

Proposed

SECOND TRIENNIAL ENERGY EFFICIENCY PLAN

June 1, 2014 — May 31, 2017



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1. Introduction

In July of 2009, the Governor signed into law Public Act 096-0033, establishing energy efficiency goals, energy efficiency program filing requirements and cost recovery mechanisms, and energy efficiency program expenditures for Illinois gas utilities serving more than 100,000 gas utility customers. Under Section 8-104 of the Public Utilities Act (220 ILCS 5/8-104) (“Section 8-104”), the natural gas energy efficiency goals for each affected natural gas utility is a cumulative reduction of 8.6% of natural gas deliveries by May 31, 2020.

In addition to the mandated energy-efficiency reductions in natural gas deliveries, Section 19-140 of the Public Utilities Act (220 ILCS 5/19-140) requires each gas utility to create an “On-Bill Financing” program for energy efficiency upgrades by utility customers. Both electric and natural gas utilities offer On-Bill Financing programs to allow certain customers to pay for the cost of approved energy efficiency measure on their utility bills. Those energy efficiency measures are financed through a loan with a financial institution participating in the program¹.

Section 8-104 provided guidelines for the development and implementation of a successful energy efficiency portfolio plan. In addition to meeting the statutory savings requirements an energy efficiency plan should:

1. Demonstrate that the proposed energy efficiency measures will achieve the identified requirements.
2. Present specific proposals to implement new building and appliance standards that have been placed into effect.
3. Present estimates of the total amount paid for gas service expressed on a per therm basis associated with the proposed portfolio of measures designed to meet the identified requirements.
4. Coordinate with the Department of Commerce and Economic Opportunity (“DCEO”) to present a portfolio of energy efficiency measures proportionate to the share of total annual utility revenues in Illinois from households at or below 150% of poverty level.
5. Demonstrate that the overall portfolio of energy efficiency measures, not including programs covered by item (4), is cost-effective using the Total Resource Cost (“TRC”) test and represents a diverse cross-section of opportunities for customers of all rate classes to participate in the programs.
6. Include a proposed cost-recovery tariff mechanism to fund the proposed energy efficiency measures and to ensure the recovery of the prudently and reasonably incurred costs of the Illinois Commerce Commission (“Commission”) approved programs.
7. Provide for an annual independent evaluation of the cost-effectiveness of the utility's portfolio of measures and the DCEO's portfolio of measures, as well as a full review of

¹ The Commission approved the Companies’ On-Bill Financing program in Order No. 10-0090 (Order, June 2, 2010). More recently, the Public Act 098-0586 allows any measure that is approved as part of the utility’s energy efficiency portfolio as well as small commercial customers’ energy efficiency improvements to be eligible for an On-Bill Financing program.

the 3-year results of the broader net program impacts and, to the extent practical, adjustment of the measures on a going-forward basis as a result of the evaluations. The resources dedicated to evaluation shall not exceed 3% of portfolio resources in any given year.

8. Allocate no more than 3% of energy efficiency measures for demonstration of breakthrough equipment and devices.

The plan, as filed, demonstrates that The Peoples Gas Light and Coke Company's ("Peoples Gas") and North Shore Gas Company's ("North Shore Gas") (together, the "Companies") proposed energy efficiency portfolio will, in a prudent and cost-effective way, use the limited budget allowed by Section 8-104(d) (the "Cap") to provide energy efficiency measures to Peoples Gas and North Shore Gas retail customers. The proposed Second Triennial Plan (the "Plan" or "Phase II Plan") cannot, however, meet the cumulative natural gas delivery reductions identified in Section 8-104(c)(4)-(6) within the Cap under Section 8-104(d). This plan documents the development of the plan including general research and specific program plans while remaining consistent with the requirements and guidelines outlined in Section 8-104.

2. Executive Summary

Peoples Gas and North Shore Gas, wholly-owned subsidiaries of Peoples Energy, LLC, which is a wholly-owned subsidiary of Integrys Energy Group, Inc., propose to implement a portfolio of natural gas energy efficiency programs and On-Bill Financing as required by Section 8-104 and Section 19-140 of the Public Utilities Act. The overriding objectives of this Second Triennial Plan are to attempt to achieve the indicated energy efficiency goals as cost-effectively as possible and to provide programs to both the residential and commercial/industrial (“C&I”) customers. The previously approved plan (the “First Triennial Plan” or “Phase I Plan”) (approved by the Commission in Order No.10-0564) offered energy efficiency programs at approximately the same proportion as the revenues the customer classes contributed to the revenue base. Actual activity demonstrates that opportunities for energy efficiency do not always occur in the same proportion. In addition, opportunities for savings do not necessarily exist in relative proportion. Therefore, for the Second Triennial Plan, the Companies have designed flexible, scalable, best practice programs that allow for partnering with the electric utility serving their service territories, streamlining administration and delivery while maximizing customer participation based on researched market potential. The Companies also worked with the neighboring gas utilities Ameren Illinois and Nicor Gas to provide consistency in program design where possible.

The Companies continue to have numerous planning sessions with Commonwealth Edison Company (“ComEd”). ComEd provides electric service in the Peoples Gas and North Shore Gas service territories. As a result of these planning sessions, the Companies plan to offer four programs jointly with ComEd. The Companies will continue to look for opportunities to collaborate on other areas such as marketing, trade ally relationships, etc.

The savings goals are based on 2009 calendar year throughput. The proposed budgets and caps are based on forecasted revenues for Program Year (“PY”) 4 and are as follows:

Table 1: Statutory 2% Cap on Recoveries from Customers

	PEOPLES GAS	NORTH SHORE GAS
Total Retail Natural Gas Service	\$1,227,781,111	\$218,193,457
Total 2% Statutory Budget Cap	\$24,555,622	\$4,363,869

The proposed budget and savings estimates are illustrated below. The budgets are consistent with the statutory cap. The savings estimates fall below the statutory targets.

Table 2A: Overall Goals and Budgets – Peoples Gas

PEOPLES GAS	PY4	PY5	PY6
Statutory Total Gas Savings - Goal (Percent)	0.80%	1.00%	1.20%
Peoples Gas Savings - Goal (Therms) (80% of total)	11,226,846	14,033,558	16,840,269
DCEO Gas Savings - Goal (Therms) (20% of total)	2,806,712	3,508,389	4,210,067
Peoples Gas Savings - Proposed (Therms)	8,489,189	8,292,528	7,830,461
Peoples Gas Savings - Proposed (Percent)	0.76%	0.59%	0.46%
Budget			
Program Delivery/Mgmt/Marketing Budget	\$7,167,125	\$7,167,125	\$7,167,125
Incentive Payments	\$9,748,774	\$9,543,722	\$9,305,926
Research & Development	\$201,560	\$279,736	\$348,098
EM&V Implementation	\$552,502	\$552,502	\$552,502
Portfolio Administration	\$722,085	\$723,246	\$725,059
OBF - Admin	\$17,172	\$17,172	\$17,172
DCEO - Admin	\$7,500	\$7,500	\$7,500
Phase 3 Plan Development	\$0	\$125,715	\$293,335
PG Subtotal	\$18,416,717	\$18,416,717	\$18,416,717
DCEO Budget	\$6,138,905	\$6,138,905	\$6,138,905
Subtotal w/DCEO	\$24,555,622	\$24,555,622	\$24,555,622
OBF Budget	\$33,427	\$35,099	\$36,854
TOTAL w/DCEO and OBF	\$24,589,049	\$24,590,721	\$24,592,476

Details on program budgets are provided in tables 4A and 4B.

Table 2B: Overall Goals and Budgets – North Shore Gas

NORTH SHORE GAS	PY4	PY5	PY6
Statutory Total Gas Savings - Goal (Percent)	0.80%	1.00%	1.20%
North Shore Gas Savings - Goal (Therms) (80% of total)	2,220,143	2,775,179	3,330,215
DCEO Gas Savings - Goal (Therms) (20% of total)	555,036	693,795	832,554
North Shore Gas Savings - Proposed (Therms)	1,595,295	1,600,326	1,561,392
Gas Savings - Proposed (Percent)	0.72%	0.58%	0.47%
Budget			
Program Delivery/Mgmt/Marketing Budget	\$1,488,759	\$1,489,274	\$1,483,830
Incentive Payments	\$1,406,725	\$1,367,535	\$1,296,382
Research & Development	\$39,861	\$56,129	\$71,602
EM&V Implementation	\$98,187	\$98,187	\$98,187
Portfolio Administration	\$235,235	\$235,458	\$267,001
OBF - Admin	\$2,785	\$2,785	\$2,785
DCEO - Admin	\$1,350	\$1,350	\$1,350
Phase 3 Plan Development	\$0	\$22,185	\$51,765
NSG Subtotal	\$3,272,902	\$3,272,902	\$3,272,902
DCEO Budget	\$1,090,966	\$1,090,966	\$1,090,966
Subtotal w/DCEO	\$4,363,868	\$4,363,868	\$4,363,868
OBF Budget	\$9,789	\$10,767	\$11,844
TOTAL w/DCEO and OBF	\$4,373,657	\$4,374,635	\$4,375,712

Details on program budgets are provided in tables 4A and 4B.

Pursuant to Section 8-104, the Companies are responsible for 80% of the natural gas savings under the statutory goal of Section 8-104(e), using no more than 75% of the budget under the Cap, with DCEO responsible for 20% of the required natural gas savings using no more than 25% of the Cap's budget. While Peoples Gas and North Shore Gas are subsidiaries of a

common parental holding company, the savings goals and budgets for each Plan are specific to each utility and are not combined.

The two proposed energy efficiency portfolios have many programs that incent customers to become more energy efficient. The offerings are integrated with energy efficiency awareness and education efforts designed to encourage customers to make more informed energy use decisions. Section 2 summarizes the Companies' proposed programs.

When designing the portfolio of programs, the following objectives guided the development. The portfolio:

- Is cost-effective at the portfolio level, as required, and at the 3-year program level.²
- Builds on lessons and successes from the Phase I Plan.
- Uses several implementation approaches and various paths aimed at maximizing program participation and minimizing program administration and delivery costs.
- Is easily modifiable and adaptable to market conditions.
- Is scalable to ramp up or down as markets, technologies, and opportunities evolve.
- Offers a variety of programs, making energy efficiency opportunities available to all customer classifications.
- Provides for an independent evaluation of effectiveness.
- Represents a cost-effective mix of programs aimed at ensuring overall portfolio success.

Due to the needs associated with obtaining as much cost-effective energy savings as possible within the Cap, the portfolio has been streamlined and simplified as much as possible. The Peoples Gas and North Shore Gas portfolios are grouped into five major program areas, each with one to five paths that a participant can take. The programs have been grouped based on targeted audience and allow a more focused and comprehensive approach from the customer's point of view. The residential sector programs have elements intended to provide a variety of energy efficiency programs for residential dwellings as do the multifamily programs for multifamily units. The business sector programs have provisions intended to provide a range of energy efficiency programs for the multitude of commercial and industrial customers.

New Construction Building Codes and Standards will apply to both Residential and Commercial customer classes. However, this is not proposed as a program at this time and is included as part of Research & Development.

The following table summarizes the portfolio being proposed by the Companies. Four of the five programs are being offered jointly with ComEd.

² See Section 3.1.2 for a description of the benefit cost tests.

Table 3: Peoples Gas / North Shore Gas Energy Efficiency Portfolio Summary

1. Residential Programs

Residential programs provide residential customers access to energy efficiency through two paths. The programs are designed to help customers save energy immediately through the direct installation of measures while identifying major upgrades (i.e. furnace or boiler replacement, attic insulation) for future consideration. The Home Energy Jump Start Program path includes a direct installation service paired with a home energy assessment. Eligible improvements identified during the Jump Start visit are eligible for an incentive through the Home Energy Rebate Program path.

- Path 1 – Home Energy Jump Start Program
- Path 2 – Home Energy Rebate Program

2. Multifamily Programs

Multifamily programs provide multifamily building owners access to energy efficiency through four paths. The programs are designed for the owners to see an immediate reduction in their energy use through direct installation of low cost measures. Building owners are offered a variety of services including a comprehensive energy assessment, the direct installation of in-living unit efficiency measures, standard and custom incentives, and a Gas Optimization service to identify operation and maintenance issues that provide energy and cost savings.

- Path 1 – Comprehensive Energy Assessment and Direct Install
- Path 2 – Standard and Trade Ally Partner Installed Incentives
- Path 3 – Custom Incentives
- Path 4 – Multifamily Gas Optimization

3. Residential Outreach and Education Programs

This program provides two paths for outreach and targeted marketing campaigns as well as educational and awareness building programs. Path 1 is the Residential Home Energy Reports, a behavior change program that provides homeowners with feedback on their energy use, comparisons to similar homes, and targeted tips to achieve energy savings, motivating customers toward conserving energy in their homes. Home Energy Reports also provides a direct marketing channel to high users for other energy saving programs. Path 2 includes Targeted Outreach and Education campaigns to specific neighborhoods or communities. Targeted Outreach and Education campaigns may include a school program that reaches out to 5th or 6th grade students in local schools with energy education and an energy efficiency kit with low cost measures to take home and install.

- Path 1 – Residential Home Energy Reports
- Path 2 – Targeted Outreach and Education

4. Business Programs – Existing Facilities

The Business Programs for existing commercial and industrial facilities offers a collection of services that meet the needs of any customer in an existing facility through five paths. The services range from the direct install of energy saving measures, to providing assistance with engineering studies to determine the feasibility of a project, to Gas Optimization services designed to identify operation and maintenance issues leading to energy and cost savings.

- Path 1 – Direct Install
- Path 2 – Engineering Assistance
- Path 3 – Standard Incentives
- Path 4 – Custom Incentives
- Path 5 – Gas Optimization

5. Small Business Efficiency Program

This program, targeted to this harder-to-reach market, provides services designed for the small business owner. Starting with direct installation of a variety of low cost gas savings measures with immediate energy savings, it also provides advice, assistance, and financial incentives related to additional improvements that can be implemented.

- Path 1 – Energy Assessment and Direct Install
- Path 2 – Retrofit Incentives

Tables 4A and 4C provide a summary of the TRC, savings and budget by program for Peoples Gas and North Shore Gas respectively. Tables 4B and 4D provide a more detailed budget for each program for Peoples Gas and North Shore Gas respectively. “PY” means program year. For example, PY4 is the period June 1, 2014, through May 31, 2015. “TRC” means Total Resource Cost. It is a benefit cost test and is described in Section 3.1.2 below. The portfolio-wide TRC benefit cost ratio is estimated at 1.81 for Peoples Gas and 2.16 for North Shore Gas. Because the projected mix of measures within a program may be different for Peoples Gas and for North Shore Gas, the TRC test results for any specific program and the total portfolio may be different for the two utilities.

Table 4A: Portfolio Summary – Peoples Gas

Program Name	TRC	PY4		PY5		PY6	
		Therm Savings	Budget	Therm Savings	Budget	Therm Savings	Budget
Residential Programs	1.01	922,352	\$3,874,408	867,996	\$3,775,872	836,401	\$3,714,094
Multifamily Programs	2.89	2,103,175	\$3,450,182	2,102,741	\$3,446,182	1,959,774	\$3,399,582
Residential Outreach & Education	1.05	1,279,460	\$1,138,385	1,336,451	\$1,138,385	1,336,451	\$1,138,385
Business Programs - Existing Facilities	2.46	3,618,083	\$7,454,713	3,419,221	\$7,352,198	3,142,500	\$7,228,398
Small Business Efficiency Program	2.48	566,119	\$998,210	566,119	\$998,210	555,335	\$992,592
TOTAL	1.81	8,489,189	\$16,915,899	8,292,528	\$16,710,847	7,830,461	\$16,473,051

Table 4B: Program Budget Detail – Peoples Gas

Peoples Gas	PY4			PY5			PY6		
	Admin/Impl/ Mktg	Incentive	Total	Admin/Impl/ Mktg	Incentive	Total	Admin/Impl/ Mktg	Incentive	Total
Residential Programs	\$1,800,000	\$2,074,408	\$3,874,408	\$1,800,000	\$1,975,872	\$3,775,872	\$1,800,000	\$1,914,094	\$3,714,094
Multifamily Programs	\$1,079,800	\$2,370,382	\$3,450,182	\$1,079,800	\$2,366,382	\$3,446,182	\$1,079,800	\$2,319,782	\$3,399,582
Residential Outreach & Education	\$1,138,385	\$0	\$1,138,385	\$1,138,385	\$0	\$1,138,385	\$1,138,385	\$0	\$1,138,385
Business Programs - Existing Facilities	\$2,668,940	\$4,785,773	\$7,454,713	\$2,668,940	\$4,683,258	\$7,352,198	\$2,668,940	\$4,559,458	\$7,228,398
Small Business Efficiency Program	\$480,000	\$518,210	\$998,210	\$480,000	\$518,210	\$998,210	\$480,000	\$512,592	\$992,592
Total	\$7,167,125	\$9,748,774	\$16,915,899	\$7,167,125	\$9,543,722	\$16,710,847	\$7,167,125	\$9,305,926	\$16,473,051

Note: Evaluation is not included in individual program budgets but at the portfolio level.

