



NGA Fall 2024

Agenda

- **VGS non- NG Products and Services**
- **Why?**
 - **Customer demand**
 - **State Policy**
 - **Business Objectives**
- **What We've Learned**
- **What's Next**



A little background

1966

VGS serves customers with affordable and reliable natural gas. Also leases, installs, and services natural gas equipment!

1992

VGS provides thermal efficiency services to help customers save money, improve comfort, and reduce usage.

2016

VGS'S efficiency works takes a leap forward and VGS is designated one of three energy efficiency utilities in the state.

2018

VGS is the first natural gas utility to offer customer renewable natural gas. In 2020 VGS begins to offer a second, "locally sourced" RNG option.

2022

The Heat Pump program is launched with VGS installing, selling, leasing, and servicing heat pump water heaters.

2023

The Heat Pump program expands to include centrally-ducted heat pumps, providing customers with a dual fuel home heating and cooling solution.

2024

Ductless Mini-Split heat pumps are offered. VGS now offers a heat pump solution for all residential customers.



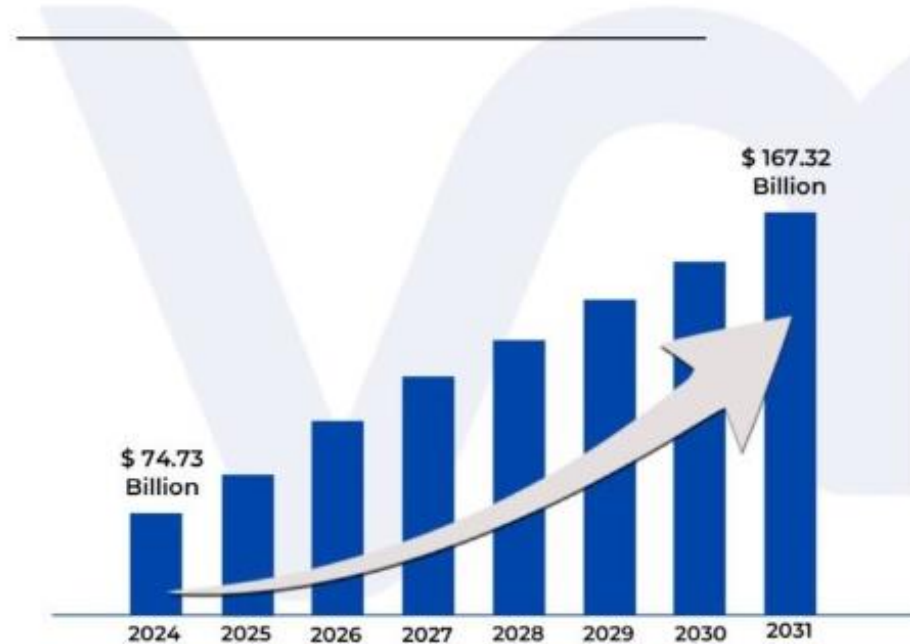
Why would a gas utility lease, sell, and service electric equipment?



