



Overview & Clean Heat Standard

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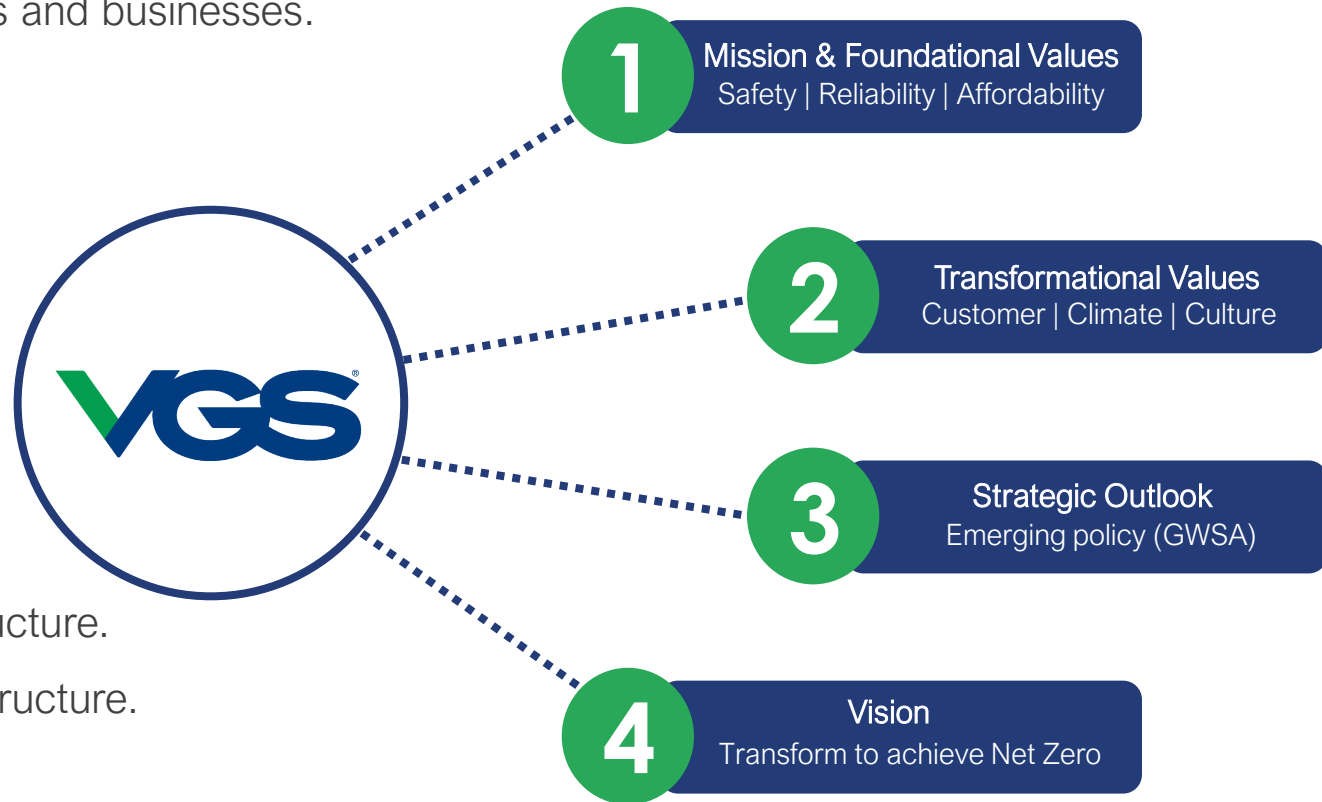
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Introduction

- VGS is northwest Vermont's integrated energy services company
 - Provides customers safe, affordable, and reliable thermal energy service, award-winning energy efficiency programs, home and business energy equipment service and maintenance, and a first-in-the-nation renewable gas option for families and businesses.
 - Fully regulated distribution utility.
 - Energy efficiency utility.
 - 134 employees.
 - 55,000 customers:
 - Addison County
 - Chittenden County
 - Franklin County
 - 868 miles of distribution infrastructure.
 - 118 miles of transmission infrastructure.



A history of innovation



1966

VGS introduced a new fuel to heat homes/businesses that was more affordable and reliable than other options available at the time.



2016

VGS's efficiency work took a leap forward when VGS was designated as an energy efficiency utility (EEU), one of three in the state.



2020-2022

- Launch of Goodrich Farm Renewable Natural Gas (RNG).
- Expanded weatherization rebates.
- Launch of heat pump water heater program.
- Announcement of first green hydrogen project.



1992

VGS expanded its product offerings and began providing thermal efficiency services to help customers save money, improve home comfort, and reduce usage.



2019

VGS launched the most ambitious climate plan of any peer utility in the country, outlining a strategy to achieve NetZero by 2050. Work immediately began.



Transformation underway



Launching Renewable In-Home Solutions:
For example – electric heat pump water heaters, hybrid energy systems, geothermal.



