Pre-Rinse Spray Valves	262	\$60	N/A	15.8	
	Hot Water, Thermostat Turn-Down	11	\$5	N/A	1.2	
	<b>Low-Cost Measures</b>					
	Programmable Thermostats	178	\$75	\$53	17.0	
	Steam Trap Buy Down	203	\$77	\$54	12.3	
	Boiler Tune-Up	303	\$650	\$455	1.8	
	Hydronic Boiler (<300)	433	\$1,470	\$1,029	5.0	
	Boiler Reset Control	867	\$600	\$420	24.8	
	Furnace 90% AFUE	165	\$700	\$490	4.0	
	Infrared Heater	451	\$1,716	\$1,201	2.6	
	Condensing Unit Heater	266	\$676	\$473	6.7	
	Water Heater 88% TE	251	\$209	\$146	14.7	
	Furnace Tune-Up	63	\$100	\$70	0.8	
	<p>Nicor Gas will pay up to 70% of the cost to purchase and install any qualified energy efficiency measures. Customers may also qualify to pay for the balance of the project through Nicor Gas' On-Bill-Financing program.</p>					
	<b>Implementation Strategy</b>	<p>This program will be delivered jointly by Nicor Gas and ComEd. The program will be managed by an implementation vendor selected through a competitive RFP process. The vendor will contract with individual installation vendors located regionally to conduct outreach to customers and provide turn-key installations. Vendors will be assigned to specific geographic regions within Illinois.</p> <p>The implementation vendor's responsibilities will include:</p> <ul style="list-style-type: none"> <li>• Identifying and hiring regional installation contractors;</li> <li>• Marketing the program consistent with Nicor Gas program communication plans;</li> <li>• Following-up on leads from Nicor Gas account executives, energy efficiency staff, and others;</li> </ul>				

<b>PROGRAM ELEMENT</b>	<b>Small Business Direct Install Program (cont'd)</b>
<b>Implementation Strategy (cont'd)</b>	<ul style="list-style-type: none"> <li>• Entering data into the program database;</li> <li>• Conducting periodic on-site follow-up inspections; and</li> <li>• Providing progress reports to Nicor Gas regularly.</li> </ul> <p>The installation contractors will be responsible for:</p> <ul style="list-style-type: none"> <li>• Tracking leads and following up in a timely manner;</li> <li>• Obtaining a signed agreement from the customer prior to commencement of work;</li> <li>• Conducting customer energy efficiency audits or assessments;</li> <li>• Documenting energy audit results;</li> <li>• Installing free measures where appropriate during the initial visit and documenting those installations;</li> <li>• Purchasing the equipment and installing the measures;</li> <li>• Preparing and submitting incentive applications for each participant;</li> <li>• Obtaining signed work order completion forms upon completion of each project.</li> </ul> <p>Nicor Gas will provide technical assistance on custom projects, and may require additional installation approvals for unique and/or unusual installations. The implementation vendor will conduct random inspections of a statistically significant number of projects across all the vendor regions. Nicor Gas reserves the right to conduct installation inspections on any project prior to reimbursement.</p>
<b>Marketing Strategy</b>	<p>Several communication strategies will be employed to enroll customers. Vendors will be responsible for the primary communications. Efforts will include: targeted marketing by mail and phone; outreach to key influencers such as Chambers of Commerce and neighborhood and regional trade associations; outreach to targeted economic development organizations; and follow-up on referrals by Nicor Gas' account executives. Trade allies, manufactures and suppliers of equipment, and other industry stakeholders who can play a role in communicating the program benefits to customers will be educated about the program purpose, requirements, and incentives. The program will also be promoted on the efficiency website and in program collateral.</p>
<b>Utility Coordination</b>	<p>It is the intent of Nicor Gas and ComEd to offer this program jointly. There is a high potential for this program to benefit both gas and electric utility customers. The utilities will determine a framework for cost allocation based on savings/benefits to each utility's customers. The framework will be fair and equitable and will increase the cost-effectiveness of the overall program for both utilities and their customers.</p>

<b>PROGRAM ELEMENT</b>	<b>Small Business Direct Install Program (cont'd)</b>																													
<b>EM&amp;V Requirements</b>	<p>The impact of this program will be addressed through the application of deemed savings estimates. These savings will be confirmed by the evaluation contactor using analysis of engineering estimates and customer characteristics collected by the implementation contractor while on-site. Additional confirmation may be applied by performing a billing analysis for these small customers using their pre-program and post-program energy use.</p> <p>The program process will be evaluated through on-site interviews with the various aspects of the program administration, including the advertising and market message members, and through the telephone interviewing of program participants and non-participants. Comparison of views held by each will help to determine program free-ridership as well as identification of potential market barriers and satisfaction with the program.</p>																													
<b>Administrative Requirements</b>	<p>The direct installation model has been shown to be an effective approach to addressing this hard-to-reach market. The program will be administered by an implementation vendor selected through a competitive RFP process. The costs of labor, materials, and installation of approved efficiency measures will be included in the cost of the administrator. Joint vendor selection with other Illinois utilities may be undertaken at an appropriate time to reduce administrative costs and provide consistent service. Nicor Gas and ComEd will be responsible for overall program management and ensuring that vendors and installers are meeting their obligations under contracts and according to program requirements.</p>																													
<b>Estimated Participation, Savings, and Budgets</b>	<table border="1" data-bbox="491 1297 1378 1556"> <thead> <tr> <th></th> <th><b>PY1</b></th> <th><b>PY2</b></th> <th><b>PY3</b></th> <th><b>Total</b></th> </tr> </thead> <tbody> <tr> <td>Participation (projects)</td> <td>1,140</td> <td>2,800</td> <td>3,750</td> <td>7,690</td> </tr> <tr> <td>Savings (therms)</td> <td>169,329</td> <td>616,753</td> <td>965,294</td> <td>1,751,377</td> </tr> <tr> <td>Budget (\$)</td> <td>\$760,263</td> <td>\$1,387,291</td> <td>\$1,742,673</td> <td>\$3,890,227</td> </tr> <tr> <td>TRC</td> <td>1.1</td> <td>3.3</td> <td>3.8</td> <td>N/A</td> </tr> </tbody> </table>						<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>Total</b>	Participation (projects)	1,140	2,800	3,750	7,690	Savings (therms)	169,329	616,753	965,294	1,751,377	Budget (\$)	\$760,263	\$1,387,291	\$1,742,673	\$3,890,227	TRC	1.1	3.3	3.8	N/A
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### 3.6 New Construction Program

<b>PROGRAM ELEMENT</b>	<b>New Construction Program</b>
<b>Objective</b>	The objective of the New Construction Program is to capture efficiency opportunities during the design and construction of new buildings, major renovations of existing buildings, and tenant build-outs in the commercial and industrial market. Through collaboration with other Illinois utilities, a comprehensive regional new construction program is being provided that captures both gas and electric savings.
<b>Target Market</b>	This program targets nonresidential customers with new construction, major renovation, or tenant build-out projects in the planning or design process. Architectural and engineering design firms will also be targeted. Self-directed customers as defined under Section 8-104(m) are not eligible for this program.
<b>Program Duration &amp; Milestones</b>	This program will be launched in Program Year 1 and continue through Program Year 3.
<b>Program Description</b>	<p>This program promotes energy efficiency through a comprehensive effort to influence building design practices. To secure efficiency opportunities in new construction projects, it is necessary to overcome barriers such as design community resistance to adopting new ideas, increased first cost for efficient options, and the common practice of designing for worst-case conditions rather than efficiency over the range of expected operating conditions.</p> <p>The program works to overcome these barriers through education and outreach to building owners, design professionals, building contractors and other trade allies, as well as design assistance, and technical assistance. Participants in this program will also receive support for their efforts to obtain Leadership in Energy and Environmental Design (LEED), Green Globes, or other green building certification, and incentives for efficient designs and measure implementation. The program has three participation tracks: Systems Track, Comprehensive Track, and Certification Track:</p> <ul style="list-style-type: none"> <li>• Systems Track: Serving smaller projects and projects in the later stages of the design process, this track will target efficiency opportunities in key building system components. It will provide technical assistance and incentives for construction that incorporates efficient systems (e.g., HVAC, water heating and building envelope). Incentives for this track will be addressed under the Custom Business and Business Incentive Programs.</li> </ul>