To Meet Customer Demand

Report: Heat Pump Market to More Than Double by 2031

Global Heat Pump Market

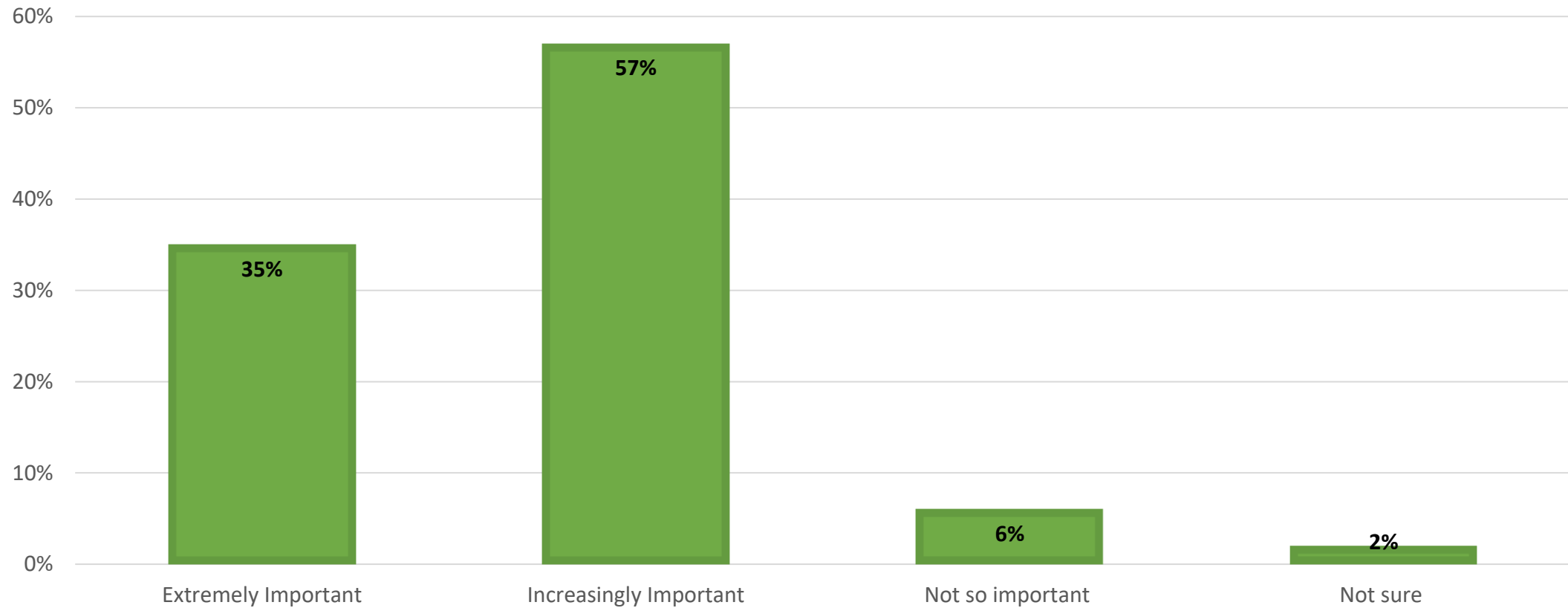


vmr VERIFIED
MARKET
RESEARCH

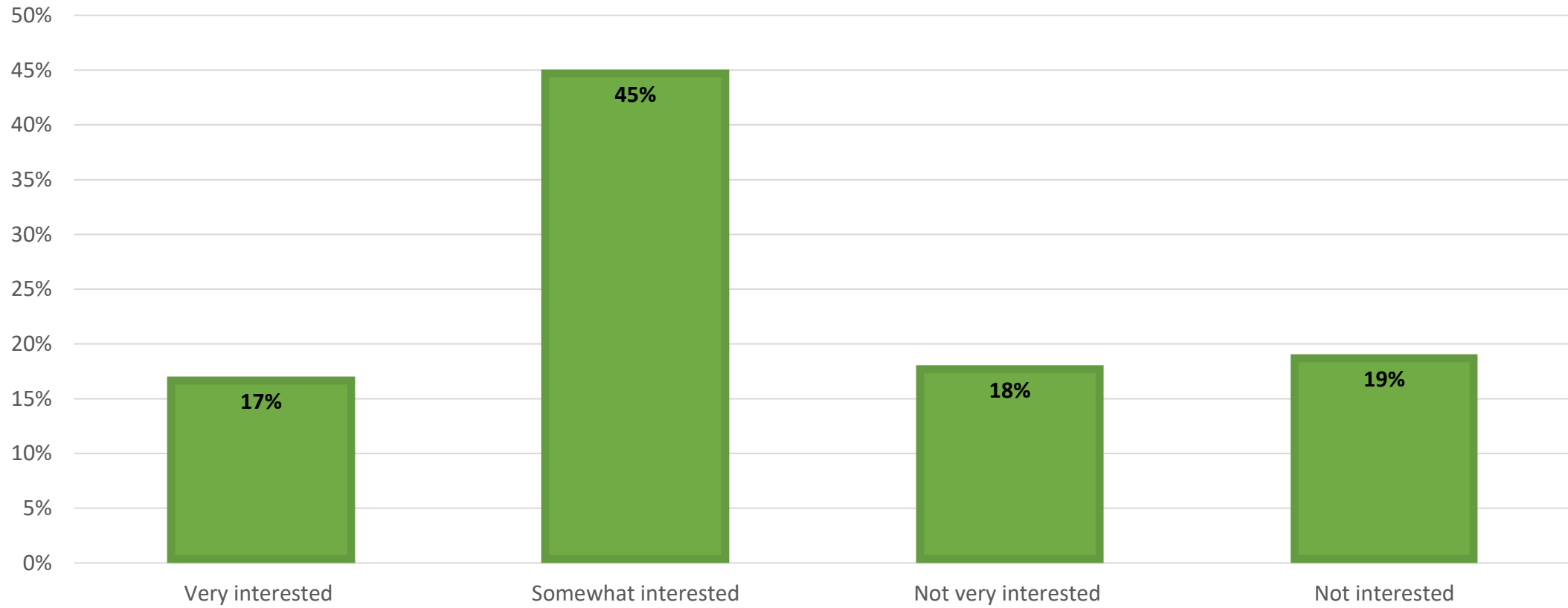
10.60%
CAGR from
2024 to 2031

Source:
www.verifiedmarketresearch.com

How important to you is it to heat and cool your home using clean energy?



Are you interested in reducing your carbon footprint even if it means you'll pay more on your home heating bill?



