

Texas Gas Service
Conservation Program

ANNUAL REPORT

FY 2011

October 1, 2010 – September 30, 2011



A LETTER FROM OUR PRESIDENT

For the third consecutive year, the Texas Gas Service Conservation Program has provided more than \$1 million in rebates to its residential and commercial customers in Austin and Central Texas. Texas Gas Service is committed to responsible energy use, and the Conservation Program's success illustrates the growing awareness in the marketplace of the value of smart energy choices.

The Conservation Program's rebates and incentives offer residential and commercial customers a variety of ways to reduce their expenses, conserve natural resources and improve the performance of their energy systems. Annual growth of the program is reflected in the number of rebates and incentives offered, the number of customers receiving those benefits and the dollar value of our conservation investments.

The Conservation Program works with a variety of partners to ensure that our customers have access to the full advantages of whole-home and whole-business energy conservation. These partners include Austin Energy, Austin Water and other utilities; and builders and other trade partners.

These partnerships allow the Conservation Program to continue to succeed and improve. We have modified our incentives in response to advances in technology, growing market demand for energy-efficient construction of homes and businesses, and increased awareness of the versatility and benefits of natural gas.

Texas Gas Service's commitment to innovation and energy efficiency allows the Conservation Program to help our customers take full advantage of clean-burning, economical and abundant natural gas as an energy source.



Kari French
President
Texas Gas Service



CONSERVATION PROGRAM REBATES HELP CUSTOMERS REDUCE EXPENSES, CONSERVE NATURAL RESOURCES AND IMPROVE THEIR ENERGY SYSTEMS.

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PICTURED ON COVER:
TEXAS GAS SERVICE EMPLOYEE JOHN WEEKS AND CONSERVATION PROGRAM
REBATE RECIPIENT JESSICA GORMAN



MAKING A DIFFERENCE:

M STATION

Thoughtful, energy-efficient design aids Foundation Communities, the nonprofit housing developer that helps the low-income families it serves improve their financial stability. The new M Station affordable multifamily community is designed to reduce residents' utility bills by 50 percent compared with other new construction in Austin and 75 percent compared with older low-income housing developments. Along with high-quality insulation, advanced heating, ventilation and air-conditioning (HVAC) systems and low-volatile organic compound (VOC) materials and interior finishes, M Station's green-building features include a solar hot water heating system with a super high-efficiency natural gas backup. Rebates totaling \$100,000 from the Texas Gas Service Conservation Program helped Foundation Communities stretch its development dollars.

THE CONSERVATION PROGRAM IN BRIEF

SMART CHOICES FOR CENTRAL TEXAS

Since the 1980s, the Texas Gas Service Conservation Program has helped Central Texans make smart energy choices that save money, protect the environment and improve their quality of life. The Conservation Program currently serves residential and commercial customers in Austin, Cedar Park, Kyle, Rollingwood, Sunset Valley and West Lake Hills.

Working in partnership with other local utilities, Texas Gas Service invests more than \$1 million annually in rebates, making it easier for home and business owners in Austin and the surrounding communities to increase their energy and water efficiency. In addition, the Conservation Program also invests in community education, increasing awareness of the benefits of responsible energy choices.

Abundant, clean-burning natural gas is the most environmentally friendly of our traditional energy sources, and Texas Gas Service plays a leading role in Austin's efforts to maintain a sustainable energy mix and use natural resources wisely. At the same time, the Conservation Program ensures Central Texans save money and manage their home and business energy costs.

The Conservation Program's rebates help Texas Gas Service customers choose safe, modern and efficient appliances and equipment. Whether for cooking, heating, bathing, doing laundry or even driving, natural gas offers high performance, reliability, efficiency and sustainability while allowing customers to get the most out of their energy budgets.

