



Vermont Gas
CLEAN ENERGY. CLEAN AIR.

Energy Efficiency Program

2009 ANNUAL REPORT

**DEMAND SIDE MANAGEMENT
PROGRAMS**

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SUMMARY

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EXECUTIVE SUMMARY

This report presents the 2009 achievements of Vermont Gas Systems' (VGS) six energy efficiency programs.

OVERALL ACCOMPLISHMENTS

In 2009, the VGS' energy efficiency programs collectively achieved the following:

- saved nearly 63,044 annualized Mcf. These savings will eliminate over 3,600 tons of carbon dioxide per year for the next two decades
- will save over 1,208,291 Mcf over the lifetime of the installed measures, enough to provide for the natural gas needs of over 12,700 average residential customers for a year.
- saved over 515 Mcf on peak day, VGS' most critical period;
- invested over \$1,983,438 in energy-efficiency projects;
- installed energy-efficiency measures in 2,074 homes and businesses;

PROGRAM HIGHLIGHTS

Residential Programs:

In 2009, in aggregate, the Residential programs installed measures for 1,995 customers that will save 34,787 Mcf annually, at a cost to VGS of \$1,385,633.

The Residential Equipment Replacement program completed 1,660 projects in 2009. This resulted in 18,296 annualized Mcf saved at a total program cost of \$578,694.

The Residential New Construction program, under the banner of Vermont ENERGY STAR® Homes, had 96 completions and saved an annualized 6,144 Mcf in 2009. There were 5 multi-family or master-metered completions, representing 140 units with 3,785 Mcf in annual savings.

436 audits were conducted, and 239 customers had energy saving measures installed through VGS' Residential Retrofit program. Customers installed measures that are estimated to save 10,347 Mcf per year and approximately 96 Mcf on peak day.

For a detailed discussion of each Residential program, please refer to each program's individual report in subsequent sections.

Commercial Programs:

In 2009, 79 customers installed measures through the Commercial programs that will save 28,257 Mcf annually, at a cost to VGS of \$597,805.

VGS' Commercial New Construction program completed 13 projects in 2009. This resulted in 8,048 annualized Mcf saved at a total program cost of \$202,513. Completions were slightly below the target amount due to a continued sluggish economy

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41 customers installed projects through the Commercial Equipment Replacement program in 2009. Measures installed in 2009 are estimated to save a total of 6,774 Mcf annually. Lifetime savings for installed measures are estimated to exceed 117,800 Mcf.

In the Commercial Retrofit program, a total of 33 building audits were completed and 25 VGS customers installed measures saving 13,435 annualized Mcf for 2009. These savings were approximately 10% above budget projections.

For a detailed discussion of each Commercial program, please refer to each program's individual report in subsequent sections.

OTHER DSM ACTIVITIES

Continued Collaboration with Home Performance with Energy Star

In 2009 VGS continued to fine tune the relationship with Efficiency Vermont with the Home Performance with Energy Star home weatherization program. VGS began to offer its program incentives to VGS customers who have opted to use this program in lieu of VGS'. It is VGS' intention to provide these incentives on a more prescriptive basis as we progress through 2010.

Interruptible Contracts:

As reported in previous Annual Reports, one of VGS' most cost-effective and critical DSM initiatives continues to be its contracts for interruptible gas service. In aggregate, interruptible customers are estimated to avoid approximately 27,000 Mcf on peak day, including 13,000 Mcf related to the McNeil generating plant. Please note that the DSM peak day savings reported in this DSM Annual Report do not reflect peak day savings from interruptible contracts.

Departmental Software Upgrade:

VGS completed the upgrade of its software program in April, 2009. Much time and effort was dedicated by staff and consultants make the transition a seamless event. VGS will continue to transfer much of the archived data to the new software as the year progresses, as well as launch new enhancements and reporting capabilities.

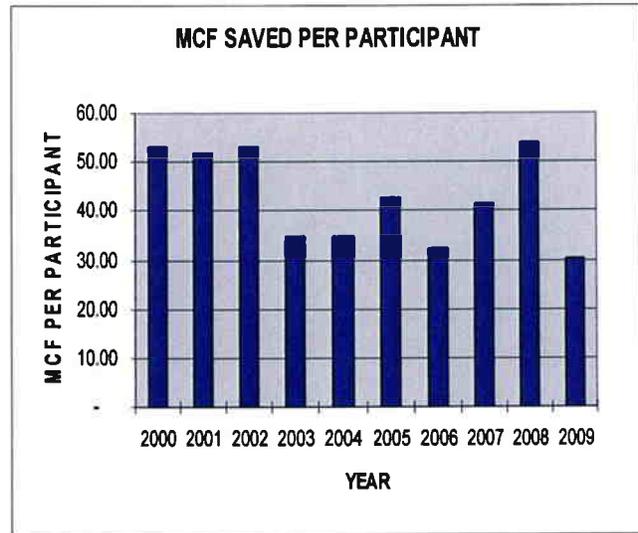
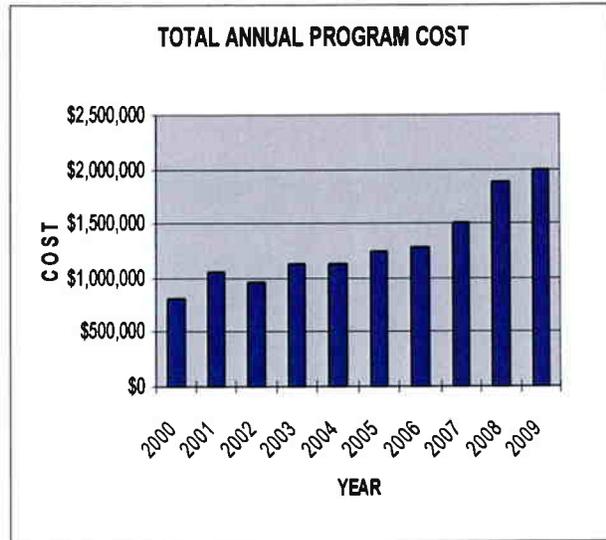
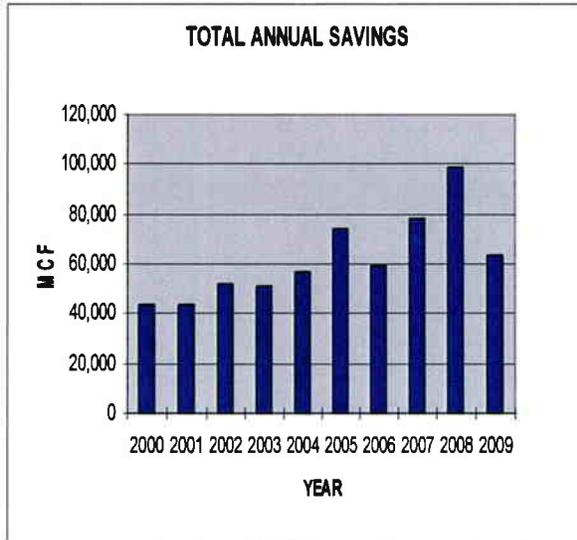
Consortium for Energy Efficiency

Vermont Gas Systems through its energy efficiency program manager and commercial energy efficiency engineer has continued active membership in the Consortium for Energy Efficiency (CEE). CEE is a national, non-profit organization seeking to create, strengthen, and transform energy efficiency markets through the development of broad-based market initiatives representing the interests of its member organizations. Spending for natural gas programs nationally has grown from \$250 million in 2006 to almost \$1 billion in 2009. VGS was an active participant via committee meetings for commercial boilers, kitchen equipment, and residential heating and hot water system initiatives launched in 2009; it is the intent of CEE to spur manufacturers to produce equipment that meets or exceeds Energy Star certification.

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HISTORICAL PROGRAM COSTS AND SAVINGS



PROPOSED PROGRAM BUDGETS

Proposed program budgets are again included in this report in a VGS fiscal year format. Fiscal year 2010 (FY10) began on October 1, 2009 and will end on September 30, 2010.

SUMMARY

The 63,044 Mcf in reported annual savings for 2009 represents another successful year of savings for our customers. In 2008, VGS had a customer complete a large project for 18,000 Mcf. There were no similarly large projects in 2009. This effort continues to demonstrate Vermont Gas' strong commitment to energy efficiency and customer satisfaction. VGS' Energy Efficiency programs continue to be a vital, cost-effective and productive element of the company's business operation.

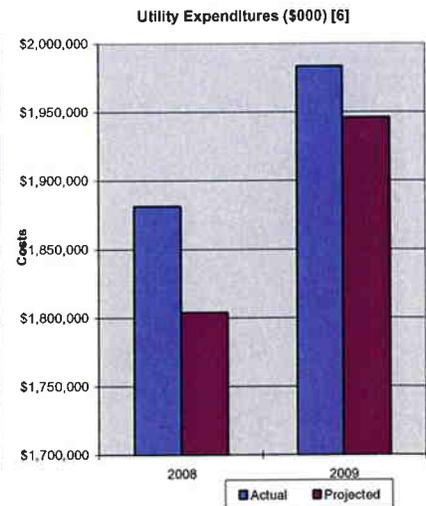
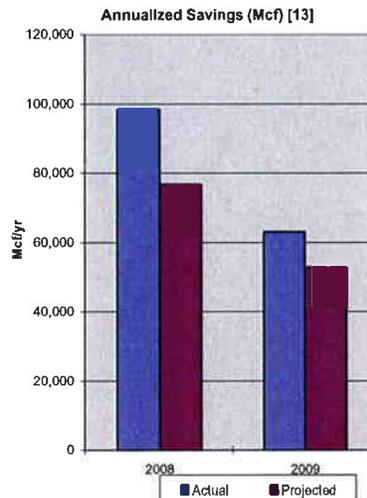
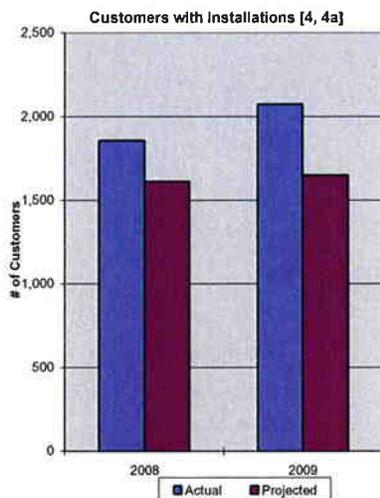
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VGS Energy Efficiency Program Summary

	Actual [1] 2008	Actual [1] 2009	Projected 2009	Projected Fiscal Year 2010	Total Program Reported to Date [18]
SUMMARY OF PARTICIPATION					
# Pending [2, 2a, 2b]	100	67	n/a	n/a	n/a
# of Analysis/Audits No Installs [3]	446	390	n/a	n/a	n/a
# Customers with Installations [4, 4a]	1,857	2,074	1,650	1,726	20,027
# Analyses/Audits [5, 5a]	1,371	1,531	1,283	10,233	12,517
SUMMARY OF COSTS					
Utility [6]	\$1,881,459	\$1,983,439	\$1,946,010	\$2,134,176	\$20,358,162
Administrative [7]	\$439,748	\$331,760	\$418,681	\$458,352	\$4,373,523
Incentives [8]	\$1,145,140	\$1,341,886	\$1,064,549	\$1,252,050	\$12,802,191
Audit [9]	\$272,485	\$306,553	\$373,972	\$322,278	\$2,939,175
Evaluation [10]	\$24,085	\$3,240	\$88,809	\$101,496	\$243,275
Participant [11, 27, 27a]	\$0	\$0	\$0	\$0	\$732,740
Total	\$1,881,459	\$1,983,439	\$1,946,010	\$2,134,176	\$21,090,902
SUMMARY OF BENEFITS [12]					
Annualized Mcf [13]	98,400.5	63,043.8	52,896.0	59,104.0	863,490.2 [19]
Lifetime Mcf [14]	1,866,694	1,208,291	1,005,217	7,358,359	17,190,011 [19]
Peak Day Mcf [15]	532.9	515.6	373.1	440.0	6,052.2 [19]
Annualized Mcf/Participant [16]	53.0	30.4	32.1	34.2	43.1
Weighted Lifetime (years) [17]	19.0	19.2	18.3	18.6	19.6

2009 ACTIVITY (JANUARY - DECEMBER)

END-USE BREAKDOWN	Annualized Mcf Saved [13]	Peak Day Mcf Savings [15]	Number of Customers with Installations [20]	Weighted Lifetime [17]
Air Infiltration	2,974.6	26.8	183.0	15.7
Heat Recovery	10,391.1	41.9	23.0	16.4
Heating	32,696.4	325.1	1,140.0	19.9
Process	69.6	0.3	2.0	15.0
Shell (envelope)	7,693.6	76.1	310.0	24.5
Slam Dunk	530.1	1.7	80.0	10.0
Water Heating	8,688.5	43.7	1,315.0	16.9
Total	63,043.8	515.7	3,053 [23]	19.2



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FOOTNOTES

Number	Description
[1]	Verified activity for the reporting year. For savings this figure will be the estimated savings for measures actually implemented and verified for the period January 1 through December 31. Savings are in Mcf.
[2]	Number of customers who requested service who are still waiting to receive it on December 31 of the year specified in the column heading.
[2a]	The HomeBase New Construction program no longer tracks pending units.
[2b]	For the WorkPlace Equipment Replacement program, this represents the number of customers who requested information, were mailed program information, but have not yet had program eligibility confirmed. For the HomeBase Equipment Replacement program, this represents the number of customers who have requested information but have not yet received it. Note: not all inquiries will result in customer eligibility.
[3]	Number of customers who had analyses or audits completed during the reporting year, but who have not yet had verified installations by December 31 of the year specified in the column heading.
[4]	Number of customers with verified installations in the period January 1 to December 31.
[4a]	For the HomeBase Retrofit programs, does not include customers who have received "slam dunk" measures installed but have not yet had additional measures installed.
[5]	Number of customers who had analyses or audits completed between January 1 and December 31.
[5a]	For the HomeBase New Construction program this reflects the number of analysis/custom projects that were done.
[6]	Costs incurred. Sum of [7] + [8] + [9] + [10]. All costs in nominal dollars.
[7]	All costs incurred related to the program including: management, tracking, reporting, marketing, program development and infrastructure, and overhead; excluding [8], [9], [10]. Any administrative costs associated with delivering customers loans (shared savings) are also included.
[8]	Incentive payments to customers and/or trade allies, including direct installation costs (if utility pays). Not included are utility loans reported in footnote 11.
[9]	Payments to utility staff or contractors for performing analyses, audits, inspections, and verifications. Also, includes cost for energy ratings.
[10]	Evaluation costs, excluding tracking and reporting expenses.
[11]	Only customer capital expenditures under a loan or shared savings agreements.
[12]	Savings at the customer meter adjusted by the Gross to Net Adjustment Factor which represents the free rider percentage.
[13]	The estimated annual savings for measures installed and verified during the reporting year for a one year period.

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- [14] The lifetime estimated Mcf savings for measures installed and verified during the reporting year. Estimated annualized savings times the estimated life of the measure.
- [15] Estimated impact of measure on peak day. Since measures are installed throughout the year, does not reflect Mcf avoided on peak day of the reporting year.
- [16] The total Mcf saved divided by the total participants.
- [17] Average lifetime, in years, of measures in the program weighted by savings.
- [18] Cumulative activity from program start date until December 31. Individual program start dates are listed on the upper right-hand corner of each summary sheet.
- [19] Reported program to date savings, not including savings for measures beyond their lifetime.
- [20] Number of customers with verified installations of measures within that end-use. Where a customer had more than one measure installed with-in an end-use, i.e. both wall and attic insulation within the "shell" end-use, they are only counted once.
- [21] Footnote not used.
- [22] Footnote not used.
- [23] The sum of customers installing measures by end-use will probably not equal the total number of customers with installations since customers could be adopting measures for more than one end-use.
- [24] Footnote not used.
- [25] Footnote not used.
- [26] Footnote not used.
- [27] DPS generic footnotes requested. VGS utility to report all customer capital expenditures. Unable to identify customer capital expenditures outside of utility loans made during reporting year. Please refer to footnote 27a.
- [27a] Utility loans made during the current reporting year.
- [27b] Footnote not used.
- [27c] Footnote not used .
- [27d] Footnote not used.
- [27e] Footnote not used.

RER

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DEMAND SIDE MANAGEMENT PROGRAMS**

RESIDENTIAL EQUIPMENT REPLACEMENT PROGRAM

DPS PROGRAM CODE: RER
REPORT DATE: April 1, 2010
PROGRAM MANAGER: Scott Harrington
LAST EVALUATION: April 1, 2009

TOTAL ELIGIBLE MARKET:

All residential customers, new and existing, who are replacing failed or end-of-life space and/or water heating equipment with new natural gas-fired equipment.

PROGRAM DESCRIPTION:

The Vermont Gas Residential Equipment Replacement Program is designed to encourage customers to purchase and install water and space heating equipment that exceeds both the current standards established by the National Appliance Energy Conservation Act (NAECA), and the de facto baselines in the region. These replacements typically occur when equipment has failed and can no longer be repaired, or has reached the end of its useful life; or when the fuel source for heating a home is being switched to natural gas.

Eligible customers receive cash rebates to offset most of the average incremental cost of purchasing and installing high-efficiency equipment. The simple payback on the customer's portion of the incremental cost will vary depending on the usage and equipment chosen. Fixed rebates have been established for equipment that has a societal benefit-to-cost ratio greater than one across a wide band of usage levels. Custom screenings are done for larger or staged heating systems that may be appropriate in applications where a single high-efficiency system can not meet the load requirements. The fixed rebate schedule is as follows:

Fixed Rebate Schedule

Eligible Equipment (must be purchased new)	Required Efficiency (as listed in GAMA)	Minimum usage criterion (normalized heating usage)	Rebate
Hot Air Furnace	90% to 92% AFUE	None	\$100.00
Hot Air Furnace	92.1% to 93.9% AFUE	None	\$300.00
Hot Air Furnace	94%+ AFUE	None	\$400.00
Hot Water Boiler	87% to 91.9% AFUE	None	\$400.00
Hot Water Boiler	92%+ AFUE	Must have outdoor air temp. reset control	\$600.00
Steam Boiler	82%+ AFUE	None	\$150.00
Water Heater 40/50 gal.	.62 EF	None	\$100.00
Tankless Water Heater	.82+ EF	None	\$100.00
Indirect-Fired storage tank	Heated by an 87%+ AFUE boiler		\$100.00
Drain Water Heat Recovery	Site Specific		\$200.00

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VGS offers financing for replacing furnaces and boilers to Vermont Gas's program participants at the full cost up to \$5000 in reduced-interest loans offered through Green Mountain Credit Union. To qualify for this financing, customer must have an older furnace or boiler which is near or at end of life and may have been red tagged by VGS for safety reasons. VGS also extends this financing to customers who are newly converting to natural gas.