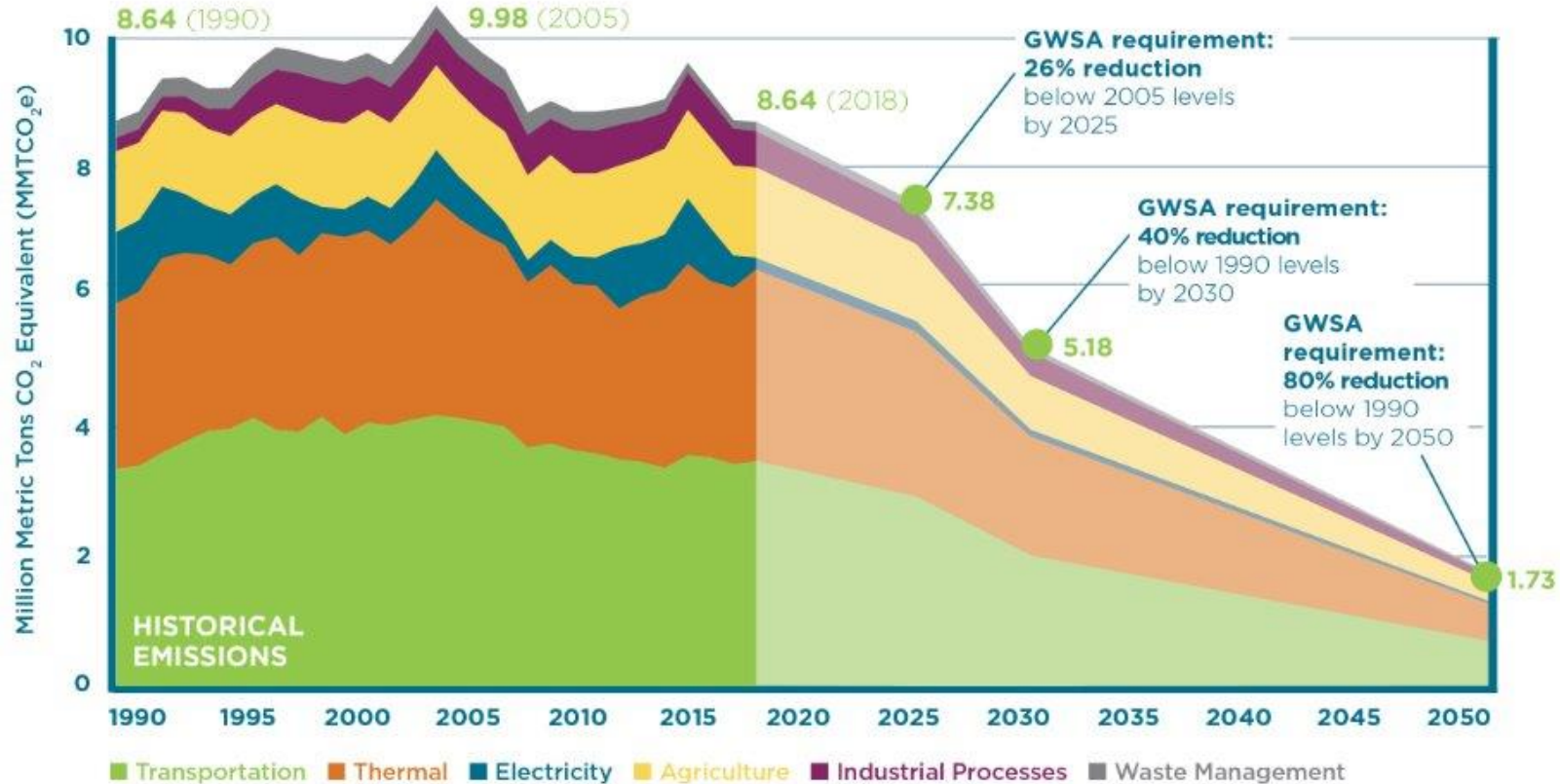
We want customers to think of VGS

- **When they want to transition to more energy-efficient home heating and cooling options**
- **When they want to decarbonize their home**
- **When they want to save money**
- **When they want trusted advice on the latest home heating and cooling technologies.**



