

Developments Since First Posting This Business Analysis:

On November 21st, 2005, CVPS announced “that its wholly owned subsidiary, Catamount Resources Corp., ***will sell its remaining interest in subsidiary wind energy company Catamount Energy Corp.***, to Diamond Castle, a New York-based private equity investment firm, and its affiliated funds for \$60 million in cash, less \$750,000 in certain transaction expenses.”

This is a crucial development completing the divestiture of Catamount from its former Vermont owners, CVPS. The new owners are sophisticated financiers but have limited track records as developers and operators. We do know, for certain, that 100% of the financial benefits of the Glebe Mountain wind turbine project will now accrue to “absentee” owners.

The Business of the Proposed Wind Turbines on Glebe Mountain

In order for **Catamount Energy** to begin its proposed wind project, it must lease land from land owners along the ridgeline of Glebe Mountain. The town line between Londonderry and Windham runs along the ridgeline. One individual and his family, from New Jersey, own a significant portion of the land running down the most desirable acreage in both the towns of Londonderry and Windham. The other land owner is **Magic Mountain** which owns an important piece of property along the ridge line only in the town of Londonderry. Magic Mountain is owned by investors from New Jersey, New York and Pennsylvania.

Previously, Catamount Energy was a wholly owned subsidiary of **Central Vermont Public Service**. Primary funding for this unregulated subsidiary came from CVPS. Because CVPS has had trouble with its primary business, electric utility, it withdrew its financial support of this subsidiary. As wind energy development is a capital intensive business, Catamount has a joint development agreement with a Japanese company known as **Marubeni Power International**. Marubeni Power is owned by a global company, Marubeni Corp with a diversified portfolio of businesses.

As a result of CVPS’s continuing need for liquidity, in October of 2005, CVPS announced that they would be selling control of Catamount Energy to a New York based investment firm known as **Diamond Castle**. Diamond Castle is a new “private equity” firm with over \$1.5 billion of capital to commit. With offices in Manhattan, Diamond Castle has about twenty partners and employees. They are not operators or developers, but rather investors, backed by large institutional investors, including (we believe) the pension fund of the state of Pennsylvania.

The net result of these transactions can be summarized as follows: If the Glebe Mountain development advances, it will be managed by a small independent company (Catamount), headquartered in Rutland, VT. The company will be relying on partners from Tokyo (Marubeni) for expertise and capital. Furthermore, if successful the financial rewards will be earned by a diverse group of investors associated with a private equity firm

(Diamond Castle) in New York. The lease payments associated with the land will accrue to investors from New York, New Jersey and Pennsylvania.

Finally, Catamount Energy has informed us that it does not have a power production agreement (PPA) for the sale of the electricity that would be produced by the wind turbine plant. To conclude, we know for certain that no one in Vermont will benefit from the investment returns associated with the proposed project, and we will not know where the electricity will be sold for some time to come. As the electrical generation of the **Entergy Vermont Yankee** plant (Vernon, VT) is expected to grow by 100 MW by the end of 2006, we can not expect that the electricity will be needed locally.

Further Information:

Central Vermont Public Service Corp: Listed on the NYSE, “CV” is a traditional local utility primarily focused on the transmission of electricity generated by themselves and other companies. Customers to the company include commercial, at 39% of revenues, and residential, at 47.4% of revenues. Generating sources for the electricity include nuclear at 46% and hydro at 33%. CVPS owns 50% of Vermont Electric Power Company (VEPC) and 58.85% of Vermont Yankee Nuclear Power Corporation (VYNPC manages the power purchase agreements with Entergy Yankee Nuclear Power). Recently, CVPS received credit rating downgrades, requiring the posting of collateral on many of their power purchase agreements. CVPS is no longer an investment grade utility. On November 21, 2005, CVPS announced that they elected to sell the balance of their ownership in Catamount Energy to Diamond Castle.
(<http://biz.yahoo.com/bw/051121/20051121005464.html?v=1>)

It should be noted that the installation of the wind turbine plant on Glebe Mountain is often heralded as necessary to ensure future electrical generation capacity in Vermont. **If there is an impending need for generation, why has CVPS divested its largest generation subsidiary?** If the wind turbine business is capital intensive and unaffordable to CVPS at this moment, **why does CVPS expect to “return approximately \$52 million (4/5ths of the net proceeds) to shareholders, either through a stock buy-back or a special dividend to shareholders”?**

Catamount Energy: Formerly a wholly owned subsidiary of Central Vermont Public Service, Catamount is described as “wholly focused on the development, ownership and asset management of wind energy projects.” Catamount’s biggest wind development to date has been in Nolan County, TX. Demonstrating the shifting nature of ownership of this unregulated business, CVPS announced on October 12, 2005 (http://www.catenergy.com/press_101205_cvps.html) that it had signed a definitive agreement to sell a controlling interest (51%) in Catamount Energy to Castle Diamond. On November 21, CVPS announced that they had elected to sell the balance of their ownership in Catamount to Diamond Castle. The development of wind projects is capital intensive and requires sophisticated engineering support. In order to expand its reach,

Catamount Energy has partnered with Marubeni Power Intl, specializing in “project development and financing.”

Marubeni Power International: One of 309 subsidiaries organized in 14 divisions, Marubeni Power is a subsidiary of Utility and Infrastructure segment of Marubeni Corp. Marubeni Corp is listed on the Tokyo Stock Exchange and had revenues of approximately \$67 billion in 2004. The Utility and Infrastructure segment businesses include (1) the “development and operation of power, water and wastewater projects” and (2) the “construction of power plants, transportation infrastructure such as railways and airports, water and waste management projects.” 2004 revenues of this segment were approximately \$3.5 billion. Marubeni International and Catamount “executed a Joint Development Agreement,” representing “an exclusive arrangement for wind development throughout New England, New York and Pennsylvania.” (http://www.catenergy.com/press_040804.html)

Diamond Castle: An independent private equity firm, Diamond Castle manages “investment funds that invest in management buyouts, corporate divestitures and growth companies.” Diamond Castle is not a specialist but rather invests “in a wide range of industries, particularly energy, financial services, health care and media sectors.”

Land owners:

The ridgeline of Glebe Mountain is owned primarily by two groups. The first is a private individual who is a business man from New Jersey. Owning more than 2500 acres, this individual owns property on both sides of the ridgeline, in Londonderry and Windham. Magic Mountain is a local ski resort, located on 700 acres of the Glebe Mountain, including a portion of the ridgeline. Magic Mountain is owned by investors from New York, New Jersey and Pennsylvania.

Links:

Central Vermont Public Service (<http://www.cvps.com/>)

Entergy Vermont Yankee (<http://www.entergy-nuclear.com/Nuclear/sites/yankee.asp>)

Magic Mountain (<http://www.magicmtn.com/>)

Catamount Energy (<http://www.catenergy.com/home.html>)

Catamount, Nolan TX (http://www.catenergy.com/projects/Sweetwater_II.html)

Marubeni Corp (<http://www.marubeni.com/>)

Diamond Castle (<http://www.diamondcastleholdings.com/>)