“FINDING ENERGY SAVINGS AT HOME MAKES A BIG DIFFERENCE IN QUALITY OF LIFE FOR THESE FAMILIES.” — SUNSHINE MATHON, PICTURED AT LEFT, FOUNDATION COMMUNITIES

WEATHERIZATION AND WHOLE-HOME EFFICIENCY

ENERGY EFFICIENCY FROM THE GROUND UP

Smart energy choices help Texas Gas Service customers make sure that all the systems in their homes and businesses work together for optimal efficiency and performance. Working in partnership with Austin Energy, the Texas Gas Service Conservation Program offers multiple rebates and incentives that promote whole-home and whole-business efficiency, including:

- Weatherization and attic insulation
- HVAC duct sealing and replacement
- Natural gas furnace tune-up
- Free heaters for eligible customers (income-qualified, elderly, disabled)

These incentive programs have long been among the most popular offered by the Texas Gas Service Conservation Program, and for good reason. A coordinated, whole-home approach to energy efficiency not only lowers household utility bills, but it also reduces maintenance costs and improves the home's value and durability. At the same time, natural gas delivers the benefits that come with a comfortable, high-performing home, including better heating performance, improved indoor air quality and a better overall quality of life.

“TO HELP SAVE ENERGY DURING THE LONG, HOT TEXAS SUMMER, I HAD MY HOME WEATHERIZED BY IMPROVING THE DUCT SEALING AND ATTIC INSULATION. RECEIVING MONEY BACK FROM TEXAS GAS SERVICE MADE THE PROJECT EVEN MORE COST EFFICIENT.” — SUZI SANDS, PICTURED AT RIGHT,

LANDLORD AND CONSERVATION PROGRAM REBATE RECIPIENT

MAKING A DIFFERENCE:

SUZI SANDS

Suzi Sands received rebates for attic insulation and duct sealing from the Texas Gas Service Conservation Program in May 2011. Since she owns a duplex, she was able to qualify for rebates for both units, totaling nearly \$370. The weatherization project came just in time for the summer's record-breaking heat wave, and she saw substantially lower energy bills because of the improved duct sealing. Sands is also looking forward to lower energy bills this winter, thanks to the new attic insulation.





MAKING A DIFFERENCE: JESSICA GORMAN

After purchasing their first home, Jessica Gorman and her husband began researching washer and dryer options, looking for the most energy-efficient appliances. Gorman chose a front-loading, stackable washer and dryer combination because it saved much-needed space, and the dryer came equipped with a moisture sensor to detect when her laundry was dry. In addition to \$100 in rebates from Texas Gas Service and additional rebates from Austin Water, the faster cycle times of a natural gas dryer can save the average household up to \$70 a year* in utility costs compared with an electric model.

SMART ENERGY CHOICES NATURAL GAS: MAKING LIFE WORK BETTER

The Texas Gas Service Conservation Program helps customers make smart energy choices at their homes and businesses. Some of the newer incentives introduced in recent years include:

Green Saver Incentive: Customers who use natural gas for water and space heating and who have weatherized their homes or businesses (or occupy certified green buildings) are eligible for a \$2 monthly credit on their natural gas bills for 24 months.

Natural Gas Dryers: Natural gas is more efficient and more economical as an energy choice for clothes drying. A natural gas dryer allows customers to dry two loads of laundry for the same cost of drying one load in an electric dryer.** The Conservation Program offers a \$75 rebate for qualified natural gas dryers with moisture sensors.

Natural Gas Vehicles: As a vehicle fuel, natural gas reduces smog-producing emissions (compared with gasoline) by 60 to 90 percent and greenhouse gas emissions by 30 to 40 percent.*** In addition, natural gas costs less and offers the convenience of filling up the tank right at your home or business. Texas Gas Service offers rebates on the purchase of the Honda Civic GX NGV, the cleanest internal-combustion vehicle on the market, which is also eligible for federal tax credits. The Conservation Program also offers rebates for conversion of gasoline-powered cars and commercial vehicles to natural gas and for the installation of home and business fueling units.

