

# FINAL TRANSCRIPT

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## **CV - Central Vermont Public Service Shareholders Meeting**

**Event Date/Time: May. 02. 2006 / 10:00AM ET**

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## CORPORATE PARTICIPANTS

### **Fred Bertrand**

*Central Vermont Public Service Corporation - Chairman of the Board*

### **Dale Rocheleau**

*Central Vermont Public Service Corporation - SVP for Legal and Public Affairs and Corporate Secretary*

### **Robert Young**

*Central Vermont Public Service Corporation - President and CEO*

## PRESENTATION

### **Fred Bertrand** - *Central Vermont Public Service Corporation - Chairman of the Board*

Ladies and gentlemen it's 10 o'clock and I'll call the meeting to order. I'm Fred Bertrand, the Chairman of your Board of Directors and I call the meeting to order in accordance with the notice. And on behalf of the Directors, Officers, employees of the company I welcome you to the Annual Meeting of Stockholders for Central Vermont Public Service Corporation.

I would now like to introduce the officers seated here at the stage. Seated farthest from me is Robert H. Young, President and Chief Executive Officer and a Director of the company. Next to him is Dale Rocheleau, Senior Vice President for Legal and Public Affairs and Corporate Secretary of the company and who will be recording all votes and proceedings of this stockholders' meeting.

I shall now like to introduce the other directors of the company, seated in the audience, and ask that you remaining standing until all the introductions are complete. It probably goes without saying but please hold your applause. Robert Barnett, Rhonda Brooks, Janice Case, Robert Clarke, Timothy Cobb, Bruce Lisman, George MacKenzie, Mary Alice McKenzie, Jan Scites.

Mr. Cobb and Mr. MacKenzie are retiring from the Board after this meeting as part of the Board's restructuring efforts. The Board appreciates their dedication and service and we wish them all the very best. Ladies and gentlemen, the Directors of your company.

I would like to also introduce William J. Stenger who is a Director nominee for election at this meeting. Mr. Stenger is President and Chief Executive Officer of Jay Peak Resort. Mr. Stenger is the immediate past Chair of the Vermont Travel and Recreation Council. He's also the current Chairman of the Vermont Ski Areas Association, and the Lake Champlain Chamber of Commerce. Bill has earned his Bachelor of Science degree from Syracuse University. Thank you, Bill.

Bill Sayre, also a Director nominee for election at this meeting. He is President with Duncan Hermanson Corporation Real Estate and co-owner of the A. Johnson Company which is involved with Woodlands in Vermont and New York. Mr. Sayre is a member of the Governor's Council of Economic Advisors. He also served on the boards of the Vermont Chamber of Commerce, Vermont Forest Products Association, Vermont Woodlands Association and Addison County Chamber of Commerce. He earned his BA in Economics from Northwestern University and his MBA from the University of Chicago. Thank you, Bill.

The third Director nominee is Doug Wacek, the President and CEO of Union Mutual Insurance Group in Montpelier. He served on the boards of the Vermont Business Roundtable, and the Vermont Institute for Government Effectiveness. Doug has previously served as a practicing CPA with Peat Marwick, and as the State of Vermont's Commissioner of Finance and Management, and as the State's Chief Financial Officer. He's a graduate of St. Cloud State University in Minnesota. Doug is a proposed Director appointee who will be voted on by the Board at its Annual Meeting immediately follow this meeting. Thank you, Doug.

Will the Secretary present proof of due calling of this meeting?

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**Dale Rocheleau** - *Central Vermont Public Service Corporation - SVP for Legal and Public Affairs and Corporate Secretary*

Mr. Chairman, the record date for determination of stockholders entitled to notice of, and to vote at this meeting is February 23, 2006. A notice of this meeting was mailed on or about April 7, 2006 to all common stockholders of record as of the record date. Due notice of this meeting has been given as required by law in the bylaws in the Corporation.

**Fred Bertrand** - *Central Vermont Public Service Corporation - Chairman of the Board*

Will the Secretary place the affidavits presented on file with the records of this meeting. Will the Secretary please report on the number of common shares outstanding, as of the close of business on the record date and on the number of shares represented at this meeting today?

**Dale Rocheleau** - *Central Vermont Public Service Corporation - SVP for Legal and Public Affairs and Corporate Secretary*

The number of common shares outstanding as of February 23, 2006, the record date, was 12,297,415 shares. A quorum for any matter that may properly come before the meeting requires 6,148,709 shares of common stock. At the present time at least 9,777,164 shares of common stock are represented at this meeting. The inspectors have certified that a quorum is present and will update any changes in the number of shares represented at the meeting.

