

Efficiency Vermont 2005 Annual Report Summary

Public awareness of energy issues dramatically increased in 2005. Vermonters are growing increasingly conscious of the difficult choices we face in meeting the state's future energy needs. The deliberation and decision regarding construction of the new VELCO transmission line in northwest Vermont, the future of the Vermont Yankee nuclear power plant, the siting of wind turbines, and the upcoming loss of assured power supply from Hydro Quebec all became issues of widespread interest and concern in 2005. Then in the fall hurricanes Katrina and Rita illustrated our nation's energy vulnerability. Oil and natural gas prices skyrocketed, the possibility of winter shortages emerged and public focus on energy issues increased even further.

In these global and local contexts, more and more Vermonters recognized the value of energy efficiency as an attractive and cost-effective resource for meeting our electricity needs, both as a state and as individuals. This translated into greater appreciation for Vermont's energy efficiency efforts and increased demand for Efficiency Vermont services.

From a contractual perspective, 2005 was a significant year for Efficiency Vermont in several respects. While prior years represented a multiyear ramp-up of budgets and savings for Efficiency Vermont, 2005 was a year of building depth and maturity in service and initiative offerings. Because staffing and service levels remained approximately level, we were able to focus considerable efforts on increasing the strength and efficiency of our infrastructure to deliver energy savings in the future.

2005 was also the last year of the initial six-year Efficiency Vermont implementation contract delivered by Vermont Energy Investment Corporation. After a highly competitive solicitation and bidding process in 2005, Vermont Energy Investment Corporation is proud to have been selected by the Vermont Public Service Board as the contractor for the next period 2006 – 2008.

In 2005, Efficiency Vermont underwent heightened scrutiny regarding our claimed savings and the other benefits of Efficiency Vermont.

- The savings review and adjustment process, employing new techniques and additional expertise was the most rigorous that it has been since the inception of Efficiency Vermont in 2000.
- Independent experts under contract to the DPS conducted major evaluations of Efficiency Vermont's services and impact. Among the findings were:
 - Efficiency Vermont was found to be a "very well managed organization," with a "knowledgeable, capable" staff and "excellent design of administrative and information technology systems."
 - Efficiency Vermont achieved high levels of awareness for its programs.
 - Participation among appliance retailers and outlets that carry compact fluorescent light bulbs was nearly universal. Vermont recorded the highest

level of compact fluorescent bulb sales per household of any state for which sales data was available.

- In the residential new construction market, the portion of single-family new homes that enrolled in the program was very high compared to similar programs elsewhere. The number of builders with projects enrolled and the number of builders participating for the first time increased steadily and the depth and quality of energy efficiency measures in participating homes increased significantly.
 - Efficiency Vermont's market strategies for business markets proved to be appropriate, helping to achieve broad and deep participation.
 - Business customers' assessment of the quality, timeliness, and professionalism of Efficiency Vermont services was almost universally excellent.
 - Business customers value Efficiency Vermont's technical services and reported that those services were responsible for much of the overall program effect on measure implementation.
 - Contractors and suppliers both report that Efficiency Vermont has influenced them to increase the frequency with which they recommend, specify and sell energy-efficient equipment.
- In 2005, as required by statute (30 V.S.A. §209(e)(12)), the results of a triennial independent audit of savings and cost-effectiveness of Efficiency Vermont were submitted to the Vermont Legislature. This audit reported that:
 - The Efficiency Vermont estimates of Annual Energy and Capacity Savings, as verified and adjusted by the Department of Public Service, were reliable and unbiased estimates of program savings.
 - VT data collection and analysis procedures were appropriate and included effective quality assurance checks. The Department of Public Service developed effective procedures for verifying Efficiency Vermont savings estimates.