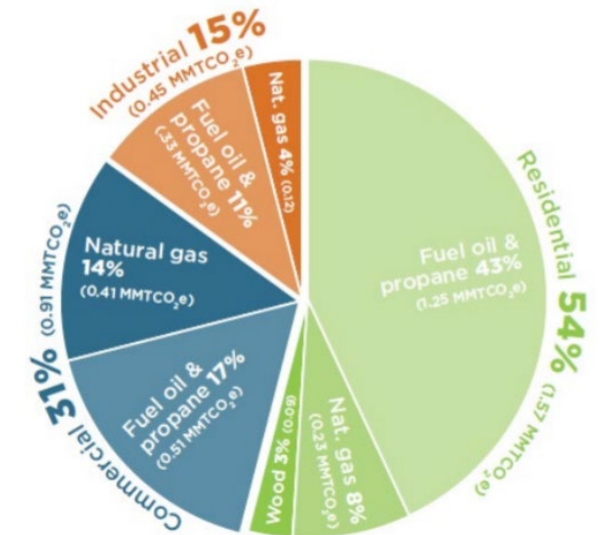
Growing Alternative Supply: Adding new sources of low- and no-carbon alternative energy, e.g., RNG, H2, district energy, utility geothermal.

Expanding Weatherization & Energy Efficiency:
Accelerating access to affordable weatherization services.



Clean Heat Standard: Background

- VGS was a participant in EAN's Clean Heat Standard (CHS) development process
 - Active member of EAN CHS Network Action Team with other fuel providers, regulators, environmental stakeholders, et al.
 - Provided input and technical support throughout development of [EAN's CHS Whitepaper](#).
- CHS would shift the thermal energy market to lower carbon energy
 - The thermal sector accounts for 34% of total Vermont GHG emissions.
 - Both regulated and unregulated fuel providers operate in Vermont's energy market.
 - VGS is a fully-regulated distribution utility that acts as a wholesaler for natural gas and would thus fall under a CHS.
 - CHS's goal is to reduce GHG emissions on a predictable pathway to achieve GWSA GHG reduction targets.
 - Each year, VGS and other fuel providers would undertake different steps to reduce GHG levels.



Vermont thermal GHG emissions by sector and fuel type
(Source: EAN CHS Whitepaper)

Clean Heat Standard: VGS customer view

- Customers would not be mandated to change their fuel source.
- CHS would generate incentives to help Vermonters move to lower-carbon or carbon-free alternatives.
- The CHS is a market-based approach where obligated parties would either develop credits or purchase them in a credit market. Using this framework, a well-designed CHS should promote lower or least-cost credits.
- However, CHS is not costless. While customers may choose incentives for heat switching or weatherization, there will be near-term fuel cost increases as a clean fuel market is established and fossil sources are reduced (subject to CHS design).
- As a fully-regulated utility and established company, VGS is well-positioned to manage CHS and keep rates affordable for customers.

Clean Heat Standard: VGS operations view

- VGS would continue to focus on its foundational mission of safety, reliability, and affordability – with an increasingly green portfolio of services.
- The CHS would more clearly articulate the legal and regulatory framework VGS would adhere to as it transforms over the next three decades.
- VGS’s large workforce and experienced service team would continue installing and supporting efficient equipment in customer homes, likely increasing capacity to meet expected demand.
- While CHS would be disruptive, it would come at a time when VGS has already begun transforming its energy supply by adding lower-carbon fuels to its mix and diversifying its in-home services.
- VGS’s ability to preserve affordability for customers should be a key consideration and weighed in balance with other policy goals (as noted in the Climate Action Plan).

Clean Heat Standard: VGS key points

- The EAN CHS Whitepaper is a carefully balanced framework
 - Sets clear and attainable targets.
 - Establishes fuel-neutral and scientifically rational guidelines to achieve targets.
 - Retains a stable regulatory structure to provide long-term certainty to customers and the company.
 - Allows for real flexibility to empower innovation and achieve goals.
- **CHS will only be successful if affordability is preserved**
 - The above framework would provide fuel providers maximum flexibility, allowing innovation in balance with affordability for homeowners, businesses, and organizations.
- **CHS carbon accounting should be rigorous, accurate, and fair**
 - Vermont should use an established, tested, and transparent process for life cycle emissions to quantify both past and future emissions reductions.
 - VGS is committed to being measured against Global Warming Solutions Act targets, e.g., 40% GHG reduction by 2030 against 1990 baseline.

Clean Heat Standard: Concluding thoughts

- A well-designed CHS – as articulated in the Whitepaper – can achieve multiple goals: reduce climate pollution, help Vermonters save money with energy innovation, and facilitate the transformation of Vermont’s fuel market.
- With in-home energy innovation, CHS can promote a just transition for low- and moderate-income households who currently face a disproportionately large energy burden.
- VGS believes that its existing infrastructure, long-standing expertise in weatherization and efficiency services, unique expertise in customer homes, and nationally recognized alternative energy innovations will keep its 55,000 customers on an affordable path to achieving the GHG reduction targets set forth by the GWSA.

Our CHS team



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Questions?

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