



August 15, 2019

Quarterly Report of the North Shore Gas Company and the Peoples Gas Light and Coke Company

Program Year 2019, 2nd Quarter Report, April 2019 – June 2019

PEOPLES GAS[®]
ENERGY EFFICIENCY PROGRAM

NORTH SHORE GAS[®]
ENERGY EFFICIENCY PROGRAM

Pursuant to the Illinois Commerce Commission (“Commission”) final order in Docket No. 17-0309, attached is the Program Year 2019, Second Quarter (2Q) qualitative report accompanying the 2019, 2Q quantitative report which details program results from a savings and cost perspective.

Peoples Gas

I. Program, Sector and Portfolio Ex Ante Results

At the end of the second quarter, the Peoples Gas Energy Efficiency Programs have achieved 34% of realized savings goals, with C&I programs contributing 33% of realized savings; Residential programs 57%; and Income Qualified programs 10%. Ex Ante results are detailed in the Q2 Quantitative report.

II. Portfolio Level Costs

At the end of the second quarter, the Peoples Gas Energy Efficiency Programs have utilized 39% of the budget, with C&I programs comprising 27% of costs, Residential programs 29%, Income Qualified programs 41%, and Demonstration of Breakthrough Equipment and Devices 3%. Costs are detailed in the Q2 Quantitative report.

III. Program Level Narratives

I. Business – Commercial and Industrial

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of the facility's energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility's operations to support the implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study, an inventory of uninsulated steam piping, and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phased approach to implement identified measures.
Staffing Grant	The program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.

Strategic Energy Management (SEM)	The program engages customers to deliver a continuous improvement approach to energy efficiency by engaging site management, leveraging data, and by promoting best practices at the site.
--	--

Key Program Changes

- New measures: None in Q2

Description of Program Successes

- Diligent work from the outreach teams to reactivate customers has led to an increase in program engagement amongst large customers and resulted in forecasts projecting over 100% of the Peoples Gas C&I goal.
- Increased engagement of subcontractors has led to significant increases in program savings projections for 2019 and 2020.
- Continued engagement of existing and new trade allies to ensure that they are actively participating in the programs.

Description of Program Challenges

II. Business – Public Sector

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of the facility’s energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility’s operations to support the implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study; an inventory of uninsulated steam piping; and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phased approach to implement identified measures.
Staffing Grant	The program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.

Key Program Changes

- New measures (aligned with the Business – Commercial and Industrial program):
 - None in Q2

Description of Program Successes

- Working closely with four of the largest public sector accounts to discuss energy efficiency projects and how the programs can more productively partner with these organizations.
- Working with new vendor to increase Energy Efficiency program visibility and engagement in the public sector, focusing on executive-level engagement and capital expenditure pipelines.
- In partnership with our largest public sector customers and trade allies, the public sector program has created a new incentive structure to help streamline implementation of projects across multiple facilities within customer portfolios. This approach was created to reduce the procurement requirement barriers that these customers face in implementing energy efficiency projects.

Description of Program Challenges

- Long procurement timelines in the public sector make it difficult to implement low-cost measures.
- The program team is focusing on establishing new, lasting relationships in the public sector to build up momentum for future program years.

III. Business – Small and Midsize Business

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.

Key Program Changes

- New measures: None in Q2
- To better engage our mid-tier customer base (150,000 – 400,000 therms usage) the therm threshold has been raised to 400,000 therms and the program name was changed to be the Small and Midsize Business program. This change will allow more customers to work with our Partner Trade Allies which are approved to provide key cost-effective measures at no-cost to the customer.
- A process boiler tune-up bonus is running through the end of October.

Description of Program Successes

- Presentations to the Hispanic American Construction Industry Association (HACIA) and Salvation Army has led to several new assessments.
- Enhanced engagement strategies for Partner Trade Allies in efforts to increase program participation. An outbound calling campaign has resulted in 55 facility assessments thus far.
- Launched a restaurant kit distribution outreach campaign to restaurant owners, a typically hard to reach market segment.

