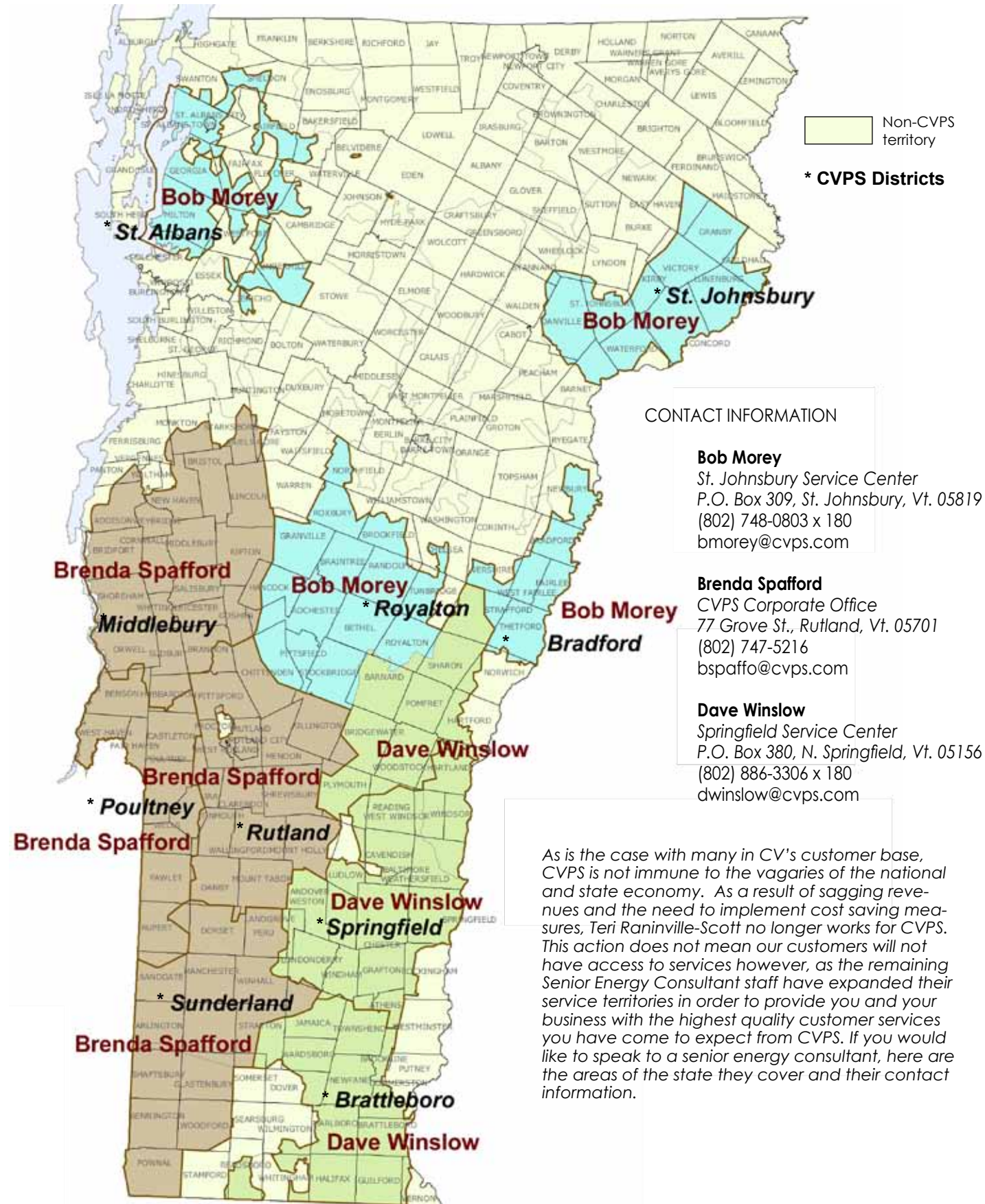


Have you seen your Senior Energy Consultant lately?