Table 4C: Portfolio Summary – North Shore Gas

Program Name	TRC	PY4		PY5		PY6	
		Therm Savings	Budget	Therm Savings	Budget	Therm Savings	Budget
Residential Programs	1.01	176,762	\$756,704	171,762	\$740,969	167,562	\$727,319
Multifamily Programs	2.96	162,377	\$271,029	163,167	\$270,627	160,917	\$261,808
Residential Outreach & Education	1.04	679,218	\$575,092	707,977	\$575,092	707,977	\$575,092
Business Programs - Existing Facilities	2.02	553,366	\$1,237,798	533,848	\$1,215,260	504,866	\$1,165,260
Small Business Program	2.16	23,572	\$54,860	23,572	\$54,860	20,071	\$50,732
TOTAL	2.16	1,595,295	\$2,895,484	1,600,326	\$2,856,809	1,561,392	\$2,780,212

Table 4D: Program Budget Detail – North Shore Gas

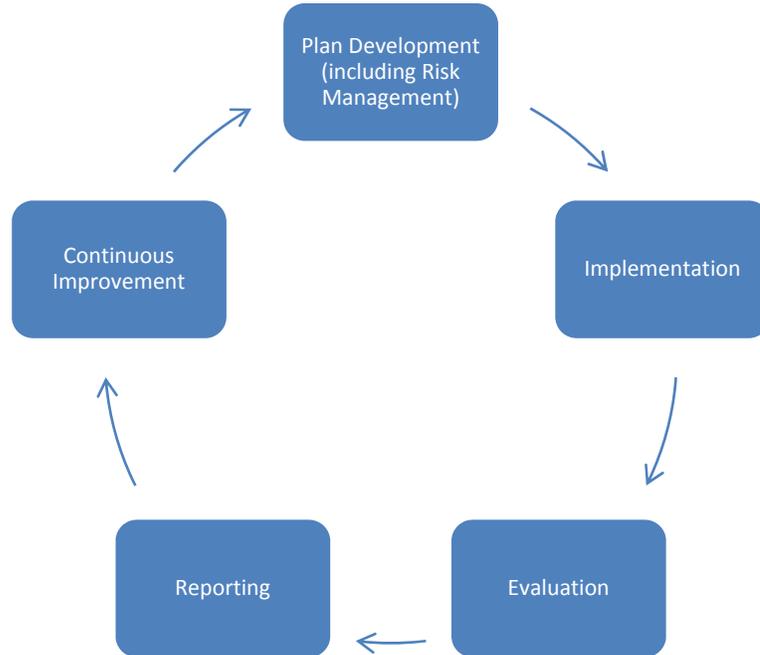
North Shore Gas	PY4			PY5			PY6		
	Admin/Impl/ Mktg	Incentive	Total	Admin/Impl/ Mktg	Incentive	Total	Admin/Impl/ Mktg	Incentive	Total
Residential Programs	\$344,000	\$412,704	\$756,704	\$344,515	\$396,454	\$740,969	\$344,515	\$382,804	\$727,319
Multifamily Programs	\$84,267	\$186,762	\$271,029	\$84,267	\$186,360	\$270,627	\$78,823	\$182,985	\$261,808
Residential Outreach & Education	\$575,092	\$0	\$575,092	\$575,092	\$0	\$575,092	\$575,092	\$0	\$575,092
Business Programs - Existing Facilities	\$459,000	\$778,798	\$1,237,798	\$459,000	\$756,260	\$1,215,260	\$459,000	\$706,260	\$1,165,260
Small Business Program	\$26,400	\$28,460	\$54,860	\$26,400	\$28,460	\$54,860	\$26,400	\$24,332	\$50,732
TOTAL	\$1,488,759	\$1,406,725	\$2,895,484	\$1,489,274	\$1,367,535	\$2,856,809	\$1,483,830	\$1,296,382	\$2,780,212

Note: Evaluation is not included in individual program budgets but at the portfolio level.

3. The Components of the Plan

The creation of this Plan adheres to a rigorous planning process, beginning with market analysis and a potential study and culminating in program design. The diagram in Figure 1 provides an illustration of the energy efficiency planning process and coincides with the topics in the balance of this section.

Figure 1: Energy Efficiency Planning Process Overview



A market potential assessment (“Market Potential Study”) was performed by the Energy Center of Wisconsin. The purpose of the Market Potential Study was to (1) identify the economic potential for natural gas savings in the Peoples Gas and North Shore Gas service territories, (2) identify opportunities for program enhancements and new program offerings to realize this potential and (3) estimate the achievable potential gas savings and program costs for these opportunities. The Market Potential Study, along with the experience gained and lessons learned from the First Triennial Plan period, is the basis for the development of this Second Triennial Plan.

During the course of the Second Triennial Plan, as done during the First Triennial Plan period, programs will be improved and refined on an ongoing basis, particularly as program evaluation and reporting activities identify opportunities for program enhancement.

3.1 Plan Development

Plan development incorporates a number of tasks that help structure the portfolio design process and the steps that follow (implementation, evaluation, reporting and continuous improvement).

- The first task when designing a program portfolio is development of a database of energy saving measures including estimated costs, energy savings and measure life. The energy savings measures are compared to baseline conditions – current practices, if available, or, alternatively, minimum standards. Also used as a guide in developing programs are experiences shared by other utilities, consultants and program implementation contractors and information on generally accepted best practices. This is then put into the context of the Companies’ market to ensure participants are available and the measures will meet their needs. (See Section 3.1.1 below).
- Once measure characterization is complete, measures are screened for cost-effectiveness based on specific avoided cost and other data. Measures are bundled into programs that are logical and facilitate participation from the customers’ perspectives. Cost-effectiveness is often done at the measure level as a starting point. Best practices and the experiences of other program administrators and implementers are taken into consideration when developing the program design. Program level budgets are prepared and the program is screened for cost-effectiveness. All programs are finally bundled into one portfolio and the total portfolio, including general costs that are not program specific, is screened for cost-effectiveness. (See Section 3.1.2 below for information on benefit cost analysis).
- Finally, risk analysis is performed and risk mitigating measures are identified. (See Section 3.2 below).

For the Phase II Plan development, Peoples Gas and North Shore Gas supported Franklin Energy Service’s³ (“Franklin Energy”) expansion of their planning and design team to include experts in specific niche markets and programs. In addition to Applied Energy Group, these niche experts included:

Organization	Area of Expertise
Association for Energy Affordability	Multifamily
CNT Energy	Multifamily and small business offerings
Energy Center of Wisconsin	Residential HVAC market data and upstream incentive program
KEMA	C/I programs
Kinergetics	Industrial processes
Primera Engineers	Gas Optimization projects

The input of these experts has provided an improved program design and will continue to be instrumental in continuous improvement for program delivery design.

³ The Companies have contracted with Franklin Energy as their program administrator for the Phase II Plan. Franklin Energy was also the Companies’ program administrator for Phase I.

3.1.1 Corporate and Customer Summary



Integrus Energy Group, Inc. is a holding company based in Chicago, Illinois with eight operating subsidiaries. Peoples Gas and North Shore Gas are the two Illinois utility subsidiaries and are the focus of this Plan.

Peoples Gas is a regulated natural gas utility established in 1855. It is the second largest natural gas utility in the state behind Northern Illinois Gas Company d/b/a Nicor Gas Company. Peoples Gas serves about 829,000 customers in the City of Chicago with about 780,000 residential, 48,000 commercial and 2,300 industrial customers. The design peak day throughput for calendar year 2012 was 2,030,000 dekatherms (“Dth”).

North Shore Gas is a regulated natural gas utility established in 1900 serving 54 communities in Lake and Cook counties in northeastern Illinois.

The population in these suburban Chicago communities totals nearly 645,000. In addition to the utility’s 146,000 residential customers, North Shore Gas serves 11,000 commercial customers, and 900 industrial customers, bringing its total to nearly 158,000 customers. The design peak day throughput for calendar year 2012 was 414,000 Dth.

3.1.2 Benefit Cost Analysis

There are many methods used to assess the cost-effectiveness of an energy efficiency measure. Section 8-104(f) requires using the total resource cost test (“TRC”) as the primary method to determine cost-effectiveness of the portfolio.

TRC measures the net costs of an energy efficiency program as a resource option based on the total costs of the program, including both the participants’ and the utility’s costs. The TRC test represents the effects of a program on both participating customers and those not participating in a program. The benefits calculated in the TRC test are the avoided supply cost -- the reduction in transmission, distribution, commodity and capacity costs valued at marginal cost for the periods when there is a reduction in usage of natural gas. The costs in this test are the program costs paid by the utility and the participants plus the increase in supply costs for the periods in which demand is increased. Thus, all incremental equipment costs, operation and maintenance, cost of removal and administration costs, no matter who pays for them, are included in this test.

The benefit cost ratio resulting from the application of the TRC test is the ratio of the discounted total benefits of the program to the discounted total costs over a specified

time period. A benefit cost ratio above one indicates that the program is beneficial to the utility and its customers on a TRC basis.

Even though the TRC test is the test prescribed by Section 8-104(f), there are four other cost-effectiveness tests that analyze the programs from different perspectives. The four additional tests are the Participant Test, the Ratepayer Impact Measure (“RIM”) Test, the Utility or Program Administrator Cost Test, and the Societal Test.

The Participant Test is the quantifiable benefits and costs to the customer due to participation in a program from the participant’s perspective. The benefits include reduction in the participant’s bill, and incentives paid to them. The costs are out-of-pocket expenses incurred as a result of participation in the program plus any increases to utility bills.

The RIM Test measures what happens to customers’ bills or rates due to changes in utility revenues and operating costs caused by a program. The benefits are the savings from avoided supply costs. The costs are the program costs incurred by the utility and/or other entities for creating or administering the program, incentives paid to the participant, decreased revenues for any periods for which demand decreased, and increased supply costs for instances when demand increased.

The Utility or Program Administrator Cost Test measures the net costs of a program as a resource option based on the costs incurred by the program administrator, excluding any net costs incurred by the participant. The benefits are the avoided supply costs of energy and demand (similar to the TRC benefits). The costs are the program costs incurred by the administrator, the incentives paid to the customers, and the increased supply costs for the periods in which demand is increased.

The Societal Test is a variant of the TRC that includes the effects of externalities and uses a different discount rate. The Societal Test is intended to determine the effects of the program on society as a whole. The benefits are the avoided supply costs and externalities (including environmental benefits, increased national security, etc.). The costs are the program costs paid by the utility and the participants plus the increase in supply costs for the periods in which demand is increased.

To determine energy efficiency measures that should be considered opportunities for achievable energy savings in the Companies’ service areas, a comprehensive benefit cost analysis was conducted on a wide range of measures that affect natural gas consumption across all customer classes. The benefit cost tests were performed using data specific to the Companies. When the TRC test results produce a value greater than one for any given measure or bundle of measures, it is judged to be a cost-effective application, implying that it is more beneficial to implement the energy efficient technology. Measures are grouped into programs and budget amounts are allocated. Then the TRC test is run again on each program, or bundle of measures, to determine cost-effectiveness. Tables 4A and 4C in Section 2 above included the TRC test results for each proposed program and the total portfolio.

For this Plan, the Companies' avoided costs also included a 7.5% adder for Non-Energy Benefits ("NEBs") and a \$.08 per therm adder for Carbon using the Department of Energy Annual Energy Outlook. The Illinois Technical Reference Manual ("TRM")⁴ was utilized to calculate savings for measures that were specified in the TRM. Section 8-104(f) requires the Companies meet a TRC of 1.0 or higher at the portfolio level.

In addition to the results of the five tests mentioned above, this Plan also provides the cost per therm saved based on levelized (life cycle) savings. This measures the lifetime savings against the program costs, rather than just the first year savings.

3.1.3 Current and Future Coordination with Stakeholders

The Companies recognize the importance of obtaining agreement among stakeholders in all phases of the Plan life cycle from planning and program design, to implementation, evaluation, tracking and cost recovery. Throughout the Phase II Plan development, the Companies engaged stakeholders to obtain input on issues that were important to each stakeholder. Discussions were held with Commission Staff, the Illinois Attorney General's Office, Citizens Utility Board, The City of Chicago and the Environmental Law and Policy Center. These discussions focused on many different issues including:

- Progress to date of our programs at the time of our meetings
- Projections for the end of the First Triennial Plan period
- Guiding principles and other issues associated with the Phase II Plan
- Brief discussions of issues beyond the Companies' control (wild cards)
- Results of the Market Potential Study

All stakeholder input was considered in the preparation of this Plan. Most suggestions were incorporated into the Plan as long as they did not deviate from our key objectives - maximum cost-effectiveness and building on Phase I lessons and successes, along with the need for lower cost savings along with simplification and streamlining of programs.

The Companies will continue to actively participate in the Stakeholder Advisory Group ("SAG") and the Technical Advisory Committee of the SAG ("TAC"). These forums allow all stakeholders to work together to ensure a high quality, high performance energy efficiency programs in the State of Illinois. In addition, the Companies will continue to have conversations with utilities to discuss what's working, what's not and how we can better align and coordinate our programs where it makes sense and is mutually beneficial for both entities.

3.1.4 Coordination with Department of Commerce and Economic Opportunity ("DCEO")

Based on initial meetings and discussions with DCEO and consistent with the first triennial planning period, all spending and savings for the low income sector will be

⁴ Illinois Statewide Technical Reference Manual for Energy Efficiency Version 2.0 (June 7, 2013), developed by members of the Illinois Energy Efficiency Stakeholder Advisory Group.

DCEO's responsibility. The Companies have not designed or budgeted for any programs targeting low income customers who pay directly for their own gas heating or water heating.

3.1.5 Foundation for Evaluation

Evaluation is the process of determining and documenting the results, benefits, and lessons learned from an energy efficiency program. Energy efficiency evaluations are conducted to estimate actual energy savings compared to predicted estimates. An evaluation should be viewed as one part of an ongoing process to improve planning and implementation in order to maximize the effectiveness of the program.

There are two types of evaluation that are generally undertaken for energy efficiency programs. These are process and impact evaluations.

A process evaluation focuses on the effectiveness of program delivery, marketing, achievement of participation goals, customer satisfaction and other qualitative (non-therm) goals. It provides feedback on the customer experience and identifies potential barriers to participation.

An impact evaluation is primarily concerned with measuring the therm savings that programs achieve. This can include estimating net-to-gross ("NTG") ratios (free ridership and spillover),⁵ if such estimates can be determined with reasonable accuracy at a reasonable cost. Impact evaluation would ensure that measure level estimates of energy savings are made consistently with the approved methodologies. Evaluations are discussed more in Section 3.4.

A third type of evaluation that is sometimes performed is a market transformation evaluation. This evaluation attempts to quantify the adoption of a measure in the market place. It analyzes the availability and adoption of a product, along with changes in pricing if available and relevant. This type of evaluation is most often completed when a program provides incentives upstream (to the distributor rather than the end use customer) or when the product is an emerging technology and the utility is trying to "jump start" its adoption.

Many issues associated with evaluations and the application of evaluation results have been discussed during SAG meetings and in separate meetings focusing on evaluation. The Companies have participated in these meetings. SAG meetings have also been a forum for discussion of the NTG Framework which provides guidance on the application of NTG ratios which have been calculated through evaluations. Peoples Gas and North Shore Gas will continue to actively participate in these meetings and evaluation efforts. In addition to SAG meetings, the Companies continue to participate in a bi-weekly meeting with the third party evaluation firm and other interested parties.

⁵ A free rider is a program participant who would have installed the program measure without the utility's program. Spillover (also known as free driver) is a non-participant who implemented a particular efficiency measure as a result of a utility program but either did not request the incentive or did not increase the efficiency of the adopted measure enough to meet the utility's requirement.

3.2 Risk Management

The objective of risk management is to limit the liability to the Companies and develop a proactive plan to identify and resolve the most critical and/or most likely potential risk events. It is particularly important in the planning and development stages to document risks and identify mitigation and contingency options that can be applied to risks. Risks are identified and carefully managed throughout planning and implementation of the plan.

The Companies define a risk as any factor (event) that may potentially interfere with success of the portfolio in reaching its objectives. A risk is not a problem; a risk is the possibility that a problem might occur. By recognizing potential problems, the Companies can attempt to avoid a problem through proper actions, or risk responses.