**Fred Bertrand** - *Central Vermont Public Service Corporation - Chairman of the Board*

I declare the presence of a quorum for this meeting. The stockholders list is available for inspection by any of the stockholders present upon request.

The next item of business is the minutes of the Annual Meeting of Stockholders held May 3, 2005 which are available for inspection with the Secretary. And it is therefore in order to dispense with the reading and the minutes are approved as recorded.

I've appointed Angela [Ciely] and [Carolyn Bruin] as Inspectors to tabulate the amount of stock represented at the meeting, in person, and by proxy and the votes in person and by proxy, on the various matters to come before the meeting. The Inspectors' oath has been received and will be filed with the records of the meeting. In addition, the Inspectors shall prepare a report which shall include all proxies and ballots received, but not tabulated prior to the adjournment of today's meeting. This latter report shall reflect the final and official vote of stockholders and will be included in the minutes of this meeting.

We will now turn to the official business of the meeting. Anyone who wishes to vote in person as opposed to voting by proxy should have been provided with ballots when they entered the meeting. If this is not the case please raise your hand and you will be provided a ballot. I do not see any hands being raised.

In order to provide a fair and informative meeting your cooperation in observing the general procedures and specified time limits, as set forth in your copy of the program, will be greatly appreciated.

There are two items of business on today's agenda, the election of the Directors and the ratification of the appointment of the company's independent registered public accountants.

We will now consider item one as listed on your proxy statement and ballot. Nomination and election of four Directors. The nominee for election as a director whose term will expire in 2007 is William J. Stenger.

The nominees for election as Directors whose terms will expire in 2009 are Robert L. Barnett, Robert G. Clarke, Mary Alice McKenzie and William L. Sayre. Common stockholders voting in person should mark the appropriate place under Item One of their ballot as they desire.

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Just a point of information, the reason we have one for 2007 and three for -- four for 2009 is to comply the bylaws representing the staggered-term of 3 years for the board members which are supposed to be fairly equal in number of the three classes.

We will now consider Item Two as listed on your proxy statement and ballot. Ratification of the appointment of Deloitte & Touche LLP as independent registered public accountants for fiscal year ending December 31, 2006. Common stockholders voting in person should mark the appropriate place in writing two of their ballots as they desire. The ballots will now be counted. Will all those holding ballots please raise your hand. While the Inspectors are collecting and tabulating the vote Bob Young will introduce the officers in [gest]. I will now turn the meeting over to Bob.

**Robert Young** - Central Vermont Public Service Corporation - President and CEO

Thank you, Fred. I would now like to introduce the Officers of your company I will introduce them in alphabetical order and would appreciate it if each one would stand when their name is mentioned, so that they may be recognized, Roslyn Carlson, Assistant Treasurer; William Deehan, Vice President, Power Planning and Regulatory Affairs; Joan Gamble, Vice President Strategic Change and Business Services; Joseph Kraus, Senior Vice President Operations, Engineering & Customer Service; Mary Marzek, Assistant Corporate Secretary; Dale A. Rocheleau, Senior Vice President for Legal and Public Affairs and Corporate Secretary; Edmund F. Ryan, Acting Chief Financial Officer and Treasurer. Thank you.

**Fred Bertrand** - Central Vermont Public Service Corporation - Chairman of the Board

With this morning are [John Sly] and [Amy Sherwood], representatives of the independent registered public accountants of the company Deloitte & Touche. They will be available to answer questions later on in these proceedings. I would also like to introduce special guests seated in the audience. Please stand and be recognized.

Sandra Dragon, President, Associated Industries of Vermont. William Gallagher, General Manager and CEO of Vermont Public Power Supply Authority. And Bill, I would just like to say that I know that you're retiring later on this year so this is probably the last CV Annual Meeting you will attend. I want to thank you on behalf of all of those of us at CV who have worked with you over the years. Your contribution to our industry has been enormous. We will miss your daily participation in our business, but we know that you'll be there to provide insight and guidance to those of us who remain to shoulder on, and I wish you well in your retirement.

Don Gilbert, President & CEO of Vermont Gas Systems, David Halquist, Chief Executive Officer of Vermont Electric Cooperative Inc., Brian Keith representing Senator Jim Jeffords, David O'Brian, Commissioner of the Department of Vermont Department of Public Service, Sarah Hoffman, Director of Public Advocacy at the Department of Public Service. Robert Rogan, Vice President Public Affairs Green Mountain Power. Glad you're there, Bob, but still find it pretty difficult to say.

