

STATE OF VERMONT

PUBLIC UTILITY COMMISSION

Joint Petition of NorthStar Decommissioning)
Holdings, LLC, NorthStar Nuclear)
Decommissioning Company, LLC, NorthStar)
Group Services, Inc., LVI Parent Corp.,)
NorthStar Group Holdings, LLC, Entergy)
Nuclear Vermont Investment Company, LLC,)
and Entergy Nuclear Operations, Inc., and any) Docket No. 8880
other necessary affiliated entities to transfer)
ownership of Entergy Nuclear Vermont Yankee,)
LLC, and for certain ancillary approvals,)
pursuant to 30 V.S.A. §§ 107, 231, and 232)
)

SUMMARY OF PREFILED REBUTTAL TESTIMONY OF STEVEN A. SCHEURICH

Mr. Scheurich’s rebuttal testimony addresses the assertion of Conservation Law Foundation witness Michael O. Hill that the Public Utility Commission should not approve the proposed transaction as a liability transfer, the testimony of Department of Public Service witnesses Warren K. Brewer and Gregory A. Maret regarding the ability of Entergy Nuclear Vermont Yankee, LLC (“ENVY”) to decommission the VY Station site under the status quo, and the evaluation by Messrs. Brewer and Maret of documents purporting to show risks associated with the proposed transaction. Mr. Scheurich also responds to the testimony of Department witness Daniel S. Dane concerning Entergy’s credit evaluation of NorthStar and the timing for complete repayment of the credit facility used to fund construction of the Independent Spent Fuel Storage Installation (“ISFSI”).

Mr. Scheurich sponsors the following exhibit:

Exhibit JP-SAS-1: August 18, 2009 Letter from Michael J. Colomb

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PREFILED REBUTTAL TESTIMONY OF STEVEN A. SCHEURICH

- 1 **Q1. Please state your name for the record.**
- 2 A1. Steven A. Scheurich.
- 3 **Q2. Are you the same Steven Scheurich who submitted opening prefiled testimony on**
4 **December 16, 2016 in this proceeding?**
- 5 A2. Yes.
- 6 **Q3. Have you reviewed the prefiled testimony submitted by the various non-petitioners?**
- 7 A3. Yes.
- 8 **Q4. In reviewing the testimony of Michael O. Hill, submitted on behalf of the**
9 **Conservation Law Foundation, did you read Mr. Hill’s statement that “[t]he entity**
10 **seeking to transfer environmental liabilities (‘Transferor’) should not be fully**
11 **released from its liabilities”? Hill PFT at 7:9-10.**
- 12 A4. Yes.

1 **Q5. What is your response to Mr. Hill's suggestion?**

2 A5. *First*, I do not understand Mr. Hill's statement regarding the release of the transferor from
3 liability. In this transaction, the entity with the obligation to decommission the VY
4 Station—Entergy Nuclear Vermont Yankee, LLC (“ENVY”)—will retain that obligation.
5 The membership interests in ENVY will transfer if the Joint Petition is approved and the
6 transaction closes, and ENVY will be renamed NorthStar Vermont Yankee, LLC
7 (“NorthStar VY”). In other words, the membership interest in the ENVY entity—with all
8 its principal assets (the nuclear decommissioning trust (“NDT”) and the site restoration
9 trust) and its principal liabilities (the obligation to perform radiological decommissioning
10 and site restoration of the VY Station site)—is being transferred, not separate assets or
11 liabilities. Both before and after the transaction, the same entity will have the liability for
12 completing decommissioning, spent fuel management, and site restoration of the VY
13 Station. There will be no transferor of direct liabilities and thus no release of the
14 transferor from such liabilities.