VGS Water Heater Rental Program:

Customers and contractors can both purchase and rent water heaters from VGS. VGS stocks several sizes, types and efficiencies of water heaters for residential and commercial applications.

High-efficiency water heaters (.62 energy factor or greater) are available from VGS as rental units for chimney-vented and power-vent applications. Customers who purchase high-efficiency water heaters directly from VGS that meet or exceed the efficiency requirement continue to receive their rebate in the form of a reduced invoice purchase price.

PROGRAM HIGHLIGHTS:

Summary:

The Equipment Replacement program had another record year in terms of both participation and Mcf saved. 1,660 projects were installed in 2009, resulting in 18,296 annualized Mcf saved at a total program cost of \$578,694.

Program Modifications:

VGS transitioned to a new software tracking program in April, 2009. The old program (Paradox) was replaced with a Microsoft SQL database product. This transition required much time and effort from staff and consultants to complete in a seamless manner.

PROGRAM/DOCUMENT HISTORY:

Program/document history from 2001 through 2009 is presented below; program history from inception through 2000 is available in prior Annual Reports

November 1, 2001	Integrated Resource Plan filed with the PSB
April 1, 2002	2001 DSM Annual Report filed with the PSB
April 1, 2003	2002 DSM Annual Report filed with the PSB
April 1, 2004	2003 DSM Annual Report filed with the PSB
November 30, 2004	Integrated Resource Plan filed with the PSB
April 1, 2005	2004 DSM Annual Report filed with the PSB
April 1, 2006	2005 DSM Annual Report filed with the PSB
April 1, 2007	2006 DSM Annual Report filed with the PSB

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April 1, 2008	2007 DSM Annual Report filed with the PSB
June 30, 2008	Integrated Resource Plan filed with the PSB
April 1, 2009	2008 DSM Annual Plan filed with the PSB

PROGRAM MARKETING:

Program information is available on VGS' internet site at www.vermontgas.com. VGS also has an efficiency e-mail (efficiency@vermontgas.com) where customers can direct their energy efficiency questions.

VGS has a residential energy efficiency brochure that features pertinent information on all of the residential programs. Brochures are distributed by multiple outlets within Vermont Gas and externally through trade shows and Efficiency Vermont and Burlington Electric

VGS' Call Center, Marketing and Energy Services Representatives, and Service Technicians continue to be the primary sources of referrals to the program. VGS service vans are regularly stocked with the residential program brochures so that the service technicians can hand interested customers the pertinent information on the spot. As part of the inspection program for rental burners, VGS service technicians provide the customer with information about the program to encourage our customers to replace aging furnace or boiler systems with state of the art energy efficient equipment.

Numerous local plumbing and heating contractors provide program referrals. Contractors have also been supplied with program literature that they can give to customers at the time they deliver quotes for high efficiency equipment.

VGS DSM staff were on hand to provide program information at the VGS hosted informational meeting of the local plumbing and heating contractors held at the Windjammer hotel on May 12, 2009.

VGS hosted an informational meeting in March at VGS for the PSB, DPS, EVT, CVPS, GMP and BED to view a live presentation provided by representatives of ECR International, the providers of the Honda FreeWatt residential combined heat and power unit.

Several informational articles referencing VGS' rebates for high efficiency equipment replacements were presented in "The Natural", VGS' newsletter for customers. (appendix #1)

VGS Retrofit program participants are advised of their eligibility for equipment rebates, both at the time of their energy audit and in the written audit report.

Vermont Gas was a Premier sponsor for the Better Buildings by Design conference hosted by Efficiency Vermont at the Sheraton Hotel in South Burlington in February, 2009. (Included as appendix #2) VGS staffed the booth and provided information about our services to conference attendees.

VGS/DSM presented program information to potential new customers at an open house that was held at the Hinesburg Town offices in April.

Vermont Gas had a display booth at the "2009 Vermont Home and Garden Show" sponsored by the Home Builders and Remodelers Association of Northern Vermont (HBRA) in April, 2009 at the Champlain Valley Fair Grounds. The booth contained DSM residential program information.

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VARIANCE DISCUSSION:

Participants:

The VGS Equipment Replacement program had 1,660 participants in 2009, exceeding budget participation levels by 26%, or 349 participants. 331 rebates were issued for the installation of 90+% AFUE furnaces. The 331 total consists of 15 units at 90-92%, 11 units at 92.1 to 93.9%, and 305 units at 94+% AFUE. VGS had robust boiler participation in 2009. 755 customers received rebates for installing 87+% AFUE boilers, as compared with 411 in 2008.

Mcf Saved:

18,296 Mcf were saved in 2009, a new record level for the program. This savings level eclipses the prior level of 12,508 Mcf that was achieved in 2008.

Program Costs:

Program expenses were over budget primarily due to higher than expected participation. VGS continued to benefit from new customer sign ups that spilled over from 2008 and 2009's record customer growth. New customers continued to tap in to the financing program or install equipment at the higher tier efficiency with correspondingly higher incentives.

PROPOSED PROGRAM CHANGES:

VGS intends to review the three tier furnace rebate in 2010 to determine if this is reasonable given that the DPS is in the process of adopting an Appliance Bill rule that would eliminate availability of furnaces with an efficiency of less than 90%.

VGS intends to increase the customer financing cap for heating system replacement projects from \$5000 to \$10,000.

VGS intends to stay involved with the process to update the Residential Building Energy Standard (RBES) and its impact to our programs.

VGS added an additional \$100 rebate to the highest tier Energy Star, furnaces, boilers, and tankless water heaters in January of 2010. Proceeds will be paid through the ARRA Stimulus funds via the State Energy Program. VGS plans on closely monitoring ARRA efficiency funds to tap into more of these resources for customers as appropriate.

EVALUATION DISCUSSION:

VGS did not enlist in any formal review of this program this year given that review was completed by Summit Blue consulting in 2008.

VGS includes a survey along with each rebate check to ensure customer satisfaction. Questions are asked regarding how the customer learned about VGS' rebate program, how satisfied the customer is with service received, inspections, installation contractors, the amount and timeliness of the rebate, and with the actual equipment. Across the board, the responses continue to indicate a very high level of satisfaction with the program. It should be noted that although the surveys are formally tabulated once a year, they are also reviewed by the Energy Services staff as they are received. Any issues highlighted by the respondents are addressed at that time.

In 2009 VGS was very successful in reporting of the Service Quality and Reliability measure related to the timeliness of processing rebate checks. VGS attained a 97.8% rating for the period.

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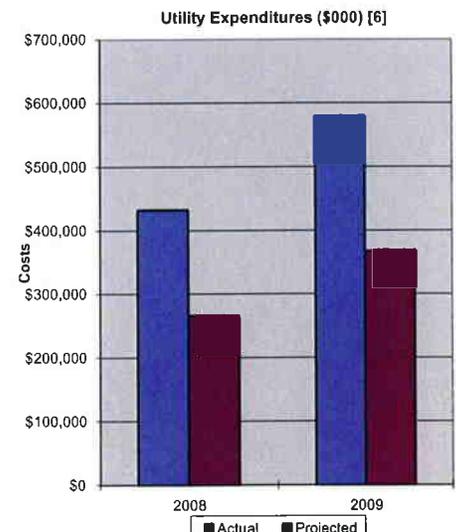
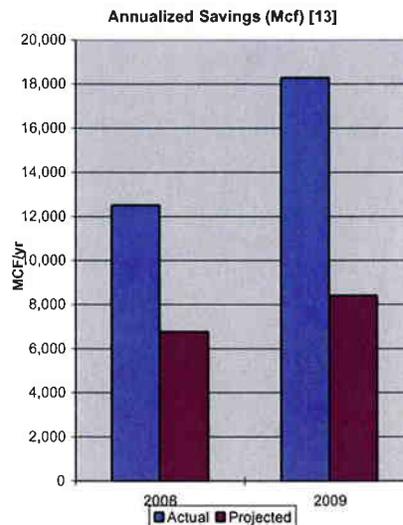
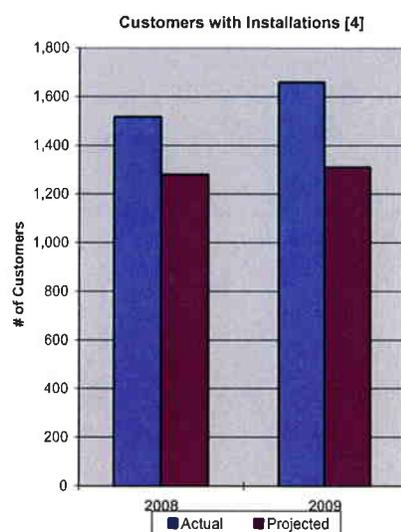
Residential Equipment Replacement Program Summary

Program Start Date: 12/1/1992
 Gross to Net Adjustment Factor: 0%

	Actual [1] 2008	Actual [1] 2009	Projected 2009	Projected Fiscal Year 2010	Total Program Reported to Date [18]
SUMMARY OF PARTICIPATION					
# Pending [2, 2b]	49	29	n/a	n/a	n/a
# of Analysis/Audits No Installs [3]	81	32	n/a	n/a	n/a
# Customers with Installations [4]	1,517	1,660	1311	1,392	14,036.0
# Analyses/Audits [5]	861	992	530	822	5,712.0
SUMMARY OF COSTS					
Utility [6]	\$432,463	\$578,694	\$367,216	\$472,524	\$3,092,734
Administrative [7]	\$64,192	\$62,192	\$57,689	\$62,208	\$466,416
Incentives [8]	\$356,527	\$511,988	\$289,575	\$390,126	\$2,589,180
Audit [9]	\$0	\$3,273	\$3,036	\$3,274	\$3,522
Evaluation [10]	\$11,744	\$1,241	\$16,916	\$16,916	\$33,615
Participant [11, 27, 27a]	\$0	\$0	\$0	\$0	\$0
Total	\$432,463	\$578,694	\$367,216	\$472,524	\$3,092,734
SUMMARY OF BENEFITS [12]					
Annualized Mcf [13]	12,508.1	18,295.7	8,411.0	10,000.0	116,756.3 [19]
Lifetime Mcf [14]	253,914	387,869	156,164	197,333	2,114,866 [19]
Peak Day Mcf [15]	123.0	175.0	71.6	91.6	984 [19]
Annualized Mcf/Participant [16]	8.2	11.0	6.4	7.2	8.3
Weighted Lifetime (years) [17]	20.3	21.2	18.6	19.7	18.1

2009 ACTIVITY (JANUARY - DECEMBER)

END-USE BREAKDOWN	Annualized Mcf Saved [13]	Peak Day Mcf Savings [15]	Number of Customers with Installations [20]	Weighted Lifetime [17]
Heating	12,678.8	143.3	901	22.7
Water Heating	5,616.9	31.8	1197	17.7
Total	18,295.7	175.0	2,098 [23]	21.2



RNC

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**RESIDENTIAL NEW CONSTRUCTION PROGRAM
VERMONT ENERGY STAR® HOMES**

DPS PROGRAM CODE: RNC
REPORT DATE: April 1, 2010
PROGRAM MANAGER: Scott Harrington
LAST EVALUATION: April 1, 2009

TOTAL ELIGIBLE MARKET:

All developers, builders or homeowners of residential new construction using natural gas as the primary fuel for space heating.

PROGRAM DESCRIPTION:

The statewide Vermont ENERGY STAR® Homes (VESH) service is implemented jointly by Vermont Gas Systems (VGS) and Efficiency Vermont (EVT). Vermont Gas delivers the service for its customers and EVT delivers the service in the remainder of the state. All residential new construction projects in Vermont are eligible for technical assistance and incentives from EVT, but projects that will use natural gas are also eligible for enhanced services and rebates from VGS. This report describes the natural gas savings achieved through this service for VGS' customers.

The VESH service has two participant tracks. The single family track is for individually metered (for gas) stand alone single family homes, and for individually metered attached dwellings, such as condominiums and row houses. All participants receive a Home Energy Rating at no cost. To qualify for the ENERGY STAR® label and rebated incentives in the single family track, participants must build to a 5 Star Home Energy Rating, install controlled mechanical ventilation, and install a minimum of four energy efficient lights (hardwired compact fluorescent). Additional bonus incentives are available from VGS and EVT for an enhanced package of at least ten qualifying efficient lights and three ENERGY STAR® labeled appliances (including the heating system).

The multi-family building track is for large, master metered, centrally heated multi-family buildings. Master-metered buildings are treated on a custom basis, though participants are still encouraged to have their buildings receive energy ratings. VGS performs analyses of mechanical, thermal, and domestic hot water energy efficiency measures where these multi-family buildings are heated by natural gas, and partners with EVT in negotiating the total energy efficiency incentives with builders to maximize the savings opportunities in these projects. Multi-family projects that are designated for occupancy by low-income populations are co-administered with CVOEO through Weatherization Assistance Program (WAP).

Vermont ENERGY STAR® Homes

What is an ENERGY STAR® labeled home?

An ENERGY STAR® labeled home is tested to ensure it meets quality and efficiency specifications for thermal, ventilation, and lighting performance. An Energy Star® labeled home achieves the following:

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Thermal Specifications

The home must achieve a high level of thermal energy performance verified by a Home Energy Rating, the rating score must be 80 points or less. Efficient building shell and space and water heating systems (and air conditioning when applicable) are the primary factors in achieving a Home Energy Rating. The home must pass a thermal bypass checklist as one of the key primary factors. Other factors include high quality application of conventional building practices, and must have Energy Star heating equipment installed. Forced hot air heating and/or air conditioning systems must have hard-ducted air returns above the first floor deck; the duct must also pass duct leakage criteria when applicable.

Ventilation & Combustion Safety Specifications

A mechanical ventilation system that meets the 2005 update to the ventilation standard of the Vermont Residential Energy Code is required in all participating homes.

Lighting Specifications

A minimum of four (4) efficient, high-performance pin-based fluorescent light fixtures must be installed in mid to high use locations in the home. ENERGY STAR® labeled light fixtures are recommended for all fluorescent applications to ensure that fixtures are warranted to achieve high performance.

Who Can Enroll?

Vermont ENERGY STAR® Homes services and benefits are available to builders, developers and home buyers who are building new single-family and multi-family homes. There is no cost to enroll.

Base Rebate

All ENERGY STAR® Labeled Homes in Vermont receive **\$150**

ENERGY STAR® Labeled Homes using Vermont Gas Systems service for heat and hot water receive **an additional \$500**

Additional rebates are provided for up to 20 hard-wired fluorescent lighting fixtures in qualifying locations, and for a combined package of ENERGY STAR® labeled appliances and high efficiency lighting fixtures.

PROGRAM HIGHLIGHTS:

Summary:

VGS had 96 completions for a total annual Mcf savings of 6,144. VGS achieved these savings while spending \$180,902. VGS had 5 program completions consisting of multiple living units in large master metered buildings in 2009. The 5 large multi-family buildings represented approximately 140 living units and 3,785 Mcf in annual savings.

PROGRAM Modifications:

VGS transitioned to a new software tracking program in April, 2009. The old program (Paradox) was replaced with a Microsoft SQL database product. This transition required much time and effort from staff and consultants to complete in a seamless manner.

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DEMAND SIDE MANAGEMENT PROGRAMS

PROGRAM/DOCUMENT HISTORY:

Program/document history from 2001 through 2009 is presented below; program history from inception through 2000 is available in prior Annual Reports.

November 1, 2001	VGS partners with Efficiency Vermont in offering Vermont ENERGY STAR Homes.
November 1, 2001	Integrated Resource Plan filed with the PSB
April 1, 2002	2001 DSM Annual Report filed with the PSB
June 30, 2002	HomeBase New Construction Program retired
April 1, 2003	2002 DSM Annual Report filed with the PSB
April 1, 2004	2003 DSM Annual Report filed with the PSB
November 30, 2004	Integrated Resource Plan filed with the PSB
April 1, 2005	2004 DSM Annual Report filed with the PSB
April 1, 2006	2005 DSM Annual Report filed with the PSB
April 1, 2007	2006 DSM Annual Report filed with the PSB
April 1, 2008	2007 DSM Annual Report filed with the PSB
June 30, 2008	Integrated Resource Plan filed with the PSB
April 1, 2009	2008 DSM Annual Report filed with the PSB

PROGRAM MARKETING:

Vermont Gas' Marketing and Energy Services Representatives market the VESH program directly to builders at the time of their application for natural gas service for any given project. This remains the primary marketing method for VESH in VGS' territory.

VGS DSM staff were on hand to provide program information at the VGS hosted informational meeting of the local plumbing and heating contractors held at the Windjammer hotel on May 12, 2009.

Program information is available on VGS' internet site at www.vermontgas.com., VGS has a link to the Efficiency Vermont website for users seeking more information. VGS also has an efficiency email (efficiency@vermontgas.com) where customers can direct their energy efficiency questions.

VGS has a residential energy efficiency brochure that features pertinent information on all of the residential programs. Brochures are distributed by multiple outlets within Vermont Gas and externally through trade shows and Efficiency Vermont and Burlington Electric.

VGS continues to utilize an internal software query as a lead generator for the new homes program by capturing new construction sign ups by the VGS Marketing department and referring them to the Energy Star program administrator for the appropriate program follow up.

VGS/DSM presented program information to potential new customers at an open house that was held at the Hinesburg Town offices in April.