Charles Ross representing Senator Patrick Leahy, Dottie Schnur, Director of Corporate Communications, Green Mountain Power and Jamie Stewart, Executive Director of Addison County Economic Development Corporation. Thanks very much.

The Inspectors of Election have filed certifications of the preliminary results of the tabulation, will the Secretary read those results?

**Dale Rocheleau** - Central Vermont Public Service Corporation - SVP for Legal and Public Affairs and Corporate Secretary

[inaudible] 5,777,154 shares of common stock represented by proxy and 19,171 shares represented in person. With respect to Item One, Election of Directors, all the Directors listed on the ballot received at least 8,852,887 shares, or 72% of the shares outstanding.

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With respect to Item Two, ratification of appointment of independent registered public accountants, the proposal for the ratification of the appointment of Deloitte & Touche, as the company's independent registered public accounting firm received 8,989,957 shares for, or 73.1% of the shares outstanding.

**Fred Bertrand** - *Central Vermont Public Service Corporation - Chairman of the Board*

Thank you. I hereby declare that William J. Stenger has been elected to serve for term expiring 2007. That Robert L. Barnett, Robert Growth. Clark, Mary Alice McKenzie and William R. Sayre, have been elected to serve for terms expiring at the 2009 Annual Meeting of Stockholders, by the requisite plurality of those cast by the shares of the common stock represented at the meeting.

And I hereby declare that Item Two, ratification of the appointment of Deloitte & Touche LLP, as independent registered public accountants for the fiscal year ending December 31, 2006, received the majority vote and that accordingly has been approved.

As this concludes the business portion of the meeting it is my privilege to turn the meeting over to Bob Young for his report to stockholders.

**Robert Young** - *Central Vermont Public Service Corporation - President and CEO*

Somehow or other I have a feeling that Dale and Craig are just trying to get away. But nevertheless welcome and good morning. And welcome to the 2006 Annual Meeting.

As I look around the theatre I am pleased to see a lot of CVPS employees because as I review the past year I want to highlight their extraordinary service to the company, and our customers, over what as a difficult 12-month period. You have a tremendous group of employees working for you and our customers, employees who have demonstrated unwavering commitment to the company and public service even in these complicated times.

2005 brought some enormous challenges from of the most damaging storms we've ever faced, a heavy, wet snowstorm in October to a rate reduction and credit downgrade.

The October storm knocked out power to 46,000 customers and did nearly \$1.5 million in damage to our system. Here in Rutland County, Operation Supervisor Chris Gandin said "The extensive damage was among the worst he had ever seen" as wet snow on fully leafed trees caused more than 800 separate problems across our territory.

That storm tested our resources, energy, and resolve. But I am extremely pleased to say that our employees responded with a heroic effort that stacks up in history as one of the greatest storm responses ever. Many employees worked 18 to 20-hour shifts to restore service and return customers to a sense of normalcy. I have never been more proud of our employees.

This event also prompted the Department of Public Service in Vermont Emergency Management to lead efforts that created an unprecedented new level of cooperation between utilities and state agencies, improving planning and communication to the benefited customers of every utility in the state.

As to our customers, 2005 closed with what I can only describe as remarkable figures, our 2005 service quality scores for reliability, customer service, and safety. CVPS measures 17 standards, tracking everything from how often outages occur and how long they last, to the accuracy of our bills and meter reading, to the speed with which we answer customer calls and the safety of our workers on the job.

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Your employees bettered all of the standards last year, 16 of 17 of them by more than 10%. We also scored near the top nationally for satisfaction among customers surveyed following contact with their utility, with 95% of CVPS customers satisfied, in January, 9 percentage points higher than the national average.

These superior service qualities and customer satisfaction survey results define a level of overall excellence and are a testament to the quality and dedication of your employees and the commitment they make every day to our customers. As I said earlier, even during trying times your employees have met and surpassed the challenges before them.

Another bright spot was the successful sale of Catamount Energy, culminating our work to generate value for our owners through unregulated investments. The sale returned a significant profit to the company and allowed us to return value to shareholders through a stock repurchase completed this April. Equally important, particularly from an environmental view, Catamount will continue to develop clean renewable energy under its new owners which is critical to Vermont, New England and the nation as a whole.