Description of Program Challenges

- The Small and Midsize Business program continues to engage larger customers in 2019. This is an underserved market that requires increased outreach and marketing efforts to reach customers.

IV. Residential – Single Family Programs

Program Descriptions

Program Name	Description
Home Energy Jumpstart (HEJ)	Offers an assessment and direct installation of energy-saving materials at no cost to the customer. Additional measures are available for a co-pay.
Home Energy Rebates (HER)	Offers rebates on energy-efficient equipment and qualifying weatherization projects for residential customers.
Home Energy Reports	An opt-out program that provides residential customers with free reports showing their energy usage compared to their peers, with tips for reducing energy consumption in the home.
Elementary Education	Elementary education program targeting fifth-grade classrooms, providing teachers with energy efficiency lesson plans, activity guides, and take-home kits for students containing free direct installation materials for their home.

Key Program Changes

- None in Q2.

Description of Program Successes

- Realizing higher than anticipated therm savings per home in the Home Energy Jumpstart program (39 therms per home actual vs. 33 therms per home planned).
- High customer satisfaction score of 4.82 out of 5.00 for Home Energy Jumpstart and 9.64 out of 10.00 for Home Energy Rebates.
- Held coordination planning meetings with ComEd on stacked rebates for smart thermostats.
- Within three months, the Elementary Education program was able to enroll and ship 5,718 kits. This represents 19% of the 30,000 household goal.

Description of Program Challenges

- Continued decrease in natural inbound activity for customers interested in participating in the HEJ program. Encountering market saturation (primarily on the southside of Chicago) for homes

HEJ's have occurred in before. Working with marketing and outreach to offset these lulls and identify strategies to reach more customers.

V. Residential – Multi-Family

Program Descriptions

Program Name	Description
Multi Family Energy Jumpstart	Offers free direct installation of energy-saving measures for multi-family buildings.
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded with consideration to variables that affect the savings of energy efficiency projects.
Gas Optimization	Analysis of energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
New Construction Prescriptive and Custom Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.

Key Program Changes

- Continued a limited time bonus for qualified Partner Trade Allies for increased incentive levels for the following measures:
 - Domestic Hot Water Pipe Insulation
 - Hydronic Pipe Insulation
 - Steam Boiler Averaging Controls
- Smart thermostats added as a DI measure with a property manager co-pay.
- Updated the On-Demand Domestic Hot Water Recirculating Pump controller rebate (incentive and program requirements) to better facilitate participation.

Description of Program Successes

- Multi-Family demand is high, assessments and direct installation appointments have a strong pipeline and are scheduled into November of 2019.
- Over 1,700,000 therms savings have been identified for completion so far for 2019. On track to achieve an expanded MF goal of 2.3 million therms to make up for goal underachievement in 2018.
- Over 400 smart thermostats were installed in Q2.

Description of Program Challenges

- In order to manage program budget, outreach is centered on a few key measures with a more limited trade ally network.
- Space heating measures are showing a limited uptick during the summer months.

VI. Income Eligible Programs

Program Descriptions

Program Name	Description
Multi-Family Income Eligible	Offers prescriptive gas rebates, energy assessments, and direct-install at income-qualified multi-family buildings.
Public Housing	Offers prescriptive and custom rebates for gas measures in housing owned by Public Housing Authorities.
Income Eligible Weatherization	Offers direct install products and no-cost weatherization services for income-eligible single-family home customers.
Affordable Housing New Construction	Provides custom incentives for Affordable Housing New Construction projects, jointly delivered with ComEd.
Illinois Home Weatherization Assistance Program	Provides supplemental funding for energy efficiency projects for low-income residents.

Key Program Changes

- Program design research is underway for an energy savings kit for Income Eligible customers. This kit will focus on water and gas savings and be distributed initially to LIHEAP grant recipients.