As is the case with many in CV's customer base, CVPS is not immune to the vagaries of the national and state economy. As a result of sagging revenues and the need to implement cost saving measures, Teri Raninville-Scott no longer works for CVPS. This action does not mean our customers will not have access to services however, as the remaining Senior Energy Consultant staff have expanded their service territories in order to provide you and your business with the highest quality customer services you have come to expect from CVPS. If you would like to speak to a senior energy consultant, here are the areas of the state they cover and their contact information.



SHAREHEAT

Learn how you can become a CVPS Shareheat business partner and help provide emergency home energy assistance to Vermonters in need.

See how inside

CURRENTS

Alternative regulation update: Improving efficiency, controlling costs

As previously reported, the Vermont Public Service Board approved a Central Vermont Public Service alternative regulation plan. The alt-reg plan is designed to better link customer and investor interest, improve operating efficiency and help control costs.

Alternative regulation is intended to send customers more accurate and timely price signals, whether costs rise or fall, and create incentives for CVPS to operate efficiently. The VT Public Service Board (PSB) and Department of Public Service (DPS) will maintain oversight over the company and its rates through annual reviews and regular quarterly updates of CVPS's costs and rates. The plan provides for automatically adjusting rates on a quarterly basis to reflect fluctuating power purchase prices (Power Cost Adjustment Mechanism or PCAM), and includes mechanisms to cap operating cost increases and to share earnings and losses (Earnings Sharing Adjustment Mechanism or ESAM) between shareholders and customers on an annual basis.

Under Vermont's alternative regulation program for CVPS, customers have seen a new line item on their electric bills. The change went into effect for bills rendered in July, August and September, and reflects an average rate reduction of less than 1 percent (0.83 percent). The PCAM reduction factor on the bill was \$(0.00105) per kilowatt-hour. Power costs will be reviewed by the Public Service Board each quarter going forward, and the Power Cost Adjustment Mechanism rate will be adjusted so that the company does not over-collect or under-collect power costs under the terms of the Alternative Regulation Plan.

Due to an increase in operating costs attributable to the record-

setting damage created by the December '08 ice storm, bills will also include an increase of 1.15 percent (ESAM). These storm-related costs will be collected over a 12-month period. Combined, the two changes result in a rate increase that averages three-tenths of 1 percent, or 0.31 percent.

For a commercial customer using 500 kilowatts and 180,000 kilowatt-hours of energy, the bill will go up \$25, from \$18,572 to \$18,597. For an industrial customer using 1,000 kilowatts and 650,000 kilowatt-hours of energy, the bill will go down \$77, from \$52,578 to \$52,501. (Note: The industrial bill goes down because the PCAM credit is applied to kWh and this more than offsets the ESAM surcharge for this typical bill. In other words, high load factor customers will see a net bill decrease and lower load factor customers will see a net bill increase.)

According to Senior Vice President Dale Rocheleau, "The second quarter 2009 Power Cost Adjustment Mechanism (PCAM) resulted in an over collection of \$509,517 which will be refunded to customers on a bills rendered basis starting October 1, and ending December 31, 2009. This refund will appear as a credit of \$(0.00089) per kWh on customers bills. A combination of lower market costs and lower retail sales were the main drivers for the variation in power costs." This marks the second straight quarter with a PCAM credit for customers.

LC&I Customer Satisfaction Survey coming this fall

CVPS is committed to providing outstanding customer services to assist with our customer's business success through the efficient use of electrical energy. The Senior Energy Consultant (SEC) staff provides full service account management to CV's largest Commercial and Industrial (LC&I) customers. The objective is to build close working relationships with customers in a manner that strengthens your business and improves customer value. We do this by identifying solutions to improve business competitiveness, providing analyses, information, and advice customers can use to help them achieve cost-effective utilization of electricity in their facilities.

CVPS has contracted again this year with Metrix Matrix

Inc. to conduct a phone survey during the final quarter of 2009, to determine how well we are accomplishing that goal. Your company may be one of those randomly contacted to answer some questions based on your experience with CVPS and your Senior Energy Consultant. We would appreciate your participation and sincere feedback so we can continually improve our delivery of service to you.

We all realize that managing a business is a complicated process and that there are limits on your time. We are hoping that by creating an open dialogue with you we can add value in areas that address your business needs and hopefully add to your success.

Understanding your electric bill charges

For customers billed on CVPS's general service and commercial or industrial rates (2D, 4, 5, and 10), the largest individual cost on their CVPS bill may be the demand charge. Having an understanding of terms can help customers control these charges on their monthly bills.

Customers pay separate charges for energy and demand, terms that often cause confusion. To understand these charges, let's first define the terms: energy is the amount of electricity used over a period of time and is measured in kilowatt-hours (KWH). Demand is the rate at which energy is used and is measured in kilowatts (KW).

The flow of electricity is similar to the flow of water. For electricity, the total volume of electricity used is measured in kilowatt-hours - gallons are to water what kilowatt-hours are to electricity.

For water, the demand is the rate of flow measured in gallons-per-minute. Similarly, the rate at which electricity is used is the demand. For example, having electric motors or equipment all running at the same time or all the water faucets turned on at one time creates the demand for that facility.

Why CVPS charges for demand

A water company must build dams and reservoirs, and install water mains large enough to supply a maximum number of gallons per minute required by its customers. Even though the demand may be lower for the rest of the month, the system must be large enough to satisfy the water need during peak periods.

CVPS is also required to build its electrical system to accommodate customer needs. The system must be large enough to deliver the maximum amount of electricity needed at any moment. Power lines and transformers are sized to carry customers' maximum demand, even though some customers may require less capacity during other times of the month.

All CVPS customers pay the costs associated with having the needed system available at all times.

How CVPS measures demand

CVPS's general service meters measure demand continually throughout the month in 15-minute intervals. The highest demand registered during the month is the kilowatt charge on the customer's bill.

For example, if your demand reaches 25 kW and stays there for 15 minutes, the meter's needle remains at 25 kW until the actual demand exceeds that level. If the demand later reaches 30 kW and stays there for 15 minutes, the needle will stay at 30 kW. This new maximum demand remains at this level until a higher demand is set. When the meter is read, the meter reader records the month's peak demand and the demand reading is reset to zero.

Common misconception

Staggering the use of equipment over 15-minute intervals will not minimize the demand. In the case of lighting, if you turn on one bank of lights equal to 1,000 watts or 1 kilowatt (kW) and leave it on for 15 minutes, the meter registers 1 kW. If you wait 15 minutes, then turn on a second bank of lighting, also equal to 1 kW, and also left it on for 15 minutes, then the meter will record 2 kW. The only way to reduce the demand for the lighting load is to turn off the first bank of lighting before turning on the second bank of lights.

For customers who use large electric motors, there is a momentary in-rush of electricity needed to start the equipment. Even with the momentary in-rush of electricity, when averaged into a 15 minute reading the KW impact is minimal.

CVPS customers can control their electric use and costs by practicing energy conservation measures; purchasing energy efficient products such as, lighting, motors, and heating, air conditioning and ventilation equipment, and turning off equipment that is not being used.

Control devices are also available that establish priorities between pieces of equipment so that an item with a lower priority will not start up when equipment having a higher priority is already operating.

CV finds millions of dollars in savings from HQ contract

CVPS customers will save more than \$13 million in the next six years in Hydro-Québec power costs.

CVPS Power Supply and Strategic Analysis Senior Consultant Bob Amelang, the company's expert with respect to CVPS rights under the contract, recommended execution of interest-rate-related contract options that provide CVPS and other Vermont utilities with lower contract rates, resulting in millions in savings for the companies and their customers.

"Through all of the ups and downs of the past decade, CV has remained committed and has retained its long-standing expertise in wholesale power management," said Bill Deehan, vice president of Power Planning and Regulatory Affairs. "Wholesale power has gotten much more complicated as a result of the restructuring of the electric industry, and this expertise has time and time again unearthed significant savings that hold our customer bills below what they otherwise would have been."

CVPS's contract with HQ began in 1990, and our purchases will end in 2016. The contract was designed to deliver energy over four different periods called schedules.

