

Country Strong

Vermont Gas shares its comprehensive effort to expand natural gas service into rural communities.

WHEN YOU'RE operating in the second-most rural state in the nation, expanding natural gas service can be a whole different ball game.



Vermont is known for its pastoral setting. The beautiful landscape, however, has a lot to do with the numbers: The Green Mountain State has the smallest population in the United States except for Wyoming. For Vermont Gas, the state's only natural gas utility, this presents a unique challenge—especially when it comes to expansion.

Vermont Gas has consistently achieved high conversion rates along its mains. Coming off its 45th year, the company has seen its customer base grow from an initial 6,000 in 1965 to 45,000 by the end of 2010. Having achieved significant growth in its existing market, the company came to an important crossroad: how to achieve similar growth in new markets?

Generating additional customer growth

required strategic planning—and decisions that would have long-term implications.

Implementing a New Ratemaking Process

Our first step was to develop a regulatory structure that encouraged investment in growth. State regulators recognized the significant economic and environmental benefits of natural gas and worked with Vermont Gas to implement a new ratemaking process. This change allowed for more timely and efficient inclusion of expansion projects in rates.

With the new process in place, Vermont Gas embarked on a project that would eventually expand service to three communities in three years. The project required the support and coordinated efforts of state and local governments, community and business leaders, and potential customers.

Today, 62 percent of the homes and businesses in the new communities that had once used heating oil and propane are now using natural gas. Research shows that these customers are very pleased they switched, and Vermont Gas is now well-positioned for further growth in the future.

Breaking into New Markets

One of the challenges Vermont Gas faced was that the utility had not expanded into a new community in more than 20 years, so the company needed to develop a detailed, well-thought-out plan about how to do so today. Having achieved significant saturation within its existing markets, the company evaluated expanding service into new markets and found several nearby communities that had sufficient demand, density within village areas and proximity to the existing service area for our business model.

Research showed that likely customers had a strong interest in natural gas:

A. DONALD GILBERT is president and CEO and TIMOTHY S. LYONS is vice president, sales and marketing of Vermont Gas.

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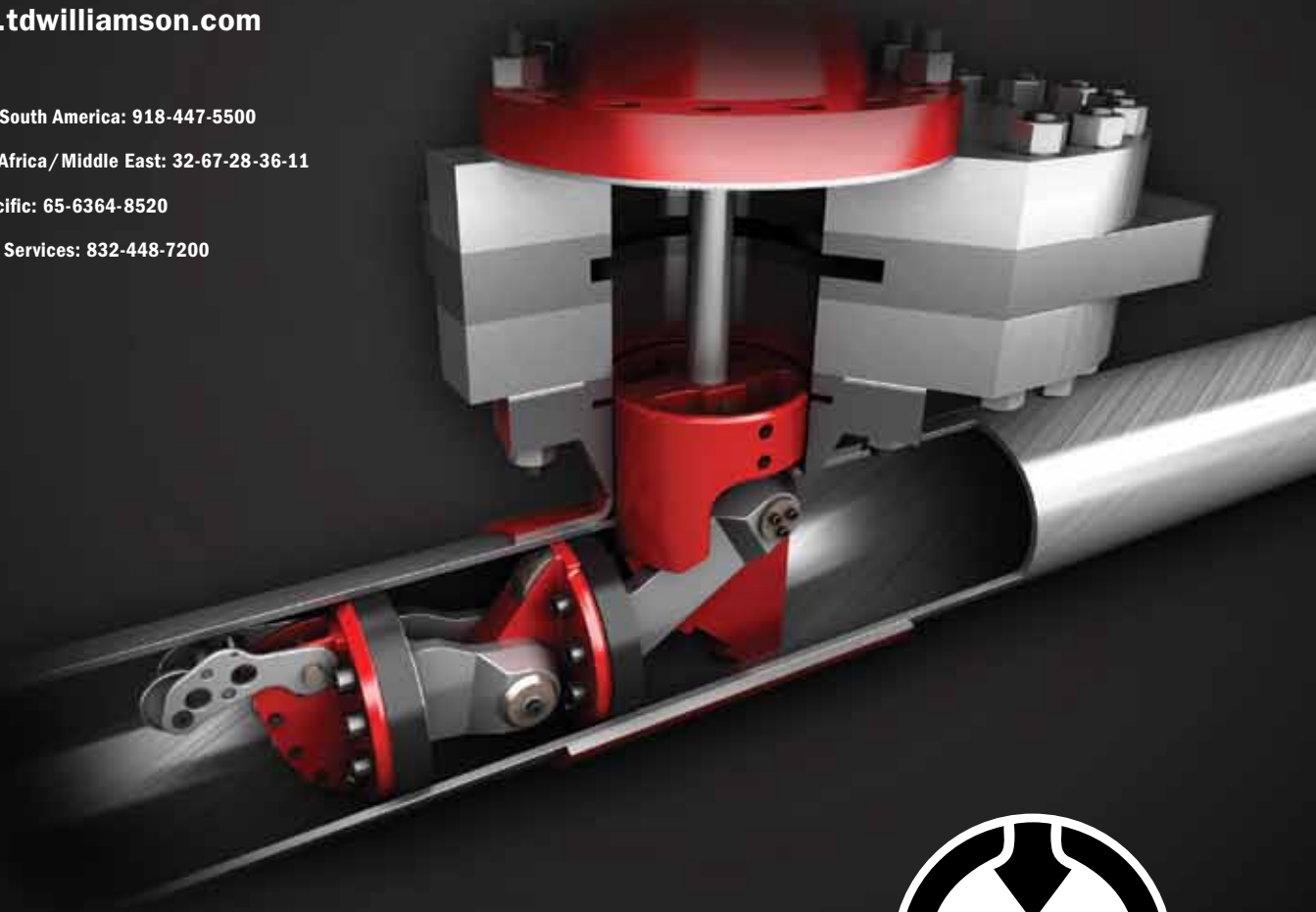
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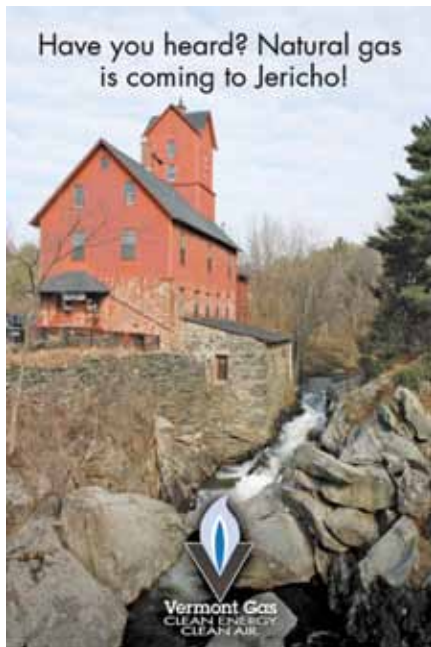
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Winning the support of community and business leaders—and residents—was key. Vermont Gas used a variety of communications tools, including brochures and project-dedicated website pages.



- ▶ 25 percent of survey respondents said they would “very likely” switch if natural gas was available
- ▶ 51 percent indicated they were “on the fence” about switching
- ▶ Respondents’ perceived key positive attributes about natural gas included cost advantages and availability of 24/7 service

Of those respondents who said they were “unlikely” to switch, the main perception issues were cost and difficulty in making the change. We were confident we could address these concerns through effective marketing and communications.

Connecting with the Community

We knew we would first need the support of key community and business leaders. Our message was simple: We want to work with you to bring the benefits of natural gas to the homes and

businesses in your community. We met with individuals and groups, including town planners, public works officials, emergency service personnel and Select Boards (the cornerstone for governance in Vermont’s towns). We listened carefully to their concerns, which included reconstruction of roads and intersections, town revitalization and infrastructure projects, and schools (limiting construction adjacent to schools to the summer months). Our design and construction schedules were able to accommodate most of these requests. As a result, the town leaders became strong advocates.

