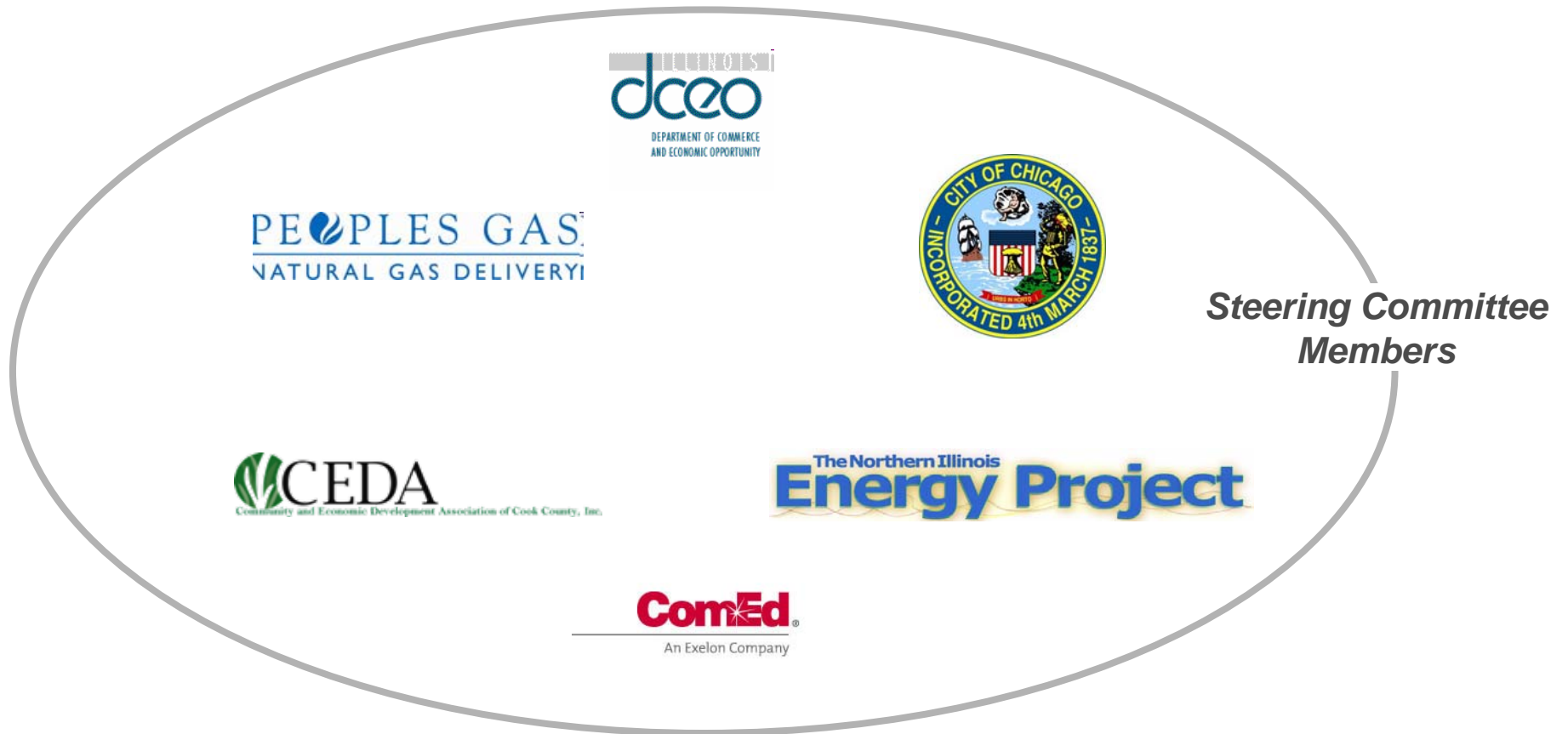
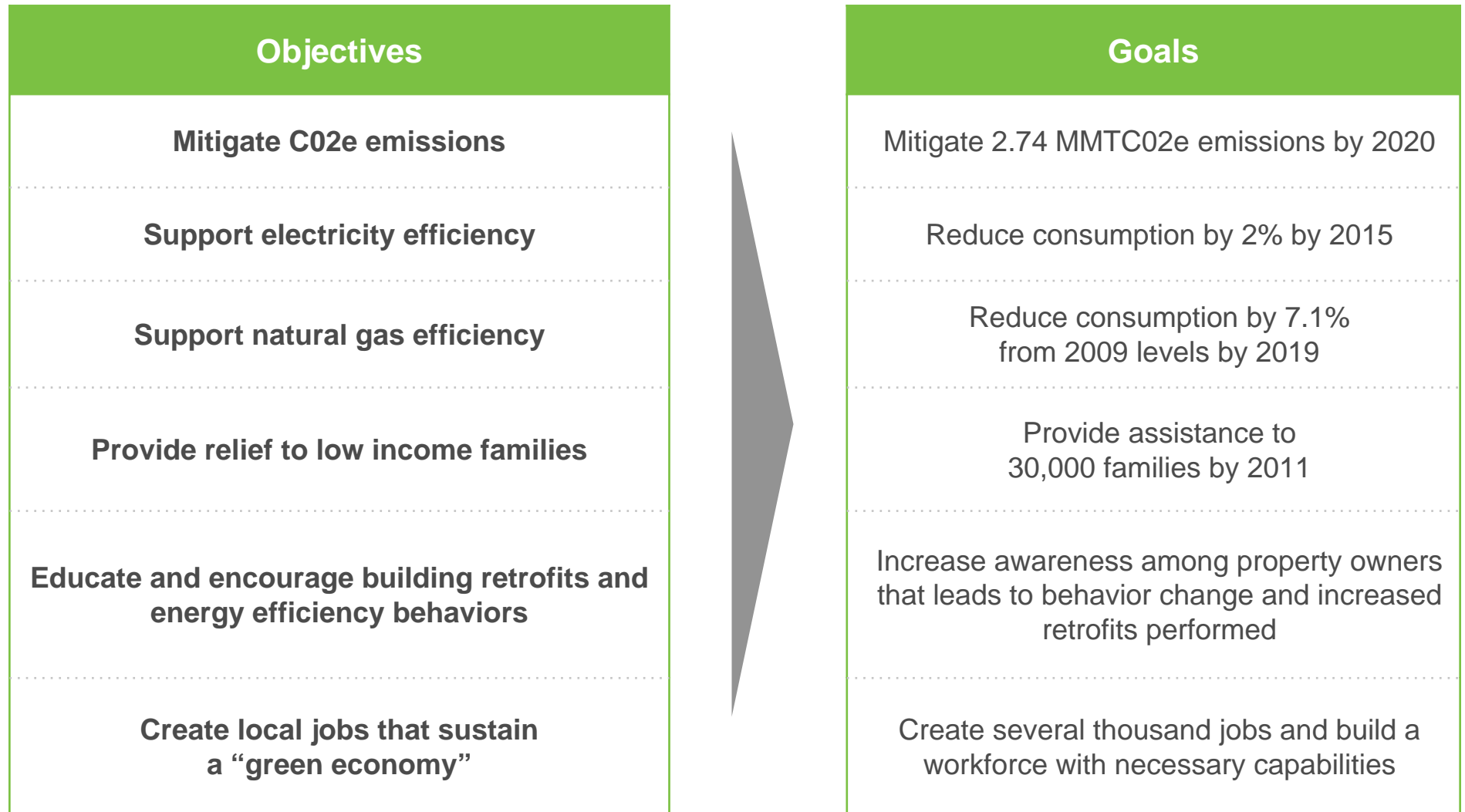