While the contract is quite complex, contract schedules can be thought of as a series of houses, each completed in different years and financed like a mortgage. Once each house is built, the house payments are fixed based on the construction costs and interest rates at the time the house was complete.

The "homeowner" in this analogy are the Vermont purchasing utilities, which makes "house payments" to HQ over 20 years. While construction costs cannot change, interest rates can decrease over time. And as interest rates go down, the "homeowner" may choose to refinance the mortgage to lower house

payments.

CVPS has three schedules in the contract or "series of houses" remaining in the contract. (One schedule has already expired.) The first "house" was built was 1992, the next in 1995, and the final in 1996. When the contract was first designed, it allowed for a modest adjustment from lower bond interest rates, or a small "mortgage refinancing," every five years. As a result of the minor adjustments, CVPS and other Vermont utilities saw 0.5- to 1.5-percent rate reductions in five years since 1996, resulting in a total of roughly \$6 million in savings for CVPS customers.

The contract also allowed for a 15-year adjustment.

"These savings over the next six years are very significant," Amelang said. "Obtaining the much larger savings from the 15-year adjustment is not automatic; it required that the Vermont purchasers notify HQ as part of a contract option. CVPS seized this opportunity."

At CVPS's direction, the Vermont purchasers notified HQ in August for the second 15-year adjustment, which will be effective in November. This adjustment is for the largest "house" (most megawatts of the three schedules), so the resulting savings will be the highest.

While the first 15-year adjustment resulted in an \$800,000-a-year savings over five years starting November 2006, over the next six years, CVPS will save about \$2.2 million a year from the latest adjustment for a total of about \$3 million annually. Combining both adjustments over the remaining years of the contract, CVPS will achieve \$17.3 million in savings. CVPS makes up about one-half of the power contract, so the total savings for all the Vermont utilities in the contract is \$33.5 million.

Become a CVPS Shareheat business partner, help Vermonters in need

With cold weather fast approaching, CVPS is asking its large customers to help provide critical home energy assistance to families in Vermont through CVPS Shareheat.

For more than 20 years, the CVPS Shareheat Fund has provided emergency home energy assistance to Vermonters across the state. This year, CVPS shareholders are pledging \$100,000 in matching funds to encourage the public's continued support of Shareheat.

The 2008-2009 heating season was Shareheat's most successful year ever, and we distributed over \$375,000, approximately half of which was comprised of matching funds from CVPS and our Shareheat business partners.

Over the years, we have found that the amount of money we raise from individual donations is directly proportional to the amount of matching funds that are available. To build on last year's success, our goal is to expand our matching pool to \$200,000 and raise that level or more in individual donations.

As of the end of September, we have received a total of \$40,700 in matching pledges from Vermont businesses including: Chittenden Bank, Vermont Country Store, Weidmann Electrical Technologies, Passumpsic Bank, Carris Reels and VELCO.

In addition to the satisfaction of knowing their donation is truly

helping those in need, Shareheat business partners will receive:

- Prominent recognition in an upcoming Shareheat press release focused on Shareheat business partners.
- Prominent recognition in newspaper advertisements scheduled this fall in the major daily newspapers in Vermont.
- Prominent recognition in a "thank you" ad that will run in late January.
- Prominent recognition on the CVPS Shareheat webpage with a logo and link to their website.
- Frequent recognition in the "Keeping Current with CVPS" bill insert throughout the heating season, which is mailed to 159,000 customers across Vermont.
- On-air credit during any future radio broadcast interviews discussing Shareheat.
- On-air credit in CVPS's cable access program, "Electric Connections."

Last year, approximately 2,700 families benefited from Shareheat. Your support will make a considerable impact in the lives of hundreds of Vermonters.

To pledge your support, please call Ann Warrell at 802-747-5697 or respond via e-mail at awarrel@cvps.com.

Going Green

Please note that the next quarterly newsletter will be provided to you via e-mail. If for some reason you require a mailed copy please notify: Brenda Spafford at bspaffo@cvps.com or call 747-5216.