Communications and sales and marketing also were essential in achieving buy-in from future customers. We employed a four-pronged value proposition to jump-start the sales effort:

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- ▶ natural gas is less expensive than other fuels
- ▶ it is clean
- ▶ it is regulated
- ▶ using natural gas means having available Vermont Gas 24/7 service

Another one of our key messages was that Vermont Gas would make the conversion process easy. We would coordinate and perform heating system conversions while minimizing potential inconveniences. We were well aware that people want products that will simplify their lives, not add complication. So we reassured potential customers that most people who had recently converted said, in essence, “It was easier than we thought.”

We also shared with potential customers detailed information about equipment rebates, low-interest loans on high-efficiency equipment, and incentives and programs on converting propane and oil systems. We let them know that once they signed up, Vermont Gas would coordinate and schedule service line installations and perform equipment conversions, and we would prioritize those needing conversions right away.

These messages resonated with our future customers; in fact, before our first ad even appeared, one homeowner who saw the survey marks on the road called us because “I wanted to know when it would start so I could sign up.”

Our official communications campaign kicked off with our messages being related via a news release in the community newspaper. Coverage from these community publications was critical. They are read quite faithfully, containing “all things community”—from reports about Select Board meetings to Little League scores. The papers often followed up the initial news release that announced the expansion of natural gas service into the community with stories by their own reporters about the expansion’s progress. In some instances, we were invited to submit full articles.

The news release and stories were followed by paid advertising,

Vermont Gas hosted Open Houses at community buildings such as town halls and schools to introduce utility staff and services to the residents of new service territories.





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Russ St. Gelais, a service technician for Vermont Gas, works on a conversion project. Today, 62 percent of the homes and businesses in the new communities that had been using heating oil or propane use natural gas.

reinforcing the same four-pronged value proposition. Direct mail allowed us to target those streets where new service would be available. Taking a page from the grassroots marketing playbook, we also delivered “door knockers” to homes and businesses.

An important part of our messaging was a map that showed the expansion footprint. In all instances, the new service was limited to

the village area and nearby streets. We knew we would not be able to serve requests from people outside the footprint. By showing the map over and over again, we averted potential disappointment.

Another vital component was a special page on our website that was dedicated to each community’s expansion. The page was prominently promoted in all communications, and it allowed potential customers to receive a free estimate while showing the

potential streets to be served, why conversion makes sense, fuel cost comparisons, and home and business incentives.

Finally, in Vermont communities, you can’t move forward on a project without getting in front of the people. And you certainly can’t just roll into a rural town and start construction. By the time people received mailers, saw an ad or read a story, they had likely also attended one of our signature events, an Open House, or at least heard about one. The events took place at community buildings (town hall, the elementary school) and featured Vermont Gas personnel from across various departments, including engineering, construction, field services, customer service, energy efficiency, and sales and marketing. The events were a big hit, with a number of people attending and a positive atmosphere pervading.

The Outcome

The economic and environmental benefits added up fast. With 62 percent of eligible customers now having converted to natural gas, the three communities are saving approximately \$2 million per year (based on today’s fuel prices) and reducing carbon dioxide emissions annually by 1,765 tons. In addition, each community received a noticeable increase in its property tax revenues from mains and service installed in the towns.

In a survey we conduct following conversions across our entire service area, we ask customers to rate their experience in switching. Approximately 86 percent have rated it as “Excellent” or “Very Good.” Customer satisfaction is, ultimately, our bottom line.

Implications for Future Growth

In the near term, Vermont Gas continues to expand, first into another community and then into another county. Our long-term vision, however, is that our recent success will have laid the foundation to be connected to a far larger system: the U.S. natural gas system. For 45 years, our natural gas supply has come exclusively from Canada. The future could well bring a connection to the U.S. natural gas system and additional opportunities. ♪

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