2009 ANNUAL REPORT

DEMAND SIDE MANAGEMENT PROGRAMS

Vermont Gas was a Premier sponsor for the Better Buildings by Design conference hosted by Efficiency Vermont at the Sheraton Hotel in South Burlington in February, 2009. (included as appendix 2) VGS staffed the booth and provided information about our services to conference attendees.

Vermont Gas had a display booth at the "2009 Vermont Home and Garden Show" sponsored by the Home Builders and Remodelers Association of Northern Vermont (HBRA) in April, 2009 at the Champlain Valley Fair Grounds. The booth contained DSM program residential information.

VARIANCE DISCUSSION:

Participants:

The economy continues to play a key role in the continued drop in construction this year for single and multi-family homes, participants were below budget by 21%. It should be noted that the 5 multi-family completions actually represent 140 living units.

Mcf Savings:

In 2009, Vermont Gas achieved 6,144 Mcf annual savings through the VESH service and multi-family residential new construction program within VGS' service territory. This savings amount is 19% below the targeted budget amount. Mcf savings per participant were lower this year compared to 2008 due to the higher level of single family home participants, The 5 Multi-family projects this year were smaller in size than in prior years.

Program Costs:

Vermont Gas' costs for the VESH service and multi-family residential new construction within VGS' service territory were 61% of plan.

PROPOSED PROGRAM CHANGES:

VGS is continuing to work with Efficiency Vermont on the implementation of the changes for the program slated for 2011 by the EPA. These changes will add more stringent compliance by builders for additional checklist completions and elevation of measures above new and revised new home codes.

VGS will continue to closely monitor the decline in the new homes construction industry in our service territory. VGS will continue to reach out to contractors to make sure that they are in tune with the VESH requirements. If participation rates continue to decline unrelated to the economy, VGS will consider modifications to the program. Any modifications and builder training sessions will be coordinated with Efficiency Vermont.

VGS intends to stay involved with the process to update the Residential Building Energy Standard (RBES) and its impact to our programs.

VGS is also continuing to plan to be an active participant in discussions and program enhancements around disbursement of ARRA Stimulus funds and associated tax incentives for Energy Efficiency programs.

EVALUATION DISCUSSION:

Vermont Gas did not conduct any evaluation activities regarding Vermont ENERGY STAR® Homes or residential multi-family construction in 2009.

In 2010, VGS is planning to use an external consultant to evaluate the performance of completed homes (past 2-4 years) to hopefully benchmark projected savings for new participants going forward.

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DEMAND SIDE MANAGEMENT PROGRAMS

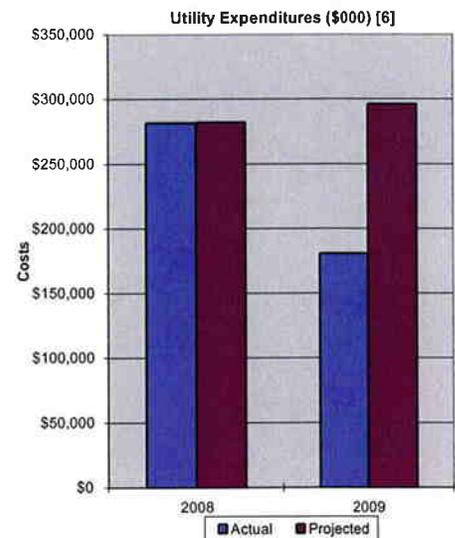
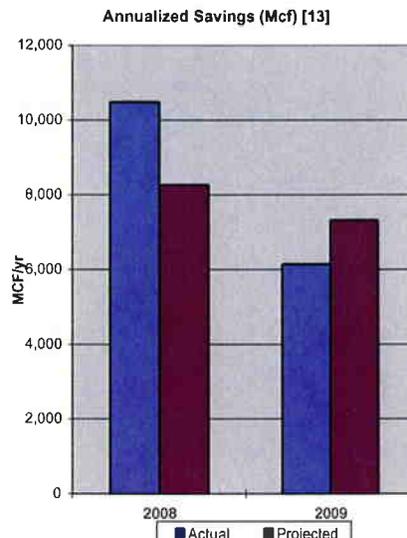
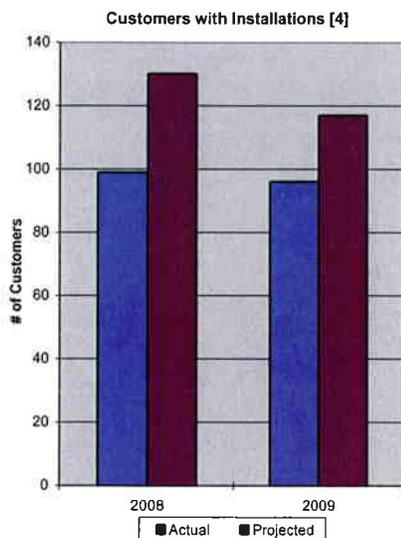
Residential New Construction Program Summary

Program Start Date: 1/1/1993
Gross to Net Adjustment Factor: 3%

	Actual [1] 2008	Actual [1] 2009	Projected 2009	Projected Fiscal Year 2010	Total Program Reported to Date [18]
SUMMARY OF PARTICIPATION					
# Pending [2, 2a]	n/a	n/a	n/a	n/a	n/a
# of Analysis/Audits No Installs [3]	3	1	n/a	n/a	n/a
# Customers with Installations [4]	99	96	117	80	2,812
# Analyses/Audits [5, 5a]	4	5	n/a	n/a	498
SUMMARY OF COSTS					
Utility [6]	\$281,730	\$180,902	\$296,120	\$254,787	\$4,308,812
Administrative [7]	\$67,180	\$35,048	\$61,527	\$70,706	\$902,864
Incentives [8]	\$162,134	\$101,840	\$128,494	\$86,483	\$2,602,265
Audit [9]	\$52,416	\$44,014	\$89,182	\$80,682	\$753,681
Evaluation [10]	\$0	\$0	\$16,916	\$16,916	\$50,003
Participant [11, 27, 27a]	\$0	\$0	\$0	\$0	\$0
Total	\$281,730	\$180,902	\$296,120	\$254,787	\$4,308,812
SUMMARY OF BENEFITS [12]					
Annualized Mcf [13]	10,480.2	6,143.7	7,325.0	5,617.0	106,651.7 [19]
Lifetime Mcf [14]	241,043	124,717	161,150	119,080	2,449,779 [19]
Peak Day Mcf [15]	96.8	56.6	61.7	52.0	282,660.6 [19]
Annualized Mcf/Participant [16]	105.9	64.0	62.6	70.2	37.9
Weighted Lifetime (years) [17]	23.0	20.3	22.0	21.2	23.0

2009 ACTIVITY (JANUARY - DECEMBER)

END-USE BREAKDOWN	Annualized Mcf Saved [13]	Peak Day Mcf Savings [15]	Number of Customers with Installations [20]	Weighted Lifetime [17]
Heat Recovery	947.2	7.3	4	15.0
Heating	2,855.0	29.3	96	19.6
Shell (envelope)	1,792.6	17.9	92	25.8
Water Heating	548.9	2.1	96	15.5
Total	6,143.7	56.6	288 [23]	20.3



RIR

2009 ANNUAL REPORT DEMAND SIDE MANAGEMENT PROGRAMS

RESIDENTIAL RETROFIT PROGRAM

DPS PROGRAM CODE: RHU
REPORT DATE: April 1, 2010
PROGRAM MANAGER: Scott Harrington
LAST EVALUATION: April 1, 2009

TOTAL ELIGIBLE MARKET:

All residential dwellings that consume in excess of 60,000 btus per square foot per year. Priority for program participation is given to customers with the highest annual natural gas usage, and then to customers who are elderly, disabled, and/or low income. For customers who are considerably below the usage requirements, VGS provides a complimentary copy of the Consumers Guide to Home Energy Savings published by ACEEE (Appendix #3). For low income projects there is a nominal 900 Ccf per year minimum usage requirement, although no low income projects were denied a screening in 2009 due to insufficient usage.

PROGRAM DESCRIPTION:

The VGS Retrofit Program is designed to reduce natural gas consumption and peak day demand in residential buildings that use natural gas for space heating. When appropriate, domestic hot water conservation measures are also installed.

A free energy audit is performed by a VGS staff auditor on each participating building to identify cost-effective energy saving measures. The building's previous consumption patterns and potential improvements are modeled using a computer audit tool developed by VGS. Building owners are then provided a written report summarizing the audit results and detailing the financial incentives available for cost-effective measures. VGS auditors also install compact fluorescent light bulbs and identify electric saving measures as part of VGS' Home Performance with Energy Star (HPwES) partnership with Efficiency Vermont and Burlington Electric. As another way to encourage customers to save energy, VGS also provides free of charge, a self install Gas EcoKit (a description of the EcoKit's contents is included as Appendix #4).

In addition to financial incentives, building owners are provided with technical assistance and project management services at no cost to encourage the installation of the cost effective measures identified in the audit report. Customers have the choice of obtaining competitive bids, or having VGS assign a pre-screened contractor through the "FastTrack" option. For the past several years, almost all customers have chosen the "FastTrack" option. VGS offers assistance in obtaining bids for those customers who prefer not to use the "FastTrack" option.

VGS provides cash incentives to property owners who install the measures recommended in the audit reports generated by this program. Incentives equal 33⅓% of the installed measure cost if the building owner pays the heating bill for the property. Where tenants pay the gas bill in rental properties, the incentive to the owner is 50% of the installed measure cost. In either case VGS will also offer reduced interest financing for the balance of the installed measure cost through the Green Mountain Credit Union. Currently customers are offered a choice of rates and terms from 0% for three years, 2% for five years, or 4% for seven years.

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VGS offers financing through GMCU for replacing furnaces and boilers to VGS Retrofit program participants. To qualify for this financing, customers must have an older furnace or boiler which is fully operational, but for which replacement does not qualify for incentives through traditional retrofit screening methods. VGS will include the full cost of the replacement furnace or boiler up to \$5000 in the reduced-interest loan provided the customer also commits to installing all of the recommended retrofit shell work. This leverages increased energy savings with very little additional administrative or audit costs, and is offered in lieu of a rebate through the VGS Residential Equipment Replacement program.

Low-income customers who live in one to four unit buildings and are interested in participating in the VGS Retrofit program are referred to Champlain Valley Office of Economic Opportunity Weatherization (CVOEO-Wx) for priority assistance. CVOEO-Wx verifies the customer's income status and eligibility, performs the energy audit, submits the recommended measures to VGS for screening, and coordinates the installation of the cost-effective energy saving measures. VGS contributes a portion of the income verification, auditing, project management, and measure costs. CVOEO-Wx also submits lists of recommended measures to VGS for screening for VGS customers who have applied for services through the Weatherization program, ensuring that qualifying low-income customers receive incentives from VGS whether they apply through VGS or through CVOEO-Wx.

In 2009 VGS continued to increase coordination with the HPwES program administered by EVT. As part of this increased coordination, natural gas customers who elect to receive energy audits through Efficiency Vermont or Burlington Electric's consortium of Home Performance with Energy Star contractors can take advantage of VGS incentives that will pay 1/3 to 1/2 the measure cost for cost effective measures.

Burlington's *Time of Sale* energy efficiency ordinance (TOS) requires that rental housing throughout the City of Burlington meet minimum efficiency standards upon title transfer. There are cost-effectiveness criteria and spending caps that apply, the effect of which is to limit the amount of work a property owner may be required to implement at the time of each property transaction. Incentives for TOS projects are provided on the same basis as for any other VGS Retrofit project. BED continues to refer TOS inquiries to VGS, and has agreed that full installation of VGS-recommended measures will lead to compliance with TOS requirements for thermal performance of rental properties in Burlington.

PROGRAM HIGHLIGHTS:

Summary:

A record number of audits were conducted in 2009. 436 audits were conducted, resulting in 239 customers installing energy efficiency measures. These installations resulted in estimated savings of a record 10,348 Mcf for the year.

VGS worked collaboratively with Efficiency Vermont with their Home Performance with Energy Star program. As a result, VGS provides and installs compact fluorescent light bulbs and provides suggestions for electrical measures for all its audit customers as well as provides incentives to natural gas customers participating in the HPwES program.

Low interest financing continues to be a very attractive option for VGS' residential customers.

71 projects were completed for low-income VGS customers under the cooperative arrangement between VGS and the CVOEO-Wx. Savings from CVOEO-Wx projects equaled roughly 22% of total program savings. Incentives for CVOEO-Wx low income projects were approximately 32% of total program incentive expenditures.

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DEMAND SIDE MANAGEMENT PROGRAMS

VGS worked in collaboration with EVT on administering a community mobilization jobs training program through the Vermont Works for Women organization, VGS provided support and 40 Gas Eco Kits to be installed in VGS customer homes by summer youth who were transitioning into the construction workplace under the direction of VWW training staff.

Multi-Family projects:

Four retrofit projects with a total savings of 2,022 Mcf were completed during the period. These four projects represented 235 living space units.

Health and Safety:

Health and safety issues continue to be a primary consideration for the residential energy auditors. As such, we regularly address health, safety, combustion venting, and general building performance issues in the homes we audit.

Program Modifications:

VGS transitioned to a new software tracking program in April, 2009. The old program (Paradox) was replaced with a Microsoft SQL database product. This transition required much time and effort from staff and consultants to complete in a seamless manner.

VGS this past year, has began to provide it's comprehensive audit reports in electronic format to customers to expedite delivery. Hard copy versions are still available by request.

PROGRAM/DOCUMENT HISTORY:

Program/document history from 2000 through 2009 is presented below, program history from inception through 2000 is available in prior Annual Reports.

November 1, 2001	Integrated Resource Plan filed with the PSB
April 1, 2002	2001 DSM Annual Report filed with the PSB
October 30, 2002	"Assessment of Commercial and Residential Retrofit Programs" filed with the PSB
April 1, 2003	2002 DSM Annual Report filed with the PSB
April 1, 2004	2003 DSM Annual Report filed with the PSB
November 30, 2004	Integrated Resource Plan filed with the PSB
April 1, 2005	2004 DSM Annual Report filed with the PSB
April 1, 2006	2005 DSM Annual Report filed with the PSB
April 1, 2007	2006 DSM Annual Report filed with the PSB
April 1, 2008	2007 DSM Annual Report filed with the PSB
June 30, 2008	Integrated Resource Plan filed with the PSB
April 1, 2009	DSM Annual Report filed with the PSB

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DEMAND SIDE MANAGEMENT PROGRAMS

PROGRAM MARKETING:

Program information is available on VGS' internet site at www.vermontgas.com.. VGS also has an efficiency e-mail (efficiency@vermontgas.com) where customers can direct their energy efficiency questions.

Two of Vermont Gas Retrofit program participant homes were used for energy efficiency media events in 2009, the first for Congressman Peter Welch's announcement of the REEP bill, and the second for the annual launch of the Button-Up Vermont campaign.

VGS utilizes a residential energy efficiency brochure that features pertinent information on all of the residential programs. Brochures are distributed by multiple outlets within Vermont Gas and externally through Efficiency Vermont and Burlington Electric

BED refers Time of Sale inquiries to VGS to see if they qualify for participation in the Residential Retrofit program.

VGS customers with high bill complaints or growing unpaid balances are referred by VGS' customer service department to this program to see if they qualify for an energy audit. Customers who may qualify as low-income are referred to CVOEO-Wx for income verification and program services.

Vermont Gas was a Premier sponsor for the Better Buildings by Design conference hosted by Efficiency Vermont at the Sheraton Hotel in South Burlington in February, 2009. (Included as appendix #2) VGS staffed the booth and provided information about our services to conference attendees.

VGS customers participating in the Residential Equipment Replacement program who will qualify for the RIR program after the new equipment is installed are referred for an energy audit.

VGS DSM staff were on hand to provide program information at the VGS hosted informational meeting of the local plumbing and heating contractors held at the Windjammer hotel on May 12, 2009.

Local weatherization contractors, HVAC contractors, Building Inspectors, and the Burlington office of CEDO are familiar with VGS' program, and regularly refer their private inquiries to VGS for financial and technical assistance.

VGS continues to work with reciprocating referrals from EVT with their HPwES program for existing homes, The VGS collaboration entails screening of HPwES contractor measures for possible incentives through our program.

VGS provided information about its retrofit programs at numerous "Button Up Vermont" training sessions that were held in our service territory.

VGS/DSM presented program information to potential new customers at an open house that was held at the Hinesburg Town offices in April.

Vermont Gas had a display booth at the "2009 Vermont Home and Garden Show in April, 2009 at the Champlain Valley Fair Grounds. The booth contained DSM residential program information.

VARIANCE DISCUSSION:

Participants:

436 audits were conducted in 2009 which was almost 59% greater than projected. 239 customers received installations through the RIR program, exceeding the calendar year participation goal by 60%.

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DEMAND SIDE MANAGEMENT PROGRAMS

Mcf Saved:

Participation in the RIR program resulted in savings of 10,348 Mcf, which is approximately 46% above targeted levels. Savings per customer averaged 43.3 Mcf.

Program Costs:

Consistent with exceeding the projected participant goals, total expenditures for the program were 24% above the budgeted levels.

PROPOSED PROGRAM CHANGES:

VGS will coordinate with Efficiency Vermont, VEIC and GMP regarding the continued implementation of GMP's Energy Efficiency Fund Home Retrofit program and EVT's implementation of the Unregulated/All Fuels program. In lieu of the current arrangement where a customer participating in the HPwES program was eligible for VGS incentives, VGS and EVT are implementing a program whereby a natural gas customer participating in the EVT Unregulated/All Fuels program will receive the EVT prescriptive rebate from VGS. This allows for uniformity of incentives across programs and helps facilitate joint marketing efforts. VGS plans to pilot this initiative in the coming year to gauge levels of participation and impact to our existing program offerings. Customers receiving and audit via the VGS program will still receive VGS incentives of 1/3 or 1/2 measure cost plus low or no-interest financing.

VGS intends to increase the customer financing cap for heating system replacement projects from \$5000 to \$10,000.

VGS is looking work collaboratively with BED on implementation of a pilot Multi-family program targeted at investor owned and occupied properties within the confines of the city of Burlington. It is the intent to utilized Unregulated/All Fuels funds through BED to supplement VGS incentives to leverage higher participation in this hard to reach market segment.