Yet, despite these and other 2005 company successes last year's rate decision presented the greatest challenge we've faced in recent years. As you know following several years of strong financial performance our rates were lowered 2.8% last spring and our allowed return on equity was reduced. We have appealed portions of the Public Service Board Order. But the impact was substantial, significantly reducing cash flow and earnings and it was followed by the downgrading of our corporate credit ratings to junk bond status. That heightened the economic tension we faced requiring us to put millions of dollars in collateral to ensure power contracts and raising our cost of capital.

Most importantly, the downgrade of our credit rating left the company a damaged ally in the energy procurement arena, an area we must soon reenter as we plan for the impending loss of our low-cost Hydro Quebec and Vermont Yankee contracts.

To address this challenge we immediately developed and began executing a restoration plan to improve our financial position and address Wall Street's concerns. First, we secured a \$25 million revolving credit facility in October 2005 and made \$2.7 million in 2006 budget cuts including a 10% cut in my salary and a 5% reduction in other officers' salaries.

Second, we planned to sell part of Catamount, as I said, ultimately deciding to sell the entire business. Though Catamount produced earnings for the company over the years its unregulated nature was seen by Wall Street as a liability and its sale was well-received by the major rating agencies.

Third we've continued our Right Way to Work Program which I've described to you at length in the past. Through this effort of statistical analysis, cost and work savings efforts have become ingrained in our culture. Our employees have found over \$6 million in ongoing annual savings over the past few years and they continue to find new ways to work better, smarter and more efficiently. We will continue to use the Right Way to Work to improve customer service and drive out costs which will improve our financial position and help stabilize our rates, which have increased less than one-half of one percent in the past seven years.

Fourth, we completed the stock buyback which reduced the number of outstanding shares by 18.3%. This will reduce our overall dividend obligation while increasing the per-share interest in the company for you, our remaining shareholders.

Fifth, we are reorganizing your Board of Directors to instill a more Vermont-centric focus on the core utility and reduce costs. Now that Catamount has been sold we're adding more Vermont leaders to the Board and reducing Board compensation. Recently we've agreed to purchase Rochester Electric Light and Power for \$0.25 million providing roughly 900 new customers and allowing us to spread our fixed costs over a larger base.

In 2006 we expect to invest more than \$40 million for capital improvements at CV and at VELCO. We plan to continue to increase these critical investments over the next few years creating value for shareholders while strengthening our electrical system for our customers.

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We've also made substantial efforts to improve communications with our Vermont regulators and find common ground on customer and company needs. We share many of the same priorities maintaining a high level of customer service, controlling costs and planning for the replacement of our current energy supplies.

Through our discussions with state officials it's clear that they also share our concern about our credit rating and the need to improve it. Ultimately restoration of the credit rating will depend in part on our rates in the coming years. Due to our internal cost controls, the Right Way to Work, and our long-term power contracts that currently provide below-market energy we do not face the substantial rate pressures of many of New England's utilities.

But we will need a relatively small increase next year, which we plan to apply for later this month. Restoring our financial balance is critical to our success as a company but even more so to Vermont's success in planning its energy future. We must demonstrate to Wall Street that Vermont will provide rates that cover our costs and give our shareholders an opportunity, not a guarantee, but an opportunity to earn a reasonable return on our invested capital.

CVPS and Vermont are at an energy policy axis in history. We face critical challenges as a company and as a state, and we must make some difficult decisions in the coming months and years, the decisions that will determine the future of this company and the future of the electrical industry in Vermont.

Roughly half of our contracted power supply will expire in 6 years, two-thirds in the next 10 years. Our transmission systems need improvements, and we must continue to provide a high level of customer service and reliability. As the State's largest utility, CVPS must serve as a partner with the State, our sister utilities, and other stakeholders to craft our energy future. We recognize and welcome our responsibility to provide collaborative leadership.

This responsibility requires, however, that I be blunt. It is an inescapable fact that CVPS cannot succeed without reestablishing our financial strength and restoring the company to investment grade within the next 2 or 3 years.

Failure to do that will leave Vermont in an untenable situation with little control over our energy decisions that will affect every business, every job, and every resident in this state for years to come. If we fail to restore our credit rating Vermont's options for obtaining new power supplies through contract or construction will be extremely limited.

Successful financial restoration of the company on the other hand enables us to serve as an indispensable ally to offer creative energy policy guidance to Vermont. We've already begun extensive work and will offer within the next 60 days comprehensive ideas on some of the key issues facing Vermont. They include cost-effective and climate-friendly energy supply options including in-state renewable generation.