Description of Program Successes

- All income-eligible programs started on time in 2019 and have continued through Q2 with a strong performance.
- All programs are in the second year of implementation and have momentum to achieve higher volumes than in 2018. Working with programs to manage budget and therm savings.
- All programs have produced a consistent high customer satisfaction score.

Following are the achievements by program through Q2:

Program	% to Annual Goal (Therms)
Elevate - IEMS	47%
Elevate - PHES	3%
IHWAP - MF	0%
IHWAP - SF	51%
CBA	45%
AHNC	116%

Description of Program Challenges

- The success of these programs have created an additional challenge which is to maximize cost efficiency while maintaining a healthy mix of measures to serve the broad customer base for the income eligible segment. Programs are aiming to maintain the 2018 spend levels and achieve greater therm savings.

VII. Demonstration of Breakthrough Equipment and Devices

Program Descriptions

Program Name	Description
Research and Development	Focus is on evaluating innovative technologies and projects for possible inclusion in programs to achieve additional therm savings. Projects are funded through the research organizations, educational institutions, and non-profit organizations.

Key Program Changes

- Q2 saw new Market Transformation initiatives in discussion with the SAG and among Illinois utilities.

Description of Program Successes

- The IIT Open Source Building Sensors and Controls project (OSBS) wrapped up heating season testing with demonstrating substantial savings in the dozen or so rooms where the devices were installed in Alumni Hall on the Illinois Institute of Technology campus.

Description of Program Challenges

- Art Institute of Chicago project implementation of phase three has started with continued expansion into additional galleries anticipated through 2019.

Portfolio Level Narrative

- All measures that are demonstrated as successful through a Program Administrator Breakthrough Equipment and Devices Program
 - Through the Wall Condensing furnaces now a measure in the TRM
- Fund-shifts meeting threshold of Section 6.1
 - N/A
- Key changes to marketing strategies such as new marketing channels or marketing campaigns
 - Working on CHP initiative with website updates
- List of market research studies conducted by consultants if study costs exceed \$25,000 and are not protected by license agreements or other proprietary arrangements
 - N/A
- Brief description of new pilots/programs, including target market, strategy, and key Measures
 - New ‘stretch codes’ almost ready to launch
- Any discontinued programs
 - N/A

North Shore Gas

I. Program, Sector and Portfolio Ex Ante Results

At the end of the second quarter, the North Shore Gas Energy Efficiency Programs have achieved 28% of realized savings, with C&I programs contributing 20% of savings; Residential programs 75%, and Income Qualified programs 5%. Ex Ante results are detailed in the Q2 Quantitative report.

II. Portfolio Level Costs

At the end of the second quarter, the North Shore Gas Energy Efficiency Programs have utilized 40% of the budget, with C&I programs comprising 24% of costs; Residential programs 46%, Income Qualified 25%, and Demonstration of Breakthrough Equipment and Devices 5%. Costs are detailed in the Q2 Quantitative report.

III. Program Level Narratives

I. Business – Commercial and Industrial

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region's building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of the facility's energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility's operations to support the implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study; an inventory of uninsulated steam piping; and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phased approach to implement identified measures.
Staffing Grant	The program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.

Strategic Energy Management (SEM)	The program engages customers to deliver a continuous improvement approach to energy efficiency by engaging site management, leveraging data, and by promoting best practices at the site.
--	--

Key Program Changes

- New measures: None in Q2

Description of Program Successes

- Close collaboration with key customers has led to strong energy savings achievement and the program is now forecasting at greater than 120% of goal for 2019.
- Continued engagement of existing and new trade allies to ensure that they are actively participating in the programs.

Description of Program Challenges

II. Business – Public Sector

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.
Gas Optimization Studies	Provides an analysis of the facility’s energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
Retro-Commissioning	Offers a full-building tune-up through a systematic evaluation of mechanical and electrical systems to help facilities to perform optimally. Identifies low-cost energy-saving operational improvements that can pay for themselves in 18 months or less.
Engineering Studies	Analysis of a single system within a facility’s operations to support the implementation of natural gas saving project.
Smart Check Studies	Offers customers a detailed gas optimization study; an inventory of uninsulated steam piping; and a steam trap survey. Study findings are summarized in a Natural Gas Efficiency Plan to provide a phased approach to implement identified measures.
Staffing Grant	The program offers up to \$50,000 per customer per year to fund a project manager to guide projects to completion for customers who have energy efficiency projects that cannot be completed due to lack of staff time or availability.