Chicago Retrofit Strategy Final Report

Leaders of the Chicago retrofit community came together on a 15-week initiative to develop a strategy for the city



Each Chicago Retrofit Steering Committee member has specific goals, with significant overlap across organizations



The retrofit market can be divided into six segments for strategic analyses

Retrofit Market Segments

2005 Units, MWh, Therms (Millions) and MMTCO2e by segment

	Large C&I*	Small C&I*	Residential				TOTAL
			Mod-High 5+ Units	Mod-High 1-4 Units	Low 5+ Units	Low Income 1-4 Units	
<i>C&I - Accounts Res - Units</i>	750 - 1,500 (0%)*	102,000 (8%)	170,000 (14%)	440,000 (35%)	250,000 (20%)	290,000 (23%)	1,253,000
<i>MWh (total per year)</i>	8,300,000 (29%)	10,600,000 (36%)	1,058,311 (4%)	4,935,546 (17%)	1,105,702 (4%)	3,044,966 (10%)	29,000,000
<i>MM Therms (total per year)</i>	349 (22%)**	201 (13%)**	96 (6%)	420 (26%)	189 (12%)	345 (22%)	1,600
<i>MMTCO2e (total per year)</i>	6.26 (24%)	7.36 (28%)	1.22 (5%)	5.53 (21%)	1.74 (7%)	3.87 (15%)	26