VGS intends to work closely with local communities in 2010 who are anticipating ARRA block grant awards to target residential energy efficiency retrofit projects that would benefit from our expertise and incentive offerings.

VGS intends to stay involved with the process to update the Residential Building Energy Standard (RBES) and its impact to our programs.

VGS is planning to be a continued participant in discussions and program enhancements around disbursement of ARRA Stimulus funds and associated tax incentives for Energy Efficiency programs in the coming years. This includes implementation of additional \$100 rebates for the highest tier Energy Star Furnaces, Boilers and tankless water heaters through the Residential Equipment Replacement program.

EVALUATION DISCUSSION:

VGS includes a customer satisfaction survey along with each rebate check to ensure customer satisfaction. Questions address satisfaction with customer service, technical assistance, timeliness, the installation of the equipment, and the incentives and financial arrangements. Across the board, the responses continue to indicate a very high level of satisfaction with the program. It should be noted that although the surveys are formally tabulated once a year, they are also reviewed by the Energy Services staff as they are received. Any issues highlighted by the respondents are addressed at that time.

Vermont Gas did not conduct any formal evaluation activities regarding the Residential Retrofit program in 2009 due to the high level of customer participation.

2009 ANNUAL REPORT

DEMAND SIDE MANAGEMENT PROGRAMS

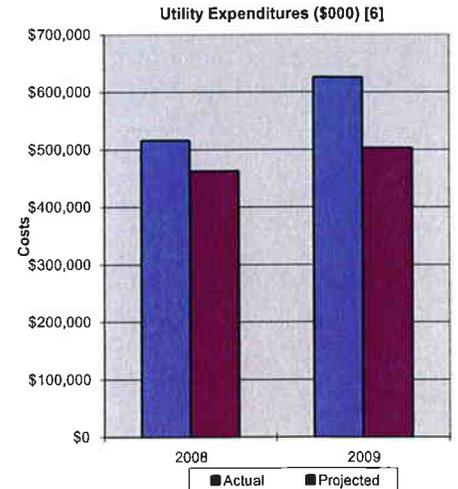
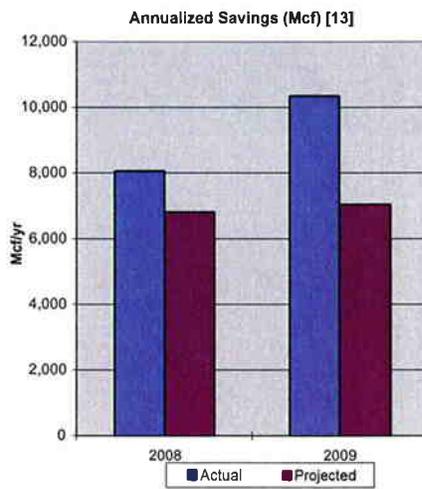
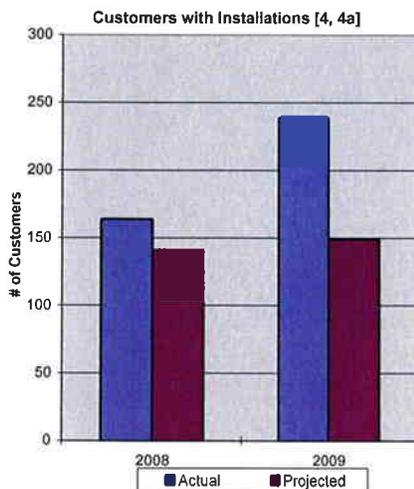
Residential Retrofit Program Summary

Program Start Date: 2/1/1993
 Gross to Net Adjustment Factor: 2%

	Actual [1] 2008	Actual [1] 2009	Projected 2009	Projected Fiscal Year 2010	Total Program Reported to Date [18]
SUMMARY OF PARTICIPATION					
# Pending [2]	45	32	n/a	n/a	n/a
# of Analysis/Audits No Installs [3]	303	305	n/a	n/a	n/a
# Customers with Installations [4, 4a]	164	239	149	183	2,171
# Analyses/Audits [5]	410	436	273	326	4,386
SUMMARY OF COSTS					
Utility [6]	\$516,349	\$626,037	\$503,489	\$544,856	\$5,689,195
Administrative [7]	\$105,238	\$85,867	\$68,695	\$52,837	\$1,421,699
Incentives [8]	\$229,370	\$379,340	\$283,921	\$377,648	\$2,884,450
Audit [9]	\$181,741	\$160,164	\$133,957	\$97,455	\$1,299,882
Evaluation [10]	\$0	\$666	\$16,916	\$16,916	\$83,165
Participant [11, 27, 27a]	\$0	\$0	\$0	\$0	\$666,188
Total	\$516,349	\$626,037	\$503,489	\$544,856	\$6,355,383
SUMMARY OF BENEFITS [12]					
Annualized Mcf [13]	8,064.2	10,347.7	7,041.0	8,093.0	103,738.0 [19]
Lifetime Mcf [14]	168,542	213,163	153,259	175,348	2,196,340.6 [19]
Peak Day Mcf [15]	95.0	96.4	85.7	89.4	1,292.7 [19]
Annualized Mcf/Participant [16]	49.2	43.3	47.3	44.2	47.8
Weighted Lifetime (years) [17]	20.9	20.6	21.8	21.7	21.2

2009 ACTIVITY (JANUARY - DECEMBER)

END-USE BREAKDOWN	Annualized Mcf Saved [13]	Peak Day Mcf Savings [15]	Number of Customers with Installations [20]	Weighted Lifetime [17]
Air Infiltration	1,638.5	16.4	176	15.4
Heating	2,600.7	27.9	80	21.7
Shell (envelope)	4,934.4	48.5	214	24.2
Slam Dunk	530.1	1.7	80	10.0
Water Heating	644.1	1.9	6	11.1
Total	10,347.7	96.4	556.0 [23]	20.6



CNC

2009 ANNUAL REPORT

DEMAND SIDE MANAGEMENT PROGRAMS

COMMERCIAL NEW CONSTRUCTION PROGRAM

DPS PROGRAM CODE: CNC
REPORT DATE: April 1, 2010
PROGRAM MANAGER: Raymond Keller
LAST EVALUATION: April 1, 2009

TOTAL ELIGIBLE MARKET:

All commercial and industrial customers who are building new facilities or who are substantially expanding, renovating or remodeling existing buildings using natural gas for space, water and/or process energy needs.

PROGRAM DESCRIPTION:

The Commercial New Construction Program is designed to reduce natural gas consumption and peak-day demand by encouraging commercial and industrial building owners to incorporate cost-effective natural gas saving measures in both the design and construction of new buildings and in the expansion, renovation, or remodeling of existing buildings.

VGS provides customers with a review of the building plans and, as needed, energy analysis of potentially cost-effective natural gas saving measures. In addition, VGS supplies the customer and/or their design team with energy efficient equipment information, technical assistance, lists of manufacturers, and information about improved construction techniques and building materials.

VGS provides technical assistance to both Act 250 permit applicants and projects not under Act 250 provisions who have chosen natural gas as a fuel source. This technical assistance may include a plan review and life cycle cost analysis for interested customers. VGS actively assists customers in their efforts to comply with the Act 250 permit criteria, and strongly encourages them to exceed these minimum requirements. For natural gas saving measures that exceed the baseline, VGS may also provide financial incentives, typically up to 25% of the incremental cost of installing cost-effective natural gas saving measures. Occasionally, VGS may provide an incentive up to 50% of the incremental cost of the measure. This higher incentive is reserved for measures that may be new to the marketplace. Incentives are negotiated on a case by case basis.

Local, state and/or federal energy and building construction codes establish the baseline for comparing the cost-effectiveness of the proposed natural gas saving measure(s). The *2005 Vermont Guidelines for Energy Efficient Commercial Construction* (hereinafter "Act 250 Guidelines") as well as ASHRAE 90.1 -2004 establish this baseline for projects.

The Commercial New Construction program does not differentiate between firm and interruptible customers, with the exception that no peak day savings are included when projects are screened for interruptible customers. VGS encourages both interruptible and firm customers to participate in VGS' Commercial New Construction program.

For projects located in the City of Burlington VGS and BED often work together on projects, sharing information and meeting jointly with customers. When projects are located outside of the City of Burlington, VGS often works closely with Efficiency Vermont to provide customers with energy efficiency assistance. This effort has included meeting jointly with customers, sharing plans and specifications, and coordinating rebate offers.

2009 ANNUAL REPORT DEMAND SIDE MANAGEMENT PROGRAMS

PROGRAM HIGHLIGHTS:

Summary:

VGS' Commercial New Construction program completed 13 projects in 2009, saving 8,048 Mcf at a cost of \$202,513. The current economic climate contributed to overall gas savings that were approximately 5% below budget projections.

VGS assisted several customer projects through design suggestions and incentives for efficient equipment to achieve LEED certification.

VGS is currently working with several projects that are contemplating LEED certification. VGS has met jointly with BED or EVT and the owner and/or design team to try and promote LEED certification and educate customers to its value as it relates to energy efficiency. Sometimes the LEED points with respect to energy efficiency help prevent energy saving measures from being cut from a project during the value engineering or cost cutting phase. Owner participation in the pursuit of LEED certification for new buildings is on the increase and appears to be a program goal for local universities and colleges.

Program Modifications:

VGS transitioned to a new software tracking program in April, 2009. The old program (Paradox) was replaced with a Microsoft SQL database product. This transition required much time and effort from staff and consultants to complete in a seamless manner.

PROGRAM/DOCUMENT HISTORY:

Program/document history from 2001 through 2009 is presented below; program history from inception through 2000 is available in prior Annual Reports.

November 1, 2001	Integrated Resource Plan filed with the PSB
April 1, 2002	2001 DSM Annual Report filed with the PSB
October 30, 2002	"Assessment of Commercial and Residential Retrofit Programs" filed with the PSB
April 1, 2003	2002 DSM Annual Report filed with the PSB
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April 1, 2005	2004 DSM Annual Report filed with the PSB
April 1, 2006	2005 DSM Annual Report filed with the PSB
April 1, 2007	2006 DSM Annual Report filed with the PSB
April 1, 2008	2007 DSM Annual Report filed with the PSB

2009 ANNUAL REPORT

DEMAND SIDE MANAGEMENT PROGRAMS

June 30, 2008

Integrated Resource Plan filed with the PSB

April 1, 2009

2008 DSM Annual Report filed with the PSB

PROGRAM MARKETING:

VGS' Key Accounts Representative continues to play an important role in encouraging larger commercial and industrial customers and schools to take advantage of VGS' efficiency programs.

The VGS Marketing Department continues to send out "Ability to Serve" letters referencing the *2005 Vermont Guidelines for Energy Efficient Commercial Construction*. VGS continues to provide technical assistance to customers with their Act 250 permit applications, claiming savings and providing incentives where measures clearly exceed the baselines as required by the Act 250 Guidelines. Contact names and numbers for EVT and BED personnel continued to be enclosed with VGS' "Ability to Serve" letter.

Program information is available on VGS' internet site at www.vermontgas.com. In 2009, VGS made minor changes to the internet site to provide more information to our customers on finding solutions to utilizing natural gas more efficiently and to allow the customer to access their own usage data. VGS also has an efficiency e-mail (efficiency@vermontgas.com) where customers can direct their energy efficiency questions.

VGS continues to meet with various mechanical contractors, consulting engineers and architectural firms to introduce the Commercial Programs and invite their participation in referring projects to VGS for DSM program screening. Typically this is done in the setting of a specific project that is being worked on with the design team and/or contractors. Specific examples of this out reach include:

- Presentation to the local American Society of Heating Refrigeration and Air-conditioning Engineers (ASHRAE) on 9/2/09 on "Using Gas Energy Efficiently".
- Presentation to the local ASHRAE on 11/7/09 on Flash Steam Heat Recovery".
- Presentation to Efficiency Vermont on 3/18/09 Vermont Gas Systems DSM program.
- Participated in the "Hinesburg Open House" discussing the VGS DSM program.
- Sponsorship of activities of the local chapter of the Association for Facilities Engineering.

Information on the Commercial New Construction and the Commercial Equipment Replacement program is provided to applicants for new natural gas service by the VGS Marketing Department.

Information on the Commercial New Construction program was presented at the Vermont Home and Garden Show in Essex Junction.

Vermont Gas was a sponsor for the Better Buildings by Design conference hosted by Efficiency Vermont at the Sheraton Hotel in South Burlington in February, 2009. (Included as appendix #2) VGS provided information about our services to conference attendees.

Communication between Vermont Gas Systems, BED commercial DSM staff, and Efficiency Vermont resulted in referrals to our Commercial New Construction program as well as referrals to these other programs. VGS coordinates potential client contacts with Burlington Electric and Efficiency Vermont to ensure that clients are aware of savings opportunities for all regulated and unregulated fuels and those incentives are allocated in an efficient manner.

Local mechanical contractors and equipment vendors refer customers to VGS for participation in the Commercial New Construction program. Customers owning multiple properties contact VGS for participation in the Commercial New Construction program due to prior experience. High-efficiency equipment representatives give information regarding the Commercial New Construction program to existing and potential natural gas customers. Additionally, "Works in Progress", Efficiency Vermont's VGS Territory Report and applications for ACT 250 "Ability To Serve" requests were monitored for upcoming projects that might benefit by participating in the Commercial New Construction program.

2009 ANNUAL REPORT

DEMAND SIDE MANAGEMENT PROGRAMS

VARIANCE DISCUSSION:

Participants:

13 customers installed recommended measures through this program, down 6 from the prior year and 13 less than the expected 26. The slow new construction market resulted in fewer participants in the program than originally anticipated.

Mcf Saved:

The In spite of the number on participants being half of what was expected, the Commercial New Construction program achieved 8,048 Mcf savings, which was only 5% below the annual savings goal of 8,405 Mcf. This reflects the fact that the projects that were completed installed more efficiency measures per project.

Program Costs:

Even though actual Mcf savings were only slightly below the projected values, the overall program costs were below projected values by 24%. Overall incentives were over budget by 12%. Program administrative and audit costs were below budget reflecting fewer available projects to consider due to the economic slowdown.

PROPOSED PROGRAM CHANGES:

VGS intends to work closely with local communities in 2010 who are anticipating ARRA block grant awards to efficiency projects that would benefit from our expertise and incentive offerings.

VGS intends to stay involved with the process to update the Commercial Building Energy Standard (CBES) and its impact to our programs

VGS is planning to be an active participant in discussions and program enhancements around disbursement of ARRA Stimulus funds and associated tax incentives for Energy Efficiency programs in the coming years.

EVALUATION DISCUSSION:

Surveys continue to be sent to Commercial New Construction program participants in an attempt to identify important customer issues and improve customer satisfaction. Questions address; satisfaction with customer service, technical assistance, timeliness, the installation of the equipment, and the incentives and financial arrangements. Across the board, the responses continue to indicate a very high level of satisfaction with the program. It should be noted that although the surveys are formally tabulated once a year, they are also reviewed by the Energy Services staff as they are received. Any issues highlighted by the respondents are addressed at that time.

No formal monitoring and evaluation was completed for the CNC program in 2009.

2009 ANNUAL REPORT

DEMAND SIDE MANAGEMENT PROGRAMS

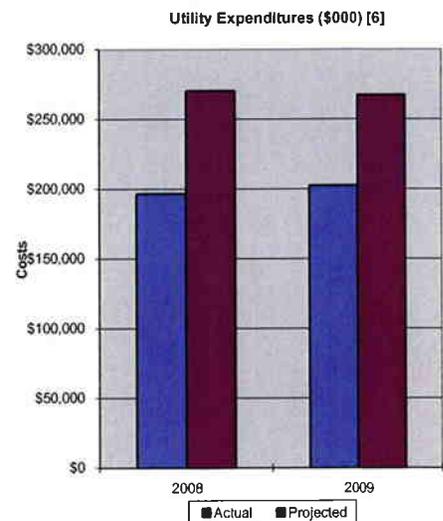
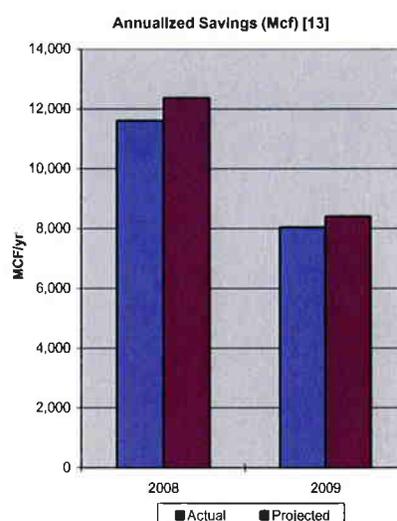
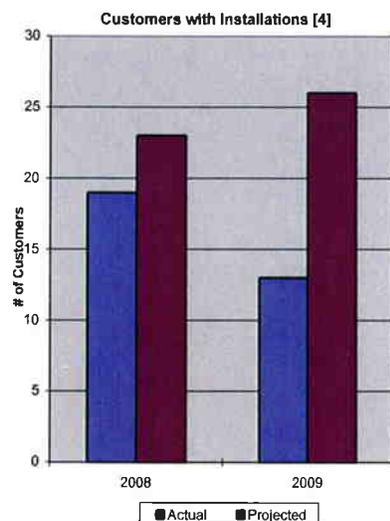
Commercial New Construction Program Summary

Program Start Date: 5/1/1993
 Gross to Net Adjustment Factor: 0%

	Actual [1] 2008	Actual [1] 2009	Projected 2009	Projected Fiscal Year 2010	Total Program Reported to Date [18]
SUMMARY OF PARTICIPATION					
# Pending [2]	2	1	n/a	n/a	n/a
# of Analysis/Audits No Installs [3]	10	15	n/a	n/a	n/a
# Customers with Installations [4]	19	13	26	26	326
# Analyses/Audits [5]	18	22	36	36	535
SUMMARY OF COSTS					
Utility [6]	\$196,646	\$202,513	\$267,362	\$260,926	\$2,583,466
Administrative [7]	\$66,478	\$56,993	\$82,592	\$81,826	\$497,751
Incentives [8]	\$108,518	\$107,524	\$95,639	\$99,908	\$1,719,583
Audit [9]	\$21,650	\$37,995	\$72,215	\$62,275	\$345,154
Evaluation [10]	\$0	\$0	\$16,916	\$16,916	\$20,978
Participant [11, 27, 27a]	\$0	\$0	\$0	\$0	\$32,812
Total	\$196,646	\$202,513	\$267,362	\$260,926	\$2,616,278
SUMMARY OF BENEFITS [12]					
Annualized Mcf [13]	11,618.2	8,047.6	8,405.0	9,018.0	180,401.0 [19]
Lifetime Mcf [14]	204,480.3	133,590.2	157,174	156,913	3,592,360 [19]
Peak Day Mcf [15]	113.7	68.6	63.8	74.7	1,307.8 [19]
Annualized Mcf/Participant [16]	611.5	619.0	323.3	346.8	553.4
Weighted Lifetime (years) [17]	17.6	16.6	18.7	17.4	19.9

2009 ACTIVITY (JANUARY - DECEMBER)

END-USE BREAKDOWN	Annualized Mcf Saved [13]	Peak Day Mcf Savings [15]	Number of Customers with Installations [20]	Weighted Lifetime [17]
Air Infiltration	769.4	7.7	2	15.0
Heat Recovery	3,451.9	24.2	9	16.7
Heating	3,304.1	33.1	19	16.6
Process	60.0	0.3	1	15.0
Shell (envelope)	211.1	2.1	2	25.0
Water Heating	251.1	1.3	5	14.0
Total	8,047.6	68.6	38 [23]	16.6



CER

**2009 ANNUAL REPORT
DEMAND SIDE MANAGEMENT PROGRAMS**

COMMERCIAL EQUIPMENT REPLACEMENT PROGRAM

DPS PROGRAM CODE: CER
REPORT DATE: April 1, 2010
PROGRAM MANAGER: Raymond Keller
LAST EVALUATION: April 1, 2009

TOTAL ELIGIBLE MARKET:

All existing commercial and industrial customers that are replacing failed or end-of-life natural-gas space, water, or process heating and cooling equipment. As well as all new commercial & industrial customers that are fuel switching to natural gas and purchasing new equipment. VGS has approximately 5,200 commercial and industrial customers.