<b>PROGRAM ELEMENT</b>	<b>New Construction Program (cont'd)</b>
<b>Program Description (cont'd)</b>	<ul style="list-style-type: none"> <li>• Comprehensive Track: For large projects early in the design process, this track will offer a higher level of technical assistance and consultation on building design. Program services will assess comprehensive efficiency opportunities and system interaction and provide incentives based on whole-building energy simulation and achievement of whole-building performance. Incentives for this track will be based on energy savings and paid using the incentive structure available in the Custom Business Program.</li> <li>• Certification Track: For projects working towards green building certification, this track will provide technical assistance and incentives through the Custom Business Program to assist the project in optimizing and enhancing the energy performance of the building.</li> </ul> <p>A key element for program success is securing the involvement of the professional design community. This will be a major activity in all three tracks. To encourage participation of the design community and to offset the costs of considering multiple design options, a multi-tier incentive will be offered to the project design teams. The partnering utilities will develop a methodology to equitably split the cost of outreach to the design community.</p>
<b>Eligible Measures &amp; Incentive Levels</b>	<p>The New Construction Program will have different requirements to be fulfilled by the customer and their design team, depending on the track, in order to receive an incentive. For the Systems Track, the implantation vendor will establish criteria for system and component performance for water heating, HVAC and building envelope measures which must be met in order to receive an incentive. For the Comprehensive Track, incentives will be based on whole-building energy simulation and achievement of whole building performance targets above baseline conditions. For the Certification Track, incentives will be based on meeting specified targets through either the simulation or prescriptive paths outlined.</p> <p>Implementation incentives will be provided to customers based on the incremental cost of the measures to help overcome first-cost barriers as follows:</p> <ul style="list-style-type: none"> <li>• The Systems Track will provide prescriptive and custom incentives for all measures covered under Nicor Gas' commercial and industrial energy efficiency programs.</li> </ul>

<b>PROGRAM ELEMENT</b>	<b>New Construction Program (cont'd)</b>										
<b>Eligible Measures &amp; Incentive Levels (cont'd)</b>	<ul style="list-style-type: none"> <li>• The Comprehensive Track will provide incentives based on a whole-building energy simulation and achievement of whole-building energy savings above baseline conditions. The track will offer incentives based on the levels provided in the Custom Business Program. There will be a per-project incentive cap of \$100,000 in PY1 and \$150,000 in PY2 and PY3.</li> <li>• Certification Track incentives will be based on meeting the targets established in the particular green building certification criteria. For projects that meet the criteria, customers may be eligible for incentives through the Custom Business Program.</li> </ul> <p>Design team incentives will be offered in the comprehensive track to encourage early involvement in the design process and to provide partial compensation for the extra work involved evaluating multiple efficiency options. Design team incentives will be based on the level of improvement achieved through energy efficient design. For example, if the project achieves a 20% efficiency improvement, the design incentive would be 5% of the implementation incentive. If the efficiency increase is 30% the design incentive would be 10% of the implementation incentive. As the program evolves and performance is tracked, incentive levels may be adjusted based on Nicor Gas' experience.</p> <p>The partnering utilities will develop a methodology to equitably divide incentives based, in part, on the projected share of electric/gas savings. The following expectations and assumptions have been used for planning purposes, with actual incentive levels to be determined during the detailed implementation plan development.</p> <table border="1" data-bbox="496 1334 1391 1500"> <thead> <tr> <th>Measure</th> <th>Ave. Annual Savings (therms)</th> <th>Ave. Incremental Cost Per Project</th> <th>Ave. Rebate (per Project)</th> <th>TRC</th> </tr> </thead> <tbody> <tr> <td>New Construction Project</td> <td>6,250</td> <td>\$27,778</td> <td>\$6,944</td> <td>2.8</td> </tr> </tbody> </table>	Measure	Ave. Annual Savings (therms)	Ave. Incremental Cost Per Project	Ave. Rebate (per Project)	TRC	New Construction Project	6,250	\$27,778	\$6,944	2.8
Measure	Ave. Annual Savings (therms)	Ave. Incremental Cost Per Project	Ave. Rebate (per Project)	TRC							
New Construction Project	6,250	\$27,778	\$6,944	2.8							
<b>Implementation Strategy</b>	<p>An implementation vendor selected through an RFP process will administer the program. Key elements of the New Construction program implementation include; design/ construction trade ally outreach, customer recruitment, technical assistance, incentive commitment, solutions offerings and application submittal, and project verification. Nicor Gas' account executives will help market the program and identify potential candidate customers for participation.</p>										

<b>PROGRAM ELEMENT</b>	<b>New Construction Program (cont'd)</b>
<b>Marketing Strategy</b>	<p>The program will be marketed to building owners and managers and to design professionals, trade allies and contractors. Outreach to building owners and managers will be accomplished through media events for successful projects including grand openings and open houses, case studies, direct marketing, trade shows, and Nicor Gas account executive contact.</p> <p>Marketing to the design professionals, trade allies and contractors will focus on securing involvement in projects early in the design phase. It will stress the value that bringing their customers a better building can have for their business. Targeted direct marketing, case studies, trade publications, trade shows, formal and informal presentations, lunch and learns and direct contact will all be employed. The program will be promoted through the website and Nicor Gas account executives will be trained and provided with program collateral.</p>
<b>Utility Coordination</b>	<p>It is the intent of Nicor Gas and ComEd to offer this program jointly. There is a high potential for this program to benefit both gas and electric utility customers. The utilities will determine a framework for cost allocation based on savings/benefits to each utility's customers. The framework will be fair and equitable and will increase the cost-effectiveness of the overall program for both utilities and their customers.</p>
<b>EM&amp;V Requirements</b>	<p>This program is largely based on initial engineering studies and building simulations that direct the most appropriate efficiency improvements that can be gained through efficient design. Impacts will be evaluated based on the studies and simulations submitted to the utility.</p> <p>Building monitoring might be in order to confirm that certain measures are being operated as they were designed to. Process will be evaluated through discussions and interviews with program administration, building architects and designers, owners, and the various trade allies associated with this customer segment.</p>
<b>Administrative Requirements</b>	<p>Nicor Gas and ComEd will market the Business New Construction Program jointly and identify potential candidates for participation. The implementation vendor's responsibilities will include: working with the utilities on final program element design, developing marketing materials, marketing the program and performing outreach activities, managing the project, and administering quality assurance / quality control activities, fraud detection and prevention, customer and contractor dispute resolution, tracking and reporting, and program goal achievement.</p>

<b>PROGRAM ELEMENT</b>	<b>New Construction Program (cont'd)</b>				
<b>Estimated Participation, Savings, and Budgets</b>		<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>Total</b>
	Participation (projects)	38	40	50	128
	Savings (therms)	189,000	198,450	250,000	637,450
	Budget (\$)	\$504,207	\$473,493	\$563,511	\$1,541,211
	TRC	2.2	2.3	2.4	N/A
<b>Vendor Selection Process</b>	This program will be jointly offered by Nicor Gas and one or more other utilities. If a vendor relationship exists for the program, Nicor Gas will consider contracting with the existing vendor. If no vendor relationship exists, Nicor Gas would plan to issue a joint RFP.				