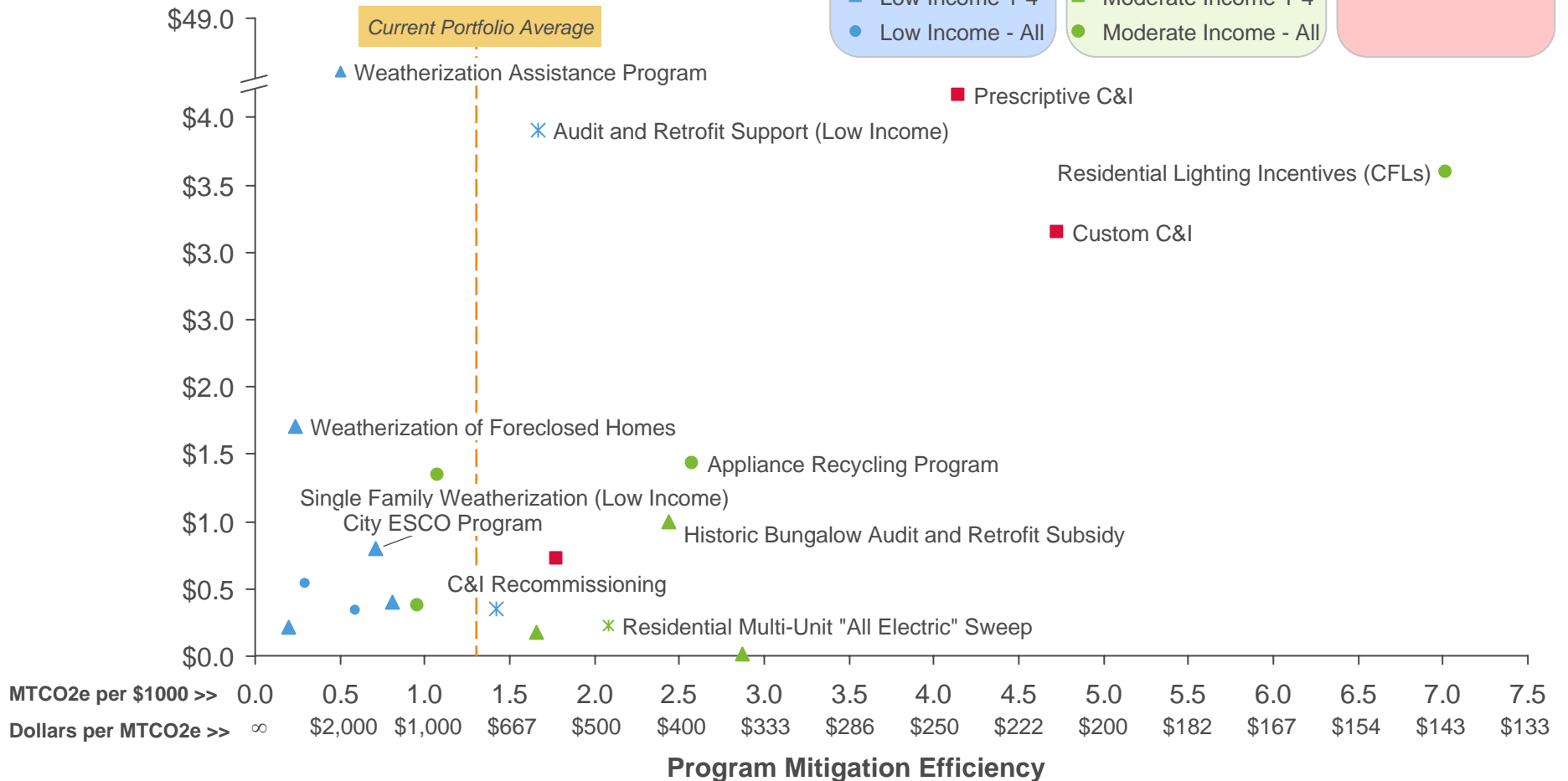
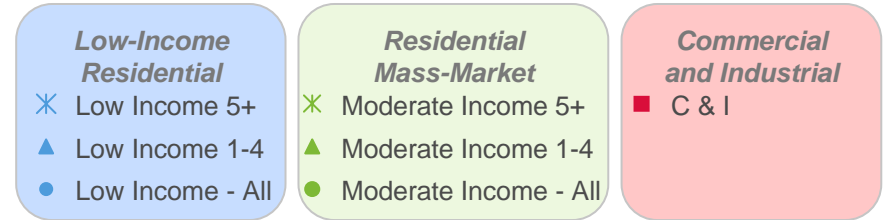
* There are approximately 750 Large C&I accounts, however it is unclear to what degree they overlap with each other ** Therm usage apportioned according to CNT estimate
 Source: CNT 2005 CO2e emissions inventory, CNT and Delta 2008 Analysis of Energy Consumption; Katzenbach analysis