15 *Second*, to the extent Mr. Hill is referencing Entergy Corporation, which does not
16 currently own the VY Station site but has provided certain limited parent guarantees, it is
17 true that Entergy Corporation is requesting to be released from those financial assurances
18 (other than its guarantees of the credit facilities that support the transfer of spent fuel to
19 dry cask storage), which will be replaced by the more expansive and definitive NorthStar
20 financial assurances. These financial assurances include the Pay Item Disbursement
21 Schedule and its limitations on withdrawals from the NDT for decontamination and
22 demolition activities, a \$20 million revolving cap on NDT withdrawals for spent fuel

1 management costs, fixed-price or fixed-unit price contracts with major subcontractors,
2 performance bonding, a \$25 million contingent letter of credit, and NorthStar Group
3 Services, Inc.'s \$125 million parent support agreement. The support agreement provides
4 at least as much financial assurance for decommissioning and site restoration work as the
5 status quo under continued ENVY ownership once the time value of money has been
6 taken into account, as Mr. Twomey explains in further detail in his prefiled rebuttal
7 testimony. In any event, concerns about NorthStar's ability to fund the parent support
8 agreement are not justified given NorthStar's alliance with experienced major
9 contractors, technical qualifications, funding assurances, deal structure, and other
10 commitments, as well as the fact that the NorthStar assurances are associated with a more
11 definitive, near-term decommissioning plan.

12 *Finally*, the Entergy Petitioners would consider it a material change to the proposed
13 transaction if the Public Utility Commission were to condition approval in this Docket on
14 the imposition of any liability on Entergy Corporation or any other Entergy affiliate, and
15 Entergy would thus exercise its option not to proceed with the transaction. If that were to
16 materialize, Entergy would place the VY Station into SAFSTOR dormancy (having
17 transferred spent nuclear fuel safely to long-term dry storage by the end of 2018) and
18 continue to assess initiation of decommissioning when the funds in the NDT are
19 sufficient under that approach (in addition to, for instance, retaining all off-site real estate
20 for the foreseeable future). As I explained in my initial prefiled testimony, Entergy
21 currently estimates that sufficient funds under the status quo approach may potentially be
22 available to begin decommissioning by 2053, but that start date is far from certain and

1 would have to factor in the prospect of additional encumbrances by the State that would
2 affect both the timing for and the cost of decommissioning the VY Station.

3 **Q6. The Four Points Group report prepared by Messrs. Brewer and Maret indicates**
4 **(Exhibit DPS-WKB/GAM-2 at 7-9) that if ENVY, as presently owned by Entergy,**
5 **used the same assumptions NorthStar uses for its contemplated ownership of the**
6 **renamed NorthStar VY, ENVY could undertake the decommissioning of the VY**
7 **Station on NorthStar’s timetable with similar costs. What is your response?**

8 A6. Messrs. Brewer and Maret are incorrect. They assume that, because the 2014 site-
9 specific decommissioning cost estimate (“DCE”) performed by TLG Services, excluding
10 spent fuel management costs and SAFSTOR dormancy costs, is similar to the NorthStar
11 cost estimate, ENVY could proceed with prompt decommissioning in the same manner
12 and on the same schedule as NorthStar. That assumption is incorrect for several reasons.
13 *First*, the U.S. Nuclear Regulatory Commission (“NRC”) specifically challenged
14 ENVY’s assumed recovery of spent fuel management costs through litigation, as
15 proposed in ENVY’s initial spent fuel management plan. Exhibit JP-SAS-1. The NRC
16 has credited the assumed recovery of such costs only if the licensee has reached a
17 settlement with the Department of Energy (“DOE”).¹ As I understand it, however, DOE
18 has been willing to settle only on a fleet-wide basis, rather than on an individual plant

¹ The NRC allowed a licensee to take into account pursuant to a settlement with DOE expected recoveries of “those costs incurred by [the licensee] for managing and storing Spent Nuclear Fuel/High Level Waste which were foreseeable in the event of DOE’s Delay, and that [the licensee] would not have incurred but for, and which are directly related to, DOE’s Delay in performance of its acceptance obligations under the Contract.” Letter from Karl Feintuch to Christopher R. Costanzo, NRC Accession No. ML100770505, at Encl. p. 4 (Mar. 29, 2010), <http://pbadupws.nrc.gov/docs/ML1007/ML100770505.pdf>.