To be eligible, equipment must be either listed on the fixed rebate schedule or pass a custom cost-effectiveness screening.

PROGRAM DESCRIPTION:

The Commercial Equipment Replacement Program is designed to reduce natural-gas consumption and peak-day demand by encouraging commercial and industrial building owners and occupants to install high-efficiency natural-gas space, water and process heating and cooling equipment when existing equipment has failed, reached the end of its useful life, or is being fuel switched to natural gas. The goal of this program is to encourage customers to install appropriate equipment that exceeds minimum energy efficiency standards established by federal, state and local codes where it is cost-effective to do so.

The National Appliance Energy Conservation Act (NAECA) establishes minimum energy efficiency standards for residential-sized furnaces, hot water and steam boilers, and tank-type water heaters. The National Energy Policy Act of 1992 established minimum efficiency levels for other types of commercial-grade space and water heating equipment. The *2005 Vermont Guidelines for Energy Efficient Commercial Construction* as well as ASHRAE 90.1-2004 establish the baseline for projects minimum efficiency levels.

Eligible commercial and industrial customers receive cash rebates to reduce the incremental cost of purchasing and installing cost-effective high-efficiency water, space and process heating equipment.

The following table outlines the equipment that is rebated as part of the CER program:

Fixed rebate schedule

ELIGIBLE EQUIPMENT	REQUIRED EFFICIENCY	REBATE AMOUNT
Hot Air Furnace	90% to 92% AFUE	\$100.00
Hot Air Furnace	92.1% to 93.9% AFUE	\$300.00
Hot Air Furnace	94%+ AFUE	\$400.00
Water Heater 40 or 50 gal.	≥ 0.62 Energy Factor	\$100.00
Water Heater	94% Thermal Efficiency	\$500.00

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DEMAND SIDE MANAGEMENT PROGRAMS**

Tankless Water Heater	≥ 0.80 Energy Factor	\$100.00
Indirect-fired Water Heater	Standby loss ≤2°F/Hr., must connect to ≥87% AFUE boiler.	\$100.00
Unit Heaters up to 130,000 BTU/H	Power Vent, Inter. Ignition	\$300.00
Unit Heaters >130,000 BTU/H +	Power Vent, Inter. Ignition	\$400.00
Infrared Radiant Heaters	Power Vent, Inter. Ignition	\$400.00
Boilers ≤300 MBH	87%+ AFUE	\$550.00
Boilers ≤ 300 MBH	92%+ AFUE /multistage burner & outdoor air temp. controls.	\$1000.00
Carbon Dioxide Sensor Control	NA (per sensor)	\$250.00
Commercial Combination or Convection Oven	Energy Star listed or Cooking energy efficiency ≥ 40%.	\$500.00
Commercial Steam Cooker	Energy Star listed or Cooking energy efficiency ≥ 38%.	\$750.00
Fryolator (per vat)	Energy Star or High Eff. Custom	\$500/vat

For other types of high-efficiency natural-gas equipment, or situations that require it, VGS uses a custom screening tool to evaluate measures for cost effectiveness. If a measure has a benefit to cost ratio of greater than 1, the customer is eligible to receive a rebate of up to 50% of the actual incremental cost for the equipment and installation.

VGS provides engineering support to quantify savings and measure cost-effectiveness at no charge to customers. For projects where specialized engineering assistance is required, VGS provides assistance to customers in locating and selecting qualified consulting engineers, and may help finance the cost of engineering analyses.

Energy efficiency projects for interruptible customers are treated no differently than projects for firm customers in the Commercial Equipment Replacement program, with the exception that no peak day savings are projected in the cost-effectiveness test for interruptible customers. VGS encourages both interruptible and firm customers to participate in VGS' Commercial Equipment Replacement program.

PROGRAM HIGHLIGHTS:

Summary:

Measures installed in 2009 are estimated to save a total of 6,774 Mcf annually.

Lifetime savings for installed measures are estimated to exceed 117,876 Mcf.

41 customers installed measures through the CER program in 2009.

Program costs were under budget by approximately 44%.

2009 ANNUAL REPORT DEMAND SIDE MANAGEMENT PROGRAMS

Program Modifications:

In 2009 VGS added new rebates for hot air furnaces at greater than 94% AFUE as well as commercial kitchen oven equipment.

VGS transitioned to a new software tracking program in April, 2009. The old program (Paradox) was replaced with a Microsoft SQL database product. This transition required much time and effort from staff and consultants to complete in a seamless manner.

PROGRAM/DOCUMENT HISTORY:

Program/document history from 2001 through 2009 is presented below; program history from inception through 2000 is available in prior Annual Reports.

November 1, 2001	Integrated Resource Plan filed with the PSB
April 1, 2002	2001 DSM Annual Report filed with the PSB
April 1, 2003	2002 DSM Annual Report filed with the PSB
April 1, 2004	2003 DSM Annual Report filed with the PSB
November 30, 2004	Integrated Resource Plan filed with the PSB
April 1, 2005	2004 DSM Annual Report filed with the PSB
April 1, 2006	2005 DSM Annual Report filed with the PSB
April 1, 2007	2006 DSM Annual Report filed with the PSB
April 1, 2008	2007 DSM Annual Report filed with the PSB
June 30, 2008	Integrated Resource Plan filed with the PSB
April 1, 2009	2008 DSM Annual Report filed with the PSB

PROGRAM MARKETING:

VGS' Key Accounts Representative continues to play an important role in encouraging larger commercial and industrial customers and schools to take advantage of VGS' efficiency programs.

Program information is available on VGS' internet site at www.vermontgas.com. In 2009, VGS made minor changes to the internet site to provide more information to our customers on finding solutions to utilizing natural gas more efficiently and to allow the customer to access their own usage data. VGS also has an efficiency e-mail (efficiency@vermontgas.com) where customers can direct their energy efficiency questions.

Brochures are distributed by multiple outlets within Vermont Gas and externally through Efficiency Vermont and Burlington Electric

Information on the Commercial Equipment Replacement Program was presented at the 2009 Vermont Home and Garden Show in Essex Junction.

2009 ANNUAL REPORT

DEMAND SIDE MANAGEMENT PROGRAMS

Vermont Gas was a sponsor for the Better Buildings by Design conference hosted by Efficiency Vermont at the Sheraton Hotel in South Burlington in February, 2009. (Included as appendix #2) VGS provided information about our services to conference attendees.

VGS continues to meet with various mechanical contractors, consulting engineers and architectural firms to introduce the Commercial Programs and invite their participation in referring projects to VGS for DSM program screening. Typically this is done in the setting of a specific project that is being worked on with the design team and/or contractors. Specific examples of this out reach include:

- Presentation to the local American Society of Heating Refrigeration and Air-conditioning Engineers (ASHRAE) on 9/2/09 on "Using Gas Energy Efficiently".
- Presentation to the local ASHRAE on 11/7/09 on "Flash Steam Heat Recovery".
- Presentation to Efficiency Vermont on 3/18/09 Vermont Gas Systems DSM program.
- Participated in the "Hinesburg Open House" discussing the VGS DSM program.
- Sponsorship of activities of the local chapter of the Association for Facilities Engineering.

Communication between Vermont Gas Systems, Inc. and Efficiency Vermont and Burlington Electric Department DSM staff resulted in referrals to our Commercial Equipment Replacement program as well referrals to these other programs.

Local mechanical contractors refer customers to VGS for participation in the Commercial Equipment Replacement program.

Customers owning multiple properties contact VGS for participation in the Commercial Equipment Replacement program due to prior experience.

Customers calling with high bill complaints are offered Commercial Equipment Replacement program information and encouraged to participate.

High-efficiency equipment representatives give information regarding the Commercial Equipment Replacement program to potential natural gas customers considering renovations.

"Works in Progress" was monitored for upcoming projects that might benefit by participating in the Commercial Equipment Replacement program.

VARIANCE DISCUSSION:

Participants:

41 customers participated in the Commercial Equipment Replacement program, exceeding goal by 58%. A total of 43 projects received detailed VGS engineering analyses.

Mcf Saved:

In spite of program participation significantly exceeding projections, Mcf fell short by 29%. VGS did more smaller projects in 2009. While 2007 and 2008 both included large projects, including 1 project for 18,000 Mcf in 2008, there were no such large projects in 2009. 2009 savings per customer reflect the more normal levels experienced in prior years.

Program Costs:

Total Commercial Equipment Replacement program costs were 44% below budgeted projections. A significant compound of the reduction was in incentives which are directly related to the reduced Mcf savings.

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DEMAND SIDE MANAGEMENT PROGRAMS

PROPOSED PROGRAM CHANGES:

VGS will continue to investigate the potential savings from wastewater heat recovery units and possibly incorporate these units in the program if proven cost effective. Potential interest would be for dry cleaning, kitchen dishwashing and dormitory facilities which have a considerable hot water load.

VGS is considering adding commercial Energy Star/High Efficiency dish machines and griddles to the prescriptive program in 2010. This addition depends upon widespread availability of product being offered by manufacturers.

VGS will consider dropping the prescriptive incentive offering for indirect fired water heaters due to minimal customer participation and conflicting savings claims by industry.

VGS intends to work closely with local communities in 2010 who are anticipating ARRA block grant awards to target energy efficiency projects that would benefit from our expertise and incentive offerings.

VGS intends to stay involved with the process to update the Commercial Building Energy Standard (CBES) and its impact to our programs

VGS is planning to be an active participant in discussions and program enhancements around disbursement of ARRA Stimulus funds and associated tax incentives for Energy Efficiency programs in the coming years.

EVALUATION DISCUSSION:

Surveys continue to be sent to Commercial Equipment Replacement program participants in an attempt to identify important customer issues and improve customer satisfaction. Questions address satisfaction with customer service, technical assistance, timeliness, the installation of the equipment, and the incentives and financial arrangements. Across the board, the responses continue to indicate a very high level of satisfaction with the program. It should be noted that although the surveys are formally tabulated once a year, they are also reviewed by the Energy Services staff as they are received. Any issues highlighted by the respondents are addressed at that time.

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DEMAND SIDE MANAGEMENT PROGRAMS

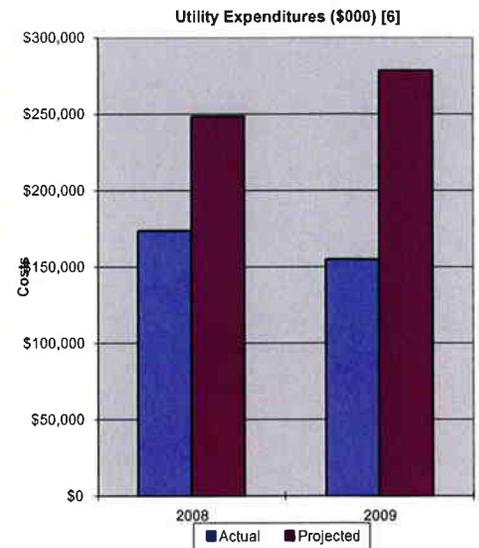
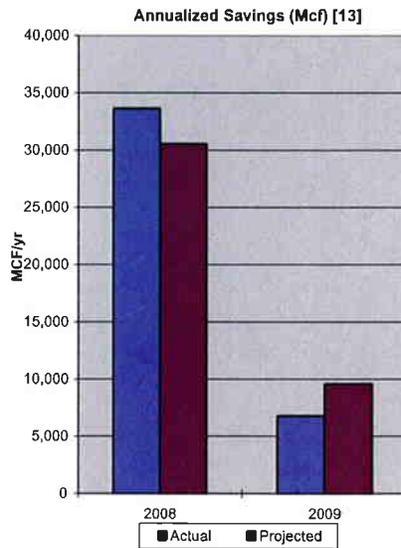
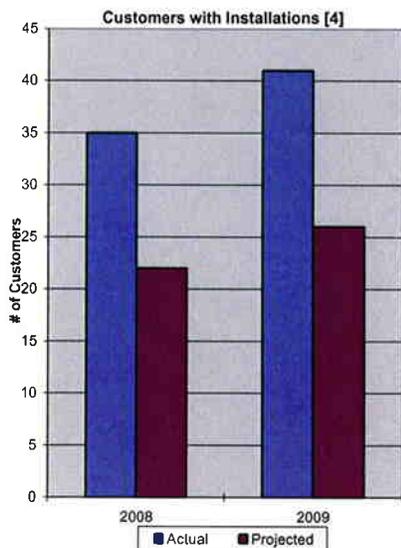
Commercial Equipment Replacement Program Summary

Program Start Date: 6/1/1993
 Gross to Net Adjustment Factor: 0%

	Actual [1] 2008	Actual [1] 2009	Projected 2009	Projected Fiscal Year 2010	Total Program Reported to Date [18]
SUMMARY OF PARTICIPATION					
# Pending [2, 2b]	3	2	n/a	n/a	n/a
# of Analysis/Audits No Installs [3]	14	11	n/a	n/a	n/a
# Customers with Installations [4]	35	41	26	24	467
# Analyses/Audits [5]	37	43	39	39	739
SUMMARY OF COSTS					
Utility [6]	\$173,729	\$154,887	\$278,466	\$295,720	\$1,868,494
Administrative [7]	\$53,541	\$34,248	\$93,989	\$95,121	\$328,047
Incentives [8]	\$105,723	\$97,141	\$148,919	\$151,976	\$1,319,463
Audit [9]	\$2,722	\$22,832	\$31,330	\$31,707	\$195,913
Evaluation [10]	\$11,744	\$666	\$4,229	\$16,916	\$25,071
Participant [11, 27, 27a]	\$0	\$0	\$0	\$0	\$0
Total	\$173,729	\$154,887	\$278,466	\$295,720	\$1,868,494
SUMMARY OF BENEFITS [12]					
Annualized Mcf [13]	33,620.5	6,774.5	9,566.0	13,130.0	136,724.1 [19]
Lifetime Mcf [14]	605,169	117,876	156,245	217,083	2,613,788 [19]
Peak Day Mcf [15]	45.6	67.7	44.6	88.0	695.9 [19]
Annualized Mcf/Participant [16]	960.6	165.2	367.9	547.1	292.8
Weighted Lifetime (years) [17]	18.0	17.4	16.3	16.5	19.1

2009 ACTIVITY (JANUARY - DECEMBER)

END-USE BREAKDOWN	Annualized Mcf Saved [13]	Peak Day Mcf Savings [15]	Number of Customers with Installations [20]	Weighted Lifetime [17]
Air Infiltration	269.2	2.7	3	15.0
Heating	5,880.0	62.0	32	17.8
Water Heating	625.3	3.0	6	14.2
Total	6,774.5	67.7	41 [23]	17.4



CSR

2009 ANNUAL REPORT DEMAND SIDE MANAGEMENT PROGRAMS

COMMERCIAL RETROFIT PROGRAM

DPS PROGRAM CODE: CSR
REPORT DATE: April 1, 2010
PROGRAM MANAGER: Raymond Keller
LAST EVALUATION: April 1, 2009

TOTAL ELIGIBLE MARKET:

All existing firm commercial and industrial customers that use natural gas for space, water and/or process heating. VGS currently has approximately 5,200 commercial and industrial customers.

PROGRAM DESCRIPTION:

The Commercial Retrofit Program is designed to reduce natural gas consumption and peak day demand by encouraging VGS' commercial and industrial customers (building owners or occupants) to install cost-effective, natural gas-saving space, water and/or process heating measures.

VGS provides customers with a free walk-through audit of their facility to identify potentially cost-effective energy efficiency measures. Engineering assistance is provided by VGS to customers where potentially cost-effective measures are identified in the walk-through evaluation. When outside engineering assistance is required or requested by the customer, VGS may assist with the cost of the engineering study.

VGS offers financial incentives to customers who install cost-effective energy efficiency projects, typically in the form of rebates. Rebate amounts vary and are project specific, based on the customer's savings and payback for the investment, and the value of the avoided cost savings to VGS ratepayers.

