Date: October 30, 2025

To: House Committee on Energy and Digital Infrastructure

From: Dylan Giambatista, Director of Public Affairs

Subject: Federal policy and funding changes impacts on Vermont Gas customers

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Vermont Gas Systems, Inc. (VGS) is a fully regulated utility and one of the three energy efficiency utilities (EEU) appointed by the State of Vermont. We serve more than 56,000 customers in Addison, Chittenden, and Franklin counties. In addition to providing these customers with natural gas to warm their homes and businesses, our teams help them identify the most efficient and cost-effective thermal solutions for their needs. We facilitate comprehensive weatherization and the installation and maintenance of gas and electric heating and cooling systems. We're also developing community-scale renewable thermal solutions as part of our efforts to align with Vermont energy policy.

Since 2020, we and other thermal sector participants in Vermont have had to adjust to shifting guidance from local, state, and federal policymakers. The pace of change accelerated this year. The second Trump Administration initiated a dizzying array of executive and administrative actions. Throughout the winter and spring, delays in federal guidance and varying interpretations caused confusion. The enactment of the One Big Beautiful Bill Act (OBBBA) provided a measure of statutory clarity, but there are numerous open policy questions that energy stakeholders continue to monitor.

Here are examples of federal policy uncertainties or impacts we've had to navigate since January 2025:

1. the applicability of import duties on natural gas;
2. heating and cooling appliance cost increases caused by tariffs;
3. the availability of previously authorized grants that were unilaterally cancelled;
4. the status of the Low Income Home Energy Assistance Program (LIHEAP);
5. the applicability of equipment efficiency standards and how changes to the ENERGY STAR program will affect appliance certification; and
6. the sunset of residential equipment tax credits effective January 1, 2026.

Some impacts, such as the applicability of import duties on Canadian natural gas have appeared to stabilize, with seemingly consistent guidance and no additional tariffs levied on the commodity owing to its exemption under the United States–Mexico–Canada Agreement (USMCA). Other impacts, including LIHEAP's federal funding and staffing status, remain uncertain, prompting urgent and ongoing alarm. We have endeavored to update stakeholders as changes have taken effect. And, where necessary, have sought to triage policy fallout with the least disruption to customers. Here are several examples of shifting federal decisions and their impacts on Vermont:

ENERGY STAR and equipment standards

Vermont energy efficiency utilities and other energy providers rely on federal equipment standards to guide the types of incentives conferred through state energy programs. The ENERGY STAR program has become ubiquitous since its launch in 1992. ENERGY STAR is a trusted and established brand that helps guide consumers to efficient and cost-effective options. In the spring, the U.S. Environmental Protection Agency (EPA) proposed reorganizing its programs and suggested ending ENERGY STAR. The Trump Administration's FY2026 federal budget proposal called for elimination of the program. While there is some indication appropriators in Congress may preserve it once shutdown and funding negotiations resume, the outcome is far from certain. Repeal of ENERGY STAR and changes to federal equipment standards would eliminate criteria Vermont's energy rebate programs use to determine rebate applicability. This would complicate the technical process that designates such appliances. And, in a loss for consumers, it would eliminate an important marker for quality.

Appliance cost increases and rollback of federal incentives

Rebates on efficient thermal appliances have been available to Vermonters for many decades. In recent years, demand for cold climate heat pump systems has increased, bolstered in part by attractive incentive options that lower the cost for consumers. The 2022 passage of the Inflation Reduction Act (IRA) provided additional support for these systems and made available resources for necessary improvements, like electric panel upgrades. OBBBA's enactment sunsets many of the tax incentives currently available to consumers for heat pumps, high-efficiency boilers, furnaces, water heaters, and thermal envelope improvements. As a result, systems installed after December 31, 2025 will no longer be eligible for incentives. Lower rebate amounts come at a time tariffs are pushing thermal equipment prices upward. For instance, our procurement team has observed that tariffs and resulting supply chain pressures have caused HVAC and material costs to fluctuate frequently. This, in turn, makes it increasingly difficult to provide accurate, long-term equipment upgrade quotes without risking unexpected cost overruns. The net result hazards greater costs for consumers and losses for service providers, neither of which contribute to affordability.

Geothermal

As part of our ongoing exploration of geothermal, VGS and development partners have collaborated to design a community-scale geothermal solution for a permanently affordable housing development planned for construction in Hinesburg. In April 2023, VGS and partners were awarded a grant from the U.S. Department of Energy's (DOE) Office of Clean Energy Demonstrations to assess the feasibility of building a thermal energy network on the site. A design and community engagement process followed, and in December 2024 the DOE awarded a $3 million grant to support installation of the project. Those dollars were frozen on January 20, 2025 by Executive Order 14154. The freeze and subsequent federal delays necessitated changes to the project scope. A networked approach was no longer financially feasible, necessitating a redesign that relies on multiple, independent loops feeding seven multi-family housing complexes. The project has proceeded through a stage of regulatory review and is in the final stages of design. While we are excited about this initiative and the milestone its completion would represent, the pause on federal grants narrowed its size and caused delays.

As these examples demonstrate, recent changes to federal energy policy increased the cost of efficient appliances and systems that would otherwise provide our customers with more options. Fewer incentives have a corresponding effect of limiting or eliminating previously accessible choices. Such large shifts can be confusing for consumers. This is where providing excellent customer service is essential.

When the energy incentive landscape changes in ways that add complexity and impact bills, we lean in to help folks navigate to the most reliable and cost-effective option for their needs. We are making extra effort to make customers aware of attractive equipment lease and purchase options, including zero percent financing available through a partnership we maintain with Green Mountain Credit Union. Likewise, wherever possible, we are prioritizing low- and moderate-income incentives to ensure our most energy burdened customers are not made to disproportionately feel the impact of sunsetting federal incentives.

Looking to the immediate future, we feel compelled to note the financial strain many Vermont families will face if federal funds are not appropriated to sustain the programs that income-qualified Americans and Vermonters rely on. We have been in regular touch with regional and national trade associations as we assess the outlook for low-income assistance programs like LIHEAP. While we are encouraged that the State has prepared contingency plans to fund the program on its usual disbursement schedule, we remain worried about the myriad cost pressures low- and moderate-income Vermonters are facing as we enter the coldest months of the year. Loss of long-standing federal benefits, whether for heating bills, nutritional services, or health care will make keeping up with essential payments like mortgages, rent, and utility bills even more difficult. We are committed to working with our customers and state and community service providers as we navigate historic federal uncertainty.