Our analysis found that mitigation efficiency varied widely across current retrofit programs

Program Portfolio for 2009-2010

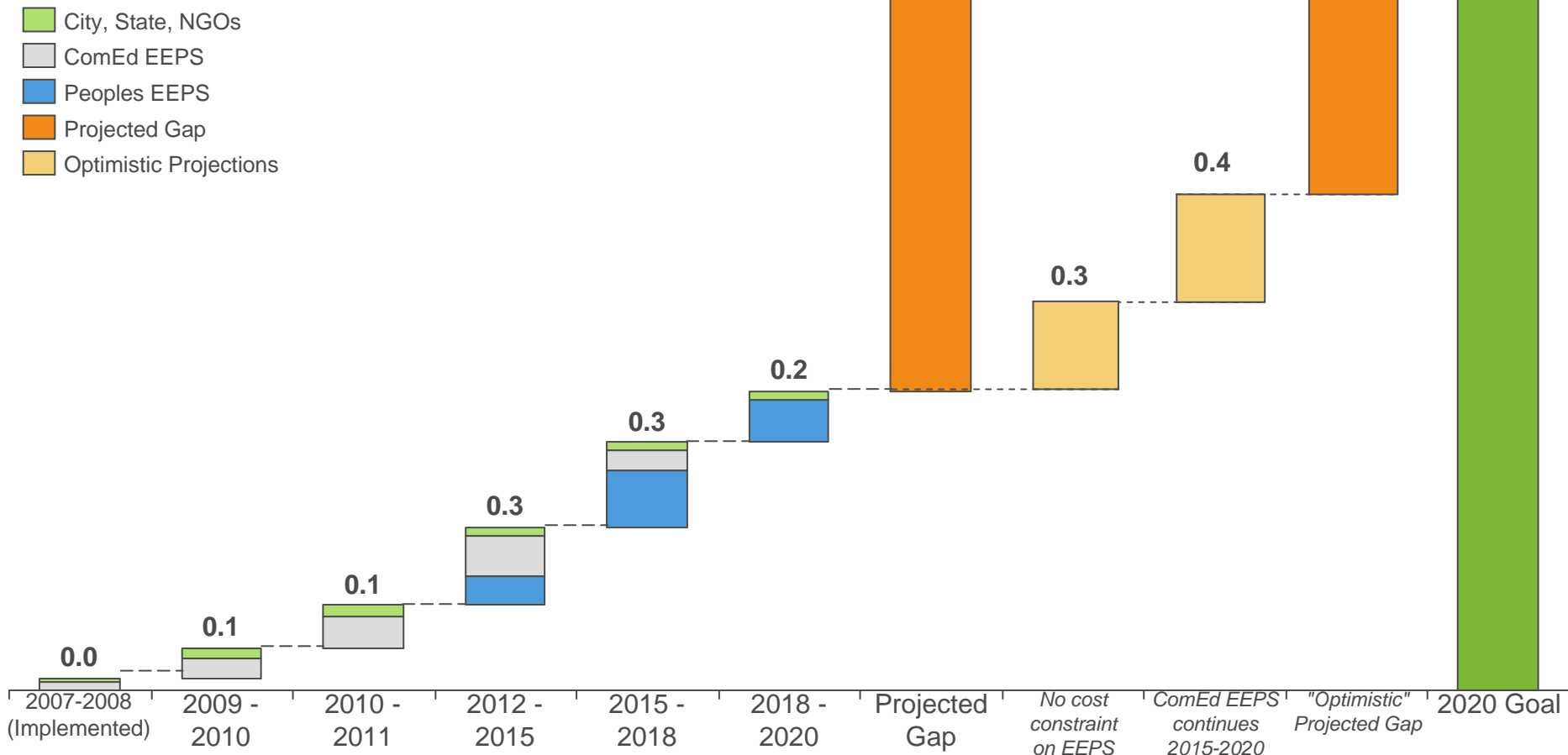
Program Funding Level and Mitigation Efficiency