1 basis, and Entergy has determined that a fleet-wide settlement could be disadvantageous
2 to its nuclear plants. NorthStar, by contrast, would own only a single plant, with all fuel
3 already transferred to dry storage, after this proposed transaction is consummated.

4 ENVY is not in the same position as NorthStar, which is proposing to take credit for such
5 recoveries pursuant to an expected settlement with DOE. ENVY thus cannot take credit
6 for assumed recovery of spent fuel management costs under Entergy ownership, as
7 Messrs. Brewer and Maret assume, resulting in a substantial change in their assessment
8 and conclusions.

9 *Second*, ENVY cannot proceed with prompt decommissioning on the same schedule as
10 NorthStar. Contrary to the testimony of New England Coalition witness Arnold
11 Gundersen (PFT at 3-4), ENVY and its affiliates within the Entergy family of companies
12 (including TLG Services, Inc., which has 13 employees and specializes in
13 decommissioning cost estimation) do not have qualified personnel to perform or to
14 manage the decommissioning of a commercial nuclear plant like the VY Station. In
15 keeping with Entergy's strategy of focusing on growth of its utility businesses, ENVY
16 and its affiliates do not plan to build up the necessary resources to perform
17 decommissioning and site restoration work. However, if ENVY were to retain ownership
18 of the VY Station, ENVY would need to develop a procurement strategy and process for
19 hiring a decommissioning operations contractor ("DOC") once the NDT reached a
20 sufficient point to fund such an approach. Then ENVY would need to seek bids from
21 vendors to be the DOC, which would be responsible for managing the decommissioning
22 and site restoration project. Before seeking such bids, ENVY would first initiate and

1 complete a proceeding before the Vermont Public Utility Commission to establish the
2 applicable site restoration standards, as contemplated in the 2013 Settlement Agreement.
3 Just as NorthStar does not plan to proceed with the transaction proposed in this Docket if
4 the applicable site restoration standards materially differ from the ones NorthStar has
5 proposed, Entergy would not proceed with hiring a DOC until it knew the site release
6 requirements that the DOC would have to meet. That CPG proceeding alone would
7 likely take at least a year, at which point ENVY would have to prepare a bid solicitation
8 package, allow bidders to perform due diligence, evaluate the bids that it receives, select
9 the winning bidder, and negotiate a contract with that bidder. That process is likely to
10 take several more years to perform. As a result, five or more years would elapse, with
11 millions of dollars paid from the NDT, which would require ENVY to continue to
12 evaluate the sufficiency of the funds in the NDT to complete decommissioning. If
13 funding assurance were sufficient, taking into account lessons learned from the NorthStar
14 transaction and risks reflective of the circumstances at that time, the DOC would be
15 engaged to initiate detailed planning and subcontracting before starting the
16 decommissioning work itself (which NorthStar has committed to begin no later than 2021
17 and as early as 2019). And, with the passage of this added time comes additional risks
18 and uncertainties that could increase the cost of decommissioning and site restoration.

19 *Third*, because the hiring of a DOC would require that ENVY remain responsible for the
20 VY Station under the NRC license and Vermont CPGs, ENVY would need to invest in
21 resources to establish an oversight organization to oversee and manage the DOC, to fulfill
22 Entergy's regulatory responsibilities, and to respond to stakeholder concerns, with such

1 costs reimbursed by the NDT. This type of organization totaled approximately 100
2 people at Maine Yankee and Connecticut Yankee, as explained in the prefiled testimony
3 of Todd Smith. The fully loaded cost to staff the organization in this manner over the 10
4 to 15 years necessary to select and manage a DOC and complete the decommissioning
5 and site restoration work would be \$150 million to \$225 million (approximately \$15
6 million per year based on \$150,000 per employee for 100 employees). This cost will be
7 reimbursed by the NDT and would likely delay the date on which adequate funds would
8 be available in the NDT to support commencement of decommissioning.

9 *Fourth*, NorