

Nicor Gas Energy Efficiency Plan

May 2014 - June 2017

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Table 1. Glossary of Terms

| Term | Acronym | Definition |
|--|----------------|---|
| Ameren Illinois Company | Ameren | An electricity provider in portions of Illinois. |
| American Council for an Energy Efficient Economy | ACEEE | A non-profit organization that provides technical and policy analysis on energy efficiency issues. |
| American Society of Heating, Refrigerating, and Air-Conditioning Engineers | ASHRAE | A leading professional organization which develops equipment standards and technical resources. |
| Annual Fuel Utilization Efficiency | AFUE | A rating that reflects how efficiently a gas furnace or boiler converts fuel to energy. A larger number is more efficient. |
| Avoided Costs | | The costs a utility would incur to supply the next increment of energy. |
| Building Operator Certification | BOC | A nationally recognized professional certification for facilities operations and maintenance staff, which trains building professionals to maintain their buildings in the most energy efficient way. |
| Building Owners and Managers Association | BOMA | A network of professionals involved in building ownership, management, development, and leasing. |
| Building Performance Institute | BPI | A national standards development and credentialing organization for residential energy efficiency retrofit work. |
| Commonwealth Edison Company | ComEd | A local electricity provider serving most of Nicor Gas' service territory. |
| Compact Fluorescent Light Bulb | CFL | A fluorescent light bulb that uses less electricity for the same lumen output than the typical incandescent light bulb. |
| Combined Heat and Power | CHP | A power system designed to produce both heat and electricity from single heat/fuel source. |
| Department of Commerce and Economic Opportunity | DCEO | Illinois State agency. |
| Demand-Side Management | DSM | Actions that help customers to reduce their energy consumption. |
| Discount Rate | | The rate by which future values are converted to today's dollars. |
| Emerging Technology | | Those activities related to exploring and testing new technologies and strategies that are not yet widely deployed, demonstrating market readiness, and establishing pilot projects to identify customer and market acceptance. |
| Energy Efficiency | EE | The process of reducing energy consumption while maintaining or improving productivity. |

| Term | Acronym | Definition |
|---|------------|---|
| Energy Efficiency Plan | EEP | Nicor Gas' proposed energy efficiency portfolio for 2014 through 2017. |
| Evaluation, Measurement & Verification | EM&V | The process of confirming that energy efficiency installations, as well as calculated energy savings, are at the levels reported. |
| Energy Services Company | ESCO | A third-party who works on behalf of or in conjunction with the utility to design, administer, or implement energy efficiency programs. |
| Energy and Environmental Economics | E3 | The firm that created the E3 Calculator. |
| Free Ridership | | A factor to account for those customers who participate in an energy efficiency program, but would have implemented measures even in the absence of the program. |
| Gallon Per Minute | GPM | The flow rate of water through a water fixture such as faucet aerator or showerhead. |
| Gas Technology Institute | GTI | A non-profit natural gas research and development organization. |
| Gross Therm Savings | | Natural gas savings from all program participants, regardless of program influence. |
| Heating, Ventilation, and Air Conditioning | HVAC | The collection of space heating and cooling equipment. |
| Home Energy Rating System | HERS | A standardized system for rating the energy-efficiency of homes, which results in the HERS Index score for each home. A home built to code scores a HERS Index of 100, while a net zero energy home scores a HERS Index of 0. Each 1-point decrease in the HERS Index corresponds to a 1% reduction in energy consumption compared to the reference home. |
| Home Performance with ENERGY STAR | HPwES | An energy efficiency program developed by ENERGY STAR for the home retrofit market. |
| Illinois Commerce Commission | Commission | Illinois regulatory agency. |
| Illinois Energy Efficiency Stakeholder Advisory Group | SAG | A group of parties interested in energy efficiency in Illinois that provides advice on energy efficiency plans and related issues. |
| Impact Evaluation | | An evaluation which reviews program achievements to ensure that deemed savings and engineering assumptions are accurate based on actual program participants. |
| Implementation Contractor | IC | The third-party or parties hired to |

| Term | Acronym | Definition |
|---|---------|---|
| | | administer certain energy efficiency programs. |
| Incremental Costs | | The price difference between a standard product and an energy efficiency product. |
| Installation Contractor | | The third-party or parties hired to install energy efficiency measures in homes or businesses. |
| Load Shape | | The time-of-use pattern of customer or equipment energy use. This pattern can be over 24 hours or over a year (8,760 hours). |
| Leadership in Energy and Environment Design | LEED | One of many green building programs that encourage architects, building designers, contractors and builders to construct energy efficient buildings. |
| Market Potential Study | MPS | An evaluation of the amount of energy efficiency available over a certain time period in a specific geographic area. |
| Measure Life | | An estimate of the number of years that a piece of equipment or service will perform if properly maintained. |
| Midwest Energy Efficiency Alliance | MEEA | A collaborative network of utilities, non-profits, policymakers, manufacturers, and other energy professionals who advance energy efficiency in the Midwest. |
| Net Therm Savings | | Natural gas savings adjusted for NTG. |
| Net-To-Gross | NTG | A factor representing the percent of gross energy savings that are attributable to the utility's energy efficiency program efforts. This factor accounts for both free-ridership and spillover. |
| Participant | | A customer who installs energy efficiency measures in return for an incentive, or receives energy efficiency services from the Nicor Gas EEP. |
| Portfolio Management | | Internal and external administration resources required to manage the overall portfolio. |
| Process Evaluation | | An evaluation which assesses how a program operates and the processes it uses; conducted to help programs run as smoothly and efficiently as possible. |
| Program Management Tool | PMT | Information system Nicor Gas uses to produce reports and manage EE programs and program achievements. |

| Term | Acronym | Definition |
|------------------------------------|---------|--|
| Program Year | PY | The 12 months over which the program is offered. This means the year in which measures are installed and incentives are paid. For the Nicor Gas EEP, the PY covers period from June 1 st through May 31 st . |
| Program Administrator Cost Test | PACT | A cost-effectiveness test that assesses the benefits and costs of an efficiency measure, product, or program based on the costs to the program administrator or utility. |
| Participant Cost Test | PCT | A cost-effectiveness test that assesses the benefits and costs of an efficiency measure, product, or program based on the costs to the program participants. |
| Request for Proposal | RFP | The competitive bidding process by which third-parties will apply for certain external administrative and delivery roles. |
| Retail Energy Rate | | The natural gas rates paid by customers. |
| Rider 29 | | The tariff rider that allowed Nicor Gas to begin to offer energy efficiency programs in 2010. |
| Rider 30 | | The tariff rider that allowed Nicor Gas to begin to offer energy efficiency programs in current program cycle per state law Section 8-104. |
| Rate Impact Test | RIM | A cost-effectiveness test that assesses the Energy Efficiency programs potential impact on the overall utility rates. |
| Section 8-104 | | The section of the Illinois Public Utilities Act that requires gas utilities to provide energy efficiency programs. |
| Spillover | | Additional savings attributed to a program above and beyond those from the specific measures and participants tracked in the program database. |
| Tax Increment Financing | TIF | A public financing method used for redevelopment and community improvement projects. |
| Technical Reference Manual | TRM | A consistent set of documentation regarding the assumptions about prescriptive energy savings measures. |
| Total Resource Cost | TRC | A cost-effectiveness test that assesses the benefits and costs of an efficiency measure, product, or program based on the total cost to both the participant and the utility. |
| United States Department of Energy | DOE | Federal energy agency. |

| Term | Acronym | Definition |
|----------------------------------|----------------|--|
| Utility Gas Supply Costs | | The value paid by Nicor Gas to purchase its next incremental therm of natural gas. |
| Utility Avoided Cost | UAC | Utility costs to deliver marginal unit of energy. The Utility Avoided cost includes commodity cost, transportation and distribution costs, greenhouse gas costs and additional quantifiable societal benefits. |
| Weighted Average Cost of Capital | WACC | Discount rate used to calculate present value of benefits and costs. |

1 Executive Summary

1.1 Introduction to the Plan

Nicor Gas (or “Company”) is pleased to present its second three-year Energy Efficiency Plan (“EEP”) in compliance with the requirements of Section 8-104 of the Public Utilities Act (“the Act”). This comprehensive portfolio allows Nicor Gas to continue partnering with customers to lower their energy usage, resulting in reduced costs, improved cash flows, increased building comfort and reduced emissions. The plan will also provide lasting benefits throughout Northern Illinois by creating jobs, increasing productivity; expanding opportunities for businesses selling energy efficient products and services, and helping communities meet environmental goals.

During the three years of the plan, which runs from June 2014 through May 2017, the EEP will invest \$93 million to help over 200,000 customers install more than 400,000 energy efficiency measures in homes and businesses across the Nicor Gas service territory. The plan helps customers save over 21 million therms during the program cycle and more than 310 million therms over the lifetimes of the installed measures. These represent cost effective investments for Nicor Gas customers: at the portfolio level, the benefit-cost ratio from the Illinois Total Resource Cost (“TRC”) perspective is 1.34, producing net benefits of over \$40 million to homeowners, renters, large and small businesses in Nicor Gas service territory.

Taken together with Nicor Gas efforts in previous years, by the end of this next plan cycle, the EEP will have invested over \$225 million in funding energy efficiency programs that have helped customers save over 66 million therms per year and 1 billion lifecycle therms. To put this in perspective, the savings in annual carbon emissions associated with these investments are equivalent to the annual reductions from removing 73 thousand cars from the road, eliminating household emissions for a city the size of Oak Park, Illinois, or planting 9 million trees¹.

Table 2 below outlines planned investment and savings targets. Consistent with the requirements of the Act, Nicor Gas implements programs on a Plan Year (“PY”) calendar, with years running from June 1 through May 31. This second EEP covers PY4 through PY6 (June 1, 2014-May 31, 2017).

The tariff supporting the EEP also includes approximately \$31 million in investments to fund additional programs operated by the Department of Commerce and Economic Opportunity (“DCEO”). The Public Utilities Act requires that 25 percent of the total Nicor Gas energy efficiency budget fund DCEO programs serving low income and government customers, as well as programs to help transform energy efficiency markets. The DCEO portfolio will create a minimum savings of approximately 5.4 million net therms for low income households and renters, public schools, government buildings and park districts.

Finally, Section 8-104(m) of the Act allows certain large manufacturing businesses to “self-direct” their energy efficiency contributions outside of the Nicor Gas and DCEO portfolios. During the next plan cycle, 24 large businesses have chosen to self-direct, representing approximately \$10.8 million in additional energy efficiency investments that will be implemented by these businesses independent of EEP. The Act does not require these customers to develop savings goals associated with their self-directed activities.

¹ Calculation based on EPA Calculator at <http://www.epa.gov/cleanenergy/energy-resources/calculator.html>

Overall, Nicor Gas customers (small and large businesses, homeowners and renters) will invest over \$120 million supporting energy efficiency during the next plan cycle, including activities directed through the EEP, DCEO, and self-direct customers. These investments are expected to improve customers' efficiency in Nicor Gas territory by 27 million therms per year and over 300 million lifecycle therms, not including additional savings created by the self-direct customers.

Table 2. Energy Efficiency Plan Investments and Savings (Thousands)

| | PY4 | PY5 | PY6 | Total* |
|--|----------|----------|----------|-----------|
| Nicor Gas | | | | |
| Spending | \$31,776 | \$31,201 | \$30,124 | \$93,101 |
| Annual Therm Savings | 7,632 | 7,202 | 6,651 | 21,485 |
| Lifecycle Therm Savings | 103,240 | 101,256 | 96,856 | 301,353 |
| DCEO | | | | |
| Spending | \$10,592 | \$10,400 | \$10,041 | \$31,034 |
| Annual Therm Savings | 1,908 | 1,801 | 1,663 | 5,371 |
| Lifecycle Therm Savings ** | - | - | - | - |
| Self Direct Customers | | | | |
| Spending *** | \$3,600 | \$3,600 | \$3,600 | \$10,800 |
| Total | | | | |
| Spending | \$45,968 | \$45,202 | \$43,766 | \$134,935 |
| Annual Therm Savings | 9,540 | 9,003 | 8,314 | 26,856 |
| Lifecycle Therm Savings** | 103,240 | 101,256 | 96,856 | 301,353 |
| * Column sums may not match totals due to rounding to thousands. | | | | |
| ** Lifecycle Therm Savings from DCEO programs not available at the time of this filing. | | | | |
| *** Assuming 24 self directing customers spending \$150,000 per year (3*24*\$150,000=\$10.8MM) | | | | |

1.2 Portfolio Features

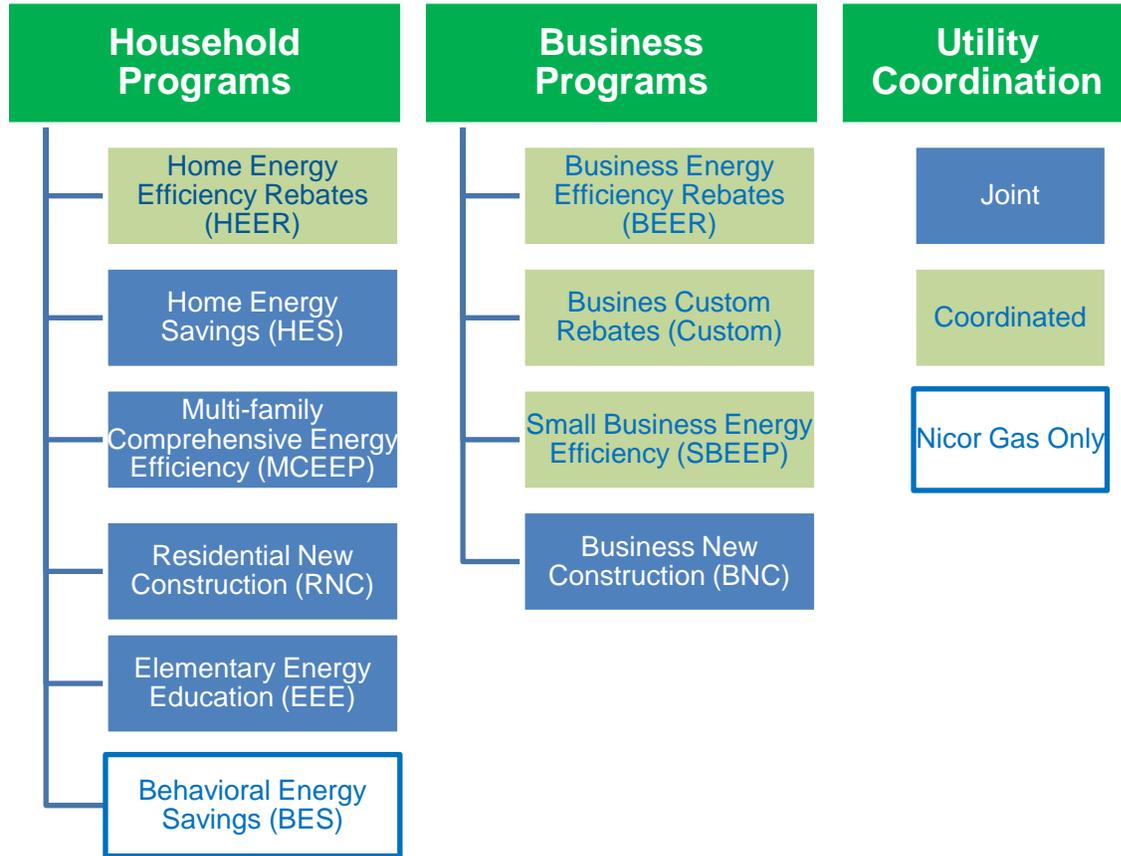
The portfolio includes six household and four business programs, with some programs structured around several subprograms or components (Figure 1). In the previous plan, the EEP had 13 Energy Efficiency (“EE”) delivery programs that were stand alone. Building on lessons learned in the first three year cycle, the 13 programs have been blended into the 10 offerings in this plan. Nicor Gas has identified 86 specific energy efficiency measures (Appendix A) to promote through the programs, which also include custom pathways for customers to install additional measures not specifically identified in the plan. The portfolio also funds investment in emerging technology, marketing, program management, portfolio technology and evaluation necessary to successfully deliver the portfolio.

The programs include a wide range of delivery strategies to provide all customers meaningful opportunities to participate. The strategies target:

- Households as well as business customers
- Large customers and small customers
- Customers in existing buildings as well as developers (and customers) constructing new homes and facilities
- Customers who own buildings as well as customers who rent (and their landlords)
- Customers replacing equipment as well as customers retrofitting or operating existing equipment
- Customers interested in comprehensive solutions across multiple systems and buildings as well as customers interested in more limited approaches targeting individual measures
- Trade allies and contractors that install equipment directly in customer facilities and programs that encourage customers to work with these local trade allies for installations
- Programs that, in addition to financial incentives, provide education, energy assessments, design assistance, project management assistance, trade ally network development, quality assurance, certification and other features to overcome efficiency market barriers

The programs coordinate with key partners throughout Illinois to ensure that customers receive complete energy efficiency services and to lower program overhead costs. As shown in Figure 1, most programs deliver either joint or coordinated services with Commonwealth Edison (“ComEd”), Ameren Illinois (“Ameren”), or municipal electric utilities. Many programs also coordinate with DCEO to ensure that low and moderate income customers receive program services best matched to their needs. The programs also coordinate with statewide and national branding efforts such as Illinois Home Performance and ENERGY STAR®.

Figure 1. EEP Portfolio Programs



1.3 Household Programs

Home Energy Efficiency Rebates (“HEER”): This program uses a comprehensive suite of financial incentives, outreach, training, and quality assurance to help local equipment vendors increase the market share of high efficiency natural gas equipment in residential markets. The program targets households replacing worn out equipment, although it also includes incentives for homeowners simply replacing outdated inefficient equipment early. The program also includes a component allowing customers to request energy savings devices such as showerheads and aerators to be delivered to their homes. The HEER program is coordinated with ComEd and local municipal utilities for combined system replacements involving simultaneous heating and cooling upgrades. The program leverages ENERGY STAR branding.

Home Energy Savings (“HES”): This program provides education and financial incentives to help customers improve the energy efficiency of their homes through upgrades to building shells, fixtures, and controls. Customers receive comprehensive efficiency and safety assessments from certified Energy Auditors who specify efficiency upgrades and direct customers to local certified contractors. The auditors also install showerheads, programmable thermostats, and other simple energy savings measures during the assessment. Customers with established contractor relationships can also work directly with certified contractors to receive financial incentives without going through the audit process. The program includes

extensive training and quality assurance to ensure that upgrades meet the rigorous requirements of the Building Performance Institute. The program will be offered jointly with ComEd, Ameren and local municipal utilities. The program also partners with Illinois Home Performance with Energy Star, acting as a Program Provider, to offer certification to homeowners who participate in the program and meet the Home Performance with ENERGY STAR requirements.

Multi-family Comprehensive Energy Efficiency Program (“MCEEP”): This program provides comprehensive energy services to customers living in apartments, condominiums, and other multi-family buildings. The program includes in-unit services to install free showerheads, programmable thermostats, and other simple energy savings measures. It also includes a comprehensive component that provides assessments to help building owners identify maintenance, equipment, and building shell improvements, as well as financial incentives to improve project cash flows. The program is offered jointly with ComEd and local municipal utilities.

Residential New Construction (“RNC”): This program provides certifications and financial incentives to promote energy efficient new home construction. The program relies on an extensive network of Home Energy Rating System (“HERS”) professionals to certify the energy performance of new homes, and includes incentives to help defray the costs of energy upgrades and the certification itself. The program is offered jointly with ComEd.

The program also includes a component involving a coordinated effort among all Illinois utilities and DCEO to help local municipalities better comply with the statewide building code. The offering will include training and funding to support local compliance resources.

Elementary Energy Education (“EEE”): This program partners with local schools to integrate energy efficiency into elementary school curriculums. In addition to teaching children about energy use and efficiency opportunities in the classroom, the program provides hands-on learning by providing students and their families with showerheads, aerators, and other measures to install in their homes. The program is offered jointly with ComEd.

Behavioral Energy Savings (“BES”): This program provides information to households to help them understand their energy usage, make comparisons to similar homes, and empower them to change behavior and equipment to improve household efficiency.

1.4 Business Programs

Business Energy Efficiency Rebates (“BEER”): This program uses a comprehensive suite of financial incentives, outreach, training, and quality assurance to help local equipment vendors increase market adoption of high efficiency natural gas equipment in business facilities. The program includes separate components for trade allies installing steam traps, heating/water heating equipment, and food service equipment. The program offers staffing grants to fund onsite energy managers at large customers, as well as energy assessments to identify promising opportunities. The program leverages ENERGY STAR branding and coordinates with similar programs offered by ComEd and Ameren.

Business Custom Rebates (“Custom”): This program provides opportunities for business customers to receive technical assistance and financial incentives for efficiency opportunities that do not fit within BEER’s standard equipment guidelines. While the program is open to all customers, it targets larger customers installing complex energy systems. The program includes

a separate component providing retro-commissioning services and also leverages the staffing grant and energy assessment offerings. The retro-commissioning component is offered jointly with ComEd, and other program offerings are coordinated with similar ComEd and Ameren programs.

Small Business Energy Efficiency Program (“SBEEP”): This program helps small business customers identify and install energy savings opportunities appropriate for their individual facilities. The program focuses on direct installation of steam traps, thermostats, and aerators, but also provides paths for customers interested in more comprehensive solutions. The program is coordinated with ComEd and Ameren.

Business New Construction (“BNC”): This program offers technical and financial assistance to developers building new facilities or extensively renovating existing facilities. The program offers comprehensive design assistance to integrate energy efficiency strategies into building plans, and offers rebates to improve returns on efficiency investments. The program also provides outreach and training to the design community to help foster deeper penetration of energy efficiency practices. The program is offered jointly with ComEd.

The program also includes a component involving a coordinated effort among all Illinois utilities and DCEO to help local municipalities better comply with the statewide building code. The offering will include training and funding to support local compliance resources.

1.5 Portfolio Support Functions

Emerging Technology: Consistent with the provisions of Section 8-104, Nicor Gas devotes three percent of its portfolio budget to emerging technologies. The program actively solicits new technology and program delivery ideas from the energy efficiency marketplace and then uses a structured process to screen, evaluate, field test, and integrate into the EEP the most promising approaches.

Portfolio Marketing: The portfolio marketing function manages education and outreach activities that increase customer awareness of the overall energy efficiency portfolio. The portfolio marketing team also creates marketing platforms that help individual programs efficiently access media, web, public relations, events, and other marketing channels. The team also provides EEP brand management, defining marketing messages and styles, coordinating marketing across programs, and providing quality assurance.

Portfolio Management: The portfolio management function includes the internal staffing and other expenses necessary to successfully administer the portfolio, including staff responsible for overall portfolio management, planning, accounting, regulatory support, and quality assurance.

Portfolio Technology: The portfolio technology function provides the resources to implement the Program Management Tool (“PMT”) and other IT systems, which the EEP uses to track, manage and report key program and portfolio metrics.

Evaluation: Consistent with the provisions of Section 8-104, Nicor Gas devotes three percent of its portfolio budget for an independent evaluator to use in measuring program performance.

Table 3 outlines the spending, savings, and cost-effectiveness associated with each program and support functions. Appendix A provides additional results for each programs and measure included in the portfolio.

Table 3. Investment and Therm Savings (Thousands)

| Program/Function | Spending | 3-Year Totals | | | |
|---------------------------|-----------------|----------------------------|--------------------------|-----------------------------|---------------|
| | | Gross Annual Therm Savings | Net Annual Therm Savings | Net Lifecycle Therm Savings | TRC B/C Ratio |
| Household Programs | | | | | |
| HEER | \$24,205 | 7,975 | 5,733 | 103,981 | 1.26 |
| HES | \$7,542 | 1,021 | 790 | 18,035 | 0.93 |
| MFCEEP | \$7,173 | 2,694 | 2,276 | 27,472 | 2.29 |
| RNC | \$3,464 | 1,104 | 942 | 20,889 | 2.03 |
| EEE | \$765 | 271 | 192 | 1,732 | 3.79 |
| BES | \$536 | 693 | 624 | 624 | 0.86 |
| Business Programs | | | | | |
| BEER | \$6,606 | 4,983 | 3,722 | 30,192 | 2.37 |
| Custom | \$15,302 | 9,562 | 4,832 | 66,841 | 1.72 |
| SBEEP | \$5,342 | 1,718 | 1,546 | 10,923 | 1.53 |
| BNC | \$2,673 | 1,253 | 827 | 20,664 | 2.89 |
| Support Functions | | | | | |
| Emerging Technologies | \$2,793 | - | - | - | - |
| Portfolio Technology | \$1,483 | - | - | - | - |
| Marketing | \$3,151 | - | - | - | - |
| Portfolio Management | \$9,273 | - | - | - | - |
| Evaluation | \$2,793 | - | - | - | - |
| Totals | | | | | |
| Household Programs | \$43,685 | 13,757 | 10,558 | 172,733 | - |
| Business Programs | \$29,924 | 17,516 | 10,927 | 128,620 | - |
| Support Functions | \$19,493 | - | - | - | - |
| Total | \$93,101 | 31,273 | 21,485 | 301,353 | 1.34 |

1.6 Building from Past Efforts

The plan builds on the firm foundation that the EEP has developed over the past four years. In May 2010, Nicor Gas launched its initial energy efficiency programs pilot funded by customer rates through the Company's Rider 29. The Rider 29 portfolio included offerings mirroring six programs included in this second plan (HEER, HES, MCEEP, EEE, BEER, and Custom) and helped the EEP start building relationships with customers and trade allies. The Rider 29 efforts also helped the EEP build infrastructure in areas such as rebate processing, trade ally management, outreach, customer engagement, procurement, information systems, and evaluation.

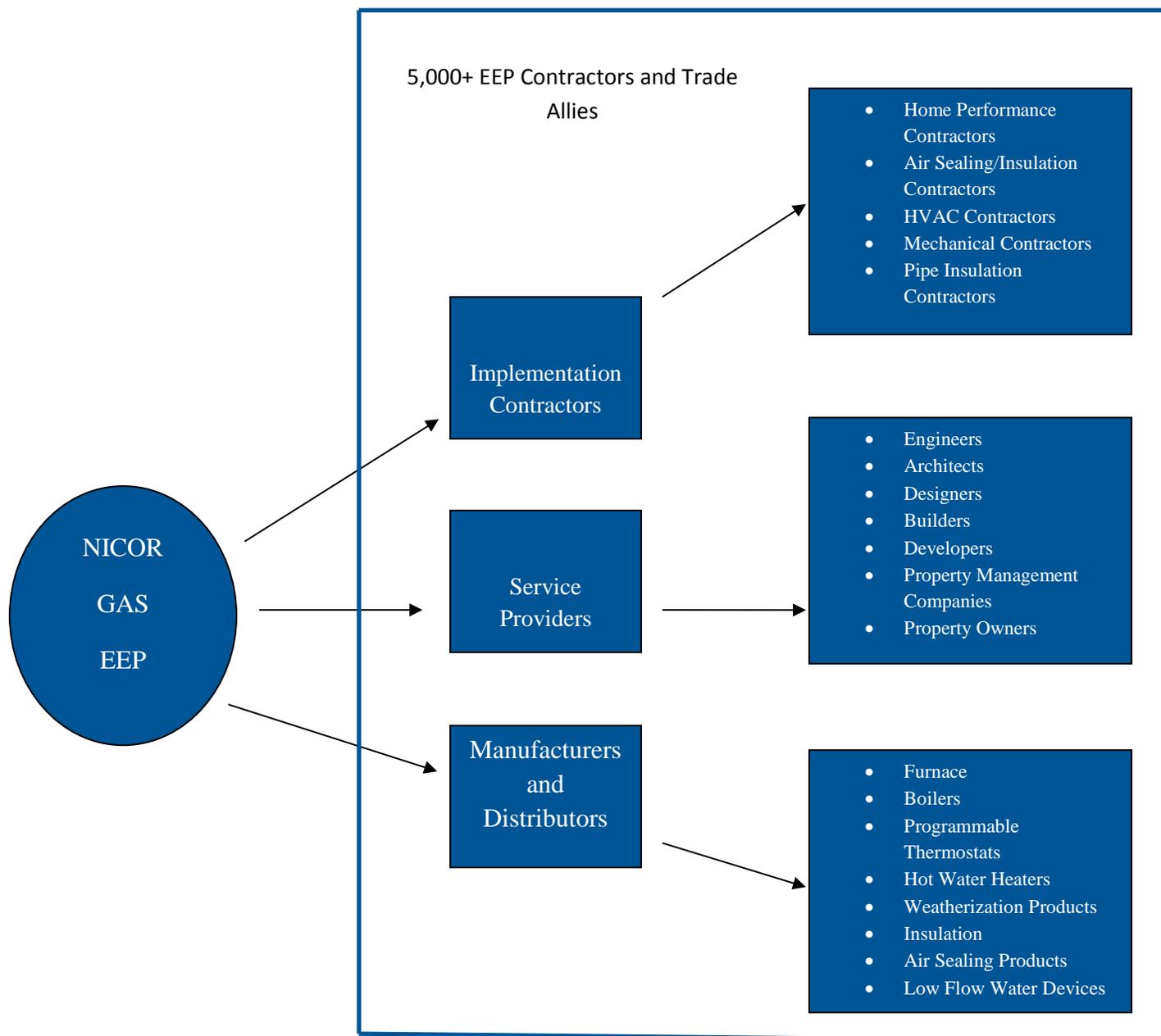
The first EEP plan authorized by Section 8-104 launched in June 2011 and expanded on the Rider 29 portfolio by adding seven new programs. Four of those offerings are included in this second plan (RNC, BES, SBEEP, and BNC). The other three offerings do not continue as standalone programs, but have been incorporated into other programs.

Consistent with the Act, Nicor Gas also devoted 3 percent of its budget in the first plan to develop an emerging technologies program that fosters promising new energy efficiency opportunities. The program has successfully spurred innovation by local and national manufacturers and has been featured at conferences run by the American Council for an Energy Efficient Economy, the Emerging Technologies Coordinating Council, and E-Source.

During the first EEP, Nicor Gas also expanded its portfolio management capability. Nicor Gas hired internal staff to manage key functions, including accounting, customer engagement, emerging technology, evaluation, portfolio technology, planning, program management, regulatory and quality control. Nicor Gas also hired local and national contractors to partner with the EEP team in managing programs, developing marketing campaigns, performing local customer outreach, fostering emerging technologies, and conducting evaluations.

The programs have also developed extensive networks of local businesses delivering energy efficiency products and services to Nicor Gas customers. These businesses provide equipment for space heating, water heating, and cooking equipment; products such as showerheads and thermostats; engineering and architectural services; and specialty analyses such as home energy rating and retro-commissioning. In addition, the networks reach out to key market enablers such as realtors, real estate developers, local municipalities, and environmental organizations. In all, the EEP's trade ally network includes over 5,000 organizations located throughout Northern Illinois. Please see Figure 2.

Figure 2. Nicor Gas EEP Trade Ally Network



Although still evolving, the EEP has already achieved national recognition for its innovative approaches and successful execution. ENERGY STAR singled out Nicor Gas for special recognition in its 2013 ENERGY STAR awards and also a 2013 ENERGY STAR Certified Homes Leadership in Housing Award. The American Council for an Energy Efficiency Economy designated as Exemplary Programs the home rebate and retro-commissioning programs, and bestowed honorable mention on the Economic Redevelopment program. The portfolio-wide “Liberate” marketing campaign received the 2013 Gold “Stevie” Award for Utility Marketing

Campaign of the Year from American Business Awards, and the home rebate program's "Summer Staycation" campaign received the Midwest Energy Efficiency Alliance's 2013 Inspiring Efficiency Marketing Award and the E Source 2013 Utility Ad Awards Crowd Pleaser Award. The Nicor Gas EE team has and will continue to share learning gained from our local experience; will continue to present and speak at numerous peer conferences and gatherings; and will continue to engage with national and international organizations to help lead our industry, benchmark our activity and advance the overall goals of energy efficiency.

1.7 Spending and Savings Targets

Statutory Requirements

Section 8-104 of the Act defines spending limits and savings goals for natural gas utility energy efficiency plans, and proceedings to date before the Illinois Commerce Commission ("Commission") have also clarified these requirements.

Section 8-104(d) requires utilities to limit their spending on energy efficiency to ensure that the estimated annual average increase in amounts paid by retail customers in connection with natural gas service is no more than 2 percent of annual revenue. Section 8-104(e) allocates spending among the utility and DCEO, assigning 25 percent of total spending to DCEO and the remaining 75 percent to utility efforts. Finally, section 8-104(f) & (g) allow up to 3 percent of spending for independent evaluations and up to 3 percent of spending for emerging technology activities, respectfully.

In its Order in Docket No. 10-0562 approving the first Nicor Gas plan, the Commission clarified that revenues used to calculate the 2 percent spending limit include revenues from whole requirements customers and transportation customers as well as implied gas cost revenue for residential and small commercial customers that purchase natural gas from third parties. The spending limit calculation does exclude spending by other large transportation customers on alternative gas suppliers, as well as revenue from customers choosing to "self-direct" their energy efficiency activities or are exempt as specified in Section 8-104(m).

The Act also requires natural gas utilities to achieve annual therm savings that are calculated as a percentage of calendar year 2009 sales and that increase with each successive year. For the second Plan, the Act defines combined savings targets—including DCEO savings—reaching 0.8 percent in PY4, 1.0 percent in PY5, and 1.2 percent in PY6. The Act assigns 20 percent of the savings target to DCEO, with the remaining 80 percent delivered by Nicor Gas, leaving Nicor Gas targets at 0.64% in PY4, 0.80% in PY5, and 0.96% in PY6.

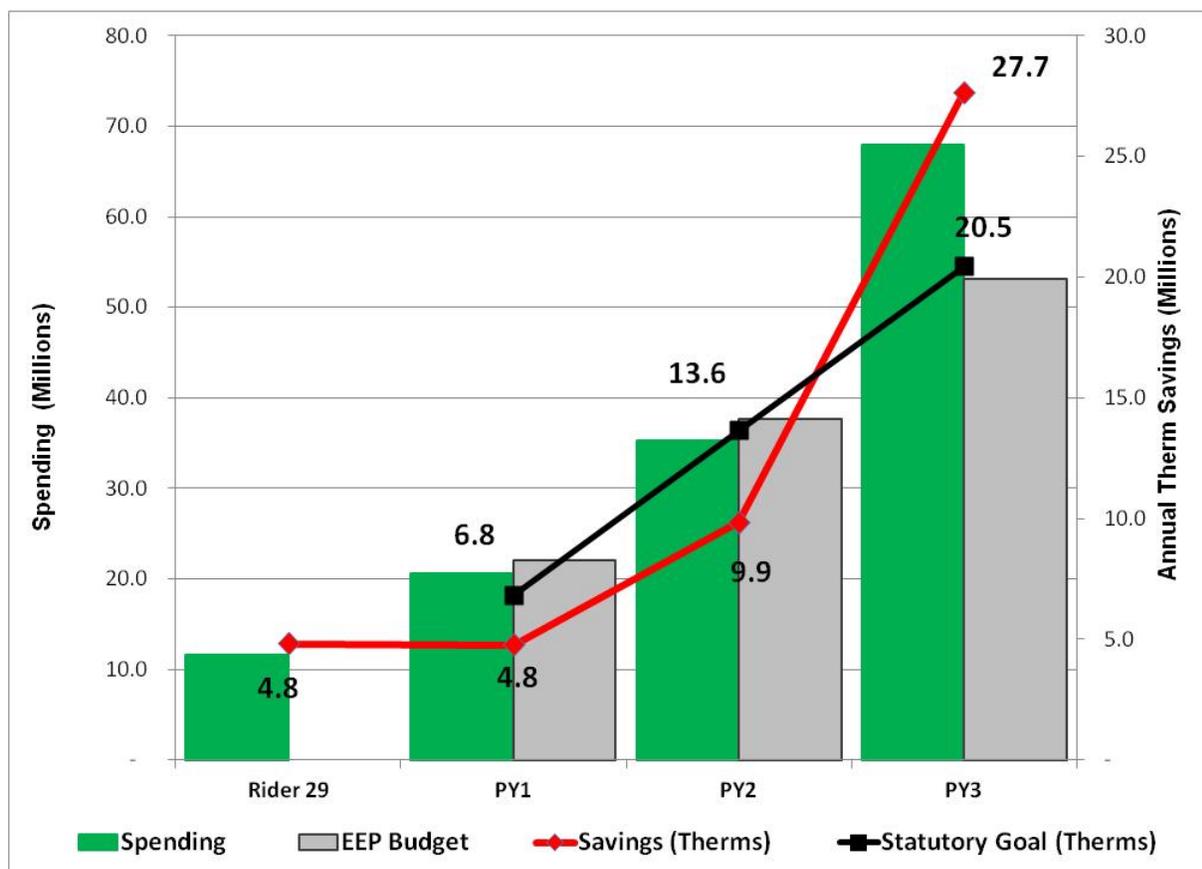
Although the Act defines increasing savings targets, the Commission has established that savings targets must be modified if they cannot be achieved within spending limits defined in Section 8-103(d). See, e.g., Docket No. 10-0568 (approving the second electric Energy Efficiency Plan of Ameren). In that docket, the Commission established modified savings goals for Ameren that were lower than those defined in the Act.

Finally, the Act provides natural gas utilities with the flexibility to manage spending and savings across the three years of plan operation. Rather than meet annual spending and savings targets, the Act allows Nicor Gas to meet cumulative targets across the three years covered by the plan.

Spending and Savings to Date

Figure 3 outlines spending and savings achieved by Nicor Gas in Rider 29 and the first plan, comparing planned and actual performance (including current expectations for PY3). Taking advantage of the flexibility to manage across the portfolio's three years, Nicor Gas established budgets in the first plan that grew as the EEP built management capabilities and as the market for program services evolved. The plan increased spending from PY1 to PY3—while maintaining the 2 percent spending cap across the three years—and used the enhanced PY3 spending to meet the statutory savings goal of 0.48% (i.e., Nicor Gas' 80% share of the overall 0.6% target for PY3). Also, since the market has been slow in responding to PY1 and PY2 programs, in order to reach the three-year goals, Nicor Gas now plans to spend over \$67 million in PY3 to achieve annual savings of 0.65%, exceeding PY3 statutory target by approximately 30%.

Figure 3. Nicor Gas Spending and Savings to Date (Thousands)



By the end of PY3, and including Rider 29 activity, the EEP will have invested over \$130 million on energy efficiency programs. This investment has enabled the EEP to launch and support 13 energy efficiency programs, and provide services to over 500,000 customers installing 750,000 energy efficiency measures. These measures will allow homeowners, renters and small and large businesses to achieved net annual savings of almost 45 million therms and net lifecycle savings of over 670 million therms.

Spending and Savings for the Second Plan

Table 4 calculates the Section 8-104 spending and savings requirements for the second Nicor Gas plan. Spending available during the second plan is below levels for PY1-3 due to lower natural gas commodity costs, as well as increased numbers of self-direct customers. On average, the spending for the second plan declines 17 percent. The decline from PY3 to PY4 is even larger. Compared to the \$67 million the EEP currently plans to spend in PY3, the funding available declines by more than 50 percent.

Table 4. Statutory Spending and Savings Targets for PY 4-6 (Thousands)

| | PY4 | PY5 | PY6 | Total |
|--------------------------------|-------------|-------------|-------------|-------------|
| Spending Limit | | | | |
| Total Estimated Revenue | \$2,092,603 | \$2,092,603 | \$2,092,603 | \$6,277,809 |
| Less Self-Directed Customers | \$23,695 | \$23,695 | \$23,695 | \$71,085 |
| Revenue Basis for 8-104 | \$2,068,908 | \$2,068,908 | \$2,068,908 | \$6,206,724 |
| Percentage Spending Limit | 2% | 2% | 2% | 2% |
| Spending Limit | \$41,378 | \$41,378 | \$41,378 | \$124,134 |
| Nicor Gas Limit (75%) | \$31,034 | \$31,034 | \$31,034 | \$93,101 |
| DCEO Limit (25%) | \$10,345 | \$10,345 | \$10,345 | \$31,034 |
| Savings Target (Therms) | | | | |
| 2009 Sales | 4,696,987 | 4,696,987 | 4,696,987 | 14,090,961 |
| Less Self-Directed Customers | 566,515 | 566,515 | 566,515 | 1,699,544 |
| Sales Basis for 8-104 | 4,130,473 | 4,130,473 | 4,130,473 | 12,391,418 |
| Percentage Savings Target | 0.80% | 1.00% | 1.20% | NA |
| Annual Savings Target (Therms) | 33,044 | 41,305 | 49,566 | 123,914 |
| Nicor Gas Target (80%) | 26,435 | 33,044 | 39,653 | 99,131 |
| DCEO Target (20%) | 6,609 | 8,261 | 9,913 | 24,783 |

At this level of spending, Nicor Gas will not be able to meet the statutory savings targets (Figure 4). In PY3, using spending more than twice that allowed for PY4-6, Nicor Gas can deliver savings that only exceed the PY3 statutory goals by 30%. However, on average, the PY4-6 savings goals exceed PY3 levels by 67%. These savings cannot be achieved within the 2 percent funding limitation of Section 8-104.

Instead, Nicor Gas has developed a portfolio that provides substantial savings, but that also meets a number of additional objectives outlined in Section 8-104 and important for long term

portfolio success. In finalizing the portfolio, Nicor Gas needed to allocate available budgets to individual programs by applying the following objectives, which are also outlined in Table 5:

Figure 4. Nicor Gas Spending and Savings Through PY6

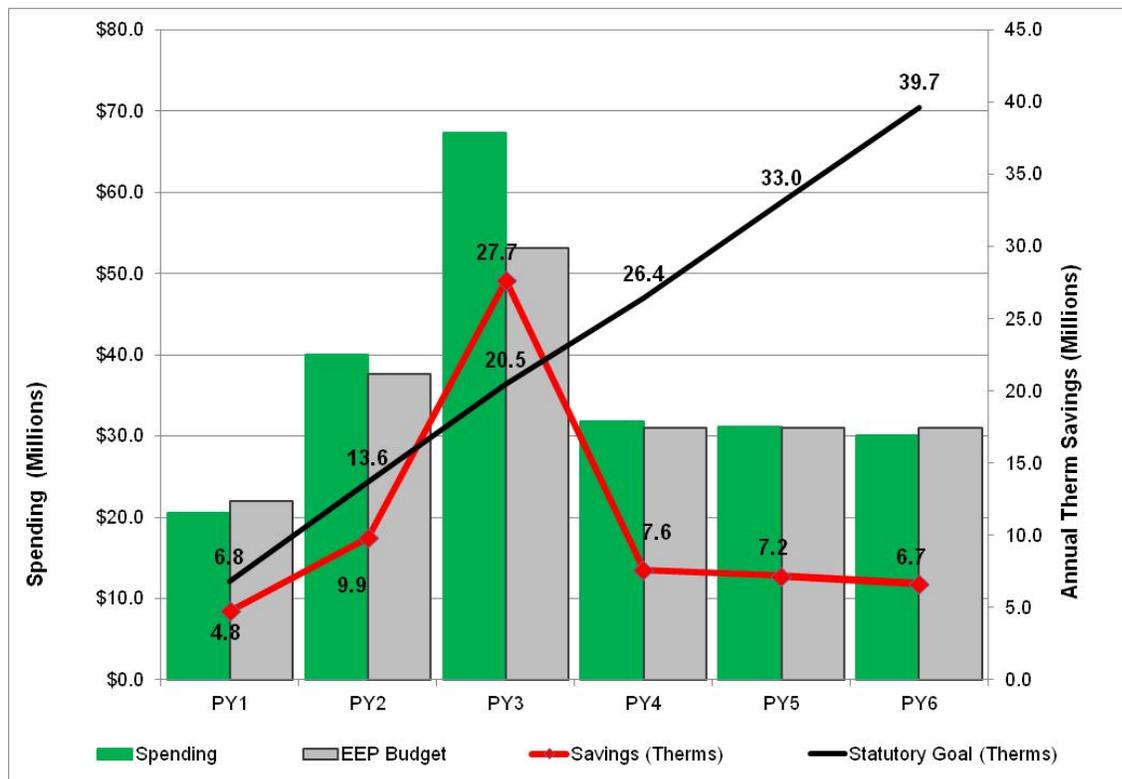


Table 5. Portfolio Objectives

| Planning Objective | Consideration |
|--------------------|---|
| Budget | Meet statutory budget. |
| Cost Effectiveness | Demonstrate that overall portfolio is cost effective using TRC test. |
| Savings | Increase first-year therms. Increase lifecycle therms. |
| Fairness | Provide diverse cross section of opportunities for customers of all rate classes. |
| Market | Increase volumes for market driven programs. |
| Risk Management | Decrease savings by 10% to account for evaluation risk. |

Budget

The 3-year portfolio budget must remain within the Section 8-104(d) limits of \$93 million, although individual years can deviate from the annual 2 percent cap. The Nicor Gas plan spends slightly more in PY4 and slightly less in PY6 in order to smooth the transition to lower budgets for some programs. However, the PY4 increase is modest at only around \$1 million, or 3 percent of average annual totals.

Cost Effectiveness

The Act requires that the overall portfolio of Nicor Gas programs be cost effective using the TRC test. Nicor Gas went beyond this statutory requirement to also analyze the cost-effectiveness of individual programs and measures. Nicor Gas used this information to adjust the portfolio, eliminating investment in some cost-ineffective measures and adjusting delivery approaches to improve program cost effectiveness.

However, Nicor Gas did not use the TRC test as a strict screening criterion at the program or measure level. Two programs with TRC benefit cost ratios below 1.0—the Home Energy Savings Program and Behavioral Energy Savings Program—were maintained in the portfolio because they are important for meeting other program objectives. Namely, they provide substantial sources of therm savings and they increase opportunities for all customers to participate. In addition, it is important to maintain stability for these program implementation contractors and trade allies, since the programs may prove cost effective in the future if new delivery approaches can lower program costs and if volatile natural gas markets result in higher avoided costs.

Several measures with TRC benefit-cost ratios below 1.0 were also maintained in the Plan if they contributed to overall program success. Some measures provide opportunities to interest customers in participation; others eliminate market confusion by simplifying overall program offerings; and others provide bundling opportunities that enhance participation in more cost-effective measures.

Therm Savings

Section 8-104(c) establishes savings goals that are measured in “first year” or “annual” savings; that is, new savings added to the portfolio in each year of portfolio operation. However, because some portfolio measures have very short lifetimes (e.g., behavior change measures may last only one year) while others last much longer lifetimes (e.g., attic insulation has a useful life of 25 years), the first-year savings metric does not capture the full benefits associated with plan investments. Several stakeholders in the Illinois Energy Efficiency Stakeholder Advisory Group (“SAG”) expressed interest in also understanding the lifecycle savings associated with each program. Nicor Gas considered both lifecycle savings and annual savings in setting program budgets, generally favoring programs with low cost per lifecycle therm saved, but also including some programs with low costs per annual therm saved that could also help support other plan goals.

Fairness

Section 8-104(f) requires Nicor Gas to provide a diverse cross section of opportunities for customers of all rate classes to participate. Going beyond rate classes, Nicor Gas has also designed its portfolio to provide meaningful opportunities for all customers to participate, including large and small customers, owners and renters, customers in new construction and existing buildings, customers in the market to purchase new equipment and customers interested in improving the efficiency of existing equipment, as well as a wide range of additional market segments.

Market

In setting program budgets, Nicor Gas allocated relatively higher funding to programs driven by market forces, as opposed to programs that Nicor Gas controls—to some extent—through promotion and pricing policies. These market driven programs include the two equipment rebate programs and the two new construction programs, which have volumes tied primarily to market forces around equipment failures and building construction. Because the EEP relies on trade allies to engage directly with the majority of customers in these market-driven programs, additional efforts to educate, communicate and coordinate with these programs is necessary. Other programs can more directly regulate market activity.

Risk Management

Nicor Gas developed budgets by projecting participation, rebates, and program delivery costs associated with each program. Nicor Gas developed savings targets for each program by applying current evaluation information, including savings algorithms defined in the most recent version of the Illinois Technical Reference Manual (“TRM”), as well as consensus PY3 net-to-gross (“NTG”) ratios developed through the SAG process. However, future evaluations may result in new TRM algorithms or NTG ratios that lower the savings available from the participation forecasts and budgets used to develop savings targets. To mitigate these risks, Nicor Gas reduced NTG ratios by 10% to calculate final program and portfolio savings goals.

1.8 Additional Plan Requirements

Section 8-104 establishes two additional program-specific requirements for natural gas efficiency plans in addition to requirements for savings, spending, cost effectiveness, and participation opportunity. These include:

Standards

Section 8-104(f)(2) requires utilities to provide specific proposals for implementing building and appliance standards that have been put into effect. The code support components of the two new construction programs meet this requirement.

In addition, all programs in the EEP establish applicable building and appliance standards as minimum eligibility requirements for program enrollment, and, in many cases, require customers to significantly exceed minimum standards in order to earn incentives. The programs also

educate customers and trade allies about building and appliance standards as part of ongoing communication efforts.

Low and Moderate Income Customers

The Act requires utilities to coordinate with DCEO to target programs to households at or below 150% of the poverty level and with incomes at or below 80% of area median income. DCEO maintains primary responsibility for programs targeting these customers.

Nicor Gas also coordinates several programs with DCEO to further meet the needs of this market. A number of programs work cooperatively with DCEO to allow eligible customers and developers of new housing to access the more generous benefits offered by DCEO's programs. The Residential New Construction program has also provided services for several Habitat for Humanity projects, and the multi-family program provides services to some building owners renting to low income residents. The code compliance components of the new construction programs will also apply to all new buildings, including housing for low and moderate income residents. The Elementary Energy Education program is open to all schools and serves low income children in many communities. Finally, the Behavioral Energy Savings program is available to all customers and requires no initial investment. Nicor Gas is exploring approaches to tailor this program to rental and low-income markets.

1.9 Program Budgets and Goals

Using the portfolio objectives outlined in Table 5, Nicor Gas developed budgets and savings goals for each program, as well as the spending required for portfolio support functions. These are shown in Table 3 above.

1.10 Organization of This Report

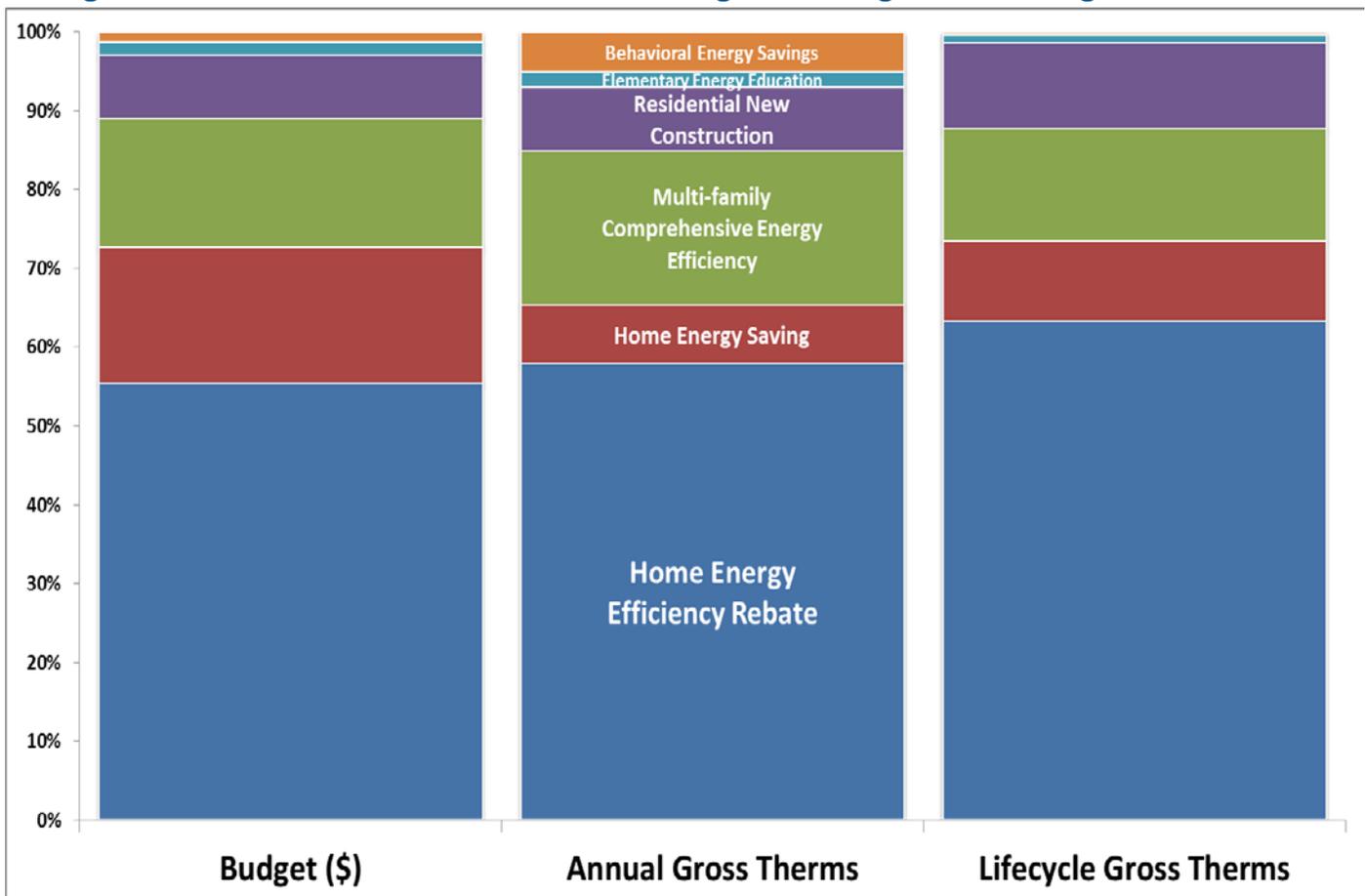
After this introduction, the next two chapters outline the key features and planning assumptions for each program. Section 2 contains the household program outlines, and Section 3 provides the business outlines. Section 4 summarizes the portfolio support functions necessary to successfully deliver the portfolio programs. Section 5 summarizes key portfolio planning assumptions. Appendix A provides detailed tables outlining spending, savings, participation, and cost effectiveness for each program and measure.

2 Household Programs

Nicor Gas' Household segment includes six programs offering incentives for upgrades to high efficient equipment, elementary energy education, new home construction and code compliance support, behavioral change, and single and multi-family home weatherization. The Company has taken a holistic approach in its program design, encouraging customers to make their entire living environments more energy efficient, rather than replace equipment measure by measure.

The majority of programs described in this section are offered in collaboration with the regional electric utility, ComEd, as well as Ameren and other key stakeholders such as municipalities and community groups. Nicor Gas 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 programs and their customers.

Figure 5. Three Year Total Household Programs Budget and Savings



| | |
|--|--------------------------------------|
| Program Name | Home Energy Efficiency Rebate |
| Program Objective | |
| <p>The objective of the Home Energy Efficiency Rebate (“HEER”) Program is to obtain energy savings by overcoming market barriers to the purchase and installation of efficient space- and water-heating equipment as well as other targeted measures in residential applications. The program further offers energy-savings kits to customers.</p> | |
| Program Description | |
| <p>This program provides incentives for the purchase and installation of high efficiency natural-gas furnaces and boilers, efficient tank-type water heaters, and other high efficiency natural gas residential end use equipment. Customers are encouraged to install the most efficient gas heating equipment and appliances available when replacing older, less efficient equipment or when making equipment purchases for new construction in single or multi-family properties. The program continues to build on the HEER program offered under Rider 30. The program also offers energy-savings kits free of cost to participants on request. Participants also may be eligible for on-bill financing for their purchases, which reduces the upfront expense to the customer for the energy efficiency purchase.</p> | |
| Utility Coordination | |
| <p>It is the intent of Nicor Gas to offer this program jointly or in collaboration with other regional electric and municipal utilities. 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 participating utilities and their customers.</p> | |
| Target Market | |
| <p>Single and multi-family residential property owners and tenants who are installing or replacing natural gas heating and water heating equipment or who are installing appliances that result in the more efficient use of natural gas.</p> | |
| Program Duration | |
| <p>June 2014 through May 2017</p> | |

| | |
|--|--------------------------------------|
| Program Name | Home Energy Efficiency Rebate |
| Delivery Strategy | |
| <p>An implementation contractor (or contractors) selected through an RFP process will implement the program. The implementation contractor will be responsible for communicating with trade allies – manufacturers, equipment vendors, and installation contractors – in order to educate them on energy efficient equipment choices, proper installation, the program application process, and incentive forms.</p> <p>This program provides incentives for eligible equipment purchased by consumers for their own use. Incentive forms will be available from retailers, installation contractors, and the Nicor Gas website. To receive an incentive, the participant may submit the incentive form with proof of purchase via direct mail or the Nicor Gas website. The incentive may take the form of a check sent to the customer or through other payment options, such as electronic deposits, gift cards, and Nicor Gas bill credits.</p> | |
| Marketing Strategy | |
| <p>The marketing strategy will build on the efforts conducted under the Rider 30 program. To continue promoting this program, Nicor Gas will employ integrated communications campaigns to create broad awareness through mass marketing along with targeted direct mail and other campaigns. Communication vehicles will include traditional direct mail advertising with media support, collateral materials, and web-based advertising and email communications. Nicor Gas will leverage existing product market channels to generate program support and develop strong partnerships with trade allies and other stakeholders. Trade ally outreach will include regular trade ally meetings and communications, training and certification classes and events to develop trade ally awareness and support for Nicor Gas' energy efficiency programs.</p> <p><u>Mid-Stream and Up-Stream Delivery Approaches –</u></p> <p>The program will evaluate midstream and upstream delivery channels for natural gas usage equipment in coordination with other regional stakeholders and utilities.</p> | |
| EM&V Requirements | |
| <p>Please See Section 4.4 for EM&V details.</p> | |

| Program Name | Home Energy Efficiency Rebate | | | |
|--|-------------------------------|---------|---------|----------|
| Program Participation, Energy Savings, Budgets, Costs and Cost Effectiveness Results | | | | |
| | PY4 | PY5 | PY6 | Total |
| PARTICIPATION | | | | |
| Total Units (Rebates) | 33,333 | 33,468 | 33,631 | 100,432 |
| THERMS (in 1,000's) | | | | |
| Annual Gross Therms | 2,634 | 2,657 | 2,684 | 7,975 |
| Annual Net Therms | 1,894 | 1,910 | 1,929 | 5,733 |
| Lifecycle Gross Therms | 47,942 | 48,449 | 48,979 | 145,370 |
| Lifecycle Net Therms | 34,295 | 34,655 | 35,032 | 103,981 |
| BUDGET (in \$1,000's) | | | | |
| Program Administration | \$2,467 | \$2,522 | \$2,579 | \$7,567 |
| Marketing | 687 | 706 | 726 | 2,119 |
| Incentives | 4,788 | 4,838 | 4,893 | 14,519 |
| Total | \$7,942 | \$8,065 | \$8,198 | \$24,205 |
| \$ / Therm | | | | |
| \$ / Gross Therm | \$3.02 | \$3.04 | \$3.05 | \$3.04 |
| \$ / Net Therm | \$4.19 | \$4.22 | \$4.25 | \$4.22 |
| \$ / Lifecycle Gross Therm | \$0.17 | \$0.17 | \$0.17 | \$0.17 |
| \$ / Lifecycle Net Therm | \$0.23 | \$0.23 | \$0.23 | \$0.23 |
| COST EFFECTIVENESS | | | | |
| TRC | | | | 1.26 |
| PAC | | | | 3.17 |

| | |
|---|------------------------------------|
| Program Name | Home Energy Savings Program |
| Program Objective | |
| <p>The Home Energy Savings (“HES”) program is a whole house single family weatherization program with the objective to obtain natural gas and electricity savings in existing residential buildings by overcoming market barriers to the installation of energy efficiency measures. The program promotes the installation of cost-effective energy-saving improvements through a comprehensive whole house model approach to efficiency which includes an assessment of the building envelope, HVAC/mechanical systems, water heating, appliances, and lighting.</p> | |
| Program Description | |
| <p>The HES program consists of a Standard component and a Prescriptive component. The standard track offers energy assessments to the participants and energy savings are achieved by directly installing energy saving measures at the time of the assessment. If the participant chooses to implement the recommended weatherization work, financial incentives are also offered. In the Prescriptive component no assessment is required and pre-qualified contractors will offer instant rebates to customers based on the amount of air sealing achieved and insulation installed. Contractor will submit an incentive application form to the implementation contractor for processing and payment. The standard component is also offered as Gas-Only program in the communities served by municipal electric providers. Both components also aim to develop markets for future home performance and energy tune-up contracting model.</p> | |
| Utility Coordination | |
| <p>It is the intent of Nicor Gas to offer this program jointly or in collaboration with other regional electric and municipal utilities. 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 participating utilities and their customers.</p> | |
| Target Market | |
| <p>The joint program targets Nicor Gas and ComEd customers with gas space heating and electric central air conditioning in single family homes or multi-family buildings with up to 4 units. The GasOnly component targets select municipalities serviced by municipal electric providers.</p> | |
| Program Duration | |
| <p>June 2014 through May 2017</p> | |
| Delivery Strategy | |
| <p>An implementation contractor (or contractors) selected through an RFP process will implement the program. The implementation contractor will identify, train, and employ a network of regionally-based Building Performance Institute (BPI) certified contractors to perform home energy assessments, provide customer-specific energy efficiency recommendations and install instant retrofits at the time of assessment. All installation work must meet rigid performance standards established by Nicor Gas, the partner electric and municipal utility, and the program implementation contractor. A systematic approach to home improvement that addresses all</p> | |

| Program Name | Home Energy Savings Program |
|---|-----------------------------|
| <p>aspects of building systems will be employed.</p> <p>The Standard component of the program requires a home assessment after the customer indicates interest with the implementation contractor. The assessment is conducted by a BPI certified energy advisor that includes visual inspection and may include the use of infrared camera and boroscopes to assess air sealing and insulation opportunities. During the assessments, the energy advisor installs compact fluorescent lamps (“CFLs”) where electric utilities are partnering, high-efficiency aerators and showerheads, water heater pipe insulation, perform programmable thermostat education for existing thermostats and also recommend turning down the water heater to a lower temperature. Upon request, programmable thermostats are installed to replace non-programmable thermostats during the assessment for a small fee. A customized report listing the recommended energy-savings work and a proposal for the work are provided to the homeowner at the end of the assessment. Customers are eligible to receive an instant rebate of 50% off, up to \$1,250 for performing the recommended work such as insulation, air sealing, and duct sealing. After the weatherization work is completed, the contractor gives the participant an instant rebate. The customer will only be responsible for the balance of invoice whereas the contractor will invoice the rebate amount to the implementation contractor.</p> <p>The Prescriptive component includes attic air sealing and insulation performed by a participating contractor. Contractors will be trained and qualified by the implementation contractor.</p> <p>After a customer has expressed interest in the program, a participating contractor will schedule a site visit to the home. No assessment is required and the participating contractor will complete air sealing and insulation weatherization work. The customer will receive an instant discount on the completed work, for qualifying attic air sealing and insulation work. Instant discounts will be similar to the amounts offered in the standard track. The discount will be applied to the customer invoice as an instant rebate. The participating contractor will invoice the customer for their share of the installed measures. Upon completion of the installation, the participating contractor will submit the necessary paperwork to the implementation contractor for processing and payment. The implementation contractor will issue the rebate amount to the participating contractor.</p> | |
| Marketing Strategy | |
| <p>The program will build upon marketing efforts under Rider 29 and 30 program offerings. Integrated marketing campaigns will be developed to create broad customer awareness using mass media in conjunction with targeted direct mail or other campaigns. Direct mail advertising with media support and collateral as well as web-based advertising and email communications will all be employed. Community-based outreach and successful “house parties” piloted during Rider 30 will be used to build awareness of the program and increase participation. Nicor Gas will leverage existing market channels to generate additional program support by building strong relationships with trade allies and other stakeholders. Ongoing trade ally outreach including meetings, communications, training events and certification will all be employed.</p> | |

| Program Name | Home Energy Savings Program | | | |
|---|-----------------------------|---------|---------|---------|
| EM&V Requirements | | | | |
| Please See Section 4.4 for EM&V details. | | | | |
| Program Participation, Energy Savings, Budgets, Costs and Cost Effectiveness Results | | | | |
| | PY4 | PY5 | PY6 | Total |
| PARTICIPATION | | | | |
| Total Audits | 1,167 | 1,192 | 857 | 3,216 |
| Total Retrofits | 1,170 | 1,191 | 960 | 3,321 |
| Total Direct Install Units | 5,920 | 6,038 | 4,440 | 16,398 |
| THERMS (in 1,000's) | | | | |
| Annual Gross Therms | 361 | 368 | 292 | 1,021 |
| Annual Net Therms | 279 | 285 | 226 | 790 |
| Lifecycle Gross Therms | 8,221 | 8,369 | 6,711 | 23,301 |
| Lifecycle Net Therms | 6,363 | 6,478 | 5,194 | 18,035 |
| BUDGET (in \$1,000's) | | | | |
| Program Administration | \$918 | \$937 | \$955 | \$2,811 |
| Marketing | 304 | 305 | 302 | 910 |
| Incentives | 1,351 | 1,376 | 1,095 | 3,822 |
| Total | \$2,573 | \$2,617 | \$2,353 | \$7,542 |
| \$ / Therm | | | | |
| \$ / Gross Therm | \$7.13 | \$7.12 | \$8.06 | \$7.39 |
| \$ / Net Therm | \$9.21 | \$9.20 | \$10.41 | \$9.55 |
| \$ / Lifecycle Gross Therm | \$0.31 | \$0.31 | \$0.35 | \$0.32 |
| \$ / Lifecycle Net Therm | \$0.40 | \$0.40 | \$0.45 | \$0.42 |
| COST EFFECTIVENESS | | | | |
| TRC | | | | 0.93 |
| PAC | | | | 1.34 |

| | |
|--|---|
| Program Name | Multi-Family Comprehensive Energy Efficiency Program |
| Program Objective | |
| <p>The Multi-Family Comprehensive Energy Efficiency Program (“MCEEP”) will obtain energy savings in multi-family residential buildings through the direct installation of water-saving measures, resulting in residential natural gas savings in the individual living units, or through master-metered central domestic hot water systems, resulting in commercial natural gas savings in the common areas, and by overcoming market barriers to the installation of energy efficiency measures.</p> | |
| Program Description | |
| <p>This program will continue from the program developed in Nicor Gas’ Rider 30 plan. The MCEEP will offer property owners with turnkey services to reduce energy and water use in both residential living units and common areas.</p> <p>The implementation contractor will train and schedule installation contractors to retrofit living units in targeted buildings. Contractors will install low-flow water-saving devices (the Water Savings package), including kitchen and bath aerators rated at 1.0 GPM, and showerheads rated at 1.5 GPM, as well as programmable thermostats. They will also turn-down the temperature of water heaters, where applicable. The contractors will install CFLs in each unit under a separate contract with partner electric utilities (or a municipality with the electric distribution authority and funding for electric measures). Educational information about the energy savings associated with these devices will be left in all units. The service is provided at no cost to property owners and occupants.</p> <p>The implementation contractor will also look for comprehensive opportunities to install energy saving measures in both residential living units and the common areas of multi-family buildings. Highly effective measures, such as boiler tune-ups, boiler controls, and steam traps, will be identified and referred to an installation contractor for follow up. Common area measures will be installed in conformance with the MCEEP prescriptive and custom portion of the program, and will earn the incentives and savings related to this program.</p> <p>In addition, the program will also target small multi-family buildings with up to 5 units as a separate component. In this component, the implementation contractor will provide property owners of small multi-family buildings attic air sealing, attic insulation and any combustion safety testing in accordance with Building Performance Institute standards free of cost to the participants or at a co-pay that will be negotiated with the vendor.</p> | |
| Utility Coordination | |
| <p>It is the intent of Nicor Gas to offer this program jointly or in collaboration with other regional electric and municipal utilities. 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 participating utilities and customers.</p> | |

| | |
|---|---|
| Program Name | Multi-Family Comprehensive Energy Efficiency Program |
| Target Market | |
| Property owners of residential gas heated multi-family buildings of five or more units including high-rise buildings, low-rise buildings, town homes, condominiums, assisted living, retirement communities, non-public low-income properties, public low-income properties with DECO written approval and private school dormitories. | |
| Program Duration | |
| June 2014 through May 2017 | |
| Delivery Strategy | |
| <p>An implementation contractor (or contractors) selected through an RFP process will implement the program.</p> <p>Key elements of the MCEEP implementation strategy include:</p> <ul style="list-style-type: none">• Targeted Outreach to Property Owners and Managers: The implementation contractor(s) will work to build close relationships with property management companies, owners, associations, and their members to recruit participation in the program.• Trade Allies: The implementation contractor(s) will work to build a network of trade allies to complete and assist in the recruitment of participating property owners/managers.• Direct Installs: The implementation contractor(s) will schedule installation appointments with interested property owners/managers. The contractor(s) will install low-flow water-saving devices, programmable thermostats, pipe insulation and CFLs in units and common areas. The contractor(s) will leave behind educational materials in each unit describing the work performed and promoting energy-saving benefits.• Energy Audits: The energy assessment will provide a custom report identifying incentives and services available through participating trade allies and/or rebates available through the business prescriptive and custom application process.• Incentive and Rebate Processing: The implementation contractor(s) will develop a variety of measures applicable to both the tenant and common area spaces. The measures will include the various incentive structures available through the trade ally network and standard and custom applications. Processing will include project verification, QA/QC processes and rebates processing and payments. <p>All installation work must meet rigid performance standards established by the utilities and the program implementation contractor(s). A systematic approach to home improvement that addresses all aspects of building systems will be employed. Inspection protocols will be developed jointly with partner utilities for this program, and will require that all work must meet or exceed the utilities' standards.</p> | |

| Program Name | Multi-Family Comprehensive Energy Efficiency Program | | | |
|---|--|------------|------------|--------------|
| Marketing Strategy | | | | |
| A highly-targeted marketing strategy will be employed for the MCEEP. Recruitment efforts will first target property management companies in an effort to secure agreements to treat multiple properties through a single point of contact before targeting owners and managers of individual properties. General outreach will occur through advertisements in apartment association publications. This will provide awareness of the program and credibility to the implementation contractors. The implementation contractor will use direct mail solicitation, as well as presentations at local property Owners' associations, to recruit participants. | | | | |
| EM&V Requirements | | | | |
| Please See Section 4.4 for EM&V details. | | | | |
| Program Participation, Energy Savings, Budgets, Costs and Cost Effectiveness Results | | | | |
| | PY4 | PY5 | PY6 | Total |
| PARTICIPATION | | | | |
| Total Energy Assessments | 361 | 222 | 109 | 692 |
| # of D.I. Unit Visits | 7,121 | 5,039 | 3,120 | 15,280 |
| Small Building Retrofits | 72 | 72 | 72 | 216 |
| THERMS (in 1,000's) | | | | |
| Annual Gross Therms | 1,115 | 905 | 673 | 2,694 |
| Annual Net Therms | 943 | 765 | 568 | 2,276 |
| Lifecycle Gross Therms | 13,152 | 10,991 | 8,490 | 32,634 |
| Lifecycle Net Therms | 11,082 | 9,252 | 7,138 | 27,472 |
| BUDGET (in \$1,000's) | | | | |
| Program Administration | \$705 | \$697 | \$686 | \$2,087 |
| Marketing | 423 | 413 | 401 | 1,238 |
| Incentives | 1,542 | 1,290 | 1,016 | 3,848 |
| Total | \$2,670 | \$2,400 | \$2,103 | \$7,173 |
| \$/Therm | | | | |
| \$/ Gross Therm | \$2.39 | \$2.65 | \$3.12 | \$2.66 |
| \$/ Net Therm | \$2.83 | \$3.14 | \$3.70 | \$3.15 |
| \$/ Lifecycle Gross Therm | \$0.20 | \$0.22 | \$0.25 | \$0.22 |
| \$/ Lifecycle Net Therm | \$0.24 | \$0.26 | \$0.29 | \$0.26 |
| COST EFFECTIVENESS | | | | |
| TRC | | | | 2.29 |
| PAC | | | | 2.88 |

| | |
|---|---|
| Program Name | Residential New Construction Program |
| Program Objective | |
| <p>The objective of the Residential New Construction Program (“RNC”) is to obtain energy savings by increasing the energy efficiency in the new construction of single-family homes and duplexes beyond existing building codes as well as increasing existing building code compliance through education and training of code compliance officials.</p> | |
| Program Description | |
| <p>There are two components of the program, the residential new construction and code compliance support. The RNC component works with homebuilders and qualified Building Performance Consultants (RESNET-accredited HERS Raters) to build more energy efficient new homes by at least 10% exceeding existing codes. The program provides monetary incentives for Builders and Building Performance Consultants as a means to not only promote energy efficient new construction, but also accelerate the adoption of new technologies.</p> <p>The primary emphasis of the code compliance support component will be to train a group of energy code compliance professionals to assist municipal code officials in promoting and ensuring energy code compliance, providing advanced energy code training and education, and in streamlining the code review and approval process. Rebates will be available for builders or municipalities that utilize the services of the trained energy code compliance professionals. The initial phase of the program (PY4) will prove out the efficacy of the core concepts to be followed by a full program launch in PY5. The program will also provide new commercial and home builders and related trade allies with education and training.</p> | |
| Utility Coordination | |
| <p>It is the intent of Nicor Gas to offer this program jointly or in collaboration with other regional electric and gas utilities, DCEO and other regional stakeholders. There is a high potential for this program to benefit both gas and electric utility customers. The utilities and other partner administrators 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 participating utilities and their customers.</p> | |
| Target Market | |
| <p>The target market for residential new construction components includes homebuilders and qualified home energy raters that work together to build homes in Illinois that are safer, more comfortable, durable and energy efficient than homes built to the current state building code (International Energy Conservation Code or IECC).</p> <p>Whereas, the code compliance support component will serve occupants of newly constructed commercial buildings and homes by 1) targeting residential and commercial builders to promote increased compliance with the energy code and 2) providing support to the existing code enforcement infrastructure.</p> | |
| Program Duration | |
| <p>June 2014 through May 2017.</p> | |