*Source: Environmental Protection Agency and Gas Technology Institute

**Source: Council for Responsible Energy

***Source: U.S. Department of Energy

“GETTING THE REBATE ENABLED US TO GET A BETTER QUALITY MACHINE BECAUSE WE KNEW WE’D GET THE MONEY BACK.” — JESSICA GORMAN,

PICTURED AT LEFT, CONSERVATION PROGRAM REBATE RECIPIENT

MAKING A DIFFERENCE
ONE CUSTOMER AT A TIME



PICTURED:
TEXAS GAS SERVICE EMPLOYEE JOHN WEEKS AND CUSTOMER ARMANDO RAYO



IN THE KITCHEN

SMART ENERGY, MADE TO ORDER

There's a reason "cooking with gas" has become a catchphrase for high performance. According to a recent survey, 97 percent of professional chefs prefer cooking with natural gas.* Why? Many cooks will tell you it's the fast, precise and powerful heat that a natural gas flame delivers that makes it the smart choice for cooking and food service. Natural gas cooking is good not only for sauces and stir-frying, but also for home and business energy efficiency and comfort in the kitchen. Natural gas stoves, outdoor grills and commercial kitchen equipment are easier to use, produce better meals, save money and are better for the environment.

In addition to fuel for cooking, natural gas provides homes and businesses with an affordable, dependable and clean energy source for hot water, comfortable heating and even outdoor lighting, all of which make it easier to entertain and enjoy life. Meanwhile, compared with their electric equivalents, a set of natural gas appliances (a furnace, water heater, stove and clothes dryer) can save about \$400 annually in home energy bills and reduce the average household's carbon footprint by 30 percent.**

*Source: American Gas Association

**Source: Environmental Protection Agency

“IF WE LOSE HOT WATER, WE CLOSE THE DOORS. IT’S VERY HARD TO RUN A RESTAURANT WITHOUT HOT WATER.” — MARK SLAYTON, BRINKER INTERNATIONAL/MAGGIANO’S LITTLE ITALY

MAKING A DIFFERENCE: MAGGIANO’S LITTLE ITALY

Every day, restaurants need to deliver food that's hot, made to order and on the table in time. This requires not just the right staff, but also the right equipment. And while diners may not think about it, water heaters are vitally important to the performance, efficiency and reliability of a commercial kitchen. Maggiano's Little Italy, a Brinker International restaurant in The Domain, has more than 1 million BTUs of water-heating capacity in its kitchen. Brinker International regularly upgrades all Maggiano's restaurants with high-efficiency natural gas water heaters, reducing the time it takes to earn a return on the investment and increasing long-term cost savings.

MAKING A DIFFERENCE:
AIM REAL ESTATE GROUP

Multifamily or commercial property managers look for ways to show their tenants cost savings, down to the last quarter. That's why Michael Wong and AIM Real Estate Group chose natural gas dryers for the laundry rooms at two different Austin apartment complexes. The dryers are equipped with a sensor that detects the level of moisture in clothes, shutting off the appliance when the clothes are dry. This helps to avoid excess drying, wrinkling and shrinking, and saves time and money. In addition to lowering their monthly energy bills, AIM Real Estate Group also qualified for six natural gas dryer rebates from the Texas Gas Service Conservation Program, totaling \$450.

ENERGY AND WATER
KEEPING CUSTOMERS CLEAN AND COMFORTABLE

Natural gas makes sure that homes and businesses have the hot water they need, whenever and wherever they need it. Whether in the kitchen, bathroom or laundry room, reliable water heating is essential for quality living. The Texas Gas Service Conservation Program helps customers make smart choices with modern, efficient and economical water-heating equipment.

Rebates for water heating offered by the Conservation Program include:

- High-efficiency, super high-efficiency and tankless water heaters for both new and existing construction. Tankless water heaters in particular have become extremely popular in recent years as homes and businesses upgrade their systems.

- Solar thermal water heaters with natural gas backup. This new incentive in 2011 has helped both residential and commercial customers.
- Residential hydronic-heating systems that provide both water and space heating. These are primarily installed in apartments, and the Conservation Program works with multifamily developers to provide per-unit incentives.

Texas Gas Service also works with Austin Energy and Austin Water on the popular WashWise incentive program for energy-efficient, front-loading clothes washers. Both WashWise and residential water-heating rebates are among the most popular incentives in the Conservation Program.