### 3.7 Building Performance with ENERGY STAR Pilot

<b>PROGRAM ELEMENT</b>	<b>Building Performance with ENERGY STAR Pilot</b>
<b>Objective</b>	The objective of the Building Performance with ENERGY STAR Pilot is to encourage and assist customers to take a holistic and planned approach to increasing the energy efficiency of their commercial buildings.
<b>Target Market</b>	Medium to large commercial building customers who are motivated to improve the energy efficiency of their building and maintain that level of efficiency. The initial target markets will include commercial real estate and commercial restaurants, which are typically considered to be low-hanging fruit. Warehouses, healthcare/hospitals, and retail buildings will be considered as future target markets if the pilot proves successful. Self-directed customers, as defined under Section 8-104(m), are not eligible for this program.
<b>Program Duration &amp; Milestones</b>	This program will be offered as a pilot in EEP Program Years 1 and 2. Near the end of Program Year 2, the pilot will be assessed to determine if the program had sufficient customer response and natural gas savings to be converted to a full program.
<b>Program Description</b>	<p>In May 2010, the U.S. Environmental Protection Agency (EPA) launched a pilot effort called Building Performance with ENERGY STAR designed to improve commercial building energy efficiency by strategically pursuing whole building energy improvements with business customers, modeled after the residential Home Performance with ENERGY STAR Program. The commercial program offers a framework for regional efficiency programs to align their financial incentives and technical assistance with a comprehensive approach to building upgrades.</p> <p>The EPA pilot program was launched with a small group of state and utility ENERGY STAR partners including: Commonwealth Edison, Mass Save, MidAmerican, National Grid, New Jersey's Clean Energy Program, Pacific Gas &amp; Electric, Southern California Edison, and Focus on Energy. By the time that Nicor Gas' pilot program is launched, ComEd will have just completed the first year of its pilot (May 2011). By offering a collaborative program with ComEd, Nicor Gas will have the benefit of ComEd's experience and be able to provide customers with efficiency options across both gas and electric measures.</p> <p>Nicor Gas will offer this program in partnership with ComEd to provide a comprehensive "whole building" energy assessment across all fuels that will help business customers strategically plan and implement</p>

<b>PROGRAM ELEMENT</b>	<b>Building Performance with ENERGY STAR Pilot (cont'd)</b>														
<b>Program Description (cont'd)</b>	<p>energy efficiency improvements over-time. A key element of the assessment will be to benchmark the building. The first two years the effort will be a pilot; if the pilot proves to be cost-effective and successfully motivates customers to undertake energy efficiency projects then the effort will be rolled out as a program.</p> <p>Building owners have difficulty determining how efficiently their facilities are performing and how they rank against others in terms of energy use. The ENERGY STAR Portfolio Manager allows businesses to strategically plan and implement efficiency improvements over time starting with low or no-cost measures that can create revenue to fund capital upgrades. Customers are encouraged to achieve deeper and longer-term savings while fostering an ongoing relationship with the utility as an advisor and resource for continuous improvements.</p>														
<b>Eligible Measures &amp; Incentive Levels</b>	<p>The Whole Building Energy Assessment report will identify all energy efficiency opportunities in the building and highlight those with a payback less than 15 years. The implementation vendor will conduct an assessment free of charge to the customer during the pilot phase of the program. In Program Year 3, the expected first year of full program implementation, the cost of the assessment may be split with the customer. During the pilot, Nicor Gas and ComEd will share in the cost of the report as well as the cost of incentives for measures that result in both gas and electric savings.</p> <p>Beginning in PY3, Nicor Gas will offer a higher incentive to participants who commit to implementing multiple gas measures. Customers who implement two or more gas projects that save 15% or more of their annual gas usage will be eligible to receive an additional incentive, ranging from 5 to 20%, depending on the total energy saved. This enhanced financial incentive will encourage customers to pursue a more comprehensive approach – rather than a piecemeal approach – to upgrading their facility. Obtaining commitments for deeper energy savings will be more important beginning in Program Year 3 and thereafter when energy savings goals become more significant. Nicor Gas reserves the right to change these figures based on program experience, energy savings goals and customer response.</p> <table border="1" data-bbox="496 1618 1393 1846"> <thead> <tr> <th data-bbox="496 1618 855 1777"><b>Measure</b></th> <th data-bbox="855 1618 991 1777"><b>Gross Average Annual Savings (therms)</b></th> <th data-bbox="991 1618 1161 1777"><b>Average Incremental Cost Per Project</b></th> <th data-bbox="1161 1618 1297 1777"><b>Average Rebate (per Project)</b></th> <th data-bbox="1297 1618 1393 1777"><b>TRC</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="496 1777 855 1846">Building Performance Project</td> <td data-bbox="855 1777 991 1846">12,500</td> <td data-bbox="991 1777 1161 1846">\$40,000</td> <td data-bbox="1161 1777 1297 1846">\$10,000</td> <td data-bbox="1297 1777 1393 1846">3.9</td> </tr> </tbody> </table>					<b>Measure</b>	<b>Gross Average Annual Savings (therms)</b>	<b>Average Incremental Cost Per Project</b>	<b>Average Rebate (per Project)</b>	<b>TRC</b>	Building Performance Project	12,500	\$40,000	\$10,000	3.9
<b>Measure</b>	<b>Gross Average Annual Savings (therms)</b>	<b>Average Incremental Cost Per Project</b>	<b>Average Rebate (per Project)</b>	<b>TRC</b>											
Building Performance Project	12,500	\$40,000	\$10,000	3.9											

<b>PROGRAM ELEMENT</b>	<b>Building Performance with ENERGY STAR Pilot (cont'd)</b>
<b>Implementation Strategy</b>	<p>An implementation vendor chosen by Nicor Gas and ComEd through and RFP process will administer the pilot. Key elements of the pilot strategy include:</p> <ul style="list-style-type: none"> <li>• <b>Customer Recruitment:</b> The pilot will rely on referrals from ComEd's Building Performance with Energy Star pilot and Nicor Gas account executives. In PY3, if the pilot moves to the implementation phase, referrals from program staff and trade allies will be a great source;</li> <li>• <b>Pre-Screening &amp; Customer Commitment:</b> The customer will be pre-screened to determine whether they are an appropriate candidate for the pilot. If appropriate, a Memorandum of Understanding (MOU) will be signed that outlines the process and the commitments of all parties;</li> <li>• <b>Benchmarking:</b> The building will be benchmarked using ENERGY STAR's Portfolio Manager and the score will be used as screening criteria;</li> <li>• <b>Whole Building Energy Assessment Report:</b> This report describes all the efficiency opportunities identified in the building with detailed measure costs, savings and incentives;</li> <li>• <b>Action Plan Meeting:</b> A meeting will be held to discuss the financial and engineering results of the report and how the utility can assist with the implementation of recommended measures. The customer is strongly encouraged to implement all low and no-cost measures. The administrator works with customers to file applications and to offer technical assistance;</li> <li>• <b>Project Implementation:</b> The implementation vendor will assist the customer with the application process and work with the custom to move projects forward; and</li> <li>• <b>Education &amp; Training:</b> The pilot will assist customers in identifying building occupant education and facility staff training opportunities.</li> </ul>
<b>Marketing Strategy</b>	<p>Nicor Gas will coordinate efforts with ComEd to market this program. The Company expects that some of its initial participants may result from customers that ComEd has already assessed during the first year of its pilot. Nicor Gas will also work with account executives to identify appropriate gas leads. Account executives will be trained and provided with program collateral.</p> <p>If the pilot proves successful and is implemented as a program, a wider marketing effort will be launched. This will include development of case studies, website promotion, marketing materials distribution through mailings and outreach, webinars, and workshops and trade ally promotion.</p>