The process of risk management can be broken down into three steps: 1) identification of risk, 2) analysis and ranking of risk, and 3) determination of risk response based on ranking. Risk identification consists of determining risks that are likely to affect the success of the plan and documenting the characteristics of those risks. No attempt should be made to identify all possible risks that might affect the project, but anything likely to occur should be included in the analysis. Risks are then prioritized to determine how they should be addressed. Critical or highly probable risks should be addressed with a risk response. Risk responses are formulated based on the Companies' risk tolerance.

The most common risk responses are: avoid, transfer, mitigate, or accept. Mitigation means to take action now to prevent a risk event from occurring. Contingency planning involves the preparation of prescribed actions should a risk event be triggered. Effectively, the Companies need to decide if a risk event is important enough to address now by establishing mitigation plans, or waiting until a risk is triggered, in which case it can be addressed with a prepared contingency plan.

The Companies' assessment of the portfolio concluded that there are currently five main risks that require responses. These risks are:

1. Performance risk: The risk that the programs do not deliver expected results.
2. Market risk: The risk that the program participation will suffer as a result of poor economic conditions.
3. Technology risk: The risk that certain technologies or measures fail to deliver expected savings.
4. Evaluation risk: The risk that independent evaluation, measurement and verification ("EM&V") will conclude that either deemed savings, plan assumptions, or estimates fall short of what implementers have estimated.
5. Regulatory risk: The risk that achievements are not recognized and cost recovery is affected.

The Companies' risk responses to these identified risks are as follows. They do not necessarily correlate to the above risks on a one-on-one basis.

- Transfer performance related risk by entering into a performance-based contract with an experienced program implementer with a proven track record, Franklin Energy.
- Mitigate technology and market risks by designing a diversified portfolio that does not rely heavily on one single program or technology.
- Mitigate market risks by designing programs that help overcome many of the market challenges and barriers.
- Mitigate technology risk by incorporating technologies and measures based on market research and technologies with proven results in similar markets.
- Mitigate evaluation risk by using TRM algorithms if available and obtain SAG agreement on the NTG ratios to be used in planning assumptions using EM&V results.
- Mitigate regulatory risk by clearly stating objectives, expectations and assumptions in the plan and obtaining approval of these expectations and assumptions. Continue to work closely with SAG members to develop processes and expectations that minimize negative retrospective applications that exacerbate regulatory risk.

Risk management is a recurring event; it is not performed once and then set aside. Risk identification, management, and resolution continue after the portfolio is launched. New risks will develop as the programs evolve and external and internal situations change. The risk management plan summarized in this Section 3.2 is only a snapshot of the more critical current risks.

3.3 Implementation

The majority of the programs and paths outlined in this Plan are currently being implemented and ongoing tweaks are applied to improve program processes. New measures will be rolled into existing programs immediately. During PY4, the Companies will research the benefits and processes needed to move some residential Incentives upstream. Based on the success of this endeavor, other measures may also be moved to an upstream market transformation program. The Companies will discuss plans with the SAG as they become finalized.

If launched, the Residential Targeted Outreach and Education Program schools program will be offered jointly with ComEd. Consequently, the timeline and implementation will be determined jointly with them.

Residential Energy Efficiency Programs	
Program	Launch Status
Residential Programs	Ongoing
Multifamily Programs	Ongoing
Residential Outreach and Education Programs	Outreach – Ongoing

	Education – New if launched
Business Energy Efficiency Programs	
Program	Launch Status
Business Programs – Existing Facilities	Ongoing
Small Business Efficiency Program	Ongoing

The Research & Development budget in Tables 2A and 2B focuses on supporting training and compliance with the new Codes and Standards. It is a joint effort among DCEO, all the utilities, and other interested parties. The Companies will continue to participate and the timeline and implementation will be determined jointly.

Furthermore, implementation planning involves a continual assessment of program and measure mix to assure that the portfolio is on track to meet goals. As a result, in subsequent years, the Companies may add/subtract measures or modify the scope of a program based on market data, changes in technology, or other relevant information.

Finally, in addition to ensuring that the Companies reach savings and budget goals in a cost-effective way, some of the key goals identified in implementation planning are:

- Continue to implement new measures or remove less cost-effective measures in a seamless manner, working with affected trade allies.
- Continue to coordinate with DCEO.
- Continue building on the trade ally network established in Phase I that will drive the performance of many new programs.
- Work more closely with local organizations and communities to increase awareness of and activity in the programs.
- Continue to coordinate with ComEd's complementary electric energy efficiency offerings where it makes sense and is mutually beneficial to both entities.

3.3.1 Overall Implementation Strategy

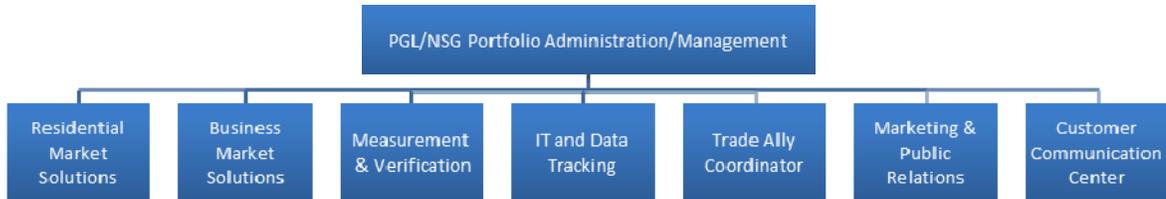
The first component of an implementation plan is to determine the implementation strategy. Franklin Energy will provide turnkey energy efficiency implementation services for Peoples Gas and North Shore Gas. The required work for implementation is divided into 3 distinct phases: Finalize Program Design, Start Up Tasks / Implement Portfolio Infrastructure, and Launch the Portfolio.

3.3.1.1 Finalize Program Design

Although current programs have an existing program design, Franklin Energy will revise the current design with the niche experts to ensure improvements are implemented where possible and appropriate. The finalization of program design aligns closely with the regulatory approval process. During and/or shortly after regulatory approval, Franklin Energy will form implementation planning work groups to organize and assign resources to complete detailed implementation planning. The implementation plan is intended to provide a comprehensive roadmap for program delivery with the goal of finalizing detailed program design. This roadmap will identify activities to put the people,

processes and systems in place to deliver, administer, and launch the program portfolio and execute On-Bill Financing.

The implementation planning work groups will represent the following areas:



The proposed implementation planning work groups are designed to represent the offerings and functions identified to administer the portfolio.

3.3.1.2 Start Up Tasks / Implement Portfolio Infrastructure

Once regulatory approval is received, the updating of implementation plans begins. For ongoing programs, this task will be fairly straightforward. Some new measures or delivery mechanisms will likely require more work. The key tasks for implementation and program delivery are:

- Work closely with niche experts to update implementation plans for new programs, measures or processes.
- Ensure all efforts are adequately staffed. Recruit, staff, and develop training support materials for new programs, measures or processes.
- Review and make required changes with utility and risk management planning.
- Establish training for Call Center services for new programs, measures, or processes.
- Maintain trade ally relationships and develop new relationships as needed.
- Develop marketing and communications strategy.
- Create processes and tools to support incentive fulfillment and implementation services.
- Update data tracking and other information technology functionality.
- Update Quality Assurance/Quality Control (“QA/QC”) plan.
- Coordinate efforts with the evaluation team.

Implementation planning for the two new program areas that are joint efforts with other utilities and organizations will be coordinated with them.

3.3.1.3 Launch the Portfolio

The tasks involved in launching the portfolio and executing the Marketing/Communication component of the implementation are:

- Develop and produce specific marketing materials and update older materials.
- Communicate with and train trade ally and community groups.

- Coordinate public relations efforts.
- Update website.

The tasks involved in ensuring Process Readiness are:

- Update applications and other customer forms.
- Train Call Center personnel.
- Train field staff.
- Develop tight QC to closely monitor and address process issues.

The success of the portfolio is highly dependent on effective marketing, a positive customer service experience, and error-free service delivery including processing of program applications and incentives. A more detailed roadmap for these critical operations is addressed later in this section.

3.3.2 Overall Management Strategy

The final component of the implementation is the review and finalization of the implementation management strategy. As the turnkey program implementation contractor, Franklin Energy has identified key positions for the ongoing management of the portfolio. Franklin Energy has developed a program staffing structure similar to the organization chart presented below. Its foundation is based on the original structure submitted in Phase I and has been improved upon, including the opening and staffing of a second office in the Chicago area.

Franklin Energy’s Executive Manager and Peoples Gas/North Shore Gas Regional Director (“Regional Director”) hold key positions during the final implementation planning and start up phases for any new programs or initiatives. The Regional Director will continue to provide direction to new Franklin Energy staff (Energy Advisors, Customer Service Representatives) dedicated to the Peoples Gas and North Shore Gas program effort to ensure goal attainment and customer/trade ally satisfaction.

The Executive Manager and Regional Director will be responsible, with the approval of the Companies, for:

- Portfolio and program strategy.
- External and internal coordination.
- Budget and financial management.
- QA/QC design / internal EM&V.
- Marketing and communication strategy.

Franklin Energy staff, working under the direction of the Regional Director, will be responsible for:

- Implementation planning.
- Process design and implementation.
- Program implementation.

- Management of third party vendors.
- Day-to-day operations and oversight.
- Tracking and reporting.
- Internal QA/QC checks.

3.3.3 Overall Timeline

All the programs with the exception of the Education component of the Targeted Outreach and Education program and the Codes and Standards effort are ongoing. The overall timeline for the Targeted Outreach and Education Program and the Codes and Standards effort will be finalized along with other stakeholders.

3.3.4 Communications/Marketing

Each program in the portfolio has a specific marketing and communication strategy to recruit customers in the target audience for the services being delivered. Some paths may also have their individual marketing and communication strategy. However, at the portfolio level, a broad communication plan that addresses program branding, communication and collateral standards, messaging, and customer service standards for all implementation contractors will be reviewed and revised as needed. Franklin Energy will lead a marketing group made up of Peoples Gas and North Shore Gas staff, program managers, and call center staff to update the overall communication plan as well as detailed plans for individual programs and, where appropriate, paths. Utility staff will provide branding guidelines including trademarks, communication styles and color palettes.

Assisted by the Companies' marketing staff, Franklin Energy will review market drivers for both Peoples Gas and North Shore Gas. This will allow Franklin Energy to finalize broad marketing strategies, messaging, and specific unique program tactics. In general, the goals of the communication plan are to:

- Ensure awareness and participation at a level that both utilities meet their respective energy saving goals during the Second Triennial Plan period, to the extent possible within the Cap.
- Deliver a clear, consistent, compelling message about the benefits of energy efficiency and provide a call to action.
- Build awareness and encourage participation among targeted customers.
- Build a strong marketing channel through the trade allies.
- Manage expectations regarding program availability, offerings, and incentives.
- Achieve participation goals while maintaining cost-effectiveness.
- Coordinate closely with other energy efficiency programs and other utilities.

A multi-pronged marketing communication approach will be utilized to establish awareness of the energy efficiency portfolio offered by Peoples Gas and North Shore Gas. Franklin Energy plans to utilize the following primary channels for overall program awareness:

- Mass Communications Outlets – Franklin Energy will coordinate use of low cost communications vehicles with utility marketing staff. The existing billing process and website allow low cost promotion of energy efficiency programs. Bill messaging, bill inserts, e-bill messaging, newsletters, and website promotions are a few of the existing low cost mass communication vehicles available to build program awareness.
- Program Field Staff – Franklin Energy staff will be the field marketing team, conducting targeted outreach to relevant customer groups and industry associations in addition to working with the customers daily.
- Stakeholder Account Managers – Franklin Energy will leverage the existing relationships utility account managers have with larger customers. Utility account managers will serve as the conduit to inform customers of the energy efficiency programs. Franklin Energy will support account managers to further develop their customer relationships.
- Trade Allies – Franklin Energy will engage this channel as early as possible to increase the ability to reach customers through existing relationships and at an appropriate time so that the program can influence a buying decision. Franklin Energy will provide training to ensure trade allies understand the various programs available, terms and conditions to which they must comply, and required procedures. Marketing materials will be provided to trade allies to distribute to their customers.
- Direct Delivery – Franklin Energy’s marketing group will develop marketing materials that are incorporated into program training sessions, mailed directly to customers, and distributed at events.
- Targeted Relationship Marketing – Franklin Energy will develop strategies by sector, region, business type, or end-use to target specific audiences to increase the effectiveness of promotional activities.

Efforts will focus on a wide broadcast of energy efficiency programs. Franklin Energy will use the above channels to educate customers and trade allies on energy efficiency technologies and opportunities to conserve energy. Marketing effectiveness will be closely monitored so that marketing strategies and tactics can be altered based on program performance and marketplace opportunities.

3.3.5 Customer Service/Call Center

Call center operations are critical operational components of the energy efficiency portfolio. Franklin Energy is responsible for setting up, staffing, and reporting on call center activities to support the Peoples Gas and North Shore Gas programs. The call center goals are to:

- Support the portfolio of energy efficiency programs.
- Minimize impact on the utility call center.
- Facilitate regular communication between call centers to cultivate smooth relationship management.

- Respond to customer inquiries on the energy efficiency programs.
- Enable and encourage participation in the energy efficiency programs.

Franklin Energy will utilize its established call center to support the Peoples Gas / North Shore Gas program efforts. Call center staff handle inquiries about customer and measure eligibility, completing program applications, requests to participate in a program, scheduling, and supporting documentation requirements. Each person handling tele-services is proficient in Peoples Gas and North Shore Gas offerings, customer qualification, program business rules, paperwork and procedures. Furthermore, call center staff have completed introductory training on all core technologies which will make up the majority of trade ally and customer inquiries. Ongoing and refresher training is performed as needed. Call center staff has access to a wide variety of bilingual resources to communicate with customers as needed.

Franklin Energy call center meets the expectations regarding Peoples Gas and North Shore Gas customer care protocol and call center standards.

The call center operations continue to:

- Support hours of operation between 7:00 AM to 5:00 PM central time.
- Provide an abandon call rate of less than 3%.
- Maintain an average speed of answer less than 45 seconds.
- Accommodate overflow call routing to a Franklin Energy backup call center.

Furthermore, metrics are closely followed to provide the best customer experience. Call volumes, wait times and callback turnaround are closely monitored.

3.3.6 Fulfillment

Franklin Energy is responsible for processing incentive payments, or rebate fulfillment, on behalf of Peoples Gas and North Shore Gas. Franklin Energy will ensure that staff is properly trained on the fulfillment process and various eligibility rules associated with each program. All fulfillment transactions must be uniform, documented, and auditable.

Consistent with Phase I, the programs will be set up to receive applications by mail and fax. Franklin Energy is partnering with a vendor to handle the Residential Home Energy Rebate Program's applications given the large volume of applications involved with this program. This program will offer an on-line application option for customers and trade allies' convenience.

The general workflow of the fulfillment process is as follows:

- Receive application and supporting documentation.
- Verify the completeness of the application package.
- Determine customer/program eligibility (account/premises).
- Determine measure/project eligibility.
- Input customer, measure, and energy savings data.

- Request approval for and issue incentive payment.

Franklin Energy will coordinate all QC reviews related to fulfillment processing. They will track failed or flawed applications to understand and incorporate process improvements to application forms or program design.

3.3.7 Quality Assurance/Quality Control

The quality of an energy efficiency program is ultimately a function of the program staff's ability to deliver results on time, within budget, and to properly track customer and trade ally participation without compromising program specifications.

- Quality Assurance ("QA"). Procedures intended to ensure that a program, product, or performed service under development meets specified requirements.
- Quality Control ("QC"). Procedures intended to ensure that a program, product, or performed service adheres to a defined set of quality criteria or meets the requirements of the utility, regulators, or customer.

The goal of Quality Assurance is to prevent errors, rework, process problems, fraud, and other quality risks from occurring. Creating quality processes upfront reduces the risk of errors, ultimately ensures better customer/trade ally satisfaction and minimizes the cost of program administration. During the process of product development and program finalization, Franklin Energy will make every effort to design the program and process to prevent non-conformance. As a part of the QA strategy, Franklin Energy will:

- Qualify internal employees, providers, and sub-contractors by ensuring proper background checks, verifying credentials, and addressing provider performance requests for proposals and contracts.
- Provide clear standard qualifications/credentials of providers and partners to assure quality workmanship.
- Ensure proper tools, forms, training, and materials are available for employees and other implementers.
- Make every effort to ensure errors are not repeated by identifying errors/exceptions in testing and providing solutions for errors prior to launching. This includes multiple independent checks and balances built into processes.
- Incorporate anti-fraud protocols specified or approved by the Companies that protect both systems and customer data.
- Utilize common QA tools to meet program specifications. Some of these tools are benchmarking, best practices, process flow charts, design for quality, and lessons learned documentation.
- Conduct periodic inspections for compliance with QA protocols.