Energy efficiency projects for Interruptible customers are treated no differently than projects for firm customers in the Commercial Retrofit program, with the exception that no peak day savings are projected for interruptible customers. VGS encourages both interruptible and firm customers to participate in VGS' Commercial Retrofit program.

PROGRAM HIGHLIGHTS:

Summary:

A total of 33 building audits were completed and 25 VGS customers installed measures through the Commercial Retrofit program in 2009

The program had an annualized savings of 13,435 Mcf in 2009.

Program Modifications:

VGS transitioned to a new software tracking program in April, 2009. The old program (Paradox) was replaced with a Microsoft SQL database product. This transition required much time and effort from staff and consultants to complete in a seamless manner.

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DEMAND SIDE MANAGEMENT PROGRAMS

PROGRAM/DOCUMENT HISTORY:

Program/document history from 2001 through 2009 is presented below; program history from inception through 2000 is available in prior Annual Reports.

November 1, 2001	Integrated Resource Plan filed with the PSB
April 1, 2002	2001 DSM Annual Report filed with the PSB
October 30, 2002	"Assessment of Commercial and Residential Retrofit Programs" filed with the PSB
April 1, 2003	2002 DSM Annual Report filed with the PSB
April 1, 2004	2003 DSM Annual Report filed with the PSB
November 30, 2004	Integrated Resource Plan filed with the PSB
April 1, 2005	2004 DSM Annual Report filed with the PSB
April 1, 2006	2005 DSM Annual Report filed with the PSB
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April 1, 2008	2007 DSM Annual Report filed with the PSB
June 30, 2008	Integrated Resource Plan filed with the PSB
April 1, 2009	2008 DSM Annual Report filed with the PSB

PROGRAM MARKETING:

VGS' Key Accounts Representative continues to play an important role in encouraging larger commercial and industrial customers and schools to take advantage of VGS' efficiency programs.

Program information is available on VGS' internet site at www.vermontgas.com. In 2009, VGS made minor changes to the internet site to provide more information to our customers on finding solutions to utilizing natural gas more efficiently and to allow the customer to access their own usage data. VGS also has an efficiency e-mail (efficiency@vermontgas.com) where customers can direct their energy efficiency questions.

Information on the program was presented at the 2009 Vermont Home and Garden Show in Essex Junction.

Brochures are distributed by multiple outlets within Vermont Gas and externally through Efficiency Vermont and Burlington Electric

VGS continues to meet with various mechanical contractors, consulting engineers and architectural firms to introduce the Commercial Programs and invite their participation in referring projects to VGS for DSM program screening. Typically this is done in the setting of a specific project that is being worked on with the design team and/or contractors. Specific examples of this out reach include:

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DEMAND SIDE MANAGEMENT PROGRAMS

- Presentation to the local American Society of Heating Refrigeration and Air-conditioning Engineers (ASHRAE) on 9/2/09 on "Using Gas Energy Efficiently".
- Presentation to the local ASHRAE on 11/7/09 on Flash Steam Heat Recovery".
- Presentation to Efficiency Vermont on 3/18/09 Vermont Gas Systems DSM program.
- Participated in the "Hinesburg Open House" discussing the VGS DSM program.
- Sponsorship of activities of the local chapter of the Association for Facilities Engineering.

Vermont Gas was a sponsor for the Better Buildings by Design conference hosted by Efficiency Vermont at the Sheraton Hotel in South Burlington in February, 2009. (Included as appendix #2) VGS provided information about our services to conference attendees.

Customers owning multiple properties contact VGS for participation in the Commercial Retrofit program due to prior experience.

Customers calling with high bill complaints or excess gas energy consumption are offered Commercial Retrofit program information and encouraged to participate.

Manufacturers' representatives who handle high efficiency equipment provide information regarding the Commercial Retrofit program to potential customers.

"Works in Progress" was monitored for upcoming projects that might benefit by participating in the Commercial Retrofit program.

VGS coordinates potential client contacts with Burlington Electric and Efficiency Vermont to ensure that clients are aware of savings opportunities for all regulated fuels and those incentives are allocated in an efficient manner. This has been especially important in the geo-targeted areas identified by Efficiency Vermont.

VARIANCE DISCUSSION:

Participants:

33 audits were performed in the Commercial Retrofit program in 2009 and 25 participants installed measures. The 25 participants exceeded the 2009 goal by 19%, and surpassed participation in 2008 by 8%.

Mcf Saved:

The Commercial Retrofit program achieved 13,435 Mcf savings in 2009. This exceeded projected savings for 2009 by 10%. The program success was based on projects that ranged in size from the very small to industrial in scale.

Program Costs:

The Commercial Retrofit program cost of \$240,405 was 3% greater than budget. However, due to a couple of extremely cost effective large projects, program expenses on an incentive \$/Mcf basis were under budget.

PROPOSED PROGRAM CHANGES:

Continued opportunities in the area of combined heat and power will be pursued in light of legislative changes allowing for net metering of such equipment. VGS held a stake holders meeting on March 27, 2009 to bring the interested regulatory, utility DSM and manufacturing together to understand how best to proceed to bring small scale CHP technology to the consumer.

2009 ANNUAL REPORT

DEMAND SIDE MANAGEMENT PROGRAMS

VGS continues to be an active participant in discussions and program enhancements around disbursement of ARRA Stimulus funds for Energy Efficiency programs in the coming years.

VGS intends to stay involved with the process to update the Commercial Building Energy Standard (CBES) and its impact to our programs

EVALUATION DISCUSSION:

Surveys continue to be sent to Commercial Retrofit program participants in an attempt to identify important customer issues and improve customer satisfaction. Questions address satisfaction with customer service, technical assistance, timeliness, the installation of the equipment, and the incentives and financial arrangements. Across the board, the responses continue to indicate a very high level of satisfaction with the program. It should be noted that although the surveys are formally tabulated once a year, they are also reviewed by the Energy Services staff as they are received. Any issues highlighted by the respondents are addressed at that time.

No formal monitoring and evaluation was completed for the CSR program in 2009.

**2009 ANNUAL REPORT
DEMAND SIDE MANAGEMENT PROGRAMS**

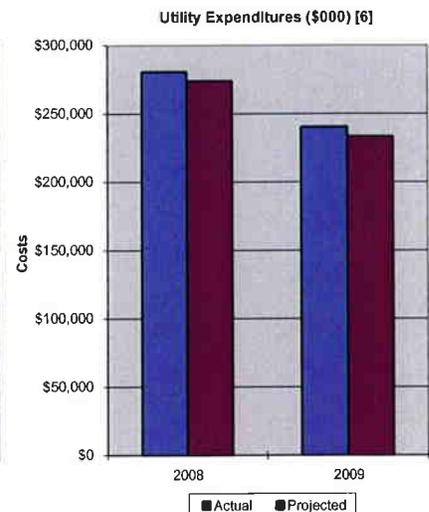
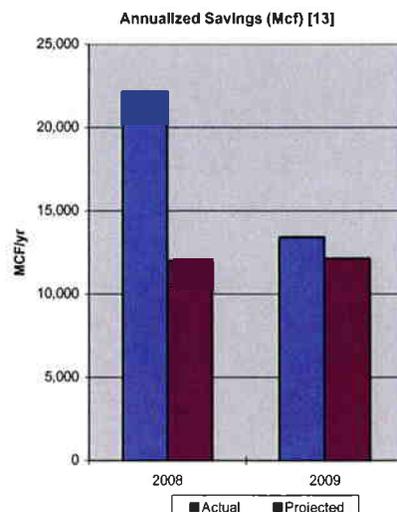
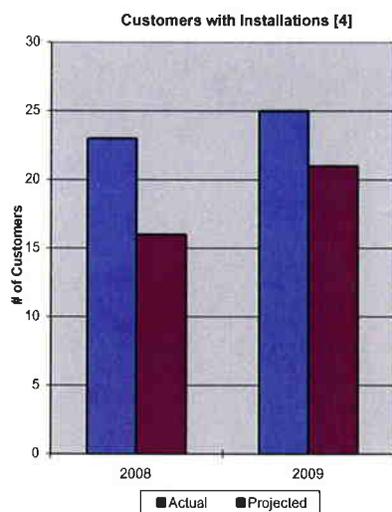
Commercial Retrofit Program Summary

Program Start Date: 7/2/1993
Gross to Net Adjustment Factor: 0%

	Actual [1] 2008	Actual [1] 2009	Projected 2009	Projected Fiscal Year 2010	Total Program Reported to Date [18]
SUMMARY OF PARTICIPATION					
# Pending [2]	1	3	n/a	n/a	n/a
# of Analysis/Audits No Installs [3]	35	26	n/a	n/a	n/a
# Customers with Installations [4]	23	25	21	21	215
# Analyses/Audits [5]	41	33	60	60	647
SUMMARY OF COSTS					
Utility [6]	\$280,541	\$240,405	\$233,357	\$305,364	\$2,815,462
Administrative [7]	\$83,119	\$57,412	\$54,189	\$95,654	\$756,747
Incentives [8]	\$182,868	\$144,052	\$118,001	\$145,910	\$1,687,249
Audit [9]	\$13,956	\$38,275	\$44,252	\$46,885	\$341,024
Evaluation [10]	\$598	\$666	\$16,916	\$16,916	\$30,442
Participant [11, 27, 27a]	\$0	\$0	\$0	\$0	\$33,739
Total	\$280,541	\$240,405	\$233,357	\$305,364	\$2,849,201
SUMMARY OF BENEFITS [12]					
Annualized Mcf [13]	22,109.3	13,434.6	12,148.0	13,246.0	219,219.9 [19]
Lifetime Mcf [14]	393,546	231,075	200,037	222,091	4,185,686 [19]
Peak Day Mcf [15]	58.2	51.3	31.5	44.1	770.0 [19]
Annualized Mcf/Participant [16]	961.3	537.4	578.5	630.8	1,019.6
Weighted Lifetime (years) [17]	17.8	17.2	16.5	16.8	19.1

2009 ACTIVITY (JANUARY - DECEMBER)

END-USE BREAKDOWN	Annualized Mcf Saved [13]	Peak Day Mcf Savings [15]	Number of Customers with Installations [20]	Weighted Lifetime [17]
Air Infiltration	297.5	0.0	2	20.0
Heat Recovery	5,992.0	10.5	10	16.5
Heating	5,377.9	29.6	12	16.7
Process	9.6	0.0	1	15.0
Shell (envelope)	755.4	7.6	2	22.5
Water Heating	1,002.2	3.7	5	19.0
Total	13,434.6	51.3	32 [23]	17.2



APPENDIX

***VGS Residential Customer Newsletter
"The Natural"***



Vermont Gas
CLEAN ENERGY.
CLEAN AIR.

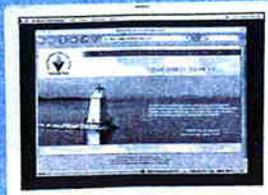
The Natural

A newsletter for the customers & friends of Vermont Gas

FEBRUARY 2009

NEW ONLINE

- Check your account
- See your billing history
- Pay bills electronically
- Sign up for 24/7 Service
- Join the Budget Plan



www.vermontgas.com

Holiday Hours

The offices of Vermont Gas Systems will be closed on Monday, February 16, for Presidents' Day. As always, our certified technicians are on call with round-the-clock emergency service.

Regular office hours are 8 am to 5 pm, Monday through Friday.



Monitoring the Pipeline - 24/7



Todd Lawliss, Gas Control Coordinator

Q&A with Todd Lawliss

From the natural gas supply basin of Western Canada, to homes and businesses in Vermont, Todd Lawliss and the Gas Control Department work 24/7 keeping a watchful eye over

our natural gas delivery pipeline. Todd has spent 20 years at Vermont Gas, beginning in the marketing and customer service areas before becoming Gas Control Coordinator.

Q. What are the responsibilities of Gas Control?

A. Our department is responsible for making sure that we have enough natural gas to serve over 40,000 homes and businesses every day. And that means monitoring over 700 miles of transmission and distribution pipelines.

Monitoring the pipelines is a 24 hour, seven days a week responsibility. Thanks to our sophisticated computer software, we can actually monitor and control all of these pipelines by computer and zoom in and out of the pipeline network with the click of a mouse.

Q. Why is it important to monitor the system 24/7?

A. We must make sure that we have enough natural gas to serve our customers through

all fluctuations in weather. Naturally, when the weather gets colder our customers use more natural gas – and we need to order enough to keep the pipeline full.

Q. Even when we hit those infamous Vermont arctic temperatures?

A. Preparation is our key to success when everyone is turning up their thermostats on a -20 degree morning. We perform extensive computer modeling to determine the amount of natural gas we'll need under extreme temperatures. We then contract with various suppliers and pipeline companies to ensure that we will have reliable supply and transmission routes to deliver the natural gas to Vermont. In addition, we can draw on local supply and demand resources during our coldest temperatures.

Q. How do you keep natural gas such an economical choice for Vermonters?

A. Although reliability is always our first consideration, we secure our natural gas supply through a competitive bid process. This ensures that our costs remain as economical as possible.

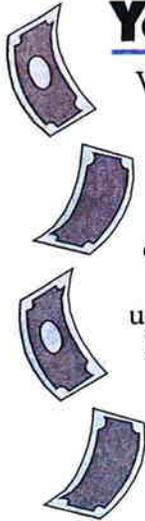
Q. So the Gas Control Department is the unsung hero of both supply and cost control?

A. Not only that, we also serve our customers in other ways. For example, on nights and weekends, when our call center is closed, we are the voice of Vermont Gas – ready to help our customers resolve emergency service problems. When you call Vermont Gas, you can always get a Vermont Gas employee on the other end of the line.

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VERMONT GAS SYSTEMS IS AN EQUAL OPPORTUNITY EMPLOYER. PRINTED ON RECYCLED PAPER.

Considering a new heating system? You may qualify for rebates!



Vermont Gas offers rebates to encourage customers to replace older natural gas heating systems with high-efficiency equipment.

Now is the time to upgrade, because advances in technology have greatly improved the efficiency, reliability and comfort of home heating systems. Hot water boilers and hot air

furnaces are commonly available with efficiency ratings over 90 percent.

Several manufacturers of furnaces, boilers and space heaters have introduced multi-stage equipment that adjusts the level of heat delivered to the home based on the outside temperature. Instead of short bursts of heat followed by periods of cooling, you experience steady even heat, which is more comfortable and efficient.

Read about our rebates and other energy efficiency programs online at www.vermontgas.com.

Quick & easy ways to pay

- Electronic funds transfer. Each month on the due date, your bill is automatically deducted from your checking account. Forms for arranging electronic funds transfer are available online at www.vermontgas.com.
- Use your credit card to pay online at www.vermontgas.com. There's a Western Union fee of \$4.95 for this service.
- Pay in person at select Chittenden Bank branches in Chittenden and Franklin counties.
- Pay in person at Hannaford's stores: in the greater Burlington area on Shelburne Road, Dorset Street, North Avenue or in Williston or Essex Center.



If you prefer paying by check, remember to include the perforated bottom portion of your bill in the return envelope. Always write your complete account number on your check. Mail your payment to Vermont Gas Systems, P.O. Box 1722, Brattleboro, VT 05302-1722.

For more information on payment options, please visit our website at www.vermontgas.com or call us.

Don't neglect your heating system!

Your heating system is the most important appliance in your home. Make sure it gets regular maintenance. Call Vermont Gas or any qualified contractor for periodic servicing. The check-up should include:

- Visual inspection of the vent system for corrosion or obstructions.
- Checking that the system is drafting properly.
- Cleaning the pilot and burners.
- Lubricating inducer or blower motors, if needed.

- Replacing furnace blower belts, if needed.
- Checking boiler system pressure.
- Checking carbon monoxide levels and adjusting combustion as necessary for safe operation.
- Adjusting thermostats.

If you're enrolled in our 24/7 Service Plan with the Annual Inspection Option, call now to schedule your inspection and take advantage of the lower, off-peak rate. Call 863-4511 for more information.

Beware of fire hazards! Watch out for scalding!

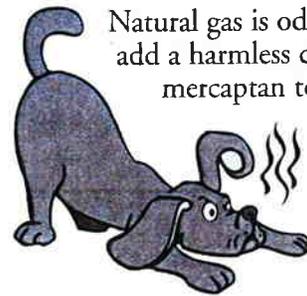
Remember never store flammables such as paint thinners or gasoline near appliances. Their dangerous vapors are easily ignited.

And never store objects on top of gas appliances or hang items on gas piping, such as clothes.



Be sure that your water heater is set at a temperature recommended by the manufacturer (or as applicable by Vermont Plumbing Board rules) to prevent burns, especially if you have young children. Even hot water that an adult can stand will scald a child's tender skin.

What if you smell gas?



Natural gas is odorless, so we add a harmless chemical called mercaptan to give it a rotten-egg-like odor. If you think you smell natural gas:

- Put out any cigarettes, candles, incense or matches.
- Don't switch on or off any lights or appliances.
- Leave the building and move to a safe environment.
- Call Vermont Gas from your cell phone or a neighbor's house. One of our technicians will arrive promptly to check it out.

Natural gas has an outstanding safety record, and Vermont Gas works closely with local and state officials to promote safety awareness.



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The Natural

April/May 2009



Spring Project Tips

Breaking Ground? Make sure you Dig Safe™

Perhaps you're putting on a new addition - or getting rid of an old one! Remember, if your project requires digging, Vermont law requires you notify **Dig Safe™** at least 48 hours in advance of breaking ground. There is no charge for this service.



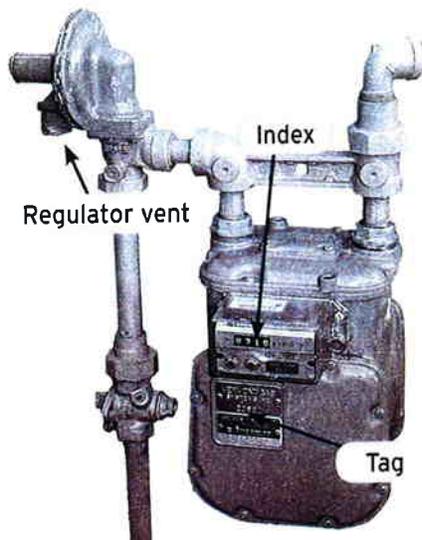
You can avoid injuries, costly damage to underground pipes and wires, and possible service disruption - all with a single call to **Dig Safe**, who will notify its member utilities to mark their underground structures for you or your contractor. **Call: 1-888-DIG-SAFE.**

Mulching Around Meters

Do not place materials such as mulch, topsoil and rocks in contact with your meter. Meters buried in such materials could corrode and leak.