<b>PROGRAM ELEMENT</b>	<b>Building Performance with ENERGY STAR Pilot (cont'd)</b>																													
<b>Utility Coordination</b>	It is the intent of Nicor Gas and ComEd to offer this program jointly. There is a high potential for this program to benefit both gas and electric utility customers. The utilities will determine a framework for cost allocation based on savings/benefits to each utility's customers. The framework will be fair and equitable and will increase the cost-effectiveness of the overall program for both utilities and their customers.																													
<b>EM&amp;V Requirements</b>	This program will likely not show significant impact until the end of the three-year program cycle so evaluation will consist of a summary of participants (number) and listing of measures implemented.																													
<b>Administrative Requirements</b>	<p>The implementation vendor will assist Nicor Gas with the following elements of the pilot program:</p> <ul style="list-style-type: none"> <li>• Screening the customer;</li> <li>• Benchmarking the building using ENERGY STAR Portfolio Manager;</li> <li>• Engaging engineering resources to produce the Whole Building Energy Assessment Report that is equivalent to an ASHRAE Level II audit (including measure cost, savings, and incentive estimates) to identify opportunities for whole-building improvements;</li> <li>• Developing an Action Plan for project implementation;</li> <li>• Developing an enhanced incentive structure to encourage undertaking multiple projects;</li> <li>• Assisting the customer in completing the application and moving projects towards implementation; and</li> <li>• Tracking progress and project savings data.</li> </ul>																													
<b>Estimated Participation, Savings, and Budgets</b>	<table border="1" data-bbox="496 1286 1382 1545"> <thead> <tr> <th></th> <th>PY1</th> <th>PY2</th> <th>PY3</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Participation (projects)</td> <td>2</td> <td>10</td> <td>20</td> <td>32</td> </tr> <tr> <td>Savings (therms)</td> <td>20,000</td> <td>100,000</td> <td>200,000</td> <td>320,000</td> </tr> <tr> <td>Budget (\$)</td> <td>\$42,853</td> <td>\$186,432</td> <td>\$349,226</td> <td>\$578,511</td> </tr> <tr> <td>TRC</td> <td>2.9</td> <td>3.1</td> <td>3.2</td> <td>N/A</td> </tr> </tbody> </table>						PY1	PY2	PY3	Total	Participation (projects)	2	10	20	32	Savings (therms)	20,000	100,000	200,000	320,000	Budget (\$)	\$42,853	\$186,432	\$349,226	\$578,511	TRC	2.9	3.1	3.2	N/A
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<b>Vendor Selection Process</b>	This program will be jointly offered by Nicor Gas and one or more other utilities. If a vendor relationship exists for the program, Nicor Gas will consider contracting with the existing vendor. If no vendor relationship exists, Nicor Gas would plan to issue a joint RFP.																													

#### 4 Emerging Technology

<b>PROGRAM ELEMENT</b>	<b>Demonstration Projects</b>
<b>Objective</b>	The objective of Emerging Technology Demonstration Projects is to assess the appropriateness of emerging gas technologies for inclusion in future energy efficiency programs. This includes determining whether new products or devices are reliable, serviceable and provide cost effective energy savings.
<b>Target Market</b>	The target market includes residential, commercial and industrial customers in Nicor Gas' service territory whose building would serve as an appropriate test site and who would be willing to work with Nicor Gas to test and demonstrate a new technology.
<b>Program Duration</b>	This program will provide funding in all three years of the plan. Certain demonstration projects will span multiple years. If successful, technologies may be developed into pilot programs.
<b>Program Description</b>	A steady flow of new energy efficient technologies and strategies are being developed and offered in the market place to reduce energy consumption by residential, commercial and industrial customers. Before incorporating new or unfamiliar technologies in its program offerings, Nicor Gas plans to perform a thorough review of such products and devices to ensure that they will provide cost effective energy savings for its customers. Demonstration projects are a key step to gaining this technical and market understanding of performance, reliability, and serviceability.
<b>Eligible Measures &amp; Incentive Levels</b>	<p>All measures included within this program will undergo a preliminary technical assessment or similar evaluation to reduce the risk of failure. Some examples of technologies for initial consideration may include but are not limited to:</p> <p><b>Single and Multi-Family Deep Retrofit</b></p> <ul style="list-style-type: none"> <li>• Goal is to achieve 50% energy reductions or more in existing buildings as compared to baseline energy usage.</li> <li>• Review HVAC systems for size, efficiency, air intake and venting, as well as advanced windows, integrated HVAC, light, ventilation, and water heating products.</li> <li>• Develop methods to model potential energy savings for deep retrofits, approaches for different housing types, training energy-retrofit contractors, customer education and marketing materials, and financing and incentive levels.</li> </ul>

<b>PROGRAM ELEMENT</b>	<b>Demonstration Projects (cont'd)</b>
<b>Eligible Measures &amp; Incentive Levels (cont'd)</b>	<p>Heating System Tune-Ups</p> <ul style="list-style-type: none"> <li>• Specially-trained heating contractors will service customer heating equipment, including inspection and cleaning of the boiler or furnace, measuring combustion efficiency, performing a safety check, duct testing of a forced-air system for air tightness, and will make recommendations for improvements such as upgrading to high efficiency heating systems or installation of a programmable thermostat.</li> <li>• Contractor will collect performance information prior to servicing and after the system has been serviced to measure savings.</li> <li>• Test whether incentives paid to contractors are sufficient for participation.</li> </ul> <p>High Efficiency Roof Top Heating Units:</p> <ul style="list-style-type: none"> <li>• Great strides have been made in improving the electrical efficiency of packaged unitary HVAC systems, but the gas furnaces in these units are often minimally efficient. Efforts are underway to improve the gas efficiency of these increasingly common technologies for heating commercial spaces.</li> <li>• The Consortium for Energy Efficiency is currently assessing the feasibility of a market transformation effort in this area and a Nicor Gas demonstration project would help in moving this work forward.</li> </ul> <p>Monitoring-Based Commissioning:</p> <ul style="list-style-type: none"> <li>• Monitoring-Based Commissioning is a commissioning/building information management tool that will alert the customer to energy savings opportunities that can be realized from existing operational inefficiencies.</li> <li>• The system provides an on-going prioritized list of no- and low-cost energy savings opportunities for the customer. Nicor Gas may consider partnering with other utilities on a pilot.</li> </ul> <p>Tankless On-Demand Water Heating:</p> <ul style="list-style-type: none"> <li>• On-Demand (tankless or instantaneous) water heaters provide hot water only as it is needed. They don't produce the standby energy losses associated with storage water heaters and this can save energy. This technology has large energy savings potential in certain residential and commercial applications where a large hot water demand exists.</li> <li>• Further research is needed however to clearly identify the benefits and drawbacks of the technology, its cost-effectiveness and the potential impact on gas operations and the gas distribution system if widely adopted.</li> </ul>

<b>PROGRAM ELEMENT</b>	<b>Demonstration Projects (cont'd)</b>
<b>Eligible Measures &amp; Incentive Levels (cont'd)</b>	<p>Solar Thermal Water Heating:</p> <ul style="list-style-type: none"> <li>• The efficiency and reliability of solar thermal heating systems have improved, making this renewable technology a more attractive option for homes and businesses. More technical analysis is needed though before this technology can be included as a measure in Nicor Gas' energy efficiency program.</li> <li>• Nicor Gas investigating partnerships with solar manufactures and installers to demonstrate the solar thermal performance and the cost-effectiveness in Nicor Gas' geography and gather data needed to evaluate solar thermal water heating as an efficiency measure.</li> <li>• The U.S. Department of Energy (DOE) has an effort underway to increase the cost-effectiveness of solar heating systems and improve the durability of materials used in those systems. The opportunity to pilot the resulting technology advances may be a future consideration for this demonstration.</li> </ul> <p>Advanced C&amp;I Boiler Heat Recovery Systems</p> <ul style="list-style-type: none"> <li>• Approximately 75% of C&amp;I boilers are inefficient (below 80% efficiency). Substantial energy savings are possible through advanced heat recovery systems.</li> <li>• The Gas Technology Institute has developed a technology that is being released by late 2010 as a new boiler heat recovery series for use in a standard range of boiler sizes.</li> <li>• Nicor Gas could be an early partner in the effort to field test this technology with early adopters.</li> </ul> <p>Residential High Efficiency Windows</p> <ul style="list-style-type: none"> <li>• Many utility window incentive programs require a U-factor between 0.30 and 0.35, however, newer window products with U-factors of 0.20 or less represent the cutting edge of window performance.</li> <li>• These highly insulating windows typically are triple-paned, with advanced features such as gas fills, advanced spacers, and low-E coatings.</li> <li>• Nicor Gas plans to undertake a review of these highly insulating window products, and based upon product performance, market conditions, costs, and other factors, will consider development of a pilot, prescriptive, or performance-based incentive program.</li> </ul>
<b>Implementation Strategy</b>	In order to assist with project development, Nicor Gas may convene a Technical Review Committee. This committee would be comprised of key Nicor Gas technical staff, but could also include outside advisors and consultants. The committee would review requests for project