Program Funding 2009-2010 (\$ Millions)



Reaching the 2020 mitigation goal will require efforts beyond the currently projected activities

Projected Mitigation Based on Current Portfolio of Efforts in Chicago Millions of Metric Tons of CO2 Equivalent Mitigated



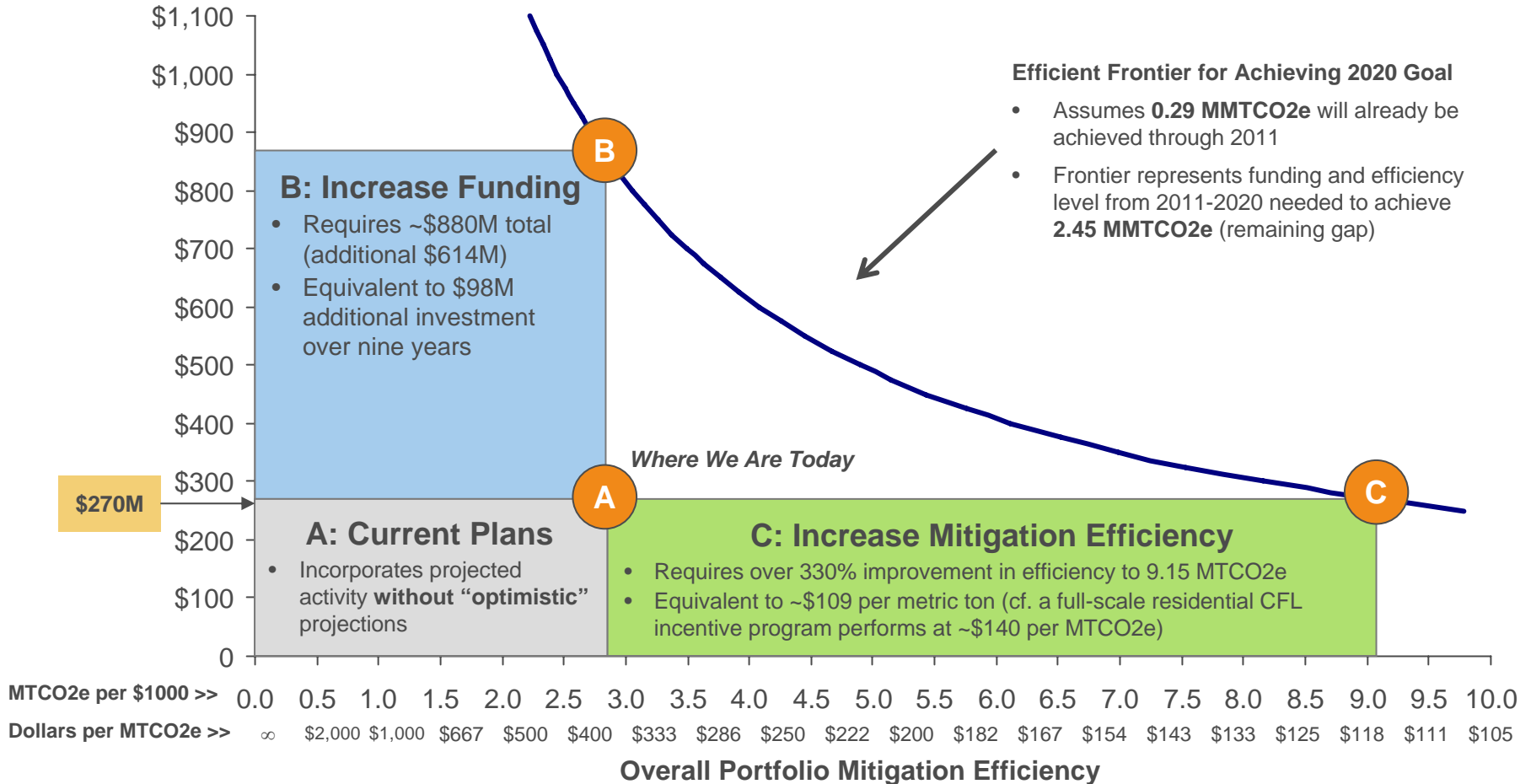
Source: Katzenbach analysis; baseline assumes no continuation of ComEd program after 2015, and funding limit reached by gas EEPS; assumes cost of reducing 1% net usage requires 2% of revenues, escalating thereafter; 0.4% incremental efficiency targets assumed for potential electric EEPS from 2015-2020, equivalent to 2013-2014 targets; assumes passage of current gas EEPS with efficiency targets as is; all other mitigation efforts remain constant with the exclusion of ARRA funds for WAP which expire; additional ARRA funds not included; 2020 goal is based on a reduction from 1990 carbon emission levels