Key Program Changes

- New measures (aligned with the Business – Commercial and Industrial program):
 - None in Q2

Description of Program Successes

- The program partnered with EnVinta to conduct a calling campaign to introduce our public sector customer to increase awareness and participation in the EE Programs.
- In partnership with our largest public sector customers and trade allies, the public sector program has created a new incentive structure to help streamline implementation of projects across multiple facilities within customer portfolios. This approach was created to reduce the procurement requirement barriers that these customers face in implementing energy efficiency projects.

Description of Program Challenges

- Long procurement timelines in the public sector make it difficult to implement low hanging fruit measures.
- The program team is focusing on establishing new, lasting relationships in the public sector to build up momentum for future program years.

III. Business – Small and Midsize Business

Program Descriptions

Program Name	Description
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded consideration to variables that affect the savings of energy efficiency projects.
New Construction Rebates	Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.

Key Program Changes

- New measures: None in Q2
- To better engage our mid-tier customer base (150,000 – 400,000 therms usage) the therm threshold has been raised to 400,000 therms and the program name was changed to be the Small and Midsize Business program. This change will allow more customers to work with our Partner Trade Allies which are approved to provide key cost-effective measures at no-cost to the customer.
- A process boiler tune-up bonus is running through the end of October.

Description of Program Successes

- Presentations to the Hispanic American Construction Industry Association (HACIA) and Salvation Army has led to several new assessments.

- Enhanced engagement strategies for Partner Trade Allies in efforts to increase program participation. An outbound calling campaign has resulted in 55 facility assessments thus far.
- Launched a restaurant kit distribution outreach campaign to restaurant owners, a typically hard to reach market segment.

Description of Program Challenges

- The small and midsize business program continues to engage larger customers in 2019. This is an underserved market that requires a lot of more outreach and marketing efforts to reach customers.

IV. Residential – Single Family Programs

Program Descriptions

Program Name	Description
Home Energy Jumpstart (HEJ)	Offers an assessment and direct installation of energy-saving materials at no cost to the customer. Additional measures are available for a co-pay.
Home Energy Rebates (HER)	Offers rebates on energy-efficient equipment and qualifying weatherization projects for residential customers.
Home Energy Reports	An opt-out program that provides residential customers with free reports showing their energy usage compared to their peers, with tips for reducing energy consumption in the home.
Elementary Education	Elementary education program targeting fifth-grade classrooms, providing teachers with energy efficiency lesson plans, activity guides, and take-home kits for students containing free direct installation materials for their home.

Key Program Changes

- No changes in Q2.

Description of Program Successes

- Realizing higher than anticipated therm savings per home in the Home Energy Jumpstart program (33.5 therms per home actual vs. 20 therms per home planned).
- High customer satisfaction score of 4.88 out of 5.00 for Home Energy Jumpstart and 9.76 out of 10.00 for Home Energy Rebates.
- Held coordination planning meetings with ComEd on stacked rebates for smart thermostats.
- Within three months, the Elementary Education program was able to enroll and ship 5,718 kits. This represents 19% of the 30,000 household goal.

Description of Program Challenges

- Programs are reviewing measure mixes to ensure cost-effective program delivery going in to 2020.

V. Residential – Multi-Family

Program Descriptions

Program Name	Description
Multi-Family Energy Jumpstart	Offers free direct installation of energy-saving measures for multi-family buildings.
Prescriptive and Custom Rebates	Prescriptive rebates are standard incentive amounts for common types of energy efficiency measures. Custom rebates are awarded consideration to variables that affect the savings of energy efficiency projects.
Gas Optimization	Analysis of energy-using systems to identify no- and low-cost improvements to achieve natural gas savings.
New Construction Prescriptive and Custom Rebates	Incentives are provided for new construction that surpasses the region’s building codes to improve energy efficiency.