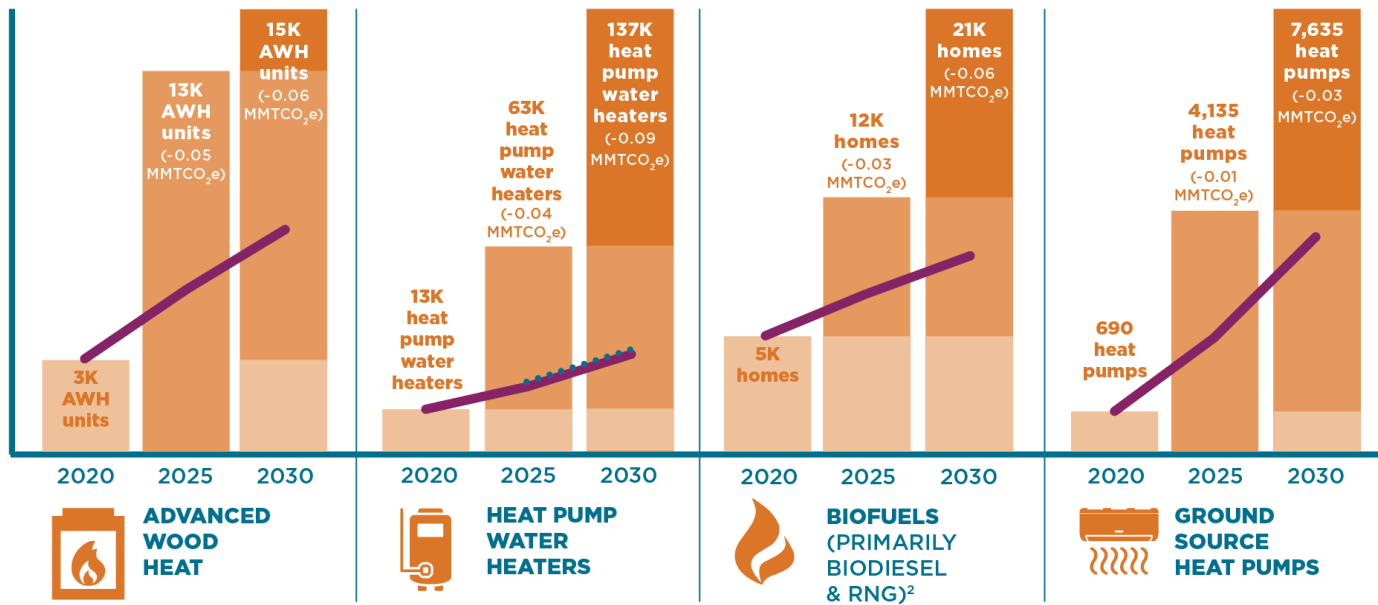
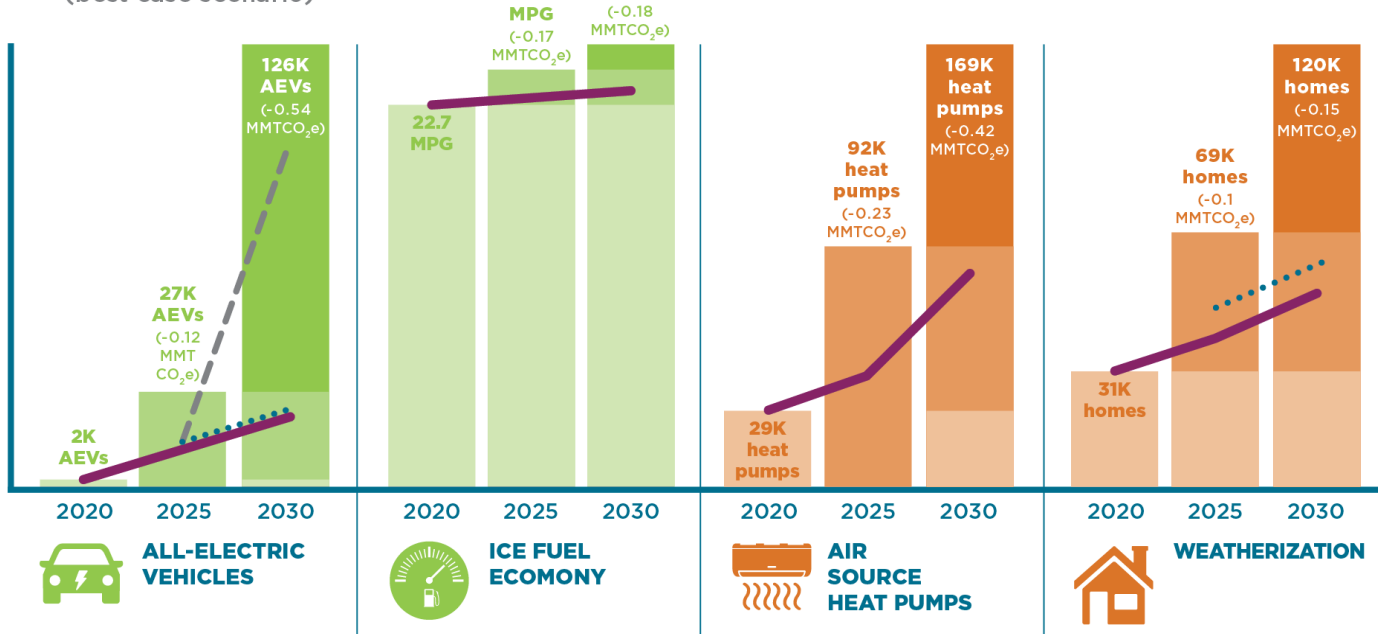
To Align with State Policy

Vermont's historical GHG emissions and future requirements



Source: Vermont Agency of Natural Resources, Vermont GHG Emissions Inventory and Forecast (1990-2017), 2021.