Some combination of increased funding and improved portfolio efficiency will be needed to reach the 2020 goal

Projected Net Impact of Potential Portfolio Scenarios

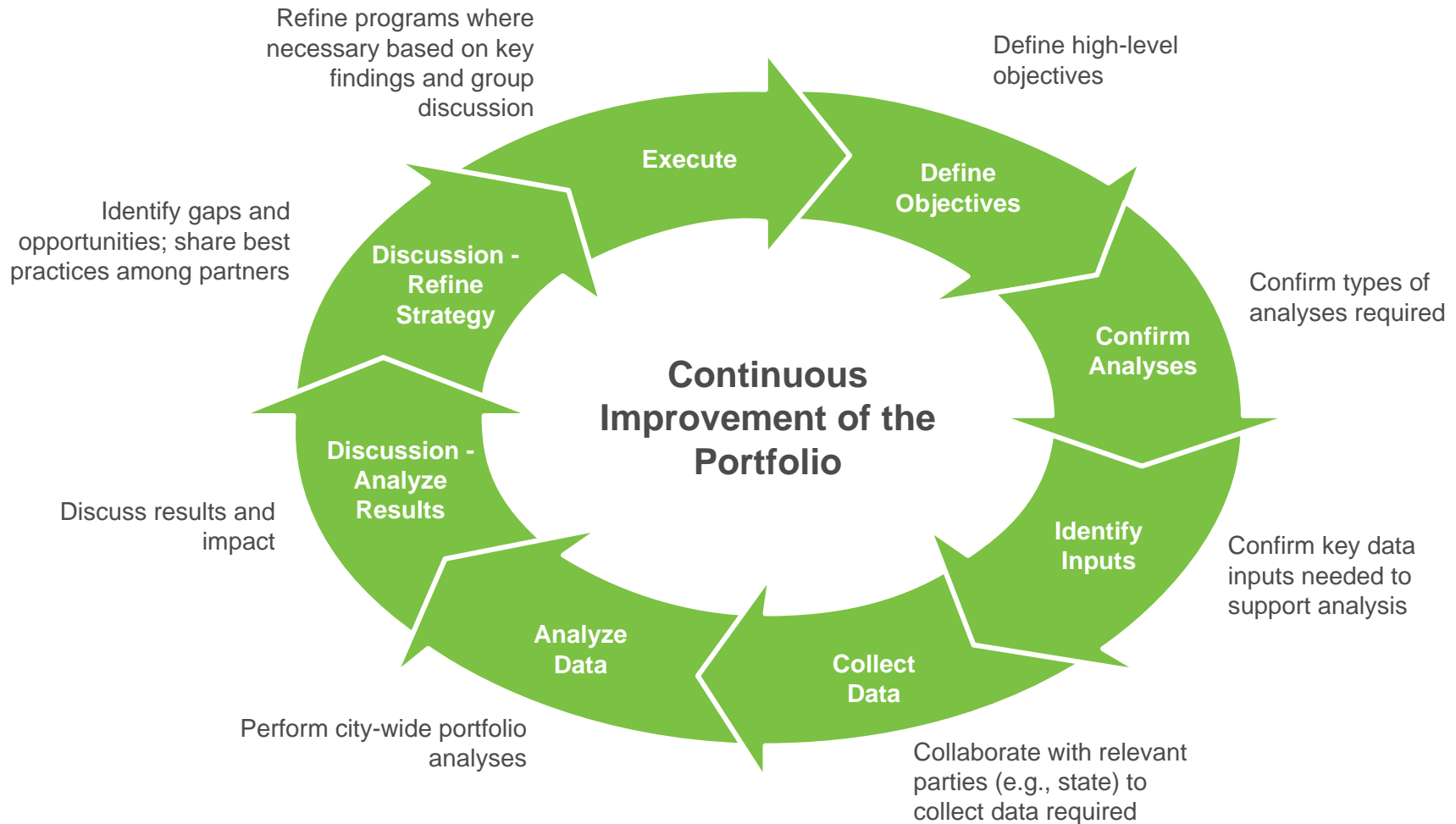
Total Funding and Net Mitigation Efficiency for 2011-2020 (area represents total mitigation)

Net Funding 2011-2020 (\$Millions)



Source: Katzenbach analysis of current activity through 2009-2010; projections assume no growth in ComEd portfolio beyond 2015; Peoples Gas EEPS reaches funding limit; all other mitigation efforts remain constant with the exclusion of ARRA funds for WAP which expires after two years; additional ARRA funds not included

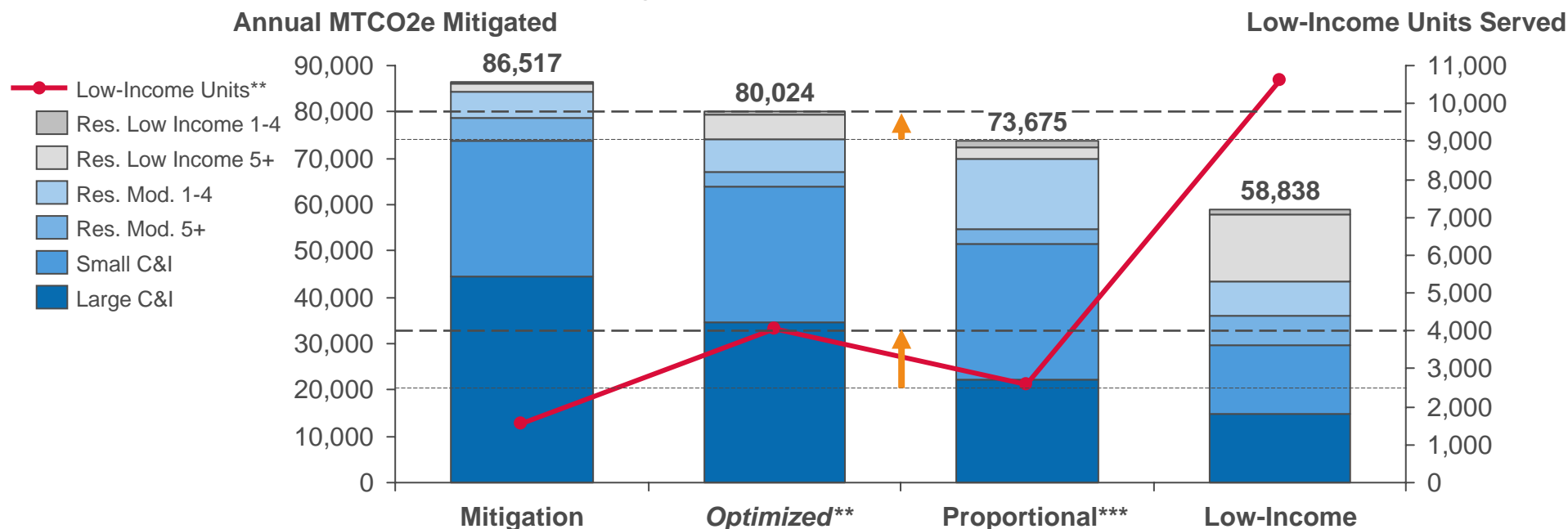
Executing a process of continuous improvement will facilitate progress towards these and other goals



The optimized portfolio should balance maximizing mitigation efficiency and serving low-income customers

Potential Funding Scenarios

Projections Based on Hypothetical Annual Budget of \$25M



Segment	Cost per MTCO2e mitigated	Funding Distribution (100% = \$25M)			
		Mitigation	Optimized**	Proportional***	Low-Income Coverage
Low Income 1-4	\$2,665	5%	5%	15%	10%
Low Income 5+	\$685	5%	15%	7%	40%
Moderate Income 1-4	\$350	8%	10%	21%	10%
Moderate Income 5+	\$376	8%	5%	5%	10%
Small C&I	\$256	30%	30%	30%	15%
Large C&I	\$252	45%	35%	23%	15%

*Low Income Units based on per unit cost assumptions: (1) Low Income 1-4 = \$1000, (2) Low Income 5+ = \$4000 assessment
 *** Portfolio distributes funding in proportion to emissions by segment.

** Optimized portfolio allocation based on Katzenbach preliminary

Source: Katzenbach analysis based on performance projections by segment from 2009-2010 data; assumes free funding distribution

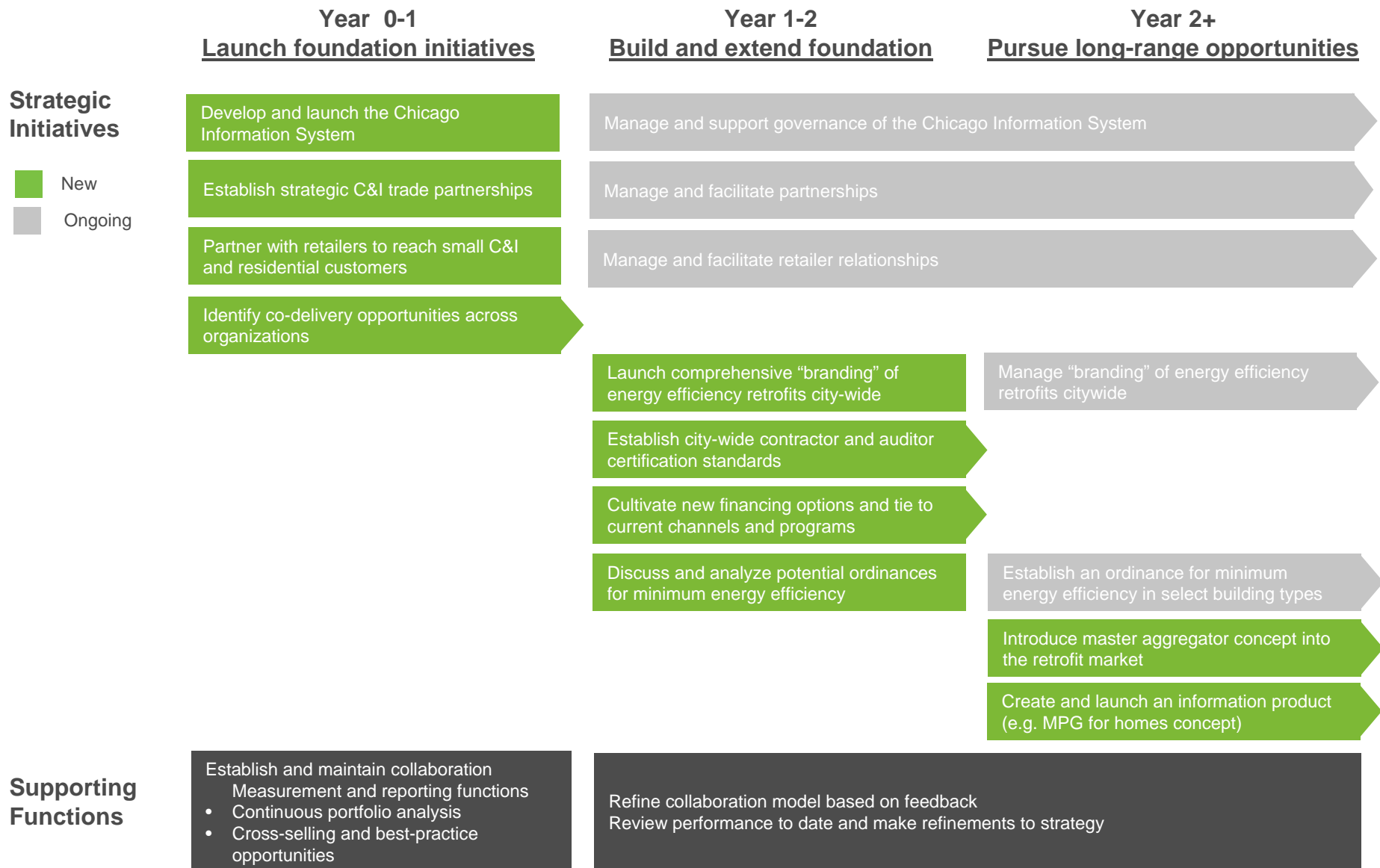
Chicago's strategy for the next two years is driven by three principles

Use an **optimized portfolio-based** approach focused on **collaboration** and **continuous improvement**

Maximize **program efficiency** while balancing the need to **serve low-income** customers

Invest in indirect efforts to **transform the market** and provide **enabling infrastructure**

A high-level roadmap illustrates the evolution of Chicago's retrofit strategy over time



Collaborating on six initiatives will help each organization achieve its goals more efficiently and effectively

1

Develop and launch the Chicago Information System

2

Establish strategic C&I trade partnerships

3

Partner with retailers to reach small C&I and residential customers

4

Identify co-delivery opportunities across organizations

5

Cultivate new financing options and tie to current channels and programs

6

Introduce widely-recognized “branding” of the retrofit product