Painting Pipes is Recommended

We strongly recommend that you paint your meter assembly and the associated above-ground piping along your house or building. Your house color is fine. And to make sure we can still read your meter, please do not paint over the clear plastic **meter index cover, ID number plates** or the **regulator vent screen**.



In this issue:

- Dig Safe™
- Spring Project Tips
- Green Up Day
- Save Big on Energy
- Heating System Service
- Stimulus Tax Credits

Go online to:

- Compare your energy use
- Pay bills
- Sign up for 24/7 service
- Go to vermontgas.com

What's Buried in Your Yard?

Whether you are at home, at work, or in a public place, it's likely you are in an area served by natural gas pipelines. More than 700 miles of pipelines and mains quietly, reliably and efficiently deliver natural gas everyday for use by residential, commercial and industrial customers.

Since pipelines are underground, line markers are sometimes used to indicate their approximate location. The markers display the name of the pipeline operator and the telephone number where the operator can be reached in the event of an emergency.



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How to save big on energy costs (hint: think water)



Many customers focus their energy efficiency efforts around reducing their heating bills. But there's a potentially

big payoff somewhere else - most likely in your basement.

That's where most water heaters reside - and research says water heating accounts for 17% of energy used in U.S. homes. For residential customers of Vermont Gas, the average cost of gas used for hot water, cooking, and

clothes dryers is roughly \$250 per year - and most of this is for hot water.

How can you reduce that number?

- Shorter showers
- Showerheads with a flow of 1.75 gallons per minute can knock 20% off the portion of your water heating bill that goes for showers!
- Washing clothes in cold water instead of hot or warm
- Purchasing an Energy Star clothes washer when yours needs replacement
- Fixing leaky hot water faucets

You may also want to consider replacing your water heater if it

is more than 10 years old. Many customers realize 10% savings off their water heating costs with a new, higher efficiency tank. There are many new water heating technologies available; Vermont Gas leases and installs new natural gas water heaters.

Please note: Vermont Gas does not recommend installing water heater blankets on gas-fired water heaters.

Happy Memorial Day!

Vermont Gas Systems will be closed Monday, May 25, in observation of Memorial Day.

Green Up Day Set for May 2



When people pitch in together, it's amazing what can happen. "Green Up Day" takes place on the first

Saturday in May each year - all across Vermont. Last year, volunteers collected over 40,000 bags of trash as they helped get spring off to a great start. But this event is much bigger than picking up litter: it has become an important statement about Vermont's commitment to the environment. Would you like to learn more? Call 1-800-974-3259, or visit greenupvermont.org.

Seven Reasons Your Heating System Needs Service



Your heating system is the most important appliance in your house - period. It cannot maintain itself. Those reasons aside, here are seven service items that should be tended to:

- Inspection of the vent system for corrosion or obstructions
- Checking that the system is venting properly
- Cleaning the pilot and burners
- Lubricating inducer or blower motors, if needed
- Replacing furnace blower belts, if needed
- Checking boiler system pressure
- Checking carbon monoxide levels and adjusting combustion as necessary for safe operation

If you are enrolled in our 24/7 Service Plan with the Annual Inspection Option, please call now to schedule your inspection.

News Flash! Stimulus Package Includes Tax Credit of up to \$1,500

The new Stimulus Package announced recently by President Obama includes potential rebates of up to \$1,500 when you purchase high efficiency

Natural Gas equipment for your home. When combined with the rebate program offered by Vermont Gas, you could be on your way to

saving a lot of energy - and a lot of money before the equipment is even put into operation! Be watching for more details in our next newsletter.



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The Natural

June/July 2009

Tax Credits, VGS Rebates = Best Time Ever to Upgrade



In this issue:

- Stimulus Tax Credits
- Chimney "quick check"
- Annual Meter Inspection
- Gas grills (without the returnable tank!)
- Water Heaters

Go online to:

- Compare your energy use
- Pay bills
- Sign up for 24/7 service
- Go to vermontgas.com

Save big now, and huge later!

You can save significant money several ways:

- **The Federal Stimulus Plan.** You've heard about it – now it's time to take advantage of it! You can save up to 30% of the cost – up to \$1,500 – when you upgrade to a high efficiency furnace, hot water boiler, or water heater.



This is a limited time offer – only good for equipment installed in 2009 and 2010. Furnaces must be rated at 95% or greater efficiency; boilers at 90% or greater.

Credits are also available for high efficiency windows, doors, and insulation.

- **Vermont Gas Rebates.** We're offering special incentives to cut your upfront costs even more – with rebates up to \$600 for qualifying equipment.
- **Efficiency Vermont Rebates.** Do you use electricity to heat your home or for hot water? If so, now is the time to save big upfront – and then keep saving 24/7 after that! Rebates up to \$3,000 are available when you switch to natural gas appliances.

Potential savings of thousands start with one call.

One Vermont Gas customer recently combined all three incentives and is on her way to major savings both short term and long. Melissa Mazza – who had oil, propane, and electric in place – is virtually all natural gas now.

"Vermont Gas has been really helpful. It seems like the perfect time to upgrade. With the Stimulus Package, the cost is low – and the return on investment will be quick."

Melissa Mazza, Colchester

**For more information,
go to vermontgas.com**

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What's up in your chimney? Check it out!

Santa Claus has not taken up residence in your chimney. But what else can you really say about its condition?

It only takes a few minutes to check it out. A blocked chimney can cause

combustion gases from fuel-burning appliances – whether natural gas, oil, wood, or propane – to seep into living spaces. This creates a potential health hazard. What can cause the

block? Broken tiles, bird nests, leaves, soot, or accumulated brick and mortar that has broken away at the base.

Here's a checklist:

Exterior

- Check the brickwork from top to bottom for loose mortar, missing bricks or white chalky deposits. Note: if it's in rough shape outside, it's likely to be rough inside as well.

Cleanout pit (inside)

- Inspect the cleanout pit at the base of the chimney twice a year. If loose mortar is found, it should be inspected by an expert.

- Angle a mirror in the cleanout pit opening. You should have an unobstructed view to daylight above.

Flue pipe

- Check the flue pipe that connects the appliance to the chimney for corrosion and deterioration. Does it look properly supported? Check all fittings and connections for tightness. **If you feel a hot draft backing out of the flue pipe openings, it's possible you**

have a blocked chimney or draft problem. This requires professional attention immediately! Contact a licensed chimney contractor.

- Older, unlined chimneys should be lined with a durable material to ensure safe operation of your heating and water heating appliances. Vermont Gas can install safety switches that will shut off your equipment in the event of a blockage.

Annual Meter Inspection



It's summer time – and that's when we visually inspect meters. If you happen to see a

Vermont Gas employee checking out your meter between 8 a.m. and 5 p.m. on a weekday, there's no need for concern. It's for your safety!

Natural Gas Grills: A Great Way to Go!



It's the season for outdoor grilling. Would you like to never again have to run out for more fuel? You can have that convenience, with natural gas. You might ask: "But don't I already have natural gas?" Yes, in your home. But more than likely it's not part of your barbecue set-up. Most "grillers" use propane. Here's why natural gas is better:

- You'll never run out – because the "hook-up" is to your interior

pipng source – the same natural gas you use for heat, hot water, and perhaps your clothes drying.

- You'll have a flexible exterior connector, so you can move your grill up to 12 feet away, if you like.
- Most existing grills are easily converted.
- New grills can be purchased that are set up for natural gas.

To find out more, call Kathy McCann at Vermont Gas: 863-4511, ext. 336.

Get a new water heater for \$14.25 a month!

Vermont Gas rents water heaters, and there's no easier way to upgrade or replace this essential appliance. If you have an electric water heater, rebates of up to \$500 are available. That's great news when a new water heater could cost from \$1,000 - \$2,000.

Just call us at 863-4511, ext. 250 for more information. We'll figure

out what kind of equipment is needed and install it. Keep in mind: efficiency is much higher than 10 years ago – and your water heater could easily be older than that!

Depending on the size of the water heater, you'll pay as little as \$14.25 a month if you go the rental route!

Happy Independence Day!

In observance of the 4th of July (which falls on Saturday this year), we'll be closed Friday, July 3.



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forests, controlled sources and
recycled wood or fiber
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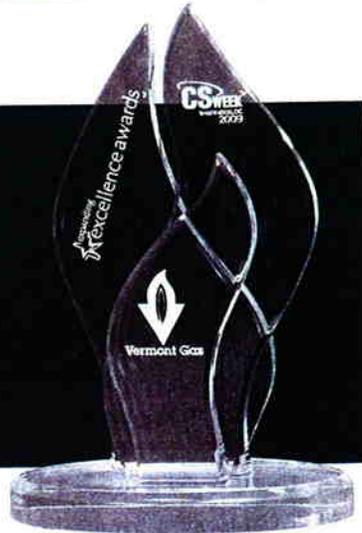


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The Natural

August/September 2009

Vermont Gas Receives National Customer Service Award



At Vermont Gas, we believe customer service is Priority #1. So, it was with great pride that Vermont Gas received recognition of its excellence in customer service by two prominent industry publications, CS Week and Electric Light & Power Magazine.

Each year, the publications recognize one large and one small North American utility for developing innovative approaches to improving customer service. Vermont Gas received the small utility award recently at the annual Customer Service conference in Washington, DC.

Vermont Gas was selected based on its introduction of a suite of online customer service tools that help customers manage their heating bills. Another innovation is a GPS-based tracking system in all service vehicles, which has improved response time to service calls and emergencies.

"It is an honor to receive this distinguished award. The employees who work at Vermont Gas are committed to very high standards of customer service," commented President & CEO Don Gilbert.



Three for Three: Jericho, Underhill, and Hinesburg

Summer time is baseball time. And, you could use a couple of baseball terms to summarize our recent expansions to Jericho, Underhill, and Hinesburg. It could be called going "3 for 3," or hitting a triple.

For 2009, our expansion activity is centered on Hinesburg. Approximately 500 households will soon have the opportunity to enjoy the energy efficient, economical benefits of natural gas.

"Sign-ups are going well and construction has been smooth,"

commented Vermont Gas Sales & Marketing Manager Brian Gray. "New customers are attracted not only by efficiency aspects; they also really like the fact that natural gas is clean burning. If you want to 'be green,' having natural gas can play a big part in getting you there."

Current customers can increase their efficiency by converting their equipment to high efficiency models. Look for more information on our website, vermontgas.com, or call us at 863-4511, ext. 336 if you'd like to learn more.

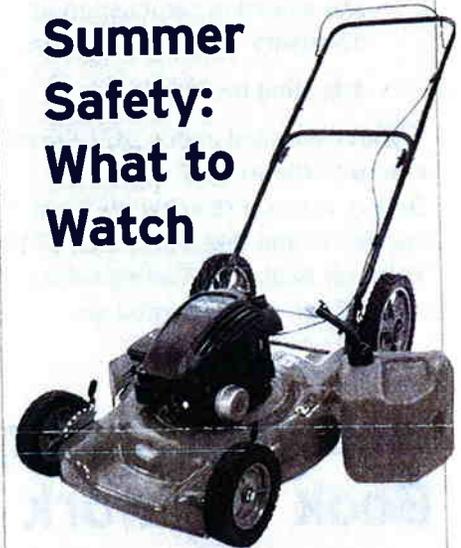
In this issue:

- Summer Safety Watch
- Heating System
- Fire Code Changes
- Landlords: Let Us Know!
- Energy Audits

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- Compare your energy use
- Pay bills
- Sign up for 24/7 service
- Go to vermontgas.com

Summer Safety: What to Watch



Remember never to store flammables like paint thinners or gasoline near appliances such as water heaters. Their dangerous vapors are easily ignited. And never store things on top of gas appliances or hang things on gas piping, such as rags or clothes.

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Don't neglect your heating system!

Your heating system is the most important appliance in your home. Make sure it gets regular maintenance and is inspected annually. Vermont Gas has an expert team ready to serve you!

Your inspection should include:

- Visual inspection of the vent system for corrosion or obstructions.
- Checking that the system is drafting properly.
- Cleaning the pilot and burners.
- Lubricating inducer or blower motors, if needed.
- Check furnace belt, air filter and heat exchanger.
- Checking boiler system pressure.
- Checking carbon monoxide levels and adjusting combustion as necessary for safe operation.
- Adjusting thermostats.

If you're enrolled in our 24/7 Service Plan with the Annual Inspection Option, call now to schedule your inspection and take advantage of the lower, off-peak rate. Call 863-4511, ext. 250 for more information.

Had your energy audit? Book the work – start saving \$!

If you've had the audit you know how much you can potentially save. And you won't have to wait long to get the work scheduled.

Right now, you can also take advantage of:

- Rebates and incentives from Vermont Gas.
- Additional savings made possible by the Stimulus Package.

The return on investment will happen across a time period that is relatively short – and the savings beyond will be very big.

Sound interesting? Call us at 863-4511, ext. 321 or go to vermontgas.com.

Vermont Fire Code Changes



There have been two recent changes in the Vermont Fire and Building Safety Code. The changes took effect June 15, 2009 and apply to condominiums, rental properties, and public buildings.

First, all fuel-fired heating appliances must be cleaned and maintained in accordance with manufacturers instructions, and must be inspected at least once during any 2 year period by certified technicians. The inspections must include a measurement of carbon monoxide. At the time of the inspection, the appliance must be marked with the date of inspection and the name and certificate number of the person who performs the inspection.

Second, all through-the-wall vents (also known as sidewall vents) located less than 7 feet above ground level must be provided with signage permanently affixed at a height of 7 feet above the ground directly above the through-the-wall vent.

For more information on these changes, visit the Vermont Department of Public Safety website at www.dps.state.vt.us/fire

Landlords: Safeguard Your Property



You can protect your property from the risk posed by service disconnects, particularly in winter when pipes can freeze quickly.

What should you do? Contact our Customer Service Department to fill out paperwork directing us to automatically put service in your name when your tenant departs. Please call us at 863-4511, ext. 250 to put this arrangement in place.

Holiday Hours

The office of Vermont Gas Systems will be closed on Monday, September 7 for Labor Day and Monday, October 12 for Columbus Day. As always, our certified technicians are on call with around-the clock emergency service. Regular office hours are 8 a.m. to 5 p.m., Monday through Friday.



Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber.
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Temperatures will soon be lower – your energy bills can be, too!

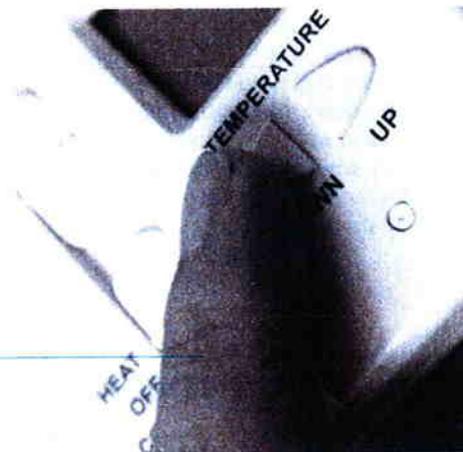
While more energy is used in the winter season, it also provides your best opportunity to save. **Here are six easy and inexpensive tips on how you can do it.**

Install a Setback thermostat

It's one of the best ways – and easiest – for saving energy. When you're gone all day – and at night when you're sleeping – an automatic setback thermostat will adjust temperatures down. It will also turn the temperature up automatically, so you won't wake up to a cold house, or come home to one.

Get equipment inspected

For safety and efficiency, it makes good common sense to have an annual inspection of your heating system. Don't wait until the last minute!



It makes good common sense to have an annual inspection of your heating system. Don't wait until the last minute!

Check filters

If you have a hot air heating system, check the filters monthly. Clean or replace them if they're dirty. This will help keep your airflow open. You'll be more comfortable – and your bills will be, too.

Registers free from blockage

Keep air registers (both supply and return) free from obstructions such as draperies, furniture and clutter. Otherwise, they can't deliver heat when you need it!

Keep fireplace dampers closed

When you aren't using the fireplace, close the dampers. Open dampers can increase loss of heated air by 25% or more!

Storm windows work hard

When added to a single pane window, storm windows can cut your heat loss through the window in half! You may want to consider replacing any single pane windows with new efficient ones. Look for windows with a "U factor" of .35 or less. For more information, go to efficientwindows.org.

In this issue:

- Important changes in Ways to Pay
- Save on Energy Bills
- 24/7 Service Plan
- Facts about Carbon Monoxide
- Carbon Monoxide Detectors

Go online to:

- Compare your energy use
- Pay bills
- Sign up for 24/7 Service Plan
- Go to vermontgas.com

Get ready for winter with the 24/7 Service Plan

Equipment breakdowns often happen when it's least convenient. Keep your heating system in good working order for the long cold winter by signing up now for our 24/7 Service Plan!

The plan covers common repairs to water heaters and heating systems, from aquastats to zone valve heads. It costs as little as \$8.50. If you join, you'll also get a discount on annual inspections.

Our inspection meets the state's new inspection requirement for public buildings, including placement of the "V" sign.

Enroll online (or get more details) at vermontgas.com. Or call 863-4511, ext 250 for a brochure and enrollment form.

Ways to Pay: Important Changes

Our payment options are changing effective November 2009. Please review the following carefully:

- **Pay in person – St. Albans.** Our new drop off location is Key Bank, Highgate Commons Shopping Center, 201 Swanton Road.
- **Pay in person – outside St. Albans.** At Hannaford's stores in the greater Burlington area on Shelburne Rd., Dorset St. or North Ave.; or in Williston or Essex Center.
- **Pay by on-line banking.** Our new payment center address is: P.O. Box 7502, Bennington, VT 05201-7502. Please make sure to update your records with the new address.