The goal of Quality Control is to inspect work to ensure it has met the defined program quality standards. The defined quality standards for Peoples Gas and North Shore Gas energy efficiency programs are:

- Execute programs in accordance with the business rules established for each program with minimal mistakes and customer service issues.
- Protect utilities' customer data and prevent program fraud, either internal or external.
- Ensure work claimed and charged has been performed as described to meet the requirements of each program through various periodic QC inspections.

During the detailed implementation planning process, Franklin Energy will develop a QC plan that meets these standards, increasing the likelihood that customers and trade allies have a positive experience with the energy efficiency programs. When developing QC protocols, Franklin Energy will consider the following on a program by program basis:

- Decide which specific standards and key performance indicators the product, service or provider must meet from a customer, measure, and provider perspective.
- Determine what QC techniques best determine a product, process, provider, or application failure. Common techniques include data audits/reviews, field inspections, product sampling, invoice reconciliation, contractor reviews, process testing, trade ally surveys and program surveys.
- Collect, track, and analyze key performance indicators and determine the proper corrective action to resolve process failures, improve processes, and provide implementer feedback.
- Determine reporting frequency on key performance indicators customized to the needs of each program.

The QC process is ongoing. This ensures that remedial efforts produce satisfactory results and immediately detect recurrences or new program issues. It also lays the ground work for continuous process improvement.

Franklin Energy's Engineering Department conducts all internal process audits, QA/QC reviews and assists with implementation of field work. Franklin Energy's Program Manager is responsible for overall implementation of the program. The Project Coordinator is responsible for day-to-day office activities of the program, assisting field staff in scheduling activities and reviewing project applications. Energy Advisors are responsible for customer visits and audits to ensure the technical review of customer applications is performed properly and accurately. It is their priority to ensure a quality experience for the customer. Franklin Energy's Training Department is responsible for ensuring that all staff members are properly trained for their positions.

3.3.8 Data Management/System

Franklin Energy's data tracking database is built upon the Salesforce.com development platform that leverages the customer relationship management capability of Salesforce.com. This system has been enhanced to provide a robust and comprehensive utility-scale energy efficiency program data management solution. This

tracking system provides top-tier security, reliability, and functionality. It captures and manages data at all levels of the implementation effort, from program planning data through program delivery and review.

Franklin Energy's tracking system provides real-time access and visibility into energy efficiency projects and applications at every stage, while providing consistent tracking of projected energy savings and other key program information such as marketing leads, outbound marketing campaign success rates, and trade ally activity. In addition to tracking completed projects, Franklin Energy is able to closely monitor the "pipeline" of projects moving forward in order to estimate contributions from upcoming marketing and promotion campaigns. Franklin Energy will be tracking multiple metrics and can report against a plan by location, zip code, or other demographic.

Franklin Energy will continue to utilize the company's tracking system known as "Bensight." This system is built on the Salesforce.com platform, and has successfully served as the basis of tracking and reporting for the Peoples Gas and North Shore Gas programs during Phase I. The system provides comprehensive customer relationship and trade ally management capabilities, combined with one storage location for all project tracking and associated documentation critical for program management, and third-party evaluation.

3.4 Evaluation

Based on evaluation activities for Phase I, the general guidelines for evaluation efforts will be based on these guiding principles. These principles are subject to flexibility and will shift on major changes to programs or markets.

1. There are limited resources. Therefore, all activity should focus first on programs that have not been evaluated, have been significantly modified, provide the most savings or have activities that were not fully evaluated in the first round of evaluations such as quantification of spillover.
2. Since changes can be implemented at various times during a program year, we recommend discussing the timing of these changes with the program managers and focusing the evaluation on customers who participated after the changes were implemented. There is more value in evaluating programs that are more likely to continue in a specific delivery mode or design versus spending limited resources on programs that will not exist in the future or will be very different in the future.
3. All programs will have a review of data for accuracy and realization rates.

3.4.1 Impact Evaluation

The primary objective of impact evaluation is to estimate gross and net energy savings for the Companies' programs. These results will be used to validate program-claimed savings and to adjust estimates of savings to improve their accuracy.

Although the plan is to evaluate the most important measures offered in the programs, not all measures will be evaluated with the same level of rigor. An important part of the planning will be to prioritize the programs and their measures and define the level of rigor that will be applied to the evaluation for each component. New measures and new processes will be given a higher priority than measures that have already been evaluated or are standard.

A high level description of impact evaluation activities is provided in the program details section of this Plan. The Companies will cooperate with an independent third party evaluation firm to evaluate the programs and measures. The third party evaluator will perform evaluations consistent with generally accepted rules for evaluation and will address NTG matters consistent with the Commission's May 24, 2011 Order in Docket 10-0564.

3.4.2 Process Evaluation

Timely process evaluations are critical for ensuring (1) that the appropriate information is being tracked and (2) that the program is being implemented effectively and efficiently. By incorporating process evaluation activities in data collection and analysis for the impact evaluation, the Companies will be able to leverage the available funds and provide actionable process evaluation findings on most programs.

The process evaluation provides insights and recommendations to improve each program as well as to ensure the reliability of inputs to the impact evaluation. Where relevant (particularly where a program is expected to go beyond energy savings to influence various aspects of a market), we will also conduct research to understand and document the relevant market.

The primary objective of this effort will be to help program designers and managers structure their programs to achieve cost-effective savings while maintaining high levels of customer satisfaction.

The process evaluation for each program will include in-depth qualitative interviews with the Companies' staff and program implementers. These interviews will be used to develop a complete understanding of the final design, procedures, and implementation strategies for each program. Through these interviews, available program materials, including marketing and outreach materials such as web-based promotional content, point of purchase (POP) materials, print and radio advertising copy, and any cooperative marketing materials developed, will be collected.

3.4.3 Coordination with EM&V Contractor

The Companies selected Navigant Consulting, Inc. ("Navigant") to be the Third Party EM&V Contractor. This Plan has been shared with Navigant. Navigant has reviewed the draft document, and provided input on the EM&V Requirements sections of individual program plans and on the overall discussion of evaluation in Section 3.4. Navigant has communicated its preference for collection of assumptions and data during

implementation for evaluation purposes, where practical, and will work with the implementer to identify priority data.

3.5 Reporting

Program reporting serves two key objectives:

- Provide information to regulators needed to assess the programs and their achievements.
- Provide timely information to program implementers needed to manage the programs including progress towards goals and expenses versus budgets.

Quarterly and annual reports will be prepared that meet these objectives. Program evaluation also requires that the information needed to properly evaluate a program is tracked and reported. Each of these items is discussed further below.

3.5.1 Importance of Accurate Reporting

Accurate reporting is essential to the successful administration of a program. Program reporting reflects the progress or results of the programs, helps determine program changes that need to be made, and is a key tool used in the decision-making process. Program changes made as a result of reporting can have financial implications, which add to the importance of accurate reporting.

Accurate reporting is also important because it provides needed information to track whether mandated requirements are being met. Most energy efficiency programs have specific goals and benchmarks that must be achieved by certain dates. Accurate reporting provides the vehicle to evaluate whether these goals and benchmarks are being achieved cost-effectively in the allotted time frame and whether goals or programs need to be adjusted.

Providing information for the program evaluation is also an important aspect of reporting. Evaluation is a key aspect in gauging the success of the programs because it:

- Reports if the utilities have met their portfolio goals.
- Reports if a program has met its goals.
- Presents reasons why a program has succeeded or failed.
- May be used for compliance with regulations.

Evaluation relies heavily on data tracking and reporting in order to be comprehensive, reliable, and robust.

3.5.2 Reported Savings and Data Tracking

At the outset of the programs and for planning purposes, all savings were estimated values. The savings values used for planning purposes in this Plan use algorithms specified in the most recent approved version of the Illinois TRM. The most recently available NTG ratios were also used for planning purposes. The NTG ratios and the

Realization Rates may change on a prospective basis due to ongoing evaluation of the programs, updating of the TRM or in accordance with the Illinois NTG Framework. The evaluation work will feed into the existing values to determine if adjustments need to be made in the prospective reporting of program savings.

In order to accurately report program results, the proper data must be tracked and verified. The critical areas to track data are expenses, energy savings, and program participation levels. The key pieces of data to track may vary by program; however, for the most part, in each category they are:

- Expenses: Reported for installed, completed, and committed measures/projects.
 - Start up costs (if applicable).
 - Administration/delivery (rebate processing, technical analysis and audits, direct installations, inspections, and other quality control).
 - Marketing/Outreach and Education.
 - Incentives (Incentives that offset incremental costs for customers).
 - Evaluation and related research.
- Energy Savings: Reported for installed and committed measures/projects in the program.
 - Annual Gas Savings: the yearly (12 months) savings that will result from a measure/project installed or committed during the program year.
 - Lifecycle Gas Savings: the savings to be accrued over the expected life of a measure/project installed or committed to during the program year.
 - Cumulative Portfolio Gas Savings: the savings that will accrue during the expected life of all measures/projects installed or committed to during the current and all previous program years.
- Program Participation: Reported for all installed, completed, and committed measures/projects.

3.5.3 Important Data to Track

The most important data pieces to track are the total annual energy savings and the total yearly participation. These two data points are the benchmark for all goals and targets. Each program has specific participation and savings values which are expected to be achieved in order for the program to be considered successful. Another key piece of data to track is the costs associated with the savings. This allows us to track where we are in terms of reaching the cap as well as reviewing cost effectiveness of the program at year end and for the overall Second Triennial Plan.

Program reporting provides the link between the three phases of program design: planning, implementation, and evaluation. Accurate reporting for all three phases is essential in order to be able to make informed decisions on the success of the program and in determining if any changes are necessary.

Franklin Energy continues to work closely with the EM&V Contractor to ensure the appropriate and needed data is being collected. Franklin Energy has given the EM&V

Contractor access to the tracking system to enable timely and direct downloading of data needed for evaluation purposes.

3.6 Closing the Loop/Commitment to Continuous Improvement

The Companies are committed to continuously improving the design and delivery processes for its programs. As such, the Companies will review program operations, results and processes on a continual basis. Consistent with how the team operated in Phase I, this will allow for mid-stream adjustments to program implementation plans, marketing plans, forecasts, budget allocations and, if warranted, savings calculations.

3.7 Potential Pilots

Section 8-104 allows for no more than 3% of the total budget to be used for research and/or pilot programs. While the Companies are not proposing any pilots at this time, a small budget for Research and Development of the Codes and Standards effort has been included in the budget. The Companies will consider potential pilot programs and may implement a pilot program during this second plan period or propose a pilot in a future plan period.

3.8 Proposed Program Details

This section provides details on the programs that the Companies propose to include in their gas energy efficiency portfolio. The program detail templates are intended to provide sufficient information on program concepts and designs to allow for adequate stakeholder and Commission review.

The Companies are committed to meeting the proposed energy savings targets within the budget allocations in the most cost-effective way. To this end, the Companies request the latitude to reallocate funding between programs, to add or delete cost-effective measures, and increase or decrease incentive amounts, at their discretion, to ensure performance criteria are met. The Companies will comply with the Commission's directives in Order No. 10-0564 in making any such changes and in the instant proceeding. The Companies envision the nature of the portfolio adjustments would relate to specific designs in response to customer/implementer feedback and/or rebalancing the portfolio based on individual program performance or emerging market/technology opportunities. Lastly, as the Companies continue to learn from the market response to these and other utility programs, additional programs may be added to enhance the portfolio performance.

The proposed portfolio is a comprehensive set of proven programs that reach all customer classes. All of the programs in the Companies' proposed portfolio screened as cost-effective for the 3-year plan period. Furthermore, all programs are scalable, meaning they can easily expand to incorporate additional measures in the future or remove measures that are no longer cost effective.

The DCEO will be implementing energy efficiency programs designed specifically for the low income and public sector. Programs that address these markets are not included in the Companies' portfolio because DCEO is filing its own plan. However, Peoples Gas and North Shore Gas intend to continue to cooperate with DCEO to help build awareness and encourage participation in their offerings.

The Residential and Multifamily programs provide a variety of options that allow customers to participate in multiple ways. In general, these programs are broad based offerings aimed at a variety of market segments, from single family to multifamily, with technologies applicable to both existing homes and new construction. They range from end use measures to comprehensive total building efficiency, providing options to customers to fit their needs. All programs will include an educational component for customers and trade allies and will leverage each other for promotional activities. Detailed program information is provided in section 3.8.1 below.

Proposed residential programs are:

- 3.8.1.1 – Residential Programs
- 3.8.1.2 – Multifamily Programs
- 3.8.1.3 – Residential Outreach and Education Programs

The Commercial and Industrial energy efficiency programs provide a variety of options that allow customers multiple points in participating in the Companies' programs. These programs are aimed at multiple segments, from broad-based offerings to those geared to specific markets from small businesses to industrial customers. Within these programs are end uses that will allow the Companies to target specific markets such as healthcare. This design also allows for a targeted, segmentation based marketing effort that has proven successful in the past, such as dry cleaners, a segment within the Small Business Efficiency Program. Detailed commercial and industrial program information is provided in section 3.8.2 below.

Proposed C&I programs are:

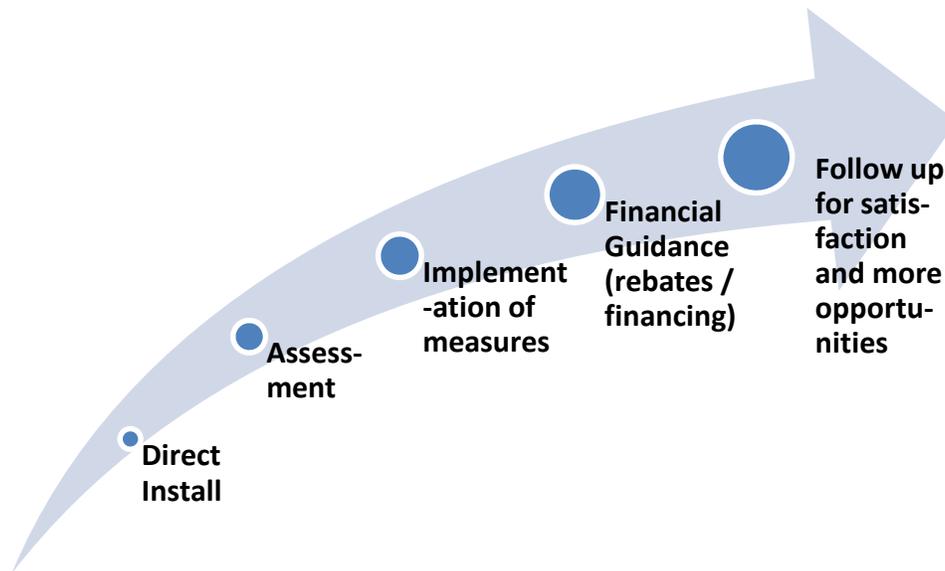
- 3.8.2.1 – Business Programs – Existing Facilities
- 3.8.2.2 – Small Business Efficiency Program

Savings estimates for individual measures or programs have been developed in various manners. This includes calculating impacts using algorithms in the TRM if the measure is listed in the TRM or generally accepted engineering algorithms based on a set of reasonable assumptions to input variables and building simulation modeling. Because of the diversity in equipment and energy consumption patterns across multiple building types and end-uses, there exists a variability in the savings estimates as they relate to program design and target markets. A collaborative effort throughout the planning process between the utilities allowed for comparison of the measures and has led to a consistency in approach, even if the saving values differed. The proposed rebate levels are based mostly on current incentives or on the levels of incentives we believe are

needed to encourage customers to pursue efficiency during a time of lower gas costs and longer payback periods. We have also tried to balance the impact of higher Incentives against the impact of reaching our budget cap.

Details on each program are provided in the following pages. They have incorporated lessons learned from Phase I, inputs from our niche experts mentioned earlier in this Plan and saturation information from the Potential Study.

The Plan for PY4 – PY6 is based on a One Stop Shop to energy efficiency. Each program has a variety of paths in which a customer can participate and provides all customers an opportunity to participate in as much of the program as they want. Each path of a program can serve as an individual, stand-alone activity or as part of complete process to energy efficiency. However, the more the customer does, the more they save. And the more satisfied the customer is with the energy efficiency experience and results, the more likely they are to participate over time.



The Companies' portfolio offers a comprehensive set of services and opportunities for all customers.