“PEOPLE SEE THE DIFFERENCE IN ONLY HAVING TO DRY THEIR CLOTHES FOR ONE CYCLE INSTEAD OF TWO; IT SAVES QUARTERS. THE DRYERS GET QUITE A BIT OF USE, AND NATURAL GAS PERFORMS WELL AND CAN HANDLE THE WORKLOAD.” — MICHAEL WONG, PICTURED AT RIGHT, AIM REAL ESTATE GROUP





NEW CONSTRUCTION

THE BLUE FLAME HELPS KEEP BUILDINGS GREEN

Austin and Central Texas have helped set the standard for the entire nation when it comes to green building. Our region features not only homes and businesses, but also major building projects and even entire neighborhoods that have earned certification and awards by local and national authorities (including the influential Austin Energy Green Building Program as well as the U.S. Green Building Council).

Texas Gas Service works closely with Austin Energy, Austin Water and other utilities to promote whole-home conservation strategies that use natural gas, electricity and water more efficiently. Those same approaches are part of the range of green-building solutions that are delivering value for builders and buyers across Central Texas.

The Texas Gas Service Conservation Program works with residential, multifamily and commercial developers to help them make the most of natural gas as part of the smart energy choices used in new construction. Rebates and incentives help builders make investments in high-efficiency natural gas systems for space and water heating.

Experts say the return on green-building investments over the lifetime of a home or commercial building averages more than 20 percent, both in lower energy costs and reduced maintenance expenses.* That's in addition to the environmental benefits of reducing greenhouse gas emissions and protecting air and water quality.

*Source: U.S. Green Building Council

“WE’VE SEEN A SHIFT IN LOCAL BUYER PREFERENCES AWAY FROM GLITZ AND TOWARD REAL QUALITY AND SUSTAINABILITY.” — ALAN MUSKIN, PICTURED AT LEFT,
THE MUSKIN COMPANY

MAKING A DIFFERENCE: THE MUSKIN COMPANY

Alan Muskin’s firm has been building energy-efficient urban infill homes in Austin since it opened its doors in 1983. Muskin’s homes at the Mueller community include Garden Court cottages that have earned four- and five-star Austin Energy Green Building ratings and a LEED® Gold home overlooking Mueller’s Lake Park that was featured in the 2009 Austin Parade of Homes. The sustainability features of Muskin homes include tankless natural gas water heaters, which are eligible for rebates from the Conservation Program.

COMMERCIAL EQUIPMENT

KEEPING AN EYE ON THE BOTTOM LINE

For many types of commercial customers, energy is a major contributor to the cost of doing business. That's why the Texas Gas Service Conservation Program works with businesses across Central Texas to help them make smart energy choices with a realistic and positive impact on the bottom line.

Many of the residential rebates offered in the Conservation Program, including those for weatherization, space heating, water heating and natural gas vehicles, are also useful to commercial customers. In addition, Texas Gas Service offers incentives for upgrading equipment and systems, such as booster heaters, food service equipment and commercial-grade clothes washers and dryers, meeting the unique needs of business customers.

Texas Gas Service works with Austin Energy, Austin Water and other utilities to educate businesses about the value they can realize from making smart choices about energy and water efficiency. While capital expenditures in new equipment can be challenging for many businesses, incentive programs can help increase the return on these investments.

Different classes of commercial customers are eligible for different levels of participation in both the Conservation Program and its partner programs at other utilities. Texas Gas Service and its partners work with business customers to develop customized solutions that meet their unique energy needs and deliver bottom-line savings.

MAKING A DIFFERENCE: RAMADA LIMITED

Hot water is vital to keeping hotel guests happy. From warm showers to clean sheets, Ramada Limited depends on tankless natural gas water heaters to keep the hotel running and the energy bills low. Since installing the tankless water heaters, Amit Desai of Ramada Limited says he's seen big savings in their monthly natural gas bills with almost 50 percent less consumption. Plus, Ramada Limited qualified for \$6,300 in rebates from the Conservation Program.