Improved investment strategies for efficiency spending, better coordination of transmission system work, improving customer choices through technology, updating the State's regulatory framework, improving service delivery for Vermont's low-income and aging customer base, and maintaining system reliability.

Our intent is to present a far reaching integrated work plan that identifies Vermont's energy future issues, policy options to address these issues, and a timeline that identifies when policy decisions should be made. Our goal is to construct a time-firm but policy-flexible decision framework, one that provides forward thinking and enables cogent analysis of our energy challenges and opportunities.

Our hope is that it helps Vermonters more clearly understand the policy issues we face and the hurdles we must overcome. And we think it will because it's this type of approach that brought success in creating a brand-new energy market here in Vermont with enrollment of more than 2,600 CV customers in our Cow Power or Clean Energy Renewable Program. This type of innovative approach created what I believe is the template for future transmission capacity and construction planning work in Vermont.

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CVPS and the Vermont Electric Power Company began an unprecedented public outreach effort in Southern Vermont to gain insights and ideas on how best to solve growing constraints on the system known as the Southern Loop. Working with dozens of local leaders, environmentalists, planners, business owners, emergency responders, and customers we began and are continuing this collaborative effort to determine the best package of technology, efficiency investments, equipment installation, and local generation that provide a workable solution to the system reliability issues at hand.

This type of forward thinking coupled with our commitment to constant self-improvement led us to the work of the Pacific Economics Group. This respected economic consulting firm has developed a model that accounts for variations between utilities to determine their expected relative cost performance. For example, their modeling can account for customer density and the mix between residential, commercial, and industrial customers -- weather, topography, location and a host of other factors that are outside the control of a given utility.

After a reading of their work comparing utilities we contracted with PEG to conduct a thorough comparative analysis of our performance. Given our efforts to control costs -- we've had just one small rate increase in the past 7 years as I mentioned earlier -- I expected that we would perform well in the PEG analysis. But I was pleasantly surprised by their data. Comparing CVPS to 68 utilities across the country, Pacific Economics Group said CVPS' distribution costs were 17.3% below expectations for 2002 through 2004.

Put another way CVPS has been among the best utilities in the countries, among the top 20% in fact, in controlling distribution costs during that time. This is important for all of our customers, but especially for those who are most vulnerable. We expect results based on our 2005 data to be available later this month.

In addition to keeping our costs low the company recognized last summer that significant fuel price hikes could overwhelm low-income and older customers. We proposed and worked with the Public Service Department and the Agency of Human Services to convene a summit of other utilities to ensure the most efficient delivery of services possible for these customers. Together we developed a common set of no-cost and low-cost ways to reduce bills and a pilot program to provide customer assistance information to service providers on line.

That first summit has now evolved into a semi-annual event. Due to hard work and long-term planning that has insulated our customers from major adverse changes in the wholesale power markets, 2005 also brought news we and you can be proud of. We believe CVPS customers now pay the lowest bills of any major utility in New England, and Vermont's rates as a whole are now very competitive with the states around us.

This is excellent news for our customers and Vermont as we've been able to move from among the highest rates to among the lowest. To maintain that status we will require hard work, some luck, financial strength, and flexibility. CVPS is a utility leader in customer service. We are a leader in energy planning. We are a leader in storm management and communication. We are a leader in the development of new, clean, renewable energy in Vermont, and we are a leader in environmental stewardship.

In order to maintain this leadership position and create value for you, our shareholders, it is absolutely critical to this State that CVPS is restored to a position of strength. As your President and CEO I pledge that we will work with you, the State, and other utilities and our regulators to ensure the financial strength and flexibility of this company so that it can continue to play a leadership role in determining Vermont's energy future, and ultimately its economic future.

We are committed to the plan I've outlined, and I look forward for detailing for you our successes in this essential work. Thank you for your interest and your continued support of Central Vermont Public Service.

And now that the Chairman is back he'd be happy to answer any questions you may have. No, we'd be happy to take any questions that members of the audience may have. I have a hard time seeing in the light so if there are any hands out there please wave them.

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**Fred Bertrand** - Central Vermont Public Service Corporation - Chairman of the Board

It doesn't appear that we have questions. This concludes our meeting. I would again express my appreciation to those in attendance as well as those who submitted their proxies but were unable to be present in person. This meeting is adjourned. Thank you.

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