| Program Name | Residential New Construction Program |
|--|--------------------------------------|
| Delivery Strategy | |
| <p>An implementation contractor (or contractors) selected through an RFP process will implement the residential new construction program component and the code compliance support component.</p> | |
| <u>RNC Delivery Strategy</u> | |
| <p>The selected contractor will build upon the program offered by Nicor Gas under Rider 30. The Key elements of the delivery strategy include:</p> | |
| <ul style="list-style-type: none">• Rater & Builder Recruitment: The primary recruitment effort will target HERS rating companies and home-builders in the Nicor Gas service territory, with recruitment occurring through individual contact, group outreach events and involvement in local industry organizations, publications, and training events. Raters and builders participating in the program will receive regular communications about program activities to ensure that they are informed and engaged participants.• Customer Recruitment: The primary customer messaging will be that homes built to higher energy efficiency standards can reduce overall energy use, cost less to operate, and provide greater comfort.• Technical Assistance: The implementation contractor will provide training and guidance regarding program offerings and participation processes to raters and builders as needed to minimize confusion and barriers to participation.• Project Verification: Program verification will occur through the independent local HERS rating companies that participate in the program as they conduct site inspections and report on the efficiency level of each home enrolled in the program when construction is complete. Separate QA/QC requirements performed by the implementation contractor are also required.• Education and Training: The implementation contractor is responsible for educating and training the primary trade allies (<i>i.e.</i>, home-builders and home raters). The implementation contractor will conduct periodic training sessions detailing the requirements and administrative functions for participating in the program. The implementation contractor may also plan sessions that focus on the basic fundamentals of building science for this same audience. | |
| <u>Code Compliance Support Delivery Strategy</u> | |
| <p>The program component will address the primary market needs of inadequate resources and burdensome business processes for builder compliance and municipal inspection and approval. Certain concepts will be market-tested in Phase I (PY4). In Phase II (PY5-6), a full code compliance program will be launched that incorporates the results and findings of Phase I. Key elements of the implementation strategy include:</p> | |

| Program Name | Residential New Construction Program |
|---|--------------------------------------|
| <p>Phase I Program (This phase will also include a separate study to independently determine market barriers and strategies for effectively increasing code compliance. This market study will cover all relevant stakeholders and inform Phase II program design.):</p> <ul style="list-style-type: none">• Compliance Collaborative The collaborative brings together targeted stakeholders both to discuss the issues that hamper higher levels of code compliance and to find ways to overcome the identified obstacles. Providing a venue for stakeholders to collectively address energy code compliance issues will help promote a consistent statewide understanding and enforcement of energy code requirements.• Administrative Practice Improvement. Existing processes for determining code compliance in the field and obtaining code official review and approval can be improved to increase compliance rates. Assistance can take many different forms such as helping to streamline the existing permit / inspection system, assisting in the adoption of software that processes permits and plan reviews more quickly, or establishing methods to allow quicker permits for specific items such as HVAC replacement. Under this program approximately 10-12 municipalities would receive administrative practice assistance each year. The above noted market study will be included as part of this program element.• Energy Code Training. The energy code trainings provided by DCEO will continue to be offered as part of this program. DCEO currently provides energy code training to approximately 1,000 people per year. DCEO and the Utilities will also identify problem areas of code compliance and will offer specialized training to address these areas.• Third-Party Program. A widespread market limitation is the availability of time to perform municipal code inspections and approvals. A third party plan review and inspection program aims to train a robust, geographically diverse supply of individuals capable of providing energy code plan review and inspections services as a supplement to the existing code enforcement infrastructure. Third parties can reduce the burden on code officials with respect to enforcing the energy code.• Jurisdictional Assistance. Jurisdiction Assistance consists of a group of highly-qualified individuals who will complement the work of Code Ambassadors by pro-actively reaching out to all building industry stakeholder groups on a regular basis. DCEO is currently delivering this concept by way of their Technical Assistance / Interpretation service which ensures one point of contact and consistent interpretations across the state. This program is simply an expansion of current work done by DCEO. People engaged in jurisdictional assistance will customize their resources to address specific issues or technical questions relevant to a given stakeholder group or project. Each individual involved in jurisdictional assistance will cover a specific territory and visit individual municipalities and /or design architect/project engineer offices on a roughly semi-annual basis. Two individuals will be trained and assigned territories as part of Phase I. One person will be assigned an urban/suburban area and one a more rural territory.• Equipment Leasing. Blower-door infiltration testing is a new requirement under the residential portion of the 2012 Illinois Energy Conservation Code. A market barrier is anticipated to be the lack of qualified blower-door testing service providers due to the up-front cost of acquiring the necessary equipment. Under this program, diagnostic equipment such as blower doors and duct leakage testers can be affordably leased by an appropriate party. | |

| Program Name | Residential New Construction Program |
|---|--------------------------------------|
| <p>Phase II Program (in addition to the continuation of the above):</p> <ul style="list-style-type: none">• Advanced Training. These are a series of tightly-focused advanced training sessions for participants in the construction process, from architects and engineers to plan reviewers to builders to inspectors. These trainings will include Role Based Training, Sector Based Training and Topic Based Training. These trainings will be conducted throughout the state and will be provided at a minimal cost to participants. Both DCEO & IOU's can provide this training.• Tools and Materials. The development of tools and materials such as fact sheets, checklists and guides will complement and support all the other code enhancement work being done as part of this program. Although these materials are initially being developed by the third Party Pilot Program, it will be expanded to cover codes compliance• Third-Party Program. The Third-Party program described in Phase I will be expanded to cover the entire state, incorporating lessons learned from the Phase I pilot.• Jurisdictional Assistance. The Jurisdictional Assistance program described in Phase I will be expanded to cover the entire state. Eight additional individuals will be trained and assigned territories. Lessons learned in Phase I will be incorporated into the expanded program. | |
| Marketing Strategy | |
| <p><u>RNC Marketing Strategy -</u></p> <p>The marketing strategy will focus on raising awareness and creating action among both HERS rating companies and home-builders that are directly involved in the process of constructing new single family homes. Messaging will emphasize that there are distinct advantages to using energy-efficient building practices and installing energy-efficient components during the initial building construction.</p> <p>The program will be promoted to HERS rating companies and home-builders using various targeted marketing tactics, including direct outreach and involvement in local industry organizations, publications, and training events. The implementation contractor will provide all recruitment and training services for the program. The participating HERS rating companies are an integral link in promoting the program to home-builders in addition to the efforts by the implementation contractor. This comprehensive effort is intended to communicate the benefits of the program and teach and motivate home-builders to differentiate themselves in the marketplace by building homes that exceed the current energy code. The implementation contractor is also responsible for leading the creation and development of all marketing materials, including webpage content, builder and rater fact sheet, and a homeowner's certification letter.</p> <p>The marketing effort must deliver both knowledge about the benefits of energy efficiency and the availability of this program's elements. The program will provide a tangible benefit/incentive to influence rates and the builders to participate.</p> <p>Key messaging for this program are: (1) start being efficient out of the box: take advantage of Nicor Gas's energy efficiency programs right from the start; (2) reduce your future energy bills by installing energy efficient components in your new home; (3) our reliable and cost effective</p> | |

| Program Name | Residential New Construction Program |
|--|--------------------------------------|
| <p>energy efficiency programs help protect your new investment; and (4) Home Builders - be a trusted advisor and deliver value to your home purchasers by recommending energy efficient components right from the start.</p> <p><u>Code Compliance Support Marketing Strategy:</u></p> <p>The Residential and Commercial Building Codes Compliance marketing strategy will focus on improving the market's ability to cost-effectively comply with the 2012 Illinois Energy Conservation Code (or the most current code in effect). This strategy will primarily focus on key decision-makers such as: municipal code officials, builders, designers, architects/engineers, contractors, and suppliers and will work through builder associations, lenders, realtors and appraisers.</p> <p><u>Key messages</u></p> <ul style="list-style-type: none">• Complying with the energy efficiency building code is good business.• Improve the value of your building or home by ensuring compliance with the 2012 Illinois Energy Conservation Code.• (Municipal Code Officials) Take advantage of these newly available resources to ensure code-compliant construction. | |

| Program Name | Residential New Construction Program | | | |
|---|--------------------------------------|---------|---------|---------|
| EM&V Requirements | | | | |
| Please See Section 4.4 for EM&V details. | | | | |
| Program Participation, Energy Savings, Budgets, Costs and Cost Effectiveness Results | | | | |
| | PY4 | PY5 | PY6 | Total |
| PARTICIPATION | | | | |
| Total Houses | 13,828 | 15,903 | 15,835 | 45,566 |
| THERMS (in 1,000's) | | | | |
| Annual Gross Therms | 227 | 378 | 498 | 1,104 |
| Annual Net Therms | 188 | 321 | 433 | 942 |
| Lifecycle Gross Therms | 5,458 | 8,607 | 10,847 | 24,911 |
| Lifecycle Net Therms | 4,422 | 7,182 | 9,286 | 20,889 |
| BUDGET (in \$1,000's) | | | | |
| Program Administration | \$536 | \$582 | \$590 | \$1,708 |
| Marketing | 66 | 78 | 67 | 210 |
| Incentives | 413 | 556 | 577 | 1,546 |
| Total | \$1,015 | \$1,215 | \$1,234 | \$3,464 |
| \$ / Therm | | | | |
| \$ / Gross Therm | \$4.46 | \$3.21 | \$2.48 | \$3.14 |
| \$ / Net Therm | \$5.39 | \$3.78 | \$2.85 | \$3.68 |
| \$ / Lifecycle Gross Therm | \$0.19 | \$0.14 | \$0.11 | \$0.14 |
| \$ / Lifecycle Net Therm | \$0.23 | \$0.17 | \$0.13 | \$0.17 |
| COST EFFECTIVENESS | | | | |
| TRC | | | | 2.03 |
| PAC | | | | 3.20 |

| | |
|---|--|
| Program Name | Elementary Energy Education Program |
| Program Objective | |
| <p>The objective of the Elementary Energy Education (“EEE”) Program is to promote the more efficient and wise use of natural gas in Nicor Gas-serviced households and produce long-term natural gas energy savings, both through the direct installation of home energy-saving measures and through behavior modification of household occupants.</p> | |
| Program Description | |
| <p>The program combines cost-effective measures blended with interactive energy efficiency education, taught in the elementary school (Grades 5 – 6) classroom. The results achieved are energy savings, customer engagement and behavioral change. The measures are provided to the students and their families in the form of a take-home “kit.” Depending on program design and desired therm savings, the gas-savings measures that may be in the kit include: low-flow showerheads, low-flow aerators, rope caulk, shower timer and window insulation. For joint programs with electric utilities, CFLs, LEDs and power strips may be included.</p> | |
| Utility Coordination | |
| <p>It is the intent of Nicor Gas to offer this program jointly or in collaboration with other regional electric and municipal utilities. 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 participating utilities and their customers.</p> | |
| Target Market | |
| <p>The target market for the Program includes schools, teachers, students and families located in Nicor Gas service territory. In terms of generating natural gas energy savings from the Program, the households of individual students are the key audience, in terms of both installations of devices and behavior modification.</p> | |
| Program Duration | |
| <p>June 2014 through May 2017</p> | |
| Delivery Strategy | |
| <p>An implementation contractor (or contractors) selected through an RFP process will implement the program. The implementation contractor will work with the schools to introduce the program to classrooms throughout the utilities’ service territory through letters and electronic communication utilized specifically by teachers and education administrators. The implementation contractor will be responsible for school recruitment, program delivery, and tabulation of results. Implementation-related administrative requirements will include:</p> <ul style="list-style-type: none"> • Developing age appropriate curriculum; • Developing, assembling, distributing and tracking the kits and their components; • Creating and managing marketing, outreach and public relations; | |