“WE SAW ALMOST 50 PERCENT LESS NATURAL GAS CONSUMPTION ON OUR BILL. WE WERE PRETTY HAPPY ABOUT THAT.” — AMIT DESAI, PICTURED AT RIGHT, RAMADA LIMITED





THE FUTURE OF THE CONSERVATION PROGRAM

NEW REBATES

Each year, Texas Gas Service looks for new ways to reward Austinites who make wise energy decisions, and 2012 is no exception. In 2012, Texas Gas Service is adding two new rebates to the more than 15 already offered to residential and commercial customers.

Bonus Water Heater Conversion Rebate

The Bonus Water Heater Conversion Rebate will offer an additional rebate for customers who replace an electric water heater with a qualified natural gas model. This rebate will be available in addition to the four different natural gas water heater rebates already offered to residential customers.

Whole-Home Rebate Program

For the first time ever, Texas Gas Service will offer a rebate specifically for homebuilders. Homebuilders who build a home with four natural gas connections and receive three or more stars in the Austin Energy Green Building Program will be eligible for \$325 to \$500 in rebates.

MAKING A DIFFERENCE: APPLIANCE ALLIANCE

This year, Texas Gas Service rolled out the Appliance Alliance program in an effort to build relationships with local and national retailers selling natural gas appliances.

The Appliance Alliance program benefits both the retailer and the consumer by: 1) making salespeople more knowledgeable and helpful to customers, thereby helping increase sales; and 2) educating customers on the benefits of natural gas appliances, saving them energy and money.

During the first month, Texas Gas Service formed relationships with all three major Austin-area Sears locations and a local Lowe's store. Texas Gas Service staff provided training to appliance salespeople, leaving behind point-of-purchase and reference materials with natural gas savings and rebate information.

Texas Gas Service also helped organize in-store Appliance Alliance promotions offering additional \$100 rebates on qualified natural gas dryers and the opportunity to win free natural gas dryers. Since the program's launch in the summer of 2011, more than 1,500 customers at five different events signed up to win a free natural gas dryer and received information about available rebates from the Texas Gas Service Conservation Program.

The Appliance Alliance program will continue to expand partnerships with retail appliance dealers in the area and offer even more educational opportunities to retailers and consumers.

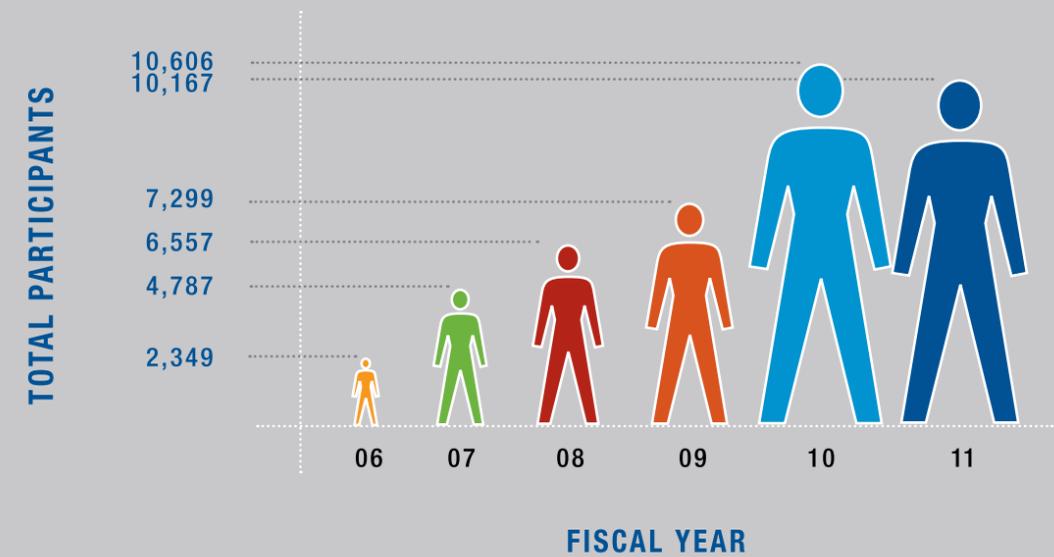
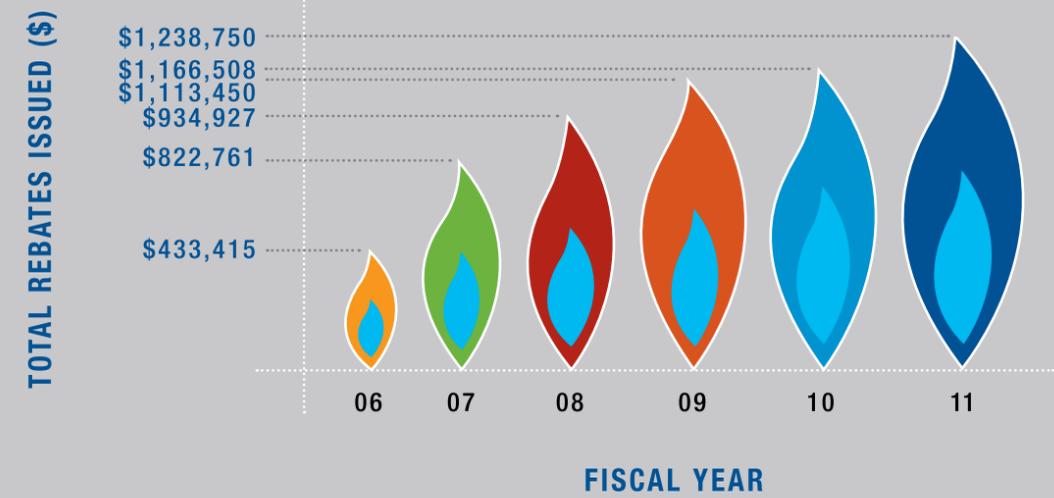
PICTURED AT LEFT:
SEARS GRAND ASSISTANT STORE MANAGER JON SCHULER