<b>PROGRAM ELEMENT</b>	<b>Demonstration Projects (cont'd)</b>
<b>Implementation Strategy (cont'd)</b>	<p>consideration of new or unfamiliar technologies coming from vendors and/or customers, or new technologies entering the marketplace. The committee might undertake or direct such tasks as:</p> <ul style="list-style-type: none"> <li>• Research and analysis of specific measures that are candidates for inclusion in the program including the implementation of demonstration projects and field placements;</li> <li>• Development of processes and protocols to help guide demonstration projects and field placements;</li> <li>• Collection of data and development of recommendations to address unanticipated program implementation issues; and</li> <li>• Development of recommendations, additions, or modifications to the list of projects to be conducted.</li> </ul> <p>Demonstration site candidates will be chosen from leads provided by Nicor Gas account executives, equipment manufacturers or distributors, customers or through an RFP process. Customer eligibility requirements will be developed to help determine appropriate candidates. Nicor Gas will develop a memorandum of understanding (MOU) with each customer to ensure that the commitment and project expectations are clear to all parties.</p>
<b>Marketing Strategy</b>	<p>This program will not be widely marketed to the general customer base, but it will be communicated to the trade ally community, manufacturers and distributors, and customers who may have potential projects for consideration.</p>
<b>Utility Coordination</b>	<p>This program will be offered solely by Nicor Gas.</p>
<b>EM&amp;V Requirements</b>	<p>Nicor Gas will develop a set of general criteria to guide the demonstration projects. Each project will have an evaluation plan that clearly articulates the questions to be answered by the demonstration, the purpose, scope, data to be collected, and measures of success. At its conclusion, the demonstration project will be assessed based on the parameters established in the project document.</p>
<b>Administrative Requirements</b>	<p>This program will be administered by Nicor Gas.</p>

<b>PROGRAM ELEMENT</b>	<b>Demonstration Projects (cont'd)</b>				
<b>Estimated Participation, Savings, and Budgets</b>		<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>Total</b>
	Participation (units)	N/A	N/A	N/A	N/A
	Savings (therms)	N/A	N/A	N/A	N/A
	Budget (\$)*	\$870,000	\$1,480,000	\$2,120,000	\$4,470,000
	TRC	N/A	N/A	N/A	N/A
	* The budget allocated for this program represents approximately 3% of annual program expenditures as set forth in Section 8-104 (g).				
<b>Vendor Selection Process</b>	This is a new program for Nicor Gas, and Nicor Gas does not have an existing vendor relationship. It is Nicor Gas' intent to select a vendor through an RFP process.				

## 5 Benefit-Cost Methodology, Source Data, and Assumptions

### 5.1 Benefit-Cost Modeling Methodology

#### 5.1.1 Model Overview

The Energy Efficiency Reporting Tool (EE Reporting Tool or the Tool) is designed to serve as a simple way for utilities to measure the cost-effectiveness of their programs. Though the Tool was originally developed by KEMA for the Northern California Power Authority and Southern California Public Power Authority, it was subsequently delivered to the Illinois Department of Commerce and Economic Opportunity for adaptation to the Illinois energy efficiency programs.

The EE Reporting Tool is designed to minimize the data input required to estimate the total savings and cost-effectiveness of energy efficiency programs. Relying on default values and assumptions contained in the EE Reporting Tool, a user may enter a few key pieces of data to report meaningful results. Alternatively, utilities may modify or enter their own assumptions and create customized measures that better reflect their programs or service territory. In its essence, this tool is the successor to the E3 Calculator, used by the largest California utilities in their official reporting and evaluation programs.

There are several reasons why Nicor Gas selected this particular model for its energy efficiency evaluation:

- It is a recognized industry standard, widely used and understood;
- Given that Nicor Gas and DCEO will collaborate on programs, having a standard, harmonized approach to benefit/cost analysis will aid that collaboration;
- This incarnation of the model is designed with end-users in mind; it features major improvements in usability; and
- The model can be customized and is flexible to add in region-specific and gas-specific inputs for Nicor Gas' territory.

#### 5.1.2 Model Outputs

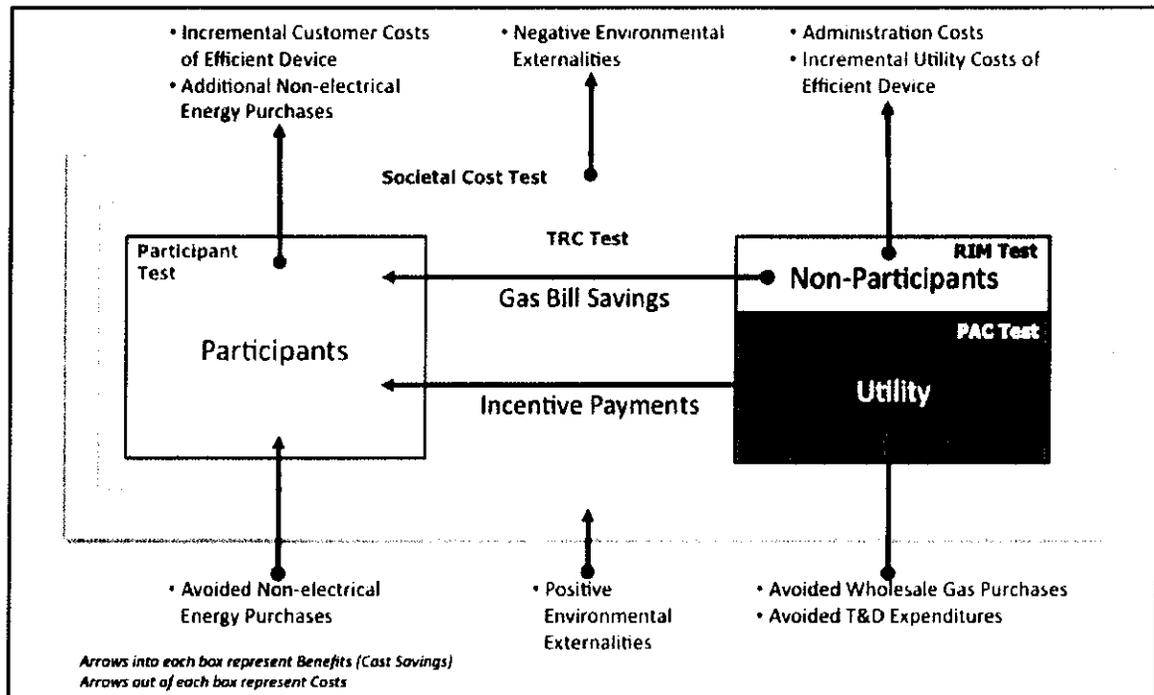
Cost-effectiveness is generally measured in terms of the benefit/cost ratio, where the benefits of energy efficiency (namely avoided costs) are compared against the costs (mostly program costs) of an energy efficiency measure, product, program, customer segment, or portfolio. The EE Reporting Tool analyzes the cost-effectiveness of energy efficiency from several different perspectives (the participant, the utility, the ratepayer, society, and total resource cost)<sup>17</sup>. In all perspectives, a benefit/cost ratio greater than one means that the benefits outweigh the costs. A ratio less than one indicates that costs outweigh benefits. Higher numbers indicate greater cost-effectiveness.

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<sup>17</sup> These methods are based on the industry-standard *California Standard Practice Manual*.

The specific tests and perspectives within the EE Reporting Tool are outlined in Figure 5 and described further below.

**Figure 5. Inter-Relationship of the E3 Benefit-Cost Tests**



- **Program Administrator Cost (Utility) Test** – Measures the effect of the efficiency measure on the administrating utility’s revenue requirement. The utility’s costs of implementing energy efficiency measures include direct installation costs incurred by the utility (as opposed to the participant), incentives, program administration, and marketing expenses. Benefits include the utility’s avoided cost of purchasing or generating energy. This test does not consider the effect on utility revenues or the rates charged to its retail customers.
- **Total Resource Cost (TRC) Test** – Measures the benefits and costs of the efficiency measure as a resource option based on the total cost of the measure to the utility’s service territory, including both participant and utility costs. Costs include those incurred by the participant to purchase, install and maintain the more efficient equipment and by the utility to market and administer the efficiency program. Any direct installation costs incurred by the utility are also included. Incentives are not included as they are not a resource cost; instead, they are transfers from the utility to the customer. That is, an incentive increases the utility’s cost and decreases the participant’s cost by the same amount, with a net effect of zero.