| Program Name | Elementary Energy Education Program |
|---|-------------------------------------|
| <ul style="list-style-type: none">• Data tracking and reporting; and• Customer satisfaction/problem resolution. <p>Generally, schools will receive an invitation to participate and register to receive the kits and program curriculum. After the curriculum is presented, students and teachers will receive a take-home energy efficiency kit that may include three CFLs (only in joint electric/gas utility territory schools), high-efficiency showerhead and aerators. It is the implementation contractor's responsibility to establish and implement a process, agreeable to the utilities, for measuring and tracking energy savings and participant data.</p> | |
| Marketing Strategy | |
| <p>Nicor Gas believes it is vital to reach out to school children with important and timely energy literacy and energy efficiency messages. Today's students are not only our future customers, but they also have an influence on current energy usage in their homes and in their schools. Marketing will be directed mostly to elementary schools within the utilities' service territories through letters and electronic communications utilized specifically by teachers and education administrators. All educational materials and take-home efficiency kits will be free of charge to the schools and the students. The primary focus is to produce energy efficiency savings in the residential sector by motivating students and their families to take steps through reducing energy consumption for water heating and lighting in their home.</p> <p>Additionally, the program also aims to increase awareness and participation in the utilities' other programs via cross-marketing and increased customer awareness of energy-efficiency behaviors.</p> | |

| Program Name | Elementary Energy Education Program | | | |
|---|-------------------------------------|--------|--------|--------|
| EM&V Requirements | | | | |
| Please See Section 4.4 for EM&V details. | | | | |
| Program Participation, Energy Savings, Budgets, Costs and Cost Effectiveness Results | | | | |
| | PY4 | PY5 | PY6 | Total |
| PARTICIPATION | | | | |
| Total Kits | 6,930 | 5,985 | 5,040 | 17,955 |
| THERMS (in 1,000's) | | | | |
| Annual Gross Therms | 104 | 90 | 76 | 271 |
| Annual Net Therms | 74 | 64 | 54 | 192 |
| Lifecycle Gross Therms | 940 | 812 | 684 | 2,436 |
| Lifecycle Net Therms | 668 | 577 | 486 | 1,732 |
| BUDGET (in \$1,000's) | | | | |
| Program Administration | \$114 | \$108 | \$102 | \$324 |
| Marketing | - | - | - | - |
| Incentives | 170 | 147 | 124 | 440 |
| Total | \$284 | \$255 | \$226 | \$765 |
| \$ / Therm | | | | |
| \$ / Gross Therm | \$2.72 | \$2.83 | \$2.98 | \$2.83 |
| \$ / Net Therm | \$3.82 | \$3.98 | \$4.18 | \$3.98 |
| \$ / Lifecycle Gross Therm | \$0.30 | \$0.31 | \$0.33 | \$0.31 |
| \$ / Lifecycle Net Therm | \$0.42 | \$0.44 | \$0.46 | \$0.44 |
| COST EFFECTIVENESS | | | | |
| TRC | | | | 3.79 |
| PAC | | | | 3.79 |

| | |
|--|--|
| Program Name | Behavioral Energy Savings Program |
| Program Objective | |
| <p>The objective of the Behavioral Energy Savings (“BES”) Program is to provide residential end-users with information on their energy use, comparisons with usage by others, tips, goal setting and additional tactics that encourage efficient energy use.</p> | |
| Program Description | |
| <p>The BES Program is designed to produce energy savings through customer engagement and behavioral change strategies by providing them with analytics comparing usage to similar customers, as well as customized energy savings tips and tactics. This program will utilize one or more implementation contractors 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.</p> <p>Several vendors currently provide home energy reports through email or direct mail.</p> <p>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 positive behavior changes related to energy usage and an increase in program participation.</p> | |
| Utility Coordination | |
| <p>The program will be delivered exclusively by Nicor Gas.</p> | |
| Target Market | |
| <p>A sample of residential customers based on their energy usage will be targeted to receive ongoing energy communications, online tools and recommendations on their energy use, and how to reduce their energy consumption.</p> | |
| Program Duration | |
| <p>June 2014 through May 2017</p> | |
| Delivery Strategy | |
| <p>An implementation contractor (or contractors) selected through an RFP process will implement the program. The selected vendor 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</p> | |

| | |
|---------------------|--|
| Program Name | Behavioral Energy Savings Program |
|---------------------|--|

household to another can increase a customers' interest in efficiency and result in reduced energy consumption.

| |
|---------------------------|
| Marketing Strategy |
|---------------------------|

Behavioral-based mailings (“reports”) and email 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, an online portal will be provided with additional energy information and tools as well as links to other Nicor Gas energy efficiency programs. Customers may be encouraged to participate in the program through contests or other strategies.

| |
|------------------------------|
| EM&V Requirements |
|------------------------------|

Please See Section 4.4 for EM&V details.

| |
|---|
| Program Participation, Energy Savings, Budgets, Costs and Cost Effectiveness Results |
|---|

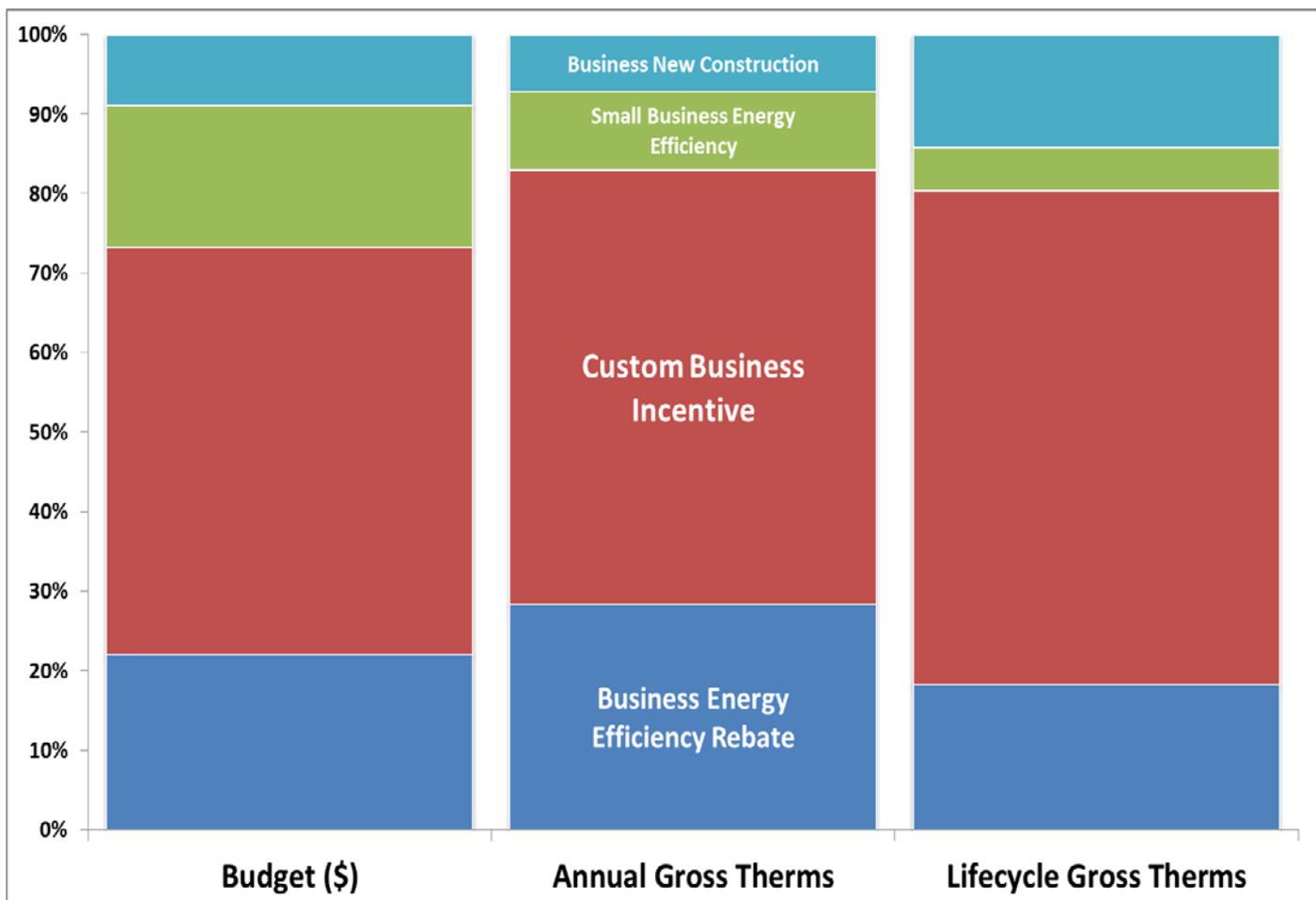
| | PY4 | PY5 | PY6 | Total |
|------------------------------|------------|------------|------------|--------------|
| PARTICIPATION | | | | |
| Total Customers | 20,001 | 20,001 | 20,001 | 60,003 |
| THERMS (in 1,000's) | | | | |
| Annual Gross Therms | 231 | 231 | 231 | 693 |
| Annual Net Therms | 208 | 208 | 208 | 624 |
| Lifecycle Gross Therms | 231 | 231 | 231 | 693 |
| Lifecycle Net Therms | 208 | 208 | 208 | 624 |
| BUDGET (in \$1,000's) | | | | |
| Program Administration | \$58 | \$58 | \$58 | \$173 |
| Marketing | - | - | - | - |
| Incentives | 121 | 121 | 121 | 362 |
| Total | \$179 | \$179 | \$179 | \$536 |
| \$ / Therm | | | | |
| \$ / Gross Therm | \$0.77 | \$0.77 | \$0.77 | \$0.77 |
| \$ / Net Therm | \$0.86 | \$0.86 | \$0.86 | \$0.86 |
| \$ / Lifecycle Gross Therm | \$0.77 | \$0.77 | \$0.77 | \$0.77 |
| \$ / Lifecycle Net Therm | \$0.86 | \$0.86 | \$0.86 | \$0.86 |
| COST EFFECTIVENESS | | | | |
| TRC | | | | 0.86 |
| PAC | | | | 0.86 |

3 Business Programs

Nicor Gas' Business Programs targeting Commercial and Industrial Segment will include four 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.

The majority of programs described in this section are offered in collaboration with the regional electric utility, ComEd, as well as Ameren and other key stakeholders such as municipalities and community groups. Nicor Gas 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 programs and their customers.

Figure 6. Three Year Total Business Programs Budget and Savings



| | |
|--|--|
| Program Name | Business Energy Efficiency Rebate Program |
| Program Objective | |
| <p>The purpose of the Business Energy Efficiency Rebate (“BEER”) Program is to obtain long-term natural gas energy savings in the business sector by promoting the purchase and installation of targeted and cost effective prescriptive measures.</p> | |
| Program Description | |
| <p>The BEER program influences the purchase and installation of high-efficiency space heating and water heating technologies, food service technologies, as well as other prescriptive cost-effective measures through a combination of market push and pull strategies. These efforts stimulate demand, while simultaneously increasing market provider investment in stocking and promoting high efficiency products.</p> <p>The program promotes equipment such as high-efficiency natural gas furnaces and boilers. Boiler measures are divided into hydronic and condensing of varying size categories. Also included as prescriptive measures are boiler tune-ups, boiler reset controls, steam traps, programmable thermostats, high-efficiency spray valves, infrared heaters, water heaters, unit heaters, pipe insulation and an assortment of food service equipment.</p> | |
| Utility Coordination | |
| <p>It is the intent of Nicor Gas to offer this program jointly or in collaboration with other regional electric and municipal utilities. 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 participating utilities and their customers.</p> | |
| Target Market | |
| <p>The target market is business customers using 60,000 therms or more per year who may be planning to replace equipment in their existing business and customers doing major renovations or new construction.</p> | |
| Program Duration | |
| <p>June 2014 through May 2017.</p> | |
| Implementation and Delivery Strategy | |
| <p>An implementation contractor selected through an RFP process will be responsible for implementation of the program. Where appropriate, the implementation contractor will provide technical assistance to assist customers in understanding various equipment and make referrals to other programs as needed. The customer will submit the incentive application and required documentation after the installation of qualified energy efficiency measures. The implementation contractor will review the incentive applications to ensure that appropriate documentation is provided and that the incentive was calculated correctly.</p> <p>The driving force behind the delivery strategy will be effective outreach to market players such as trade allies, business trade associations and directly to Nicor Gas business customers and to</p> | |