Key Program Changes

- Continued a limited time bonus for qualified Partner Trade Allies for increased incentive levels for the following measures:
 - Domestic Hot Water Pipe Insulation
 - Hydronic Pipe Insulation
 - Steam Boiler Averaging Controls
- Smart thermostats added as a DI measure with a property manager co-pay.
- Updated the On-Demand Domestic Hot Water Recirculating Pump controller rebate (incentive and program requirements) to better accommodate customers and trade allies.

Description of Program Successes

- Multi-Family demand is high, assessments and direct installation appointments have a strong pipeline and are scheduled into November of 2019.
- Program has completed over 300 smart thermostat installations in Q2.
- Program has surpassed 2019 therm goal and will continue to serve more customers in 2019.

Description of Program Challenges

- North Shore Gas territory continues to be challenging to find comprehensive cost-effective projects as building stock is relatively modern compared to Peoples Gas territory.

VI. Income Eligible Programs

Program Descriptions

Program Name	Description
--------------	-------------

Multi-Family Income Eligible	Offers prescriptive gas rebates, energy assessments, and direct-install at income-qualified multi-family buildings.
Public Housing	Offers prescriptive and custom rebates for gas measures in housing owned by Public Housing Authorities.
Affordable Housing New Construction	Provides custom incentives for Affordable Housing New Construction projects, jointly delivered with ComEd.
Illinois Home Weatherization Assistance Program	Provides supplemental funding for energy efficiency projects for low income residents.

Key Program Changes

- No key program changes for 2019.

Description of Program Successes

- All income eligible programs started on time in 2019 and have continued through Q2 with a strong performance.
- All programs are in the second year of implementation and have momentum to achieve higher volumes than in 2018. Working with programs to manage budget and therm savings.
- All programs have produced a consistent high customer satisfaction score.

Following are the achievements by program through Q2:

Program	% to Annual Goal (Therms)
Elevate - IEMS	18%
Elevate - PHES	16%
IHWAP - MF	193%
IHWAP - SF	22%

Description of Program Challenges

- The success of these programs have created an additional challenge which is to maximize cost efficiency while maintaining a healthy mix of measures to serve the broad customer base for the income eligible segment.
- Programs are aiming to maintain the 2018 spend levels and achieve greater therm savings.

VII. Demonstration of Breakthrough Equipment and Devices

Program Descriptions

Program Name	Description
--------------	-------------

Research and Development	Focus is on evaluating innovative technologies and projects for possible inclusion in programs to achieve additional therm savings. Projects are funded through the research organizations, educational institutions, and non-profit organizations.
---------------------------------	---

Key Program Changes

- Q2 saw new Market Transformation initiatives in discussion with the SAG and among Illinois utilities.

Description of Program Successes

- The IIT Open Source Building Sensors and Controls project (OSBS) has wrapped up heating season testing, demonstrating substantial savings in the dozen or so rooms where the devices were installed in Alumni Hall on the Illinois Institute of Technology campus.

Description of Program Challenges

- Art Institute of Chicago project implementation of phase three has started with continued expansion into additional galleries anticipated through 2019.

IV. Portfolio Level Narrative

- All measures that are demonstrated as successful through a Program Administrator Breakthrough Equipment and Devices Program
 - Through the Wall Condensing furnaces now a measure in the TRM
- Fund-shifts meeting threshold of Section 6.1
 - N/A
- Key changes to marketing strategies such as new marketing channels or marketing campaigns
 - Working on CHP initiative with website updates
- List of market research studies conducted by consultants if study costs exceed \$25,000 and are not protected by license agreements or other proprietary arrangements
 - N/A
- Brief description of new pilots/programs, including target market, strategy, and key Measures
 - Stretch Codes project almost ready to implement
- Any discontinued programs
 - N/A