If you pay by mail using our return envelope, or by electronic funds transfer or credit card, these changes will not affect you. For more information, visit our website: vermontgas.com.

Order CO detectors at vermontgas.com!

It's just common sense to put a CO detector on every floor of your home. At the very least, install one where people sleep. You can buy CO detectors at hardware stores or home stores. Just make sure they have battery backup so they'll operate during a power outage.

It's never too early to share the WARMTH!

WARMTH helps thousands of Vermont families each year. Be sure to look for the WARMTH flyer in your next bill. It's your chance to help Vermonters who are hard pressed to pay for heat. Temperatures can drop without warning, so the earlier you contribute, the better!

For your safety: the facts about CO (carbon monoxide)

Carbon Monoxide (CO) is a potential hazard when you're using any combustible fuel. Exposure to even small amounts can cause flu-like symptoms, and higher levels can be fatal. You can't see it or smell it, so be vigilant!

Symptoms:

- Dizziness, nausea, headache and coughing.
- Irregular heartbeat.

Follow these important safety measures:

- Install CO detectors in your home, with battery backup.
- Get regular check-ups for your heating system.
- Never heat your home or building with your gas range or oven.
- Always make sure your heating system is working properly, no matter what type of fuel you use.
- Properly maintain and ventilate appliances.

- Make sure vent terminations for gas appliances are not blocked.
- Never run a vehicle in the garage, even with the door open. CO can seep into your house.
- Make sure your chimney is not blocked.
- Don't use outdoor grills in enclosed areas.

If you suspect CO poisoning:

- Seek fresh air and remain outside.
- Call 911 or your local fire department.

Give your heating system a check-up.

For an appointment, call 863-4511. And for more information about safety, visit our website: vermontgas.com.

Carbon monoxide – you can't see it or smell it, so be vigilant!



You can order a CO detector online at vermontgas.com. We'll simply add the charge to your bill. The cost per CO detector is \$42 including shipping.

Holiday Hours

The offices of Vermont Gas Systems will be closed on Monday, Oct. 12 for Columbus Day and Thursday-Friday, Nov. 26-27 for the Thanksgiving holiday.

As always, our certified technicians are on call with round-the-clock emergency service. Regular office hours are 8 am to 5 pm, Monday through Friday.

Vermont Gas customer's donations are earmarked for low-income families who use natural gas. Every penny you give goes toward those in need.

WARMTH is administered by the Champlain Valley Office of Economic Opportunity.



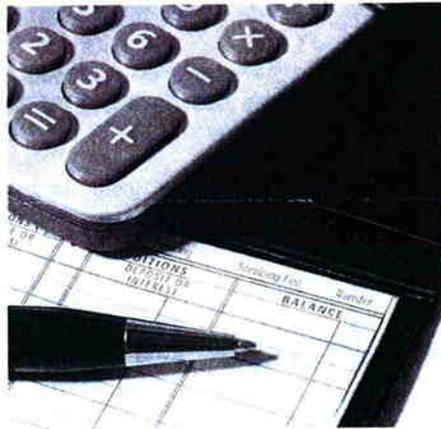
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Automatic Bill Payment: No checks – no worries!

Automatic Bill Payment allows you to have your monthly bill automatically deducted from your bank account. You'll still get a monthly statement showing the amount you owe, how much natural gas you used, and the date that your payment will be withdrawn.

- **Easy** – It's the easy, no-hassle plan that lets you forget about having to pay your natural gas bill.
- **Saves time and money** – No check costs. No postage. And your payment will always be on time.
- **It's free** – There's no charge for Automatic Bill Payment. It's here for your convenience from Vermont Gas.
- **No check to write** – It pays right from your checking account. Funds are transferred electronically so you'll never have to write a check for your natural gas bill again.
- **Safe and reliable** – Your bank can transfer only the amount of your monthly bill. When customers use the Budget Payment plan **along with** the Automatic Bill Payment plan they're ensured that the same dollar amount is withdrawn from their account each month.

Forms for arranging Automatic Bill Payment and Budget Payment are



available at vermontgas.com or by calling 863-4511.

Other ways to pay:

- Pay by credit card – online at vermontgas.com (there is a Western Union fee of \$4.95 for this service).
- Pay in person – St. Albans – at our new drop-off location in St. Albans: Key Bank, Highgate Commons Shopping Center.
- Pay in person – outside St. Albans – at Hannaford stores in the greater Burlington area.
- Pay by mail – our new payment center address is: P.O. Box 7502, Bennington, VT 05201-7502.

Customer Fuel Assistance Programs

For customers who need fuel assistance, please review the following information.

Fuel Assistance Program

Fuel Assistance may help qualified customers pay part of their home heating bills. For more information, contact the State of Vermont at 1-800-479-6151.

Crisis Fuel Assistance

Crisis Fuel Assistance helps Vermonters who experience a crisis during the winter months. For more information, contact Community Action at 863-6248 or 527-7392 in St. Albans.

In this issue:

- Paying with Automatic Bill Payment
- Fuel Assistance Programs
- Keeping vents clear
- Watch for ice and snow
- Save money with upgrades

Go online to:

- Compare your energy use
- Pay bills
- Sign up for 24/7 Service Plan
- Go to vermontgas.com

It's never too early to share the WARMTH!



WARMTH helps thousands of Vermont families each year. Be sure to look for the **WARMTH** flyer in this bill. It's your chance to help Vermonters who are hard pressed to pay for heat. Temperatures can drop without warning, so the earlier you contribute, the better! Vermont Gas customer's donations are earmarked for low-income families who use natural gas. Every penny you give goes toward those in need.

WARMTH is administered by the Champlain Valley Office of Economic Opportunity.

Keep sidewall vents and meters clear

Sidewall vents are common in new heating and water heating systems, especially high efficiency units. These vents act as a breathing device for these systems. They take in fresh air and mix it with fuel to produce heat, while discharging exhaust fumes that can include carbon monoxide (CO).

If a vent becomes buried in snow or ice, this may shut down your equipment—or draw exhaust fumes into your home, which can produce high levels of CO inside your house.

To prevent these problems, it's important to remove snow around the vent approximately 48 inches in all directions so that your equipment can discharge exhaust.



Make sure vents are installed at the highest possible level, but no less than 12 inches above the ground.

IMPORTANT: State and local codes require signage be placed above sidewall vents in certain situations.

Save big now, and huge later!

You can save significant money several ways:



- **The Federal Stimulus Plan.** You've heard about it – now it's time to take advantage of it! You can save up to 30% of the cost – up to \$1,500 – when you upgrade to a high efficiency furnace, hot water boiler, or water heater. This is a limited time offer – only good for equipment installed in 2009 and 2010. Furnaces must be rated at 95% or greater efficiency; boilers at 90% or greater. Credits are also available for high efficiency windows, doors, and insulation. Go to www.energystar.gov for more information.
- **Vermont Gas Rebates.** We're offering incentives to cut your upfront costs even more – with rebates up to \$700 for qualifying equipment. Go to vermontgas.com for more information.

Online account access puts you "in the know"

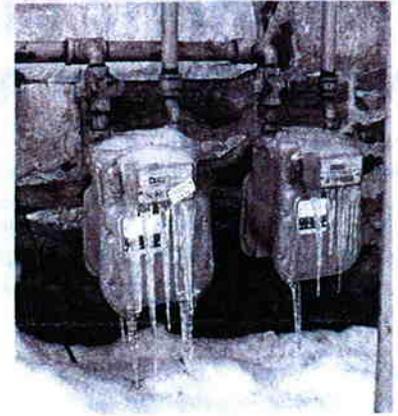
If you need quick information on your account, it's just a click away. How much natural gas have you used this year vs. last? Wondering if your payment has been processed? Need to pay your bill fast? You can get all the answers online.

All you need is your account number (from your bill) and your telephone number. The illustration here shows what a customer's account page looks like on the Vermont Gas website.

Read Date	Bill Date	Bill Period	Actual or Estimate	Usage
Nov 19, 2009	Nov 26, 2009	Nov 2009	Actual	59 CCF
Oct 19, 2009	Oct 21, 2009	Oct 2009	Actual	20 CCF
Sep 19, 2009	Sep 25, 2009	Sep 2009	Actual	14 CCF
Aug 21, 2009	Aug 24, 2009	Aug 2009	Actual	16 CCF
Jul 19, 2009	Jul 25, 2009	Jul 2009	Actual	15 CCF
Jun 19, 2009	Jun 22, 2009	Jun 2009	Actual	17 CCF
May 21, 2009	May 22, 2009	May 2009	Actual	24 CCF
Apr 19, 2009	Apr 24, 2009	Apr 2009	Actual	25 CCF
Mar 22, 2009	Mar 26, 2009	Mar 2009	Actual	17 CCF
Feb 19, 2009	Feb 22, 2009	Feb 2009	Actual	131 CCF
Jan 22, 2009	Jan 24, 2009	Jan 2009	Actual	122 CCF
Total usage for 2009:				637 CCF

Watch for ice and snow

Snow removal activities can also pose a hazard to your meter assembly or piping and result in a dangerous leak. Follow these guidelines during winter:



- Remove large icicles hanging over meter assemblies and appliance vents.
- If your gas meter is near a sidewalk or driveway, make sure whoever removes snow from your property is aware of its location.
- Use a broom – not a shovel – to clear snow from your meter assembly and vents.
- If your meter gets encased in ice, please call Vermont Gas immediately.

Holiday Hours

The offices of Vermont Gas will be closed Friday, December 25, Friday, January 1, and Monday, February 15. Around the clock emergency service, as always, will be available.

The entire staff of Vermont Gas wishes you the happiest of holiday seasons.



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***Better Buildings By Design Conference
Sponsorship***



BETTER BUILDINGS BY DESIGN CONFERENCE 2009

**FEBRUARY 11 & 12
SHERATON CONFERENCE CENTER
BURLINGTON, VERMONT**

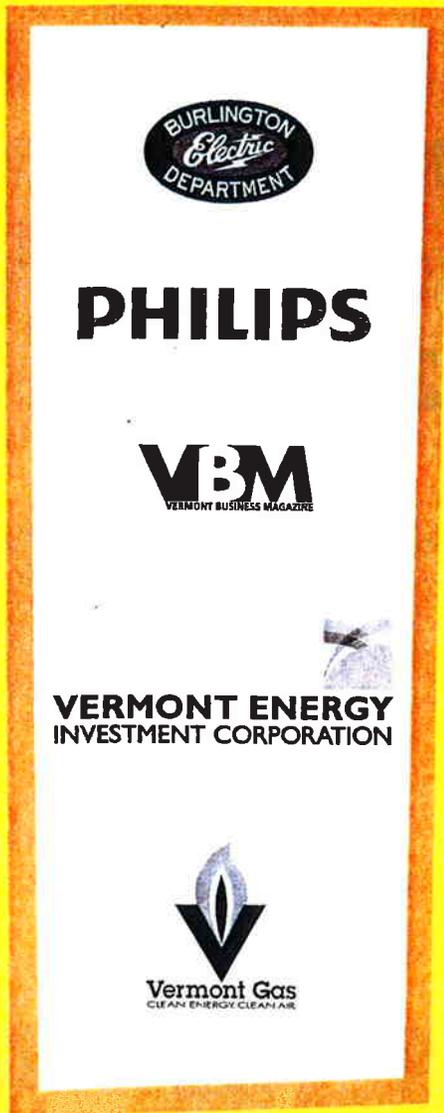
CONFERENCE PROGRAM



Efficiency Vermont

EFFICIENCY VERMONT WOULD LIKE TO THANK THE FOLLOWING PARTNERS, EXHIBITORS AND SPONSORS FOR THEIR SUPPORT OF THE BETTER BUILDINGS BY DESIGN CONFERENCE 2009:

PREMIER PARTNERS



EXHIBITORS & SPONSORS

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Philips Lighting
Preferred Building Systems
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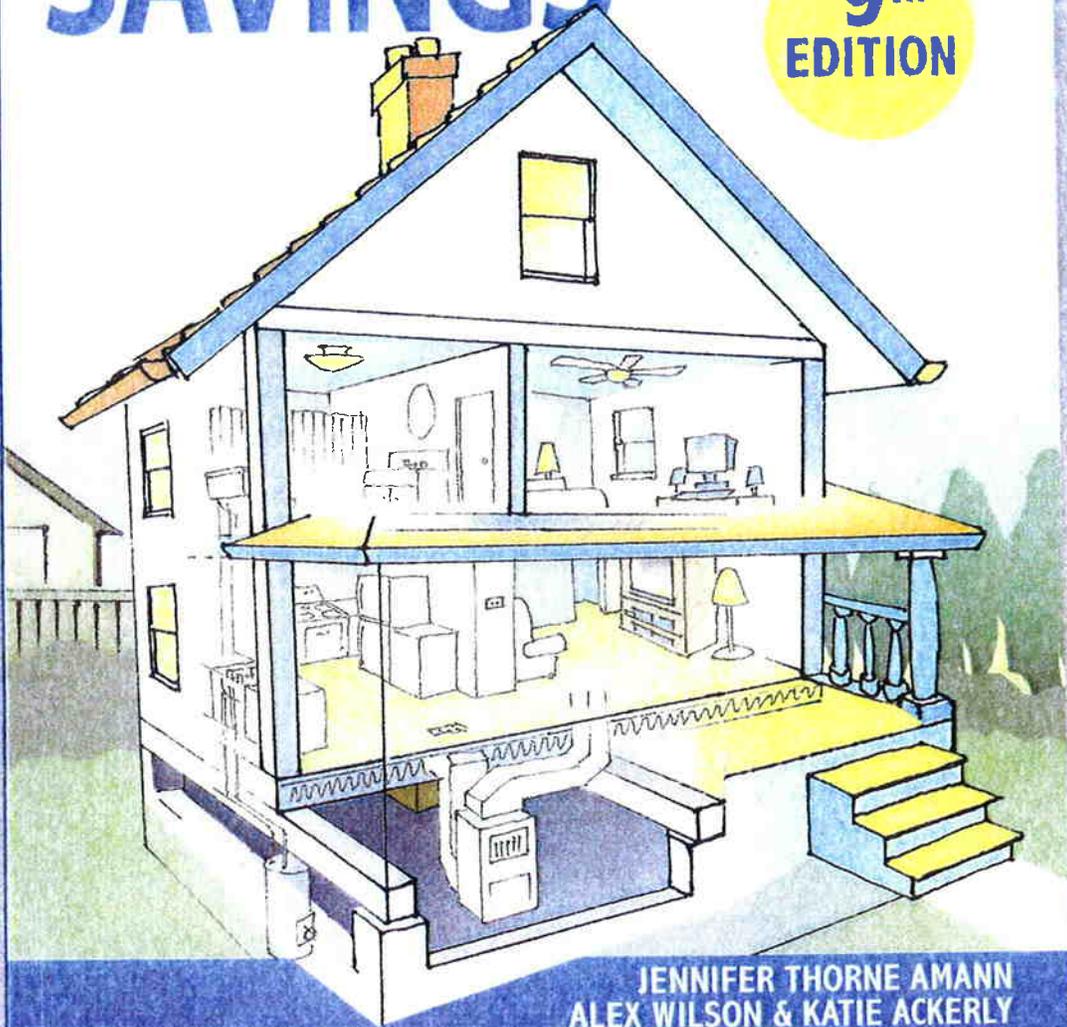
While attending the conference, you may notice that photographs are being taken. The photographer is capturing images to publicize this year's event and future conferences.

***Cover of Consumer Guide to
Home Energy Savings***

SAVE MONEY, SAVE THE EARTH

CONSUMER GUIDE TO HOME ENERGY SAVINGS

9th
EDITION



JENNIFER THORNE AMANN
ALEX WILSON & KATIE ACKERLY

***Gas Eokit, Self Install Energy Conservation
Kit for Residential Audit Customers***

Gas EcoKit™ Instructions

Earth™ Massage Showerhead (1.5 gpm)

Just follow these simple directions:

1. Remove old showerhead from the shower arm. If you need to use a wrench, use a second wrench to hold the shower arm while you loosen the old showerhead. Use pieces of cloth to protect the finish.
2. Before installing new showerhead, turn on water to wash out the pipe.
3. **TURN OFF WATER.** Apply Teflon tape to shower arm threads. Screw on the new showerhead and hand-tighten.
4. Test showerhead. If showerhead leaks, tighten by using a wrench on the shower arm and a second wrench on the showerhead. Tighten until snug. **DO NOT OVER-TIGHTEN.**



Item # N2915N

Kitchen Swivel Aerator (1.5 gpm)

Just follow these simple directions:

1. Remove old aerator from the faucet. A wrench may be required. Use cloth to protect finish.
2. Before installing new aerator, turn on water to wash out faucet.
3. Turn off water. Screw on new aerator and hand-tighten. (Use 1 rubber washer for faucets with external threads; 2 rubber washers for faucets with internal threads.)
4. Turn on water. If aerator leaks, tighten by using wrench. Use cloth to protect finish. Tighten until snug. **DO NOT OVER-TIGHTEN.**



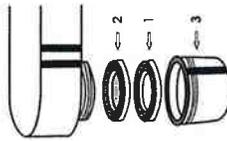
Item # N3115V-FC

Note: A slight stream of water will flow from your aerator when the flip valve is in the off position. This is normal, and part of its anti-scalding feature.

Bathroom Aerators (1.0 gpm)

Just follow these simple directions:

1. Remove old aerator.
 1. Place upper washer (2) on lower washer (1), on top of aerator (3).
 2. Screw aerator into inside threads of faucet.
- Outside-threaded faucets:
1. Discard upper washer (2).
 2. With lower washer (1) on top of aerator (3), screw onto outside threads. Remove aerator and rinse parts occasionally.



Item # N3210N

Foam Weather-strip

Just follow these simple directions:

1. Remove any existing tape.
2. Clean the surface and allow it to dry completely.
3. Cut tape to desired length with scissors.
4. Press in place with fingertips.
5. Apply to door frame with creased side facing door on all sides. Make sure the tape is compressed by closed door.



Item # N8001

Gas EcoKit™

Save 86 therms AND

18,300 gallons of water a year!

That's \$176 a year!



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