- **Participant Cost (Participant) Test** – Measures the quantifiable costs and benefits to the customer from participating in an energy efficiency program. Participant costs include the purchase and installation of the efficient equipment, less any incentive or incentive received from the utility. Benefits include the participant’s bill savings due to reduced energy consumption.
- **Ratepayer Impact Measure (RIM) Test** – Measures the net impact of the utility paying for efficiency programs on the customer’s natural gas rate. This test compares the cost savings of the efficiency measure to the revenue losses (i.e. lost margins) resulting from each measure. The cost savings are the same as those for the Program Administrator Cost Test, while revenue losses are the program implementation costs (utility incentive, direct install costs and marketing, and administration) plus lost revenue from reduced energy sales. If the marginal cost of gas to the utility is higher than the rates charged to the utility, the avoided costs will more than offset the revenue losses, leading to a RIM Test ratio greater than one.
- **Social Cost (Societal) Test** – Measures the benefits and costs of an efficiency measure as a resource option based on the total cost of the measure to society as a whole. This test is similar to the TRC Test, with the addition of positive environmental externalities such as reduced emissions and other non-energy benefits including improved health, increased productivity, and reduced late bill payments or shutoff notices.

### **5.1.3 Model Inputs**

The following table describes the key inputs necessary for the computation of the benefit/cost ratios in the EE Reporting Tool.

Table 8. Key Inputs Required in the EE Reporting Tool

<b>Input</b>	<b>Purpose</b>
<i>Financial Inputs</i>	
Discount Rate	Since the mechanism for computing and comparing costs and benefits involves using Net Present Value (NPV) methods, the model requires a discount rate by which future values may be converted into today's dollars.
Retail Energy Rates	These are the natural gas and electricity rates paid by consumers, which are used to determine participant savings.
Utility Gas Supply Costs	This is the cost of gas paid by the utility to purchase the next incremental therm (generally at a market price) and not one that is included in long-term contracts.
Environmental Costs	NOx and CO <sub>2</sub> costs are estimated as a proxy for the costs to the utility (and society) for the environmental degradation from acquiring and burning fossil fuels.
<i>Measure- and Program-Related Inputs</i>	
Measure Life	This gives the length of time that the purchased or installed efficiency measure yields its benefits (that is, avoided energy consumption).
Measure Annual Savings	For any given measure, this quantifies the reduction in energy consumption that will occur each year within the measure's useful life.
Measure Annual Installation Schedule	The number of efficient units expected to be installed annually by program participants.
Measure Incremental Costs	This value represents the cost (both the purchase price and installation cost) difference between an efficient measure and a standard (baseline) measure.
Measure Load Shape	A graphical representation of the demand for energy and the relationship of power supplied to the time of occurrence. Measures are categorized into one of several pre-defined load shapes for input into the model. This is used in combination with seasonal and peak/off-peak energy prices to determine the economic value of the energy savings.
Net-to-Gross Ratio	A factor representing the percent of gross energy savings that are attributable to the utility's energy efficiency program efforts. This factor may account for free-ridership, spillover, or naturally-occurring DSM.
Incentive Costs	The amount that the Program Administrator pays the program participant for each installed unit of this particular measure.
<i>Administration Costs</i>	
Program Administration	Administration costs include internal energy efficiency program staff salaries, general program administration, vendor implementation costs, marketing and evaluation, and measurement & verification costs associated with EE activities.

## 5.2 Assumptions and Data Sources for Model Inputs

### 5.2.1 Discount Rate

The model requires a discount rate by which future dollar costs and savings may be converted into today's dollars. Nicor Gas uses a rate of 8.090% nominal<sup>18</sup> or 5.454% real for their discount rate.

**Table 9. Discount Rate Assumptions**

<b>Discount Rate</b>	<b>Value</b>
Nominal Rate	8.090%
Assumed Inflation	2.500%
Real Rate	5.454%

$$\text{Real Rate} = (1 + \text{Nominal Rate}) / (1 + \text{Assumed Inflation}) - 1 = 5.454\%$$

### 5.2.2 Avoided costs

Avoided costs are the costs a utility would incur to generate the next increment of capacity. For a natural gas utility, avoided costs include the commodity cost of gas, avoided transmission and distribution costs, and environmental externalities. In the EE Reporting Tool, the model sums the commodity cost and the avoided transmission and distribution into one term, the Utility Avoided Cost. This value, as well as the environmental term, are discussed in more detail below.

#### 5.2.2.1 Utility Avoided Cost

For the purposes of this model, long-run avoided costs are computed to arrive at the full cost to the utility of a therm saved in any given year. To do so, the forecast of gas prices for Henry Hub<sup>19</sup> are added to the citygate price in Chicago, a pipeline charge, a distribution charge, and a state tax. The sum of these charges represents the Utility Avoided Cost. The Utility Avoided Cost value ranges from \$6.42 (calculation shown in Tables 10 and 11 below) to \$10.55 in 2030.

**Table 10. Calculation of the 2010 Utility Avoided Cost**

<b>Gas Charge</b>	<b>Cost (\$/MMBtu)<sup>20</sup></b>
Gas Price @ Henry Hub	\$4.91
Chicago Citygate Price	\$0.28
Pipeline Charge	\$0.50
Distribution Charge	\$0.49
State Tax	\$0.24
<b>Total</b>	<b>\$6.42</b>

<sup>18</sup> Personal communication, Nicor Gas.

<sup>19</sup> Natural Gas Price Forecast, Wood Mackenzie, Long Term View, Apr 2010.

<sup>20</sup> Source: Global Insight 2nd and 3rd Quarter 2009 for 30 year Projections for US economy.

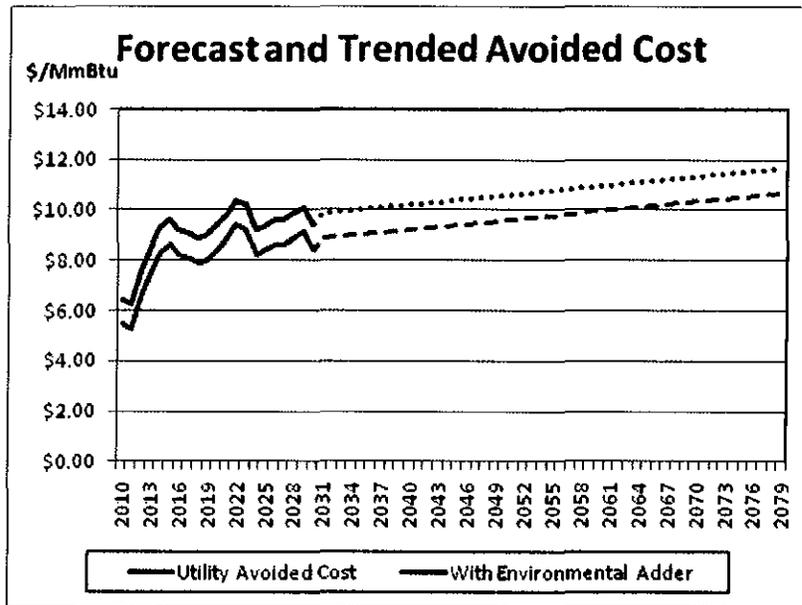
The following table shows the Utility Avoided Cost value by year from 2010 to 2030.

**Table 11. Nicor Gas' Utility Avoided Costs From 2010 to 2030**

<b>Year</b>	<b>Utility Avoided Cost</b>
2010	\$6.42
2011	\$6.23
2012	\$7.58
2013	\$8.40
2014	\$9.27
2015	\$9.63
2016	\$9.22
2017	\$9.07
2018	\$8.88
2019	\$9.01
2020	\$9.39
2021	\$9.85
2022	\$10.39
2023	\$10.23
2024	\$9.19
2025	\$9.37
2026	\$9.60
2027	\$9.63
2028	\$9.88
2029	\$10.12
2030	\$10.55

The gas price forecast extends to the year 2030. However, because the EEP includes measures with lifetimes longer than 20 years (such as the Residential New Construction Program), these forecasts are extended an additional 10 years (to 2040) using a trend analysis. The final results for the avoided cost forecast are shown in Figure 6.