In addition, Efficiency Vermont's total expenditures were 3.5 cents per kWh for energy efficiency resources that reduce Vermont's annual need for electricity generation by 57,000 MWh, 9.0 MW at summer peak and 8.8 MW at winter peak. This cost per kWh does not include participating customers' additional costs and savings, such as customer contributions to measure costs, and customer costs or savings associated with fossil fuels, water and/or building operation and maintenance. Including these other costs and savings brings the net resource cost of saved electric energy to 3.6 cents per kWh. To supply the same energy and capacity over the average 12-year life of efficiency measures installed in 2005, Vermont utilities would have to spend, based on current values of avoided costs, 9.6 cents per kWh.

As a result of these analyses and evaluations, Vermonters can have even greater confidence in the savings that Efficiency Vermont is delivering.

Energy savings from measures installed in 2005 are 10% higher than in 2004. Summer peak demand savings are estimated to have increased from 7.8 MW in 2004 to 9.0 MW in 2005, an increase of 15%.

Stimulating Vermont's Economy: Net Lifetime Economic Value for 2005

Benefits	\$37,100,000	Lifetime Economic Value of Efficiency Investments
Minus Costs	\$15,100,000	Costs paid for by investments through Efficiency Vermont
	\$14,900,000	Costs paid for by participant and third-party investments
	\$30,000,000	Total Costs
Equals Net Benefits	\$7,100,000	Net Lifetime Economic Value to Vermont

While Efficiency Vermont spending increased only slightly in 2005, savings grew in greater proportion as we increased productivity and efficiency in providing energy efficiency services. We were able to increase our output (energy savings) by 10% with an increase of input (costs) of only 8%. We are proud of our results measured by this increase in “yield.”

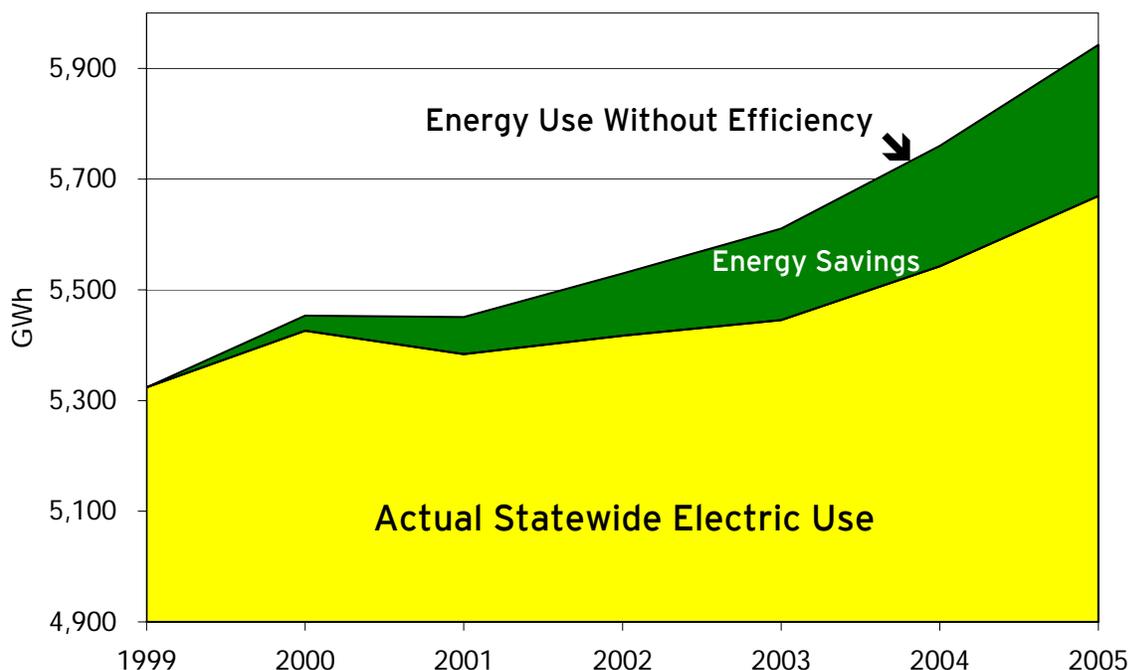
Efficiency Vermont Costs and MWh Savings: 2000-2005