Program	Direct Install	Assessment	Implementation of Measures	Financial Guidance (Rebates/Financing)	Follow up for Satisfaction And More Opportunities
Residential Programs	Yes	Yes	Yes	Yes	Yes
Multifamily Programs	Yes	Yes	Yes	Yes	Yes
Residential Outreach & Education Programs	Yes	N/A	Yes	N/A	Yes
Business Programs - Existing Facilities	Yes	Yes	Yes	Yes	Yes
Small Business Program	Yes	Yes	Yes	Yes	Yes

3.8.1 Proposed Program Details - Residential Programs

PROGRAM	3.8.1.1 RESIDENTIAL PROGRAMS
<p>Description</p>	<p>This program provides residential customers access to energy efficiency through two paths. The programs are designed to help customers save energy immediately through the direct installation of measures while identifying major upgrades (i.e. furnace or boiler replacement, attic insulation) for future consideration. The Home Energy Jump Start Program path includes a direct installation service paired with a home energy assessment. Improvements identified during the Jump Start visit may be eligible for an incentive through the standard Home Energy Rebate Program path.</p> <p>Path 1 - Home Energy Jump Start Program. This path invites customers to participate in a direct installation of low cost energy and water saving measures including low flow showerheads, kitchen and bathroom faucet aerators, programmable setback thermostats and pipe insulation. During the visit, Field Technicians will also complete a high level energy assessment to identify other energy saving opportunities, and provide the customer with estimated costs and savings for these opportunities. The Technician will educate residential customers on financial incentives and On Bill Financing available for eligible measures identified during the Jump Start assessment.</p> <p>Path 2 – Home Energy Rebate Program. This path provides incentives for high efficiency heating systems, setback thermostats, and attic and pipe insulation. The Program Team will continue to offer financial incentives directly to residential customers to offset the incremental cost of high efficiency equipment. The Program Team is coordinating and planning for the option of offering incentives “upstream” at some point during Phase II, with the intent of gaining greater market share gains for key measures (e.g. condensing furnaces).</p>
<p>Utility Collaboration</p>	<p>It is the intent of the Companies and ComEd to cooperate in the offering of this program. There are some measures that could benefit both the gas and electric energy use and joint offerings, where possible, will be made transparent to the customer. In addition, the utilities will collaborate in raising awareness of and educating customers and trade allies on the benefits of energy efficiency.</p> <p>Specifically, the Companies and ComEd will offer the Path 1 Home Energy Jump Start program as a joint program. Under Path 2, we continue to jointly offer the Complete System Replacement measure where an enhanced rebate is provided if a customer replaces both heating and central air conditioning systems as the same time if this measure continues to provide mutual benefit to both the Companies and ComEd. We will continue to look for opportunities to jointly collaborate on offering a program or coordinate activities to benefit both the gas and electric program areas.</p>
<p>Delivery Strategy</p>	<p>Delivery Approach: Path 1 utilizes contractors to perform the direct install and the high level assessment. Path 2 incorporates marketing by Franklin Energy, Peoples Gas and North Shore Gas,</p>

support by trade allies to promote high efficiency wherever possible and fulfillment by our partner who offers online application forms for improved timeliness and accuracy as well as ease of use by customers with access to computers. Hard copy applications are also available for those who don't.

Key Market Barriers:

For Peoples Gas, a major market barrier is the close proximity of some single family homes does not allow side venting of natural gas heating and water heating systems. Most high efficiency equipment is side vented. In the Peoples Gas territory, only 42% of customers are in single family homes and 52% of residences are rentals. The incremental cost to make the jump to high efficiency equipment is a market barrier in both Peoples Gas and North Shore Gas territory. Customer knowledge and understanding of the cost and the benefits to high efficiency is also a barrier, as is contractor familiarity and understanding in pricing and service associated with high efficiency equipment. Finally, for both service territories, a major market barrier is the potential change to the baseline efficiency of natural gas furnaces, as determined by the Federal DOE equipment efficiency standards (e.g. move to 90% AFUE minimum for the Northern Tier of United States).

General Incentives Strategy:

In general, incentives are based on approximately 50% of incremental costs. Actual incentives are provided on the table of eligible measures. The Companies request authority to revise eligible measures and incentives as driven by current market conditions, changes to codes and standards, technology, EM&V results, and program management knowledge.

Non-Incentive Services:

Along with Home Energy Jump Start direct installation, a high level assessment of the residence will be performed. This assessment will identify other energy improvement opportunities that the resident can implement, and the assistance available from the Home Energy Rebate Program and On Bill Financing. The assessment will provide estimates of costs and savings so the resident can prioritize future actions based on payback if desired.

Changes for Continuing Program:

A potential change to this program is to move Incentives upstream. Rather than provide Incentives to the buyer of the equipment, provide an incentive to the distributor. We continue to research various models used by other utilities and the successes they have had. This upstream model would initially be offered for heating system incentives and may be expanded based on its success. At the time of this plan filing, the Program Team anticipates the need to coordinate this upstream offer with neighboring Nicor Gas for the model to gain enough support from HVAC distributors that sell into all three gas utility territories (Peoples Gas, North Shore Gas and Nicor Gas). This will be a key determinant if the upstream model can be launched.

Quality Control:

- Field inspections will continue to be used to confirm installation and eligibility on a maximum of 2.5% of rebated equipment.

	<ul style="list-style-type: none"> • Transaction surveys will be used to measure customer satisfaction and identify potential program and process improvements. • Trade ally advisory groups and surveys will be used to ensure the process is easy to work with and helpful to trade allies in selling high efficiency equipment. This will also provide feedback on the facility with which they can refer customers to On-Bill Financing. <p>Duration: The program implementation period is three years, commencing on June 1, 2014 and continuing through May 31, 2017. In the event the furnace baseline is increased to 90% AFUE, the Companies will work with SAG to determine the appropriate actions to take in relation to the program. It is highly unlikely that any furnace rebate will be cost effective with a 90% AFUE baseline.</p> <p>Exit Strategy: The measures in the program will be tracked individually and removed from the portfolio when EM&V and tracking suggest 80% or greater market penetration. In the event the entire program is to be discontinued, the Companies will first notify all trade allies of the end date of the program. The Companies will also include information of the end date in customer communications. After the end date, all applications that are received will be returned to the customer with a letter of explanation. Discontinuation of this program should not cause any major disruption to the portfolio.</p> <p>Key Metrics: Key metrics will include energy savings, participation rates, number of incomplete/flawed applications, customer satisfaction transaction survey response rate and responses, verification of installation, and overall cost per therm saved for this program. These metrics will compare actual to projected results.</p>
<p>Target Market</p>	<p>This program is targeted to customers with natural gas heating in homes with individual heating systems and individually metered residences (e.g. single family, duplexes). In general, this describes customers taking service under Service Classification (“S.C.”) No. 1, Small Residential Service. Customers must be an active Peoples Gas or North Shore Gas residential customer. Both owner occupied or rental premises are eligible provided the purpose of the premises is for a residential dwelling.</p>
<p>Marketing Strategy</p>	<p>The marketing strategy for the Residential Programs will continue to be building awareness of the program and the paths available for participation. Messaging will be aimed at two audiences: 1) property owners and 2) heating dealers, distributors, and other trade allies. The campaigns directed at the home owners will include bill inserts, bill insert newsletter, public relations, and other special events, all supported by the Companies’ websites. The Companies will also work with community and neighborhood organizations to promote the Home Energy Jump Start Program which has proven extremely successful in demonstrating the benefits of energy efficiency. A second message will be to encourage adoption of measures to start saving energy and money immediately.</p>

The tactics for trade ally involvement will be to provide marketing support and periodic trade ally incentives. Trade ally support and engagement in these programs is a key element to the success of energy efficiency programs. Franklin Energy will establish trade ally advisory groups to educate and ultimately champion this program. Marketing activities will expand to capture measures that target retail outlets providing point of purchase marketing materials for retailers.

Eligible Measures

Eligible measures and their Incentives include the following:

Measure	Per Unit Incentive
Attic Insulation	\$200
Boiler Reset Controls	\$250
Boiler ≥90% AFUE, ≤300 MBh	\$500
Boiler ≥90% AFUE, ≤300 MBh Early Ret.	\$600
Boiler ≥95% AFUE, ≤300 MBh	\$600
Boiler ≥95% AFUE, ≤300 MBh Early Ret.	\$700
Duct Sealing	\$650
Furnace ≥92% AFUE, ≤225 MBh	\$100
Furnace ≥92% AFUE, ≤225 MBh Early Ret.	\$200
Furnace ≥95% AFUE, ≤225 MBh	\$400
Furnace ≥95% AFUE, ≤225 MBh Early Ret.	\$500
Furnace ≥97% AFUE, ≤225 MBh	\$500
Furnace ≥97% AFUE, ≤225 MBh Early Ret.	\$600
Pipe Insulation (DHW)	\$9
Pipe Insulation (Hydronic Boiler)	\$115
Pipe Insulation (Steam Boiler)	\$175
Programmable Thermostat	\$30
Steam Boiler ≥82.5% AFUE, ≤300 MBh	\$100
Steam Boiler ≥82.5% AFUE, ≤300 MBh Early Ret.	\$200

**Program
Targets**

Estimated Participation - Peoples Gas:

Measure	PY4	PY5	PY6
Home Energy Jump Start Direct Install	8,800	8,250	8,000
Attic Insulation	125	105	80
Boiler Reset Controls	30	30	30
Boiler ≥90% AFUE, ≤300 MBh	50	50	40
Boiler ≥90% AFUE, ≤300 MBh Early Ret.	20	20	20
Boiler ≥95% AFUE, ≤300 MBh	30	40	50
Boiler ≥95% AFUE, ≤300 MBh Early Ret.	6	6	5
Duct Sealing	180	150	80
Furnace ≥92% AFUE, ≤225 MBh	250	180	150
Furnace ≥92% AFUE, ≤225 MBh Early Ret.	60	50	40
Furnace ≥95% AFUE, ≤225 MBh	700	750	800
Furnace ≥95% AFUE, ≤225 MBh Early Ret.	120	110	110
Furnace ≥97% AFUE, ≤225 MBh	80	80	100
Furnace ≥97% AFUE, ≤225 MBh Early Ret.	10	10	15
Pipe Insulation (DHW)	200	200	200
Pipe Insulation (Hydronic Boiler)	150	150	150
Pipe Insulation (Steam Boiler)	100	100	100
Programmable Thermostat	400	400	400
Steam Boiler ≥82.5% AFUE, ≤300 MBh	10	10	10
Steam Boiler ≥82.5% AFUE, ≤300 MBh Early Ret.	2	2	2

Estimated Participation - North Shore Gas:

Measure	PY4	PY5	PY6
Home Energy Jump Start Direct Install	1,200	1,200	1,200
Attic Insulation	5	5	5
Boiler Reset Controls	4	4	4
Boiler ≥90% AFUE, ≤300 MBh	5	5	5
Boiler ≥95% AFUE, ≤300 MBh	0	0	0
Duct Sealing	90	65	44
Furnace ≥92% AFUE, ≤225 MBh	45	45	45
Furnace ≥92% AFUE, ≤225 MBh Early Ret.	20	20	20
Furnace ≥95% AFUE, ≤225 MBh	140	140	140
Furnace ≥95% AFUE, ≤225 MBh Early Ret.	85	85	85
Furnace ≥97% AFUE, ≤225 MBh	50	50	50
Furnace ≥97% AFUE, ≤225 MBh Early Ret.	30	30	30
Pipe Insulation (DHW)	25	25	25
Pipe Insulation (Hydronic Boiler)	15	15	15
Pipe Insulation (Steam Boiler)	4	4	4
Programmable Thermostat	100	100	100

Estimated Per Unit Net Savings – Jump Start Direct Install:

Measure	Per Unit Therm Savings
Bathroom Aerator	0.7
Kitchen Aerator	4.1
Pipe Insulation (Boiler)	5.1
Pipe Insulation (DHW)	6.6
Programmable Thermostat	45.2
Re-Program Programmable Thermostat	45.2
Showerhead	17.1
Water Heater Setback	5.5

Estimated Per Unit Net Savings – Home Energy Incentives:

Measure	Peoples Gas	North Shore
Attic Insulation	24.5	34.3
Boiler Reset Controls	70.1	65.3
Boiler ≥90% AFUE, ≤300 MBh	95.5	87.8
Boiler ≥90% AFUE, ≤300 MBh Early Ret.	401.0	368.0
Boiler ≥95% AFUE, ≤300 MBh	126.0	116.0
Boiler ≥95% AFUE, ≤300 MBh Early Ret.	431.0	396.0
Duct Sealing	215.0	200.0
Furnace ≥92% AFUE, ≤225 MBh	83.7	77.0
Furnace ≥92% AFUE, ≤225 MBh Early Ret.	235.0	216.0
Furnace ≥95% AFUE, ≤225 MBh	102.0	93.5
Furnace ≥95% AFUE, ≤225 MBh Early Ret.	253.0	233.0
Furnace ≥97% AFUE, ≤225 MBh	111.0	102.0
Furnace ≥97% AFUE, ≤225 MBh Early Ret.	262.0	241.0
Pipe Insulation (DHW)	4.8	4.5
Pipe Insulation (Hydronic Boiler)	35.4	33.0
Pipe Insulation (Steam Boiler)	65.9	61.3
Programmable Thermostat	21.2	19.8
Steam Boiler ≥82.5% AFUE, ≤300 MBh	33.0	30.4
Steam Boiler ≥82.5% AFUE, ≤300 MBh Early Ret.	315.0	290.0

Net Energy Savings Targets (Therms) – Peoples Gas:

Measure	PY4	PY5	PY6
Home Energy Jump Start	688,732	645,695	626,120
Home Energy Rebates	233,620	222,301	210,281
Total	922,352	867,996	836,401

Net Energy Savings Targets (Therms) – North Shore Gas:

Measure	PY4	PY5	PY6
Home Energy Jump Start	101,311	101,311	101,311
Home Energy Rebates	75,450	70,450	66,250
Total	176,762	171,762	167,562

Estimated Budget – Peoples Gas:

Budget Category	PY4	PY5	PY6
Delivery/ Program Mgmt / Marketing	\$1,800,000	\$1,800,000	\$1,800,000
Incentives	\$2,074,408	\$1,975,872	\$1,914,094
TOTAL	\$3,874,408	\$3,775,872	\$3,714,094

Estimated Budget – North Shore Gas:

Budget Category	PY4	PY5	PY6
Delivery/ Program Mgmt / Marketing	\$344,000	\$344,515	\$344,515
Incentives	\$412,704	\$396,454	\$382,804
TOTAL	\$756,704	\$740,969	\$727,319

Benefit Cost Ratios:

	Ratepayer Impact Measure Test	Utility Cost Test	Total Resource Cost Test	Participant Test
Peoples Gas	0.47	1.38	1.01	0.32
North Shore Gas	0.59	1.54	1.01	0.34

Levelized Cost Per Therm Saved:

Levelized Cost/Therm Saved	\$/therm
Peoples Gas	\$0.36
North Shore Gas	\$0.37

PROGRAM	3.8.1.2 MULTIFAMILY PROGRAMS
<p><i>Description</i></p>	<p>This program is targeted to residential customers who live in multifamily buildings and multifamily building owners/property managers. It is a comprehensive program that is designed as a one-stop shop, meaning that the target audience will be able to access all four paths offered through this program through one point of contact.</p> <p>Path 1 - Comprehensive Energy Assessment and Direct Install. This path provides direct installation of low flow showerheads, low flow faucet and kitchen aerators, programmable thermostats, pipe insulation, water heater thermostat setbacks, and pre-rinse sprayers where appropriate. Immediate energy and water savings encourages the owner/manager to continue toward more savings. While at the premises, this program provides a facility assessment to identify other savings opportunities.</p> <p>Path 2 - Standard and Trade Ally Partner Installed (“TAPI”) Incentives. This path provides standardized Incentives for equipment such as heating systems (boilers and furnaces), boiler cut out and reset controls, steam trap repairs, water heaters, and pipe insulation. These incentives are based on the size and efficiency of the equipment installed or are on a per unit basis. Incentives range from 30% to 75% of the incremental cost difference between standard or minimum code efficiency and high efficiency equipment. This Path also includes an optional TAPI list of measures where select allies, screened and registered with the Program, offer measures and upgrades at set prices to make it easy for interested customers to act quickly in making improvements.</p> <p>Path 3 - Custom Incentives. This provides custom incentives for non-standard items, calculated given the operating conditions of the facility in question. First year therm savings are calculated, and the Energy Advisor applies a formula where a \$/therm incentive is extended to the owner to offset the cost to act on the recommended project.</p> <p>Path 4 - Gas Optimization. This path provides a service where energy advisors/engineers review a multifamily facility for operation and maintenance issues that, if corrected, often provides short payback projects that are very attractive to owners. Examples of issues uncovered from a Gas Optimization Assessment include correcting condensing boiler operating temperatures to ensure condensing operation and therefore savings, aligning actual facility operating hours and ventilation scheduling.</p>
<p><i>Utility Collaboration</i></p>	<p>Building on success in Phase I, it is the intent of the Companies to offer this program jointly with ComEd as there is a high potential for continued benefit to both gas and electric utility customers. The utilities will determine a framework for cost allocation based on savings/benefits to each utility’s customers. The framework will be fair and equitable and will increase the cost-effectiveness of the overall program for both utilities and their customers.</p> <p>The Companies will also pursue other potential partners for collaboration and marketing purposes. These partners will include implementation contractors and multifamily building owners or property management firms.</p>

Delivery Strategy

Delivery Approach:

This program will be implemented through both Franklin Energy and its partners as well as through trade allies.

Path 1 consists of Energy Advisors performing a comprehensive energy audit of the entire complex and making recommendations for direct install, trade ally partner, and standard installation opportunities. A written report is provided to building owners/managers on the energy and water saving opportunities present within their facility.

Paths 2 and 3 capitalize on relationships with trade ally partners who promote the program and their services while working within the multifamily market. Standard incentives will be offered to building owners along with an option for owners to use a group of registered trade ally partners who will offer upgrades (e.g. boiler tune up) at a standard price at a flat rate price that is negotiated prior to program commencement. These trade ally partners also promote standard and custom projects as appropriate. These Paths will build on the changes the Program Team is making in PY3 to increase the reach and awareness of the program in a very cost effective manner.

Path 4 services will be delivered by program staff and independent engineering firms with expertise uncovering these types of O&M opportunities.

Key Market Barriers:

One of the key market barriers this program strives to overcome is the lack of awareness by key decision makers in this market segment of energy and water saving improvements. Another barrier is the traditional 'split incentive' problem common to the multifamily market. Landlords normally pass through natural gas costs to tenants and have no incentive to save energy. Tenants do not own the property and seldom see a direct impact in their rent from conserving energy. Consequently, they have no incentive to invest in energy saving measures. Another barrier is the lack of funds to implement larger, more expensive improvements which can be mitigated with the availability of low interest or On-Bill Financing.

These barriers apply to both Peoples Gas and North Shore Gas multifamily building owners and renters.

General Incentives Structure:

Direct install is provided at no cost to the customer. Standard Incentives are based on approximately 30-70% of incremental costs. Custom Incentives are based on the lesser of a buy down to a 1 year payback, \$1.25 per therm saved during the first year, or the full incremental cost. Actual incentives are provided on the table of eligible measures. The Companies request authority to revise eligible measures and incentives as driven by current market conditions, changes to codes and standards, technology, EM&V results, and program management knowledge.

Non-Incentive Services:

As part of the Path 1 service, an Energy Advisor will complete a comprehensive energy assessment of the entire multifamily facility. In addition, the program will offer

	<p>engineering support and Gas Optimization studies to help determine energy savings and payback on more complex projects.</p> <p>Changes for Continuing Program: All the incentives and services provided by this program are a continuation of previous years with the exception of financing. The major difference is the bundling of these previous individual programs into a one-stop shop designed specifically for the multifamily building market.</p> <p>Quality Control:</p> <ul style="list-style-type: none"> • Field Inspections to confirm installation and eligibility on a maximum of 5% of installations will be conducted. • Transaction surveys will be used to measure customer satisfaction and identify potential program and process improvements. • Trade ally surveys will be conducted to measure trade ally satisfaction and identify potential program and process improvements. <p>Duration: The program implementation period is three years, commencing on June 1, 2014 and continuing through May 31, 2017.</p> <p>Exit Strategy: In the event the entire program is to be discontinued, the Companies will first notify ComEd and building owners/property managers of the end date of the program. All projects in the pipeline will be completed and no additional projects will be accepted once the notification has been sent. Discontinuation of this program should not cause any major disruption to the portfolio.</p> <p>Key Metrics: Key metrics will include the number of residential multifamily units that were retrofitted and the corresponding deemed energy savings, the number of buildings that participated, and the number of measures installed. Program Management will actively monitor savings by Path, including the standard, custom and TAPI paths explained above. Key metrics will also include building owner and tenant satisfaction with services provided.</p>
<p>Target Market</p>	<p>Some multifamily buildings have individual heating systems and are individually metered while others are centrally heated and have a central meter. Both are eligible to participate provided those buildings with individual heating systems and individual meters are three-plexes or larger and not served by the Residential Programs. In general, this describes customers served under S.C. No. 1 and S.C. No. 2. Customers must be an active Peoples Gas or North Shore Gas customer.</p> <p>Community Development housing projects not served by DCEO and Federally-owned multifamily housing structures will be a target market sector. Assisted living and nursing homes may also be possible market targets.</p>

<p>Marketing Strategy</p>	<p>This program will be marketed primarily through partnerships with building owners, property managers and real estate professionals. Franklin Energy and its partners will use strategic communication channels to inform building owners about the program and recruit new participants. The primary outreach strategies will build on Phase I success and will involve working with key businesses, institutions, associations and organizations that are already connected with a broad range of local property owners. Direct mail and one-on-one contact will be instrumental in reaching this audience. Franklin Energy will also work with HVAC and plumbing contractors to introduce the service to multifamily building owners and property managers with whom these firms work.</p> <p>Case studies and testimonials as well as presentations will feature the successes of this program and grow participation in this program.</p>																																														
<p>Eligible Measures</p>	<p>Eligible measures and their Incentives include the following:</p> <table border="1" data-bbox="399 791 1032 1633"> <thead> <tr> <th>Measure</th> <th>Per Unit Incentive</th> </tr> </thead> <tbody> <tr><td>Attic Insulation</td><td>\$200</td></tr> <tr><td>Boiler Reset Controls</td><td>\$125</td></tr> <tr><td>Boiler Tune-Up</td><td>\$60</td></tr> <tr><td>Boiler ≥85% AFUE, <300 MBh</td><td>\$300</td></tr> <tr><td>Boiler ≥85% AFUE, ≥300 MBh</td><td>\$800</td></tr> <tr><td>Boiler ≥90% AFUE <300 MBh</td><td>\$600</td></tr> <tr><td>Boiler ≥90% AFUE, ≥300 MBh</td><td>\$1,600</td></tr> <tr><td>Furnace ≥95% AFUE, ≤225 MBh</td><td>\$300</td></tr> <tr><td>Furnace ≥97% AFUE, ≤225 MBh</td><td>\$400</td></tr> <tr><td>Furnace Tune-Up</td><td>\$50</td></tr> <tr><td>HVAC Steam Trap Replacement</td><td>\$80</td></tr> <tr><td>Indirect Water Heater</td><td>\$100</td></tr> <tr><td>Pipe Insulation</td><td>\$9</td></tr> <tr><td>Programmable Thermostat</td><td>\$30</td></tr> <tr><td>Water Heater, 0.67 EF</td><td>\$100</td></tr> <tr><td>TAPI Boiler Reset Controls</td><td>\$60</td></tr> <tr><td>TAPI Boiler Tune-Up</td><td>\$40</td></tr> <tr><td>TAPI Furnace Tune-Up</td><td>\$50</td></tr> <tr><td>TAPI HVAC Steam Trap Repair/Replace</td><td>\$60</td></tr> <tr><td>TAPI Pipe Insulation (Steam)</td><td>\$1,500</td></tr> <tr><td>Custom</td><td>\$5,781</td></tr> <tr><td>Gas Optimization</td><td>\$7,500</td></tr> </tbody> </table>	Measure	Per Unit Incentive	Attic Insulation	\$200	Boiler Reset Controls	\$125	Boiler Tune-Up	\$60	Boiler ≥85% AFUE, <300 MBh	\$300	Boiler ≥85% AFUE, ≥300 MBh	\$800	Boiler ≥90% AFUE <300 MBh	\$600	Boiler ≥90% AFUE, ≥300 MBh	\$1,600	Furnace ≥95% AFUE, ≤225 MBh	\$300	Furnace ≥97% AFUE, ≤225 MBh	\$400	Furnace Tune-Up	\$50	HVAC Steam Trap Replacement	\$80	Indirect Water Heater	\$100	Pipe Insulation	\$9	Programmable Thermostat	\$30	Water Heater, 0.67 EF	\$100	TAPI Boiler Reset Controls	\$60	TAPI Boiler Tune-Up	\$40	TAPI Furnace Tune-Up	\$50	TAPI HVAC Steam Trap Repair/Replace	\$60	TAPI Pipe Insulation (Steam)	\$1,500	Custom	\$5,781	Gas Optimization	\$7,500
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Estimated Participation – Standard/TAPI - Peoples Gas:

Measure	PY4	PY5	PY6
Attic Insulation	100	80	50
Boiler Reset Controls	35	35	35
Boiler Tune-Up	200	200	200
Boiler ≥85% AFUE, <300 MBh	20	20	20
Boiler ≥85% AFUE, ≥300 MBh	30	30	30
Boiler ≥90% AFUE <300 MBh	40	40	40
Boiler ≥90% AFUE, ≥300 MBh	8	8	7
Furnace ≥95% AFUE, ≤225 MBh	200	200	200
Furnace ≥97% AFUE, ≤225 MBh	20	20	20
Furnace Tune-Up	500	500	500
HVAC Steam Trap Replacement	320	320	320
Indirect Water Heater	30	30	30
Pipe Insulation	100	100	100
Programmable Thermostat	200	200	200
Water Heater, 0.67 EF	120	120	120
TAPI Boiler Reset Controls	80	80	80
TAPI Boiler Tune-Up	25	25	25
TAPI Furnace Tune-Up	1,400	1,400	1,400
TAPI HVAC Steam Trap Repair/Replace	600	600	600
TAPI Pipe Insulation (Steam)	50	50	34

Estimated Participation – Custom Incentives - Peoples Gas:

Measure	PY4	PY5	PY6
Custom	50	50	50

Estimated Participation – Gas Optimization - Peoples Gas:

Measure	PY4	PY5	PY6
Gas Optimization	4	4	2

Estimated Participation – Direct Install – North Shore Gas:

Measure	PY4	PY5	PY6
Direct Install	2,500	2,500	2,500

Estimated Participation - Standard/TAPI - North Shore Gas:

Measure	PY4	PY5	PY6
Attic Insulation	3	3	3
Boiler ≥85% AFUE, <300 MBh	2	2	2
Boiler ≥85% AFUE, ≥300 MBh	2	2	2
Boiler ≥90% AFUE <300 MBh	2	2	2
Furnace ≥95% AFUE, ≤225 MBh	15	15	15
HVAC Steam Trap Replacement	12	12	12
Indirect Water Heater	3	3	3
Pipe Insulation	6	6	6
Programmable Thermostat	25	25	25
Water Heater, 0.67 EF	5	5	5
TAPI Boiler Reset Controls	5	5	5
TAPI Boiler Tune-Up	5	5	5
TAPI Furnace Tune-Up	100	100	100
TAPI HVAC Steam Trap Repair/Replace	20	20	20
TAPI Pipe Insulation (Steam)	4	4	4

Estimated Participation – Custom Incentives - North Shore Gas:

Measure	PY4	PY5	PY6
Custom	6	4	3

Estimated Participation – Gas Optimization - North Shore Gas:

Measure	PY4	PY5	PY6
Gas Optimization	3	4	4

Estimated Per Unit Net Savings – Direct Install:

Measure	Per Unit Therm Savings
Bathroom Aerator	1.4
Kitchen Aerator	3.8
Pipe Insulation (DHW)	2.3
Pre-Rinse Sprayer	106.0
Programmable Thermostat	30.8
Showerhead	22.4
Water Heater Thermostat Setback	5.8

Estimated Per Unit Net Savings – Standard/TAPI:

Measure	Peoples Gas	North Shore
Attic Insulation	21.7	20.5
Boiler Reset Controls	40.9	38.6
Boiler Tune-Up	24.7	23.3
Boiler ≥85% AFUE, <300 MBh	108.0	102.0
Boiler ≥85% AFUE, ≥300 MBh	393.0	370.0
Boiler ≥90% AFUE <300 MBh	290.0	274.0
Boiler ≥90% AFUE, ≥300 MBh	856.0	807.0
Furnace ≥95% AFUE, ≤225 MBh	74.8	70.6
Furnace ≥97% AFUE, ≤225 MBh	81.9	77.3
Furnace Tune-Up	11.5	10.9
HVAC Steam Trap Replacement	233.0	220.0
Indirect Water Heater	133.0	125.0
Pipe Insulation	4.8	4.5
Programmable Thermostat	13.6	12.8
Water Heater, 0.67 EF	104.0	98.6
TAPI Boiler Reset Controls	100.0	100.0
TAPI Boiler Tune-Up	35.3	35.3
TAPI Furnace Tune-Up	16.0	16.0
TAPI HVAC Steam Trap Repair/Replace	323.0	323.0
TAPI Pipe Insulation (Steam)	8,180.0	8,180.0
Custom	3,210.0	2,250.0
Gas Optimization	5,290.0	5,290.0

Net Energy Savings Targets (Therms) – Peoples Gas:

Measure	PY4	PY5	PY6
Comprehensive Energy Assessment & Direct Install	1,129,920	1,129,920	1,129,920
Standard & Trade Ally Partner Installed Incentives	791,595	791,161	658,774
Custom Incentives	160,500	160,500	160,500
Gas Optimization	21,160	21,160	10,580
Total	2,103,175	2,102,741	1,959,774

Net Energy Savings Targets (Therms) – North Shore Gas:

Measure	PY4	PY5	PY6
Comprehensive Energy Assessment & Direct Install	84,160	84,160	84,160
Standard & Trade Ally Partner Installed Incentives	48,847	48,847	48,847
Custom Incentives	13,500	9,000	6,750
Gas Optimization	15,870	21,160	21,160
Total	162,377	163,167	160,917

Estimated Budget – Peoples Gas:

Budget Category	PY4	PY5	PY6
Delivery/ Program Mgmt / Marketing	\$1,079,800	\$1,079,800	\$1,079,800
Incentives	\$2,370,382	\$2,366,382	\$2,319,782
TOTAL	\$3,450,182	\$3,446,182	\$3,399,582

Estimated Budget – North Shore Gas:

Budget Category	PY4	PY5	PY6
Delivery/ Program Mgmt / Marketing	\$84,267	\$84,267	\$78,823
Incentives	\$186,762	\$186,360	\$182,985
TOTAL	\$271,029	\$270,627	\$261,808

Benefit Cost Ratios:

	Ratepayer Impact Measure Test	Utility Cost Test	Total Resource Cost Test	Participant Test
Peoples Gas	0.58	3.92	2.89	0.38
North Shore Gas	0.74	4.05	2.96	0.39

Levelized Cost Per Therm Saved:

Levelized Cost/Therm Saved	\$/therm
Peoples Gas	\$0.17
North Shore Gas	\$0.17

PROGRAM	3.8.1.3 RESIDENTIAL OUTREACH AND EDUCATION PROGRAMS
Description	<p>This program provides residential customers access to energy efficiency through primarily two paths. It is designed to provide awareness and education that motivates customers to change behavior and implement smaller but meaningful efficiency measures through education and provision of low cost measures.</p> <p>Path 1 - Home Energy Reports behavior change program. This path is targeted to high users. Utilizing a software platform that combines energy usage data with customer demographic, housing and GIS data, it benchmarks the customers' energy use and provides targeted efficiency recommendations and information on other programs in the Companies' portfolios. The customized recommendations educate and influence consumers to reduce their energy consumption. The reports are generated four to five times during the heating season.</p> <p>The written energy efficiency reports are supported by a website platform that provides comparisons of billing cycles, an interactive time series data display of billing periods within the last 12 months, and a library of energy recommendations. The Program Team is working with its selected vendor in PY3 to cross-promote other Peoples Gas and North Shore Gas offers through mailed Home Energy Reports.</p> <p>Path 2 - Targeted Outreach and Education. Targeted Outreach Campaigns target specific neighborhoods within the Peoples Gas territory, or communities in North Shore Gas territory. The Program Team will build on relationships developed during Phase I to jointly promote services and incentives to community and business groups interested in increasing awareness among their constituents. Outreach campaigns may be expanded to include education and motivation through local organizations such as local governments, neighborhood and community-based organizations, and potentially even small businesses such as the dry cleaners association.</p> <p>Another avenue for targeted outreach may involve providing energy efficiency education and kits to elementary school students (5th or 6th grade level) located in the Companies' service territories. The program provides educators with lesson plans to teach efficiency to students, then assigns homework which includes installation of low cost measures provided through the program. Students are required to report back on installations completed.</p>
Utility Collaboration	<p>The Path 1 service provider is currently unable to provide Home Energy Reports for the Companies and ComEd jointly. It is the intent of the Companies and ComEd to explore opportunities to cooperate in the offering of this program as they become available and if such collaboration is in the mutual benefit for both entities. Path 2 initiatives will be coordinated whenever feasible. The Companies will offer the 5th or 6th grade educational initiative to the schools jointly with ComEd.</p>
Delivery Strategy	<p>Delivery Approach: The Path 1 Home Energy Reports will be provided by a vendor under a turnkey process. Building on a successful launch in PY3, the vendor will implement the program, develop</p>

the reporting and website content, issue the reports to residential customers according to the designated schedule, track participant savings, and train customer service representatives to field customer questions.