FINANCIALS

PROGRAM	PARTICIPANTS	BUDGET	ACTUALS	VARIANCE	FY 12 BUDGET
Free Heater and Weatherization	141	\$110,000	\$141,159	(\$31,159)	\$110,000
Furnace	1,294	\$40,000	\$97,050	(\$57,050)	\$40,000
Residential Weatherization		\$550,000	\$643,503	(\$93,503)	\$450,000
<i>Duct Sealing</i>	1,972		\$298,238		
<i>Duct Replacement</i>	535		\$66,627		
<i>Attic Insulation</i>	1,626		\$278,638		
Furnace Tune-Up	74	\$150,000	\$3,655	\$146,345	\$150,000
Green Saver					\$9,000
<i>Residential</i>	1,788	\$8,000	\$32,629	(\$24,629)	
<i>Commercial</i>	1	\$1,000	\$12	\$988	
Residential Natural Gas Water Heater		\$150,000	\$174,760	(\$24,760)	\$213,000*
<i>High-Efficiency</i>	24		\$960		
<i>Solar</i>	151		\$100,000		
<i>Tankless or Super High-Efficiency</i>	246		\$73,800		
Residential Hydronic Heating	148	\$100,000	\$18,500	\$81,500	\$25,000
Dryer	208	\$75,000	\$16,600	\$58,400	\$75,000
WashWise		\$100,000	\$60,750	\$39,250	\$75,000
<i>Residential</i>	1,896		\$59,375		
<i>Commercial</i>	9		\$1,375		
Natural Gas Vehicle				\$0	\$15,000
<i>Residential</i>	4	\$10,000	\$10,000	\$0	
<i>Commercial</i>	0	\$30,000	\$0	\$30,000	
Commercial Equipment and Weatherization	50	\$52,150	\$40,132	\$12,018	\$135,000
Whole-Home (New for FY 2012)					\$237,500
Education		\$246,750	\$307,271	(\$60,521)	\$290,500
TOTAL REBATE EXPENSES		\$1,622,900	\$1,546,021	\$76,879	\$1,825,000
Operation Expenses		\$285,000	\$245,399	\$39,601	\$276,750
TOTAL EXPENSES		\$1,907,900	\$1,791,420	\$116,480	\$2,101,750

* Includes \$75,000 for the new Bonus Water Heater Conversion rebate program

TOTAL REBATES ISSUED AND PARTICIPANTS





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A DIVISION OF ONEOK

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