Year	Efficiency Vermont Costs	Incremental Annual MWh Savings
2000	\$5,598,459	23,540
2001	\$8,802,654	37,489
2002	\$10,982,382	40,557
2003	\$12,957,903	51,216
2004	\$13,992,835	51,863
2005	\$15,095,564	57,055

2005 concluded the three-year contract period in which the Efficiency Vermont contractor would be measured with respect to a number of specified “performance indicators.” These indicators were selected to provide direction to Efficiency Vermont in balancing multiple objectives. The levels of performance associated with them were set very high – representing a level defined as “exemplary” performance. At the time of this report, the verification process for these indicators is not yet complete, but almost all of them are expected to be met or exceeded.

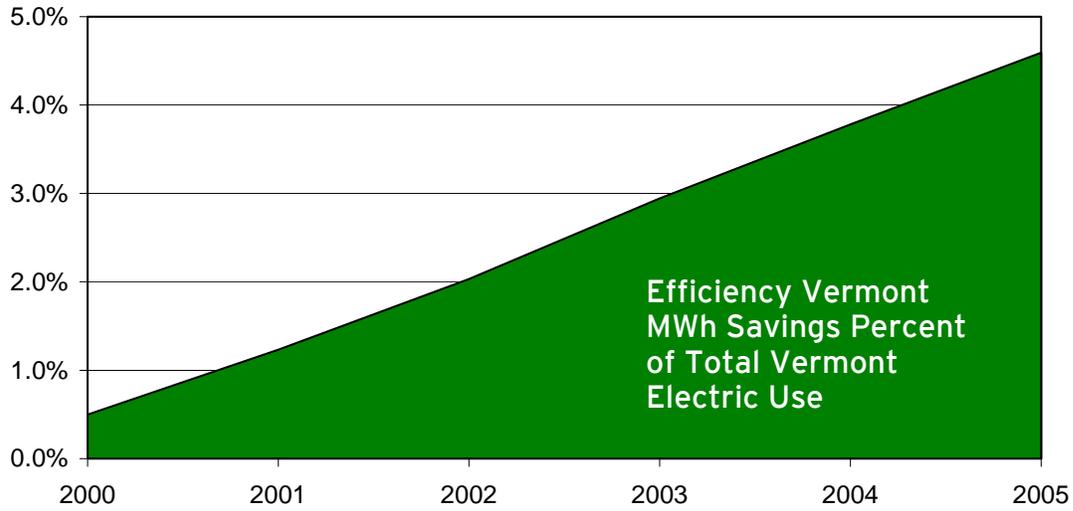
Efficiency Vermont’s savings have had a considerable impact on statewide electrical load growth. It is estimated that without the savings attributed to Efficiency Vermont, statewide electricity requirements would have grown at an average rate of 1.8%. Efficiency Vermont savings cut this rate by half - to just 0.9%.

Impact of Efficiency Vermont on Growth In Statewide Annual Electrical Use



Over the six-year history of Efficiency Vermont, cumulative savings have risen dramatically. By the close of 2005, the portion of Vermont’s electrical energy needs being met through verified savings delivered by Efficiency Vermont had grown to 4%. This is a significant portion of our state’s resource needs. Indeed, in terms of relative contribution to total 2005 electrical energy needs, Efficiency Vermont was the equivalent of Vermont’s 5th largest utility.

Efficiency Vermont Contribution to Vermont Statewide Energy Requirements



The bottom line? Energy efficiency has been increasingly recognized as our least-cost energy resource, as well as reliable, good for economic development and good for our environment. Energy efficiency is now a major contributor to meeting our energy needs and has the demonstrated ability to play an even larger role as part of our resource mix for the future.