The Path 2 Targeted Outreach and Education will be delivered by Program staff. The educational program will be provided by a vendor who will be jointly selected by the Companies and ComEd.

Key Market Barriers:

For Path 1, the key barrier is information and real time feedback. Customers will not necessarily act on improvements unless they have some context as to their monthly energy use, and how this compares to peers.

For Path 2, the barrier is awareness of potential energy and water savings and the Companies' offerings that will help them achieve these savings.

General Incentives Structure:

The Companies will not provide incentives for this program.

Non-Incentive Services:

Under Path 1, residential customers will receive four or five mailed, hard copy Home Energy Reports each heating season that benchmark their energy use, compare their usage to a screened group of like homes (their "neighbors") and provide targeted recommendations, offers, coupons, and Incentives.

Under Path 2, educators will receive lesson plans and low cost energy efficiency measures to distribute to students for installation at home as a homework assignment.

Changes for Continuing Program:

The Home Energy Reports is an on-going program and no changes are being implemented from the current program launching at the time of this filing in PY3. The educational program is new to the Companies.

Quality Control:

For Path 1, follow-up questionnaires will assess why some customers choose to opt out of the Home Energy Report program. The service provider will also utilize various methods to identify and mitigate threats to reliability of the programs' results.

For Path 2, the vendor will maintain contact with educators and report on activity, counts of students versus kits, and other QC processes.

Duration:

The program implementation period is three years, commencing on June 1, 2014 and continuing through May 31, 2017.

Exit Strategy:

If it is determined to discontinue the Home Energy Reports program, the Companies and the vendor will notify participants in the last report that they send. The educational program will be discontinued by notifying participating educators of this decision. Those

	<p>who have already received kits will complete the program and no new educators will be invited to join the program. Discontinuation of these program should not cause any major disruption to the portfolio.</p> <p>Key Metrics: Key metrics for Path 1 will include number of reports sent, number of opt outs, net energy savings, and overall cost per therm saved for this program. These metrics will compare actual to projected results.</p> <p>Key metrics for Path 2 will include number of kits sent home with students and actual installation rates as reported by the students and teachers. The metrics will compare actual to projected results and the cost per therm saved based in the in-service rates.</p>																
Target Market	<p>The Home Energy Reports program is applicable to all residential customers, and therefore has a very broad reach. However, this program will be targeted toward customers who are in the high-impact savings segments, or high natural gas users. This describes a segment of customers served by S.C. No. 1. The initial target market will be individually metered active residential customers of all socio-economic levels within the service area. Taken as a group, these customers are a very large segment of energy users and will provide the clearest path to short-term savings due to robustness of data available for this market segment.</p>																
Marketing Strategy	<p>There is no marketing of the Home Energy Reports program. The strategy to gain participants for this program is to analyze the customer population to identify high end energy users and to target those customers for participation. Customers opt out from the program rather than opt in.</p> <p>For the educational program, the vendor will offer this program to schools located in the Companies' service territory to solicit participation. If more educators sign up to participate than is budgeted for, they will be put on a waiting list.</p>																
Eligible Measures	<p>There are no measures eligible for Incentives in this program. Measures that will be included in kits for students to install at home will be finalized before the program is launched.</p>																
Program Targets	<p>Estimated Participation – Peoples Gas:</p> <table border="1" data-bbox="391 1598 1208 1738"> <thead> <tr> <th>Measure</th> <th>PY4</th> <th>PY5</th> <th>PY6</th> </tr> </thead> <tbody> <tr> <td>Home Energy Reports</td> <td>144,000</td> <td>144,000</td> <td>144,000</td> </tr> <tr> <td>Targeted Outreach & Education</td> <td>4,250</td> <td>4,250</td> <td>4,250</td> </tr> <tr> <td>Total</td> <td>148,250</td> <td>148,250</td> <td>148,250</td> </tr> </tbody> </table>	Measure	PY4	PY5	PY6	Home Energy Reports	144,000	144,000	144,000	Targeted Outreach & Education	4,250	4,250	4,250	Total	148,250	148,250	148,250
Measure	PY4	PY5	PY6														
Home Energy Reports	144,000	144,000	144,000														
Targeted Outreach & Education	4,250	4,250	4,250														
Total	148,250	148,250	148,250														

Estimated Participation – North Shore Gas:

Measure	PY4	PY5	PY6
Home Energy Reports	87,500	87,500	87,500
Targeted Outreach & Education	700	700	700
Total	88,200	88,200	88,200

Estimated Per Unit Net Savings (Therms):

Measure	PY4	PY5	PY6
Behavior Change (Peoples Gas)	8.6	9.0	9.0
Behavior Change (North Shore Gas)	7.7	8.0	8.0
Targeted Outreach & Education	10.0	10.0	10.0

Energy Savings Targets (Therms) – Peoples Gas:

Measure	PY4	PY5	PY6
Home Energy Reports	1,236,960	1,293,951	1,293,951
Targeted Outreach & Education	42,500	42,500	42,500
Total	1,279,460	1,336,451	1,336,451

Energy Savings Targets (Therms) – North Shore Gas:

Measure	PY4	PY5	PY6
Home Energy Reports	672,218	700,977	700,977
Targeted Outreach & Education	7,000	7,000	7,000
Total	679,218	707,977	707,977

Estimated Budget – Peoples Gas:

Budget Category	PY4	PY5	PY6
Delivery/ Program Mgmt / Marketing	\$1,138,385	\$1,138,385	\$1,138,385
Incentives	\$0	\$0	\$0
TOTAL	\$1,138,385	\$1,138,385	\$1,138,385

Estimated Budget – North Shore Gas:

Budget Category	PY4	PY5	PY6
Delivery/ Program Mgmt / Marketing	\$575,092	\$575,092	\$575,092
Incentives	\$0	\$0	\$0
TOTAL	\$575,092	\$575,092	\$575,092

Benefit Cost Ratios:

	Ratepayer Impact Measure Test	Utility Cost Test	Total Resource Cost Test	Participant Test
Peoples Gas	0.38	1.05	1.05	n/a
North Shore Gas	0.44	1.04	1.04	n/a

Levelized Cost Per Therm Saved:

Levelized Cost/Therm Saved	\$/therm
Peoples Gas	\$0.94
North Shore Gas	\$0.90

3.8.2 Proposed Program Details - C&I Programs

PROGRAM	3.8.2.1 BUSINESS PROGRAMS – EXISTING FACILITIES
<p><i>Description</i></p>	<p>This program is a comprehensive program that allows all eligible customers to access any of the five paths offered based on their needs. A wide range of natural gas measures are incented and promoted under this program covering common high efficiency space heating, control technologies, water heating, and food service measures.</p> <p>Path 1 - Direct Install. This path includes the direct installation of low flow showerheads, kitchen and faucet aerators, and pre-rinse spray valves for appropriate businesses. This path also includes a high level assessment of other opportunities that are available to the business or building owner. The intent is to use this Path to start an ongoing relationship with a customer by introducing them to quick saving measures, and start to discuss major retrofits and other services available through Paths 2 – 5.</p> <p>Path 2 - Engineering Assistance. This path offers customers an incentive to have a detailed engineering study completed that provides them with the information they need to act on recommended retrofit projects. This Path builds on the success of Phase I where the team incented a variety of studies to inform customers on the economics of completing recommended natural gas saving projects.</p> <p>Path 3 - Standard Incentives. This path provides standardized Incentives for customers. These Incentives focus on heating systems, water heating systems, setback thermostats, pipe insulation, steam traps, various boiler controls, and food service equipment.</p> <p>Path 4 - Custom Incentives. This path provides incentives on a custom basis. These custom applications are anything not covered under standard Incentives. The Companies may, under this path, consider funding both Retro-Commissioning projects on a negotiated \$/therm saved basis as well as C&I New Construction. For C&I New Construction, the Program Team would put into place added screening to ensure net therm savings above both code and conventional building practice.</p> <p>Path 5 - Gas Optimization. This path provides a service where energy advisors/ engineers review a commercial facility for operation and maintenance issues that, if corrected, often provides short payback projects that are very attractive to owners. Examples of issues uncovered from a Gas Optimization Assessment include correcting condensing boiler operating temperatures to ensure condensing operation and therefore savings, aligning actual facility operating hours and ventilation scheduling.</p>
<p><i>Utility Collaboration</i></p>	<p>It is the intent of the Companies to cooperate in the offering of this program with ComEd. Measures that could benefit both gas and electric energy use may be offered jointly, where possible, and be made transparent to the customer. In addition, the utilities will collaborate in raising awareness of and educating customers on the benefits of energy efficiency.</p>

**Delivery
Strategy**

Delivery Approach:

All five paths will be offered through a combination of Franklin Energy and vendors.

Key Market Barriers:

The availability of large customers, especially in the North Shore Gas service territory, that meet the requirements of the joint retro-commissioning program are not numerous. In addition, in many of these buildings, gas savings may be over-shadowed by electric savings. The current low price of gas results in longer paybacks and discourages potential participants from making improvements. Competition with other capital projects or electric saving projects that may have better return on investment are a barrier to overcome. Finally, lack of customer awareness of opportunities and the assistance available are always barriers.

General Incentive Structure:

Direct install is provided at no cost to the customer. Standard Incentives are based on approximately 50% of incremental costs. Actual incentives are provided on the table of eligible measures. Custom Incentives are based on the lesser of a buy down to a 1 year payback, \$1.25 per therm saved during the first year, or the full incremental cost. The Companies request authority to revise eligible measures and incentives as driven by current market conditions, changes to codes and standards, technology, EM&V results, and program management knowledge.

Non-Incentive Services:

Along with the Path 1 direct installation of measures, a high level assessment of the facility will be conducted. This assessment will identify other energy improvement opportunities that the building owner or business can implement. An engineering assessment will provide a deeper dive into a specific problem area that the customer has asked for assistance in resolving. These services are offered at no cost to the customer.

Changes for Continuing Programs:

The major change, other than bundling these existing programs into paths under an umbrella program, is the expansion of the retro-commissioning program to smaller customers on a gas only basis.

Quality Control:

Field inspections will be performed on a maximum of 2.5% of installations with incentives less than \$10,000 and on all projects with incentives greater than \$10,000.

Duration:

The initial program implementation period is three years, commencing on June 1, 2014 and continuing through May 31, 2017.

Exit Strategy:

The measures in the program will be tracked individually and removed from the portfolio when EM&V and tracking suggest 80% or greater market penetration. In the event the entire program is to be discontinued, the Companies will first notify ComEd and all trade allies of the end date of the program. The Companies will also include information of the end date in customer communications. After the end date, all applications that are

	<p>received will be returned to the customer with a letter of explanation. Discontinuation of this program should not cause any major disruption to the portfolio.</p> <p>Key Metrics: Key metrics will include energy savings, participation rates, customer satisfaction transaction survey response rate and responses and overall cost per therm saved for this program. These metrics will compare actual to projected results.</p>
Target Market	<p>This program is targeted to all C&I customers. In general, this describes customers in S.C. No. 2. Both owner-occupied and leased commercial and industrial buildings under this customer classification are eligible.</p>
Marketing Strategy	<p>This program will market to both end use customers and trade allies. Trade ally support and engagement is a key element to the success of energy efficiency programs. Franklin Energy will establish and educate trade ally working groups who will ultimately champion this program. The program will rely on wholesale and retail trade allies to assist in the marketing of this program.</p> <p>Franklin Energy will coordinate marketing with the Companies and their field staff. Franklin Energy will evaluate the possible use of direct mail, email, case studies, technical fact sheets, brochures, training sessions, point of purchase materials, collateral materials, and various public relations activities to raise awareness. The Companies will also pursue opportunities to cooperatively promote the program with ComEd.</p>

Eligible Measures

Eligible measures and their Incentives include the following:

Measure	Per Unit Incentive
Boiler Cutout/Reset Controls	\$175
Boiler ≥85% AFUE, <300 MBh	\$400
Boiler ≥90% AFUE, <300 MBh	\$1,400
Boiler ≥90% AFUE, ≥300 MBh	\$10,000
Combination Oven	\$600
Condensing Unit Heater	\$500
Conveyer Oven	\$900
Energy Star Convection Oven	\$25
Energy Star Fryer	\$500
Energy Star Steamer	\$500
Furnace ≥92% AFUE, ≤225 MBh	\$200
Furnace ≥95% AFUE, ≤225 MBh	\$300
Furnace ≥97% AFUE, ≤225 MBh	\$400
Griddle	\$30
HVAC Steam Trap <15 psi	\$50
HVAC Steam Trap ≥15 psi	\$40
Improved Turndown Burner Replacement	\$850
Indirect Water Heater	\$100
Industrial Steam Trap HP	\$90
Industrial Steam Trap LP	\$50
Infrared Charbroiler	\$500
Infrared Heaters	\$1,200
Large Gas Water Heater	\$275
Linkageless Controls	\$1,000
Pipe Insulation (Condensate)	\$7
Pipe Insulation (HW Boiler)	\$400
Pipe Insulation (Steam Boiler)	\$1,200
Programmable Thermostat	\$50
Steam Boiler ≥82% AFUE, <300 MBh	\$150
Steam Boiler ≥82% AFUE, ≥300 MBh	\$350
Water Heater, 0.67 EF	\$150
Boiler Tune-Up	\$800
Industrial Burner Tune-Up	\$0.40
Gas Optimization	\$13,200

Industrial Burner Tune-Up is per burner

Incentive per Unit – Custom - Peoples Gas:

Measure	Per Unit Incentive
Custom	\$80,000

Incentive per Unit – Custom – North Shore Gas:

Measure	Per Unit Incentive
Custom	\$53,350

Program Targets

Estimated Participation – Direct Install - Peoples Gas:

Measure	PY4	PY5	PY6
Direct Install	1,100	900	900

Estimated Participation – Standard Incentives - Peoples Gas:

Measure	PY4	PY5	PY6
Boiler Cutout/Reset Controls	300	300	300
Boiler ≥85% AFUE, <300 MBh	600	600	600
Boiler ≥90% AFUE, <300 MBh	50	50	50
Boiler ≥90% AFUE, ≥300 MBh	40	40	40
Combination Oven	2	2	2
Condensing Unit Heater	20	20	20
Conveyer Oven	1	1	1
Energy Star Convection Oven	2	2	2
Energy Star Fryer	40	40	40
Energy Star Steamer	2	2	2
Furnace ≥92% AFUE, ≤225 MBh	100	100	100
Furnace ≥95% AFUE, ≤225 MBh	150	150	150
Furnace ≥97% AFUE, ≤225 MBh	65	65	65
Griddle	3	3	3
HVAC Steam Trap <15 psi	3,000	2,500	2,000
HVAC Steam Trap ≥15 psi	100	100	100
Improved Turndown Burner Replacement	70	70	70
Indirect Water Heater	20	20	20
Industrial Steam Trap HP	60	60	60
Industrial Steam Trap LP	40	40	40
Infrared Charbroiler	1	1	1
Infrared Heaters	60	50	40
Large Gas Water Heater	40	40	40
Linkageless Controls	100	95	90
Pipe Insulation (Condensate)	1,200	1,200	1,000
Pipe Insulation (HW Boiler)	75	75	75
Pipe Insulation (Steam Boiler)	165	165	140
Programmable Thermostat	1,600	1,500	1,300
Steam Boiler ≥82% AFUE, <300 MBh	400	400	400
Steam Boiler ≥82% AFUE, ≥300 MBh	120	120	120
Water Heater, 0.67 EF	70	70	70
Boiler Tune-Up	800	800	800
Industrial Burner Tune-Up	10,000	8,000	6,000

Estimated Participation – Custom Incentives - Peoples Gas:

Measure	PY4	PY5	PY6
Custom	25	25	25

Estimated Participation – Gas Optimization - Peoples Gas:

Measure	PY4	PY5	PY6
Gas Optimization	20	18	15

Estimated Participation – Direct Install – North Shore Gas:

Measure	PY4	PY5	PY6
Direct Install	150	150	150

Estimated Participation – Standard Incentives – North Shore Gas:

Measure	PY4	PY5	PY6
Boiler Cutout/Reset Controls	15	15	15
Boiler ≥85% AFUE, <300 MBh	-	-	-
Boiler ≥90% AFUE, <300 MBh	-	-	-
Furnace ≥92% AFUE, ≤225 MBh	6	6	6
Furnace ≥95% AFUE, ≤225 MBh	8	8	8
Furnace ≥97% AFUE, ≤225 MBh	4	4	4
HVAC Steam Trap <15 psi	60	60	60
HVAC Steam Trap ≥15 psi	8	8	8
Improved Turndown Burner Replacement	8	8	8
Indirect Water Heater	2	2	2
Industrial Steam Trap HP	4	4	4
Industrial Steam Trap LP	4	4	4
Large Gas Water Heater	2	2	2
Pipe Insulation (Condensate)	50	50	50
Pipe Insulation (HW Boiler)	-	-	-
Pipe Insulation (Steam Boiler)	6	6	6
Programmable Thermostat	65	65	65
Steam Boiler ≥82% AFUE, <300 MBh	35	35	35
Steam Boiler ≥82% AFUE, ≥300 MBh	12	12	12
Water Heater, 0.67 EF	3	3	3
Boiler Tune-Up	-	-	-
Industrial Burner Tune-Up	-	-	-

Estimated Participation – Custom Incentives – North Shore Gas:

Measure	PY4	PY5	PY6
Custom	11	10	9

Estimated Participation – Gas Optimization – North Shore Gas:

Measure	PY4	PY5	PY6
Gas Optimization	6	6	6

Estimated Per Unit Net Savings – Direct Install:

Measure	Per Unit Therm Savings
Bathroom Aerator	3.7
Kitchen Aerator	3.7
Pre-Rinse Sprayer	95.6
Showerhead	17.5
Programmable Thermostat Setback	144.0

Estimated Per Unit Net Savings – Standard Incentives & Gas Optimization:

Measure	Per Unit Therm Savings
Boiler Cutout/Reset Controls	99.8
Boiler ≥85% AFUE, <300 MBh	50.0
Boiler ≥90% AFUE, <300 MBh	134.0
Boiler ≥90% AFUE, ≥300 MBh	2,190.0
Combination Oven	277.0
Condensing Unit Heater	286.0
Conveyer Oven	315.0
Energy Star Convection Oven	132.0
Energy Star Fryer	217.0
Energy Star Steamer	722.0
Furnace ≥92% AFUE, ≤225 MBh	81.7
Furnace ≥95% AFUE, ≤225 MBh	98.9
Furnace ≥97% AFUE, ≤225 MBh	110.0
Griddle	64.1
HVAC Steam Trap <15 psi	142.0
HVAC Steam Trap ≥15 psi	141.0
Improved Turndown Burner Replacement	1,000.0
Indirect Water Heater	80.8
Industrial Steam Trap HP	250.0
Industrial Steam Trap LP	273.0
Infrared Charbroiler	284.0
Infrared Heaters	324.0
Large Gas Water Heater	144.0
Linkageless Controls	895.0
Pipe Insulation (Condensate)	270.0
Pipe Insulation (HW Boiler)	622.0
Pipe Insulation (Steam Boiler)	664.0
Programmable Thermostat	76.5
Steam Boiler ≥82% AFUE, <300 MBh	36.4
Steam Boiler ≥82% AFUE, ≥300 MBh	152.0
Water Heater, 0.67 EF	63.6
Boiler Tune-Up	250.0
Industrial Burner Tune-Up	0.3
Gas Optimization	37,200.0

Industrial Burner Tune-Up per burner

Estimated Per Unit Net Savings – Custom – Peoples Gas:

Measure	Per Unit Therm Savings
Custom	76,000.0

Estimated Per Unit Net Savings – Custom – North Shore Gas:

Measure	Per Unit Therm Savings
Custom	25,000.0

Net Energy Savings Targets (Therms) – Peoples Gas:

Measure	PY4	PY5	PY6
Direct Install	206,751	169,160	169,160
Engineering Assistance	0	0	0
Standard Incentives	1,696,576	1,609,705	1,444,584
Custom Incentives	970,756	970,756	970,756
Gas Optimization	744,000	669,600	558,000
Total	3,618,083	3,419,221	3,142,500

Net Energy Savings Targets (Therms) – North Shore Gas:

Measure	PY4	PY5	PY6
Direct Install	16,179	16,179	16,179
Engineering Assistance	0	0	0
Standard Incentives	53,933	53,933	53,933
Custom Incentives	266,750	245,000	218,250
Gas Optimization	216,504	218,736	216,504
Total	553,366	533,848	504,866

Estimated Budget – Peoples Gas:

Budget Category	PY4	PY5	PY6
Delivery/ Program Mgmt / Marketing	\$2,668,940	\$2,668,940	\$2,668,940
Incentives	\$4,785,773	\$4,683,258	\$4,559,458
TOTAL	\$7,454,713	\$7,352,198	\$7,228,398

Estimated Budget – North Shore Gas:

Budget Category	PY4	PY5	PY6
Delivery/ Program Mgmt / Marketing	\$459,000	\$459,000	\$459,000
Incentives	\$778,798	\$756,260	\$706,260
TOTAL	\$1,237,798	\$1,215,260	\$1,165,260

Benefit Cost Ratios:

	Ratepayer Impact Measure Test	Utility Cost Test	Total Resource Cost Test	Participant Test
Peoples Gas	0.76	4.39	1.70	0.28
North Shore Gas	0.78	3.06	2.02	0.54

Levelized Cost Per Therm Saved:

Levelized Cost/Therm Saved	\$/therm
Peoples Gas	\$0.18
North Shore Gas	\$0.19

PROGRAM	3.8.2.2 SMALL BUSINESS EFFICIENCY PROGRAM
<p><i>Description</i></p>	<p>Small business owners are often time-constrained, unaware of energy efficiency opportunities, and lack dedicated staff who concentrate on the facility's energy use. As such, they are a hard-to-reach target audience. While many owners are also the property owner, some lease their space and consequently have little motivation to make major improvements to their landlords' premises.</p> <p>This program will offer small business customers access to energy efficiency through two paths. The Companies plan to build on Phase I success with this joint program offered with ComEd. Both natural gas and electric end-uses will be addressed in the assessment, direct install, and retrofit paths of the PY4-6 program.</p> <p>Path 1 – Energy Assessment and Direct Install. This path provides the direct installation of several low cost measures at no cost to the small business owner or tenant. The low cost measures include low flow faucet aerators, showerheads, pre-rinse sprayers, programmable thermostats, vendor misers and CFLs. A high level assessment of the business will be completed while at the site to identify additional energy efficiency improvements the small business owner/tenant can pursue, with assistance through Path 2.</p> <p>Path 2 – Retrofit Incentives. This path provides small business owners/tenants with either direct financial incentives, or access to pre-negotiated discounted pricing for installation of measures recommended through the Energy Assessment. Customers generally will pay up to 25% of the cost and the Companies pay the remainder for eligible measures. This encourages these hard to reach customers to implement deeper retrofits.</p> <p>To maximize cost-effectiveness, this program will be implemented geographically and potentially by type of business.</p>
<p><i>Utility Collaboration</i></p>	<p>It is the intent of the Companies to build on the success from Phase I and continue this joint offering with ComEd during PY4-6. The Companies will continue to utilize the current framework for cost allocation based on savings/benefits to each utility's customers. The framework will be fair and equitable and will increase the cost-effectiveness of the overall program for both utilities and their customers.</p>
<p><i>Delivery Strategy</i></p>	<p>Delivery Approach:</p> <p>Paths 1 and 2 utilize a mix of Program staff and a list of qualified contractors to perform direct installation of low cost measures, the high level assessments of businesses, and deeper retrofits on a shared cost basis. Consistent with the changes made in PY3, trade allies will be increasingly given the responsibility to complete the Path 1 Direct Installations and Facility Assessments with support from Franklin Energy. This change was instituted in PY3 given joint program planning with ComEd, and the desire to reach more small business customers utilizing qualified trade allies covering the joint Peoples Gas/North Shore Gas/ComEd territories. The trade allies will promote high efficiency</p>

equipment whenever possible. Application forms will be available in hard copy or online for improved timeliness and accuracy.

Key Market Barriers:

Small business owners may be unaware of the energy efficiency opportunities or be limited by time or monetary constraints. While many business owners are also the property owner, some rent their space and consequently have little motivation to make major improvements to their landlords' premises. The current low price of gas results in longer paybacks and discourages potential participants from making improvements. Competition with other capital projects or electric saving projects that may have better return on investment are a barrier to overcome. Finally, a major barrier is knowledge of and access to screened trade allies who are held to a high standard to complete a quality retrofit on time and budget. The program screens these contractors and monitors small business custom satisfaction to give owners/tenants peace of mind in following through on recommended improvements.

General Incentives Strategy:

Path 1 focuses on the direct install of measures where the cost of these measures is covered completely by the program.

Path 2 focuses on standard incentives and the option for the customer to work with contractors who have agreed to fixed pricing for the installation of deeper retrofits. For this path, the Companies generally pay 75% of the cost and the small business customer pays up to 25%. The Companies request authority to revise eligible measures and incentives as driven by current market conditions, changes to codes and standards, technology, EM&V results, and program management knowledge.

Non-Incentive Services:

The Direct Install program will include a high level assessment of the business will be completed while at the site to identify additional energy efficiency improvements.

Changes for Continuing Program:

There are no changes being implemented from the current program.

Quality Control:

- Field inspections will continue to be used to confirm installation and eligibility.
- Transaction surveys will be used to measure customer satisfaction and identify potential program and process improvements.
- Trade ally surveys will be used to ensure the program is operating efficiently and providing adequate resources and support.

Duration:

The program implementation period is three years, commencing on June 1, 2014 and continuing through May 31, 2017.

Exit Strategy

In the event the entire program is to be discontinued, the Companies will first notify ComEd and small business owners/property managers of the end date of the program. All projects in the pipeline will be completed and no additional projects will be accepted

	<p>once the notification has been sent. Discontinuation of this program should not cause any major disruption to the portfolio.</p> <p>Key Metrics: Key metrics will include the number of small businesses that participated in the program, the measures installed and the corresponding deemed energy savings. Program management will build on Phase I success and monitor activity by participating trade ally, small business customer satisfaction, and impacts by targeted business district campaigns. In addition, the cost per therm of energy saved for the program will be calculated. These metrics will compare actual to projected results.</p>					
<p>Target Market</p>	<p>This program is targeted to small C&I customers with an annual usage of approximately less than 60,000 therms per year and a peak electric demand of 100 kW or less. In general, this describes a segment of customers served under S.C. No. 2. Both owner occupied and rental properties are eligible. Likely business types include strip malls, main street businesses, and business district establishments, theaters, restaurants, convenience stores, etc. Customers must be an active Peoples Gas or North Shore Gas C&I customer.</p>					
<p>Marketing Strategy</p>	<p>The marketing strategy will build on the Phase I tactics agreed on between the Companies and ComEd. In general this includes provisions for trade allies to drive activity by marketing the Path 1 and 2 services to small business customers as part of the trade allies' normal day-to-day business. The Companies will also look at geographic (i.e. business districts within the City of Chicago or communities in North Shore Gas territory) and industry targeting to increase awareness of the offering. This will involve working directly with established groups such as Chambers of Commerce, or business associations (e.g. dry cleaners association).</p> <p>To ensure both natural gas and electric saving goals from this joint program are met, the Companies will continue to coordinate with ComEd on the results from the geographic targeting, but will continue to reserve the right to market the Small Business Efficiency Program both geographically and by customer type (i.e. marketing to restaurants, dry cleaners, which are small businesses that tend to have better natural gas saving opportunities).</p>					
<p>Eligible Measures</p>	<p>Measures that will be targeted for direct install include:</p> <table border="1" data-bbox="386 1562 786 1780"> <thead> <tr> <th data-bbox="386 1562 786 1633">Measure</th> </tr> </thead> <tbody> <tr> <td data-bbox="386 1633 786 1671">Bathroom Aerator</td> </tr> <tr> <td data-bbox="386 1671 786 1709">Kitchen Aerator</td> </tr> <tr> <td data-bbox="386 1709 786 1747">Pre-Rinse Sprayer</td> </tr> <tr> <td data-bbox="386 1747 786 1780">Showerhead</td> </tr> </tbody> </table> <p>Measures that will be made available where the customer generally pays 25% of the installed cost and the Companies pay 75% of the installed cost include:</p>	Measure	Bathroom Aerator	Kitchen Aerator	Pre-Rinse Sprayer	Showerhead
Measure						
Bathroom Aerator						
Kitchen Aerator						
Pre-Rinse Sprayer						
Showerhead						

Measure	Per Unit Incentive
Boiler Cutout/Reset Controls	\$610
Boiler Tune-Up, <300 MBh	\$100
Boiler Tune-Up, 300 < 500 MBh	\$120
Boiler Tune-Up, 500 < 750 MBh	\$160
Draft Damper, <300 MBh	\$120
Draft Damper, 300 < 600 MBh	\$120
Draft Damper, ≥600 MBh	\$120
HVAC Steam Trap Repair	\$200
Programmable Thermostat	\$60
Steam Pipe Insulation	\$450
Custom	\$7,650

Program Targets

Estimated Participation – Peoples Gas:

Measure	PY4	PY5	PY6
Direct Install	1,200	1,200	1,000
Boiler Cutout/Reset Controls	200	200	200
Boiler Tune-Up, <300 MBh	300	300	300
Boiler Tune-Up, 300 < 500 MBh	100	100	100
Boiler Tune-Up, 500 < 750 MBh	20	20	20
Draft Damper, <300 MBh	50	50	50
Draft Damper, 300 < 600 MBh	10	10	10
Draft Damper, ≥600 MBh	5	5	5
HVAC Steam Trap Repair	400	400	400
Programmable Thermostat	900	900	900
Steam Pipe Insulation	50	50	50
Custom	20	20	20

Estimated Participation – North Shore Gas:

Measure	PY4	PY5	PY6
Direct Install	80	80	80
Boiler Cutout/Reset Controls	3	3	4
Boiler Tune-Up, <300 MBh	6	6	3
Boiler Tune-Up, 300 < 500 MBh	3	3	2
Boiler Tune-Up, 500 < 750 MBh	1	1	1
Draft Damper, <300 MBh	1	1	1
Draft Damper, 300 < 600 MBh	1	1	1
Draft Damper, ≥600 MBh	1	1	1
HVAC Steam Trap Repair	11	11	8
Programmable Thermostat	40	40	35
Steam Pipe Insulation	2	2	1
Custom	2	2	2

Per Unit Net Savings – Direct Install:

Measure	Per Unit Therm Savings
Bathroom Aerator	4.5
Kitchen Aerator	4.5
Pre-Rinse Sprayer	116.0
Showerhead	21.2

Per Unit Net Savings – Retrofit Incentives:

Measure	Per Unit Therm Savings
Boiler Cutout/Reset Controls	171.0
Boiler Tune-Up, <300 MBh	34.2
Boiler Tune-Up, 300 < 500 MBh	91.1
Boiler Tune-Up, 500 < 750 MBh	142.0
Draft Damper, <300 MBh	64.1
Draft Damper, 300 < 600 MBh	192.0
Draft Damper, ≥600 MBh	256.0
HVAC Steam Trap Repair	323.0
Programmable Thermostat	174.0
Steam Pipe Insulation	1,640.0
Custom	3,540.0

Net Energy Savings Targets (Therms) – Peoples Gas:

Measure	PY4	PY5	PY6
Energy Assessment & Direct Install	64,704	64,704	53,920
Retrofit Incentive	501,415	501,415	501,415
Total	566,119	566,119	555,335

Net Energy Savings Targets (Therms) – North Shore Gas:

Measure	PY4	PY5	PY6
Energy Assessment & Direct Install	4,314	4,314	4,314
Retrofit Incentive	19,259	19,259	15,757
Total	23,572	23,572	20,071

Estimated Budget – Peoples Gas:

Budget Category	PY4	PY5	PY6
Delivery/ Program Mgmt / Marketing	\$480,000	\$480,000	\$480,000
Incentives	\$518,212	\$518,212	\$512,593
TOTAL	\$998,212	\$998,212	\$992,593

Estimated Budget – North Shore Gas:

Budget Category	PY4	PY5	PY6
Delivery/ Program Mgmt / Marketing	\$26,400	\$26,400	\$26,400
Incentives	\$28,460	\$28,460	\$24,332
TOTAL	\$54,860	\$54,860	\$50,732

Benefit Cost Ratios:

	Ratepayer Impact Measure Test	Utility Cost Test	Total Resource Cost Test	Participant Test
Peoples Gas	0.68	3.07	2.48	0.67
North Shore Gas	0.69	2.24	2.16	0.92

Levelized Cost Per Therm Saved:

Levelized Cost/Therm Saved	\$/therm
Peoples Gas	\$0.15
North Shore Gas	\$0.20