**Figure 6. Forecast and Trended Avoided Cost**



**5.2.2.2 Environmental Cost Adder**

For the purposes of calculating the value of greenhouse gas emissions avoided through the conservation of natural gas, Nicor Gas first calculated a value for CO<sub>2</sub> using the following assumptions:

- 32 pounds of carbon per MMBTU of natural gas;
- 1% loss rate
- 3.67 pounds of CO<sub>2</sub> per pound of carbon
- \$55 per ton of CO<sub>2</sub>

$$\begin{aligned} \text{Value of CO}_2 &= [(32 \text{ lbs C/MMBtu}) * (1 + 0.01) * (\$55/\text{ton CO}_2)] / 2000 \text{ lbs/ton} \\ &= \$0.08888 \text{ per therm} \end{aligned}$$

The Environmental Cost Adder includes the cost of carbon, as calculated above, and NO<sub>x</sub> emissions, both on a per therm basis. Using the same formula above to determine the dollar per therm values, the Environmental Cost Adder is simply the addition of the two components:

- \$15 per ton of carbon; and
- \$2,000 per ton of NO<sub>x</sub>.

$$\begin{aligned} \text{Environmental Cost Adder} &= (\$0.08888/\text{therm}) + (\$0.011/\text{therm}) \\ &= \$0.100/\text{therm} \end{aligned}$$

Nicor Gas evaluated the sensitivity of the TRC benefit cost ratio at the measure and program level to different values of the cost of carbon. The results of that analysis are described in Section 5.3.

### 5.2.3 Load Shapes

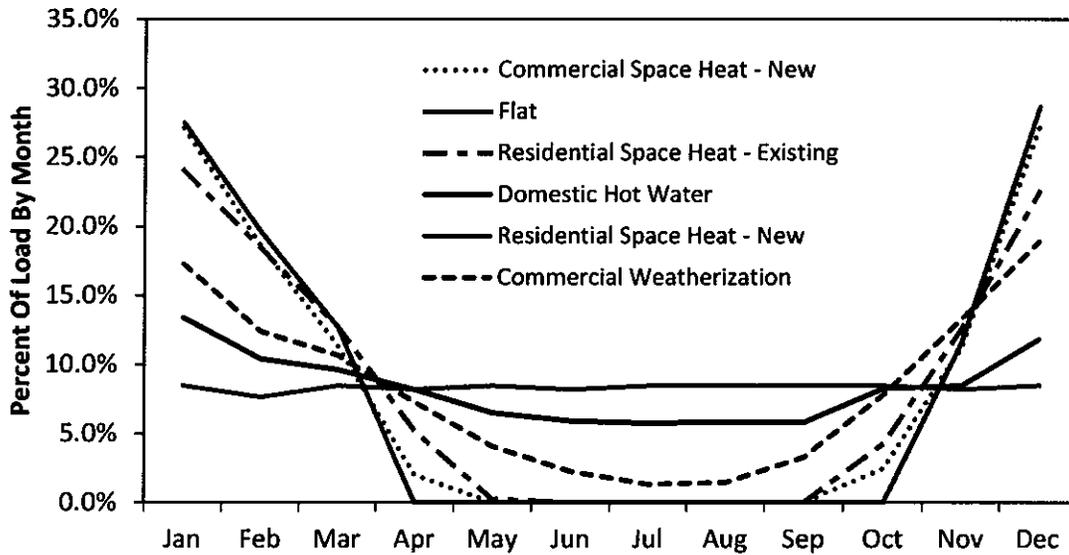
Gas usage varies with the time of year and type of equipment. This variation is reflected in the equipment load shape. Nicor Gas defined nine load shapes to represent these different usage patterns. These shapes are described in Table 12 below.

**Table 12. Description of Load Shapes Used By Nicor Gas**

<b>Load Shape</b>	<b>Description</b>	<b>Types of Measures</b>
Domestic Hot Water	Residential and Commercial Hot Water Heating applications	Water Heaters, Aerators, Showerheads
Flat	Loads that exhibit no fluctuation based upon time of day or year	Kitchen Measures
New Commercial Space Heating	Space heating associated with new Commercial construction	New Construction Furnaces, Boilers
New Residential Space Heating	Space heating associated with new residential construction	New Construction Furnaces, Boilers, Insulation
Existing Residential Space Heat	Space heating associated with existing residential structures	Retrofit Furnaces, Boilers, Insulation
Commercial Weatherization	Commercial loads that are affected by building envelope (heating/cooling) characteristics	Retro-Commissioning, Economic Redevelopment, New Construction

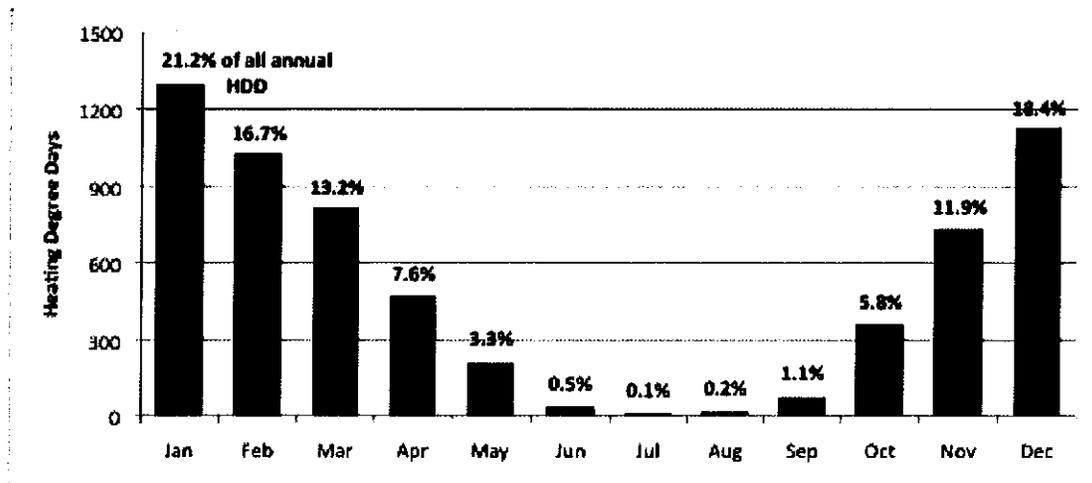
To aid in understanding these load shapes, their monthly shapes are depicted as in Figure 7 below.

**Figure 7. Load Shape Monthly Profiles**



The EE Reporting Tool considers six day types: summer on-peak, summer mid-peak, summer off-peak, winter on-peak, winter mid-peak, and winter off-peak. The three most pertinent day types for natural gas consumption are winter on-peak, winter mid-peak and summer off-peak. The winter on-peak months (those with greater than 15% each of annual load) are December, January, and February. The winter mid-peak months, often referred to as “shoulder months”, are March, April, October, and November. These are the months with between 5% and 15% each of the total annual Heating Degree Days. The summer off-peak months are May-September and represent less than 5% each of all annual Heating Degree Days (HDD). The typical heating pattern by month for Illinois is shown in Figure 8 below.

**Figure 8. Historical Illinois Heating Degree Days<sup>21</sup>**



With the load shapes, day types, and heating degree days specified, one can calculate the percent of natural gas consumption for each load shape that occurs in each time period. This information is provided in Table 13 below.