Affordable Heat Act

The Vermont Clean Heat Standard (CHS) is a policy designed to cut greenhouse gas emissions from the heating sector, in line with the state's Global Warming Solutions Act.

The main points of the CHS are:

Obligated Parties: Companies that import heating fuels into Vermont are required to reduce emissions by either lowering the carbon content of their fuels or by supporting clean heating technologies, such as heat pumps, advanced wood heating systems, or weatherization efforts.

Clean Heat Credits: Fuel sellers can generate credits based on the emissions reductions achieved through the use of clean heat technologies, purchase credits on the open market, or pay a per credit fee to a default delivery agent. These credits help meet the annual emissions reduction targets.

Compliance: Each year, obligated parties must hit specific emissions reduction targets, which increase over time. They can comply by either improving the efficiency of their own operations or by supporting clean heating projects within Vermont.



Our Evolving Business Objectives



- **Diversify our portfolio of products and services**
- **Create new revenue streams**
- **Grow the skills of our employees to meet evolving market needs and invest in the development of new employees**
- **Maintain customer loyalty by continuing to provide affordable thermal energy solutions**

Modeling the Business Case

- **Determined our projected new gas connection revenue decreases in future years**
- **Assigned a dollar amount to future revenue decreases**
- **Determined new product revenue needed to stay whole**
 - **the dollar amount of income VGS needs to generate from selling and servicing electrified and hybrid equipment to fill in the projected revenue gap.**

The result is achievable.