**Table 13. Percent of Natural Gas Consumption Occurring In Each Day Type**

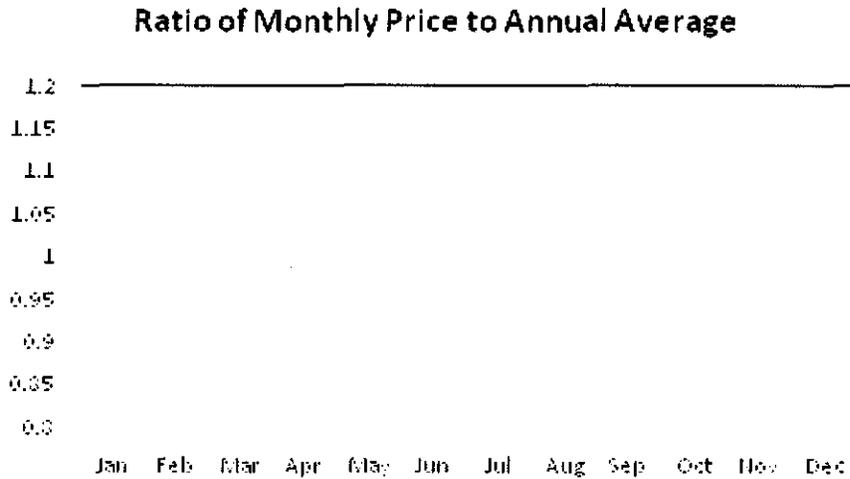
Load Shape	Winter On-Peak	Winter Mid-Peak	Summer Off-Peak
Hot Water	35.6%	34.6%	29.8%
Flat	24.6%	33.3%	42.1%
New Space Heating	72.9%	27.1%	0.0%
New Residential Space Heating	75.7%	24.3%	0.0%
Existing Residential Space Heat	65.0%	34.8%	0.3%
Commercial Weatherization	48.6%	39.0%	12.4%
Heating Degree Days (for comparison)	56.3%	38.6%	5.1%

#### 5.2.4 Seasonal Prices

The seasonal impact on gas prices are of interest, for therm savings may occur at different times of the year. For example, the value of space heat savings (highly seasonal) is different from that of water heat savings (fairly flat) or that of swimming pool heat savings (entirely in the summer). To understand these differences, an estimate of the market price by season was applied based on market studies as shown in Figure 9. Although the ratio averages to 1.00 for the year, it shows that prices are much higher during the space heat season and somewhat reduced during the summer.

<sup>21</sup> Source: <http://www.isws.illinois.edu/atmos/statecli/Summary/111577.htm>

**Figure 9. Seasonal Market Prices**



#### **5.2.5 Technical Assumptions**

The model requires measure-level data for the lifetime of the measure, incremental costs, savings per unit, net-to-gross ratio, incentive per unit, and number of units installed in each year. Collectively, these values are called the technical assumptions. Nicor Gas used a variety of sources to determine its technical assumptions, most notably the market potential study, Rider 29, and other Illinois utilities' data. If multiple sources of information were available, the Company placed its highest level of confidence and certainty on the market potential study results, followed by the Rider 29 technical assumptions. Nicor Gas used other utilities' data in cases where its own data was not available through the MPS or Rider 29, or in cases where a program was being offered in a joint or cooperative fashion that required or benefited from alignment of assumptions. The deemed savings and technical assumptions for each measure and program are provided in Appendix A.

#### **5.2.6 Measure Incentive Costs**

Nicor Gas developed measure-level incentives based on the incremental cost of the measure, the availability of budget, Rider 29 incentive levels, other local and national utilities' incentive levels, and recommendations coming out of the market potential study. The Company believes that these incentive levels are both adequate and generous enough to stimulate the market to reach its proposed EEP goals. However, should participation lag or dramatically exceed expectations, Nicor Gas may modify incentive levels during the three-year period to achieve the desired outcome, which maintaining cost-effective programs.

#### **5.2.7 Retail Rates**

Retail rates included in the model are the blended forecast of Nicor Gas rates for each customer class. Where electricity rates are needed, the model assumes ComEd retail electric rates with typical inflation assumptions.

### **5.2.8 Program Administration Costs**

Program and portfolio-level administration costs were developed from the various energy efficiency program budgets as determined by the Nicor Gas planning team. This category of expenditures includes: internal program administration costs, external vendor implementation costs, costs to maintain the Program Management Tool, communications costs, and EM&V costs. The derivation and allocation of administration costs are discussed in Section 1.5.1 above.

### **5.3 Nicor Gas Benefit/Cost Analysis**

Nicor Gas considered three scenarios when calculating the TRC for the EEP measures, programs and portfolio. In all scenarios, the value of water savings was included where applicable. The base case scenario did not include an adder for the cost of carbon. This has the practical effect of delaying the cost of carbon in the TRC analysis by three years. The base case scenario is provided as Appendix A.

Appendix A shows that all of Nicor Gas' proposed energy efficiency programs are cost-effective with TRCs greater than 1.0 in each of the three years of the plan. In general, the TRC increases over the three years for each of the programs as program volume increases while administrative costs become a smaller portion of each years' budget. With the exception of the furnace tune-up measure in the Small Business Direct Install Program, all measures in the base case for all programs have TRCs greater than 1.0.

Nicor Gas considered two additional scenarios to assess the sensitivity of the TRC analysis to the cost of carbon. The Company considered a carbon adder equal to \$55/ton of carbon as filed in the original Energy Efficiency Plan as well as a carbon adder equal to \$27.50/ton of carbon. These two scenarios along with the base case scenario evaluate the program level TRCs over a range from zero carbon adder to \$55/ton. As seen in Table 14, the program level TRCs for each program increase with an increasing carbon adder. In all cases, all programs in all years are cost effective. Nicor Gas' sensitivity analysis demonstrates that the programs included in the EEP are cost-effective under a range of scenarios.

**Table 14. Comparison of Total Resource Cost Ratios Under Three CO<sub>2</sub> Cost Scenarios**

EEP Proposed Programs	TRC Base Case			TRC \$27.50/ton CO <sub>2</sub>			TRC \$55/ton CO <sub>2</sub>		
	PY1	PY2	PY3	PY1	PY2	PY3	PY1	PY2	PY3
<b>Residential Programs</b>									
Heating & Appliance Incentive	1.56	1.60	1.62	1.67	1.71	1.73	1.76	1.80	1.82
Single-Family Retrofit	1.03	1.19	1.24	1.10	1.27	1.33	1.16	1.34	1.40
Multi-Family Retrofit	1.87	2.08	2.20	2.01	2.24	2.36	2.12	2.36	2.49
New Construction	1.22	1.38	1.51	1.28	1.46	1.59	1.34	1.52	1.66
Elementary Energy Education	1.04	1.10	1.14	1.11	1.18	1.22	1.18	1.25	1.29
Behavioral Energy Savings	1.01	1.29	1.44	1.11	1.41	1.57	1.18	1.51	1.68
<b>Residential Total</b>	<b>1.52</b>	<b>1.59</b>	<b>1.62</b>	<b>1.62</b>	<b>1.70</b>	<b>1.74</b>	<b>1.71</b>	<b>1.79</b>	<b>1.83</b>
<b>Business Programs</b>									
Business Incentive	4.23	4.76	4.82	4.53	5.09	5.16	4.76	5.36	5.43
Custom Business	1.89	2.01	2.07	1.92	2.06	2.14	2.02	2.18	2.26
Economic Redevelopment	2.36	2.50	2.58	2.53	2.68	2.76	2.66	2.82	2.91
Retro-Commissioning	1.06	1.15	1.20	1.14	1.24	1.29	1.21	1.31	1.36
Small Business Direct Install	1.11	3.28	3.77	1.20	3.51	4.03	1.26	3.69	4.24
New Construction	2.19	2.31	2.36	2.35	2.47	2.53	2.47	2.60	2.66
Building Performance with ENERGY STAR	2.89	3.09	3.18	3.09	3.30	3.40	3.26	3.48	3.58
<b>Business Total</b>	<b>2.26</b>	<b>2.54</b>	<b>2.79</b>	<b>2.39</b>	<b>2.68</b>	<b>2.96</b>	<b>2.51</b>	<b>2.82</b>	<b>3.12</b>
<b>Non-Gas Total</b>	<b>1.77</b>	<b>1.93</b>	<b>2.08</b>	<b>1.88</b>	<b>2.10</b>	<b>2.21</b>	<b>1.98</b>	<b>2.21</b>	<b>2.33</b>