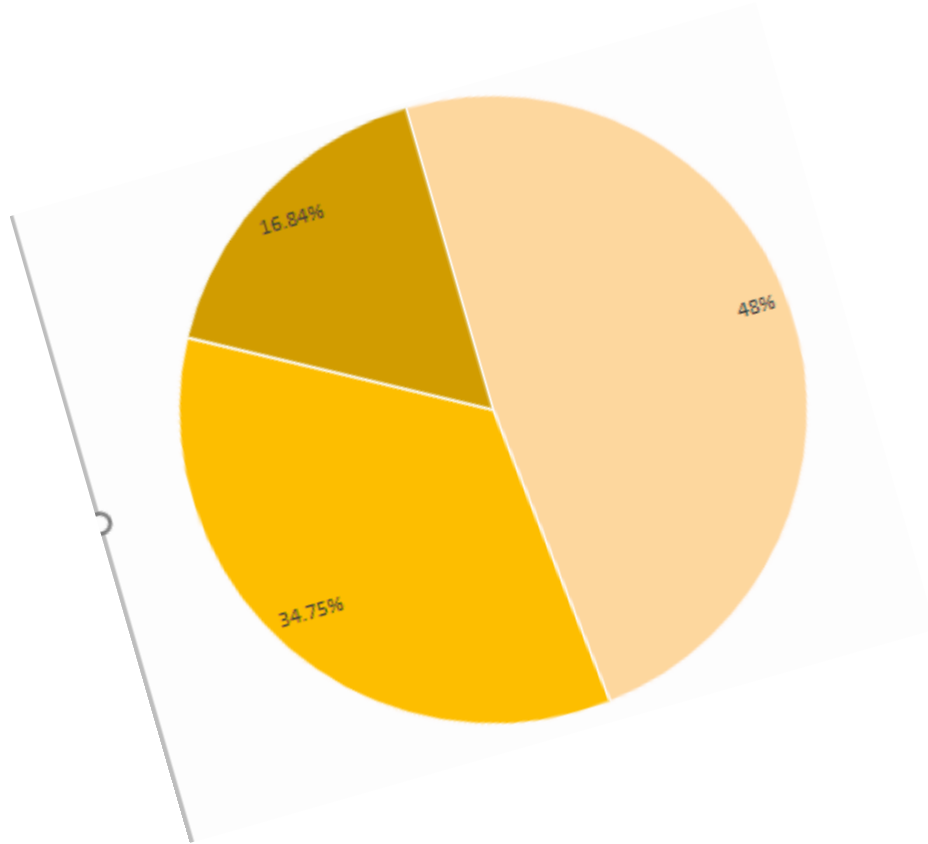
What we're learning

- Build from strengths



What we're learning

- Engage staff every step of the way

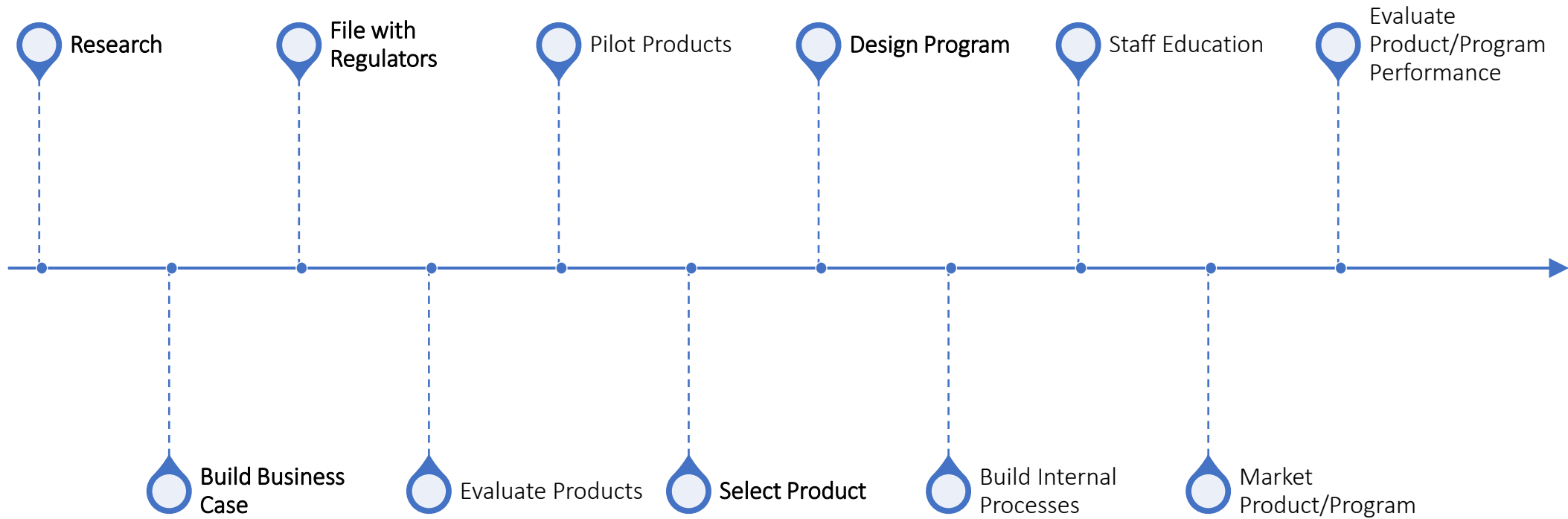


What we're learning

- Employ best practices in change management and new product development.



Our development process



What's new in 2025

- **Continue developing a utility-owned community geothermal system program, designed to serve new residential and mixed-use developments.**
- **Design an electrification offering for commercial and industrial customers, exploring the potential for electric boilers and industrial heat pumps.**
- **Pilot gas heat pumps with both residential and commercial customers.**
- **Design a residential air to water heat pump pilot.**

What stays the same

- The commitment to our Customers
- The commitment to Safety
- The commitment to Affordability
- The commitment to Social Responsibility



The Future



Diversified Thermal Solutions Provider

Safe, affordable, and reliable thermal energy services, award-winning energy efficiency programs, equipment service and maintenance, and a growing portfolio of decarbonized heating and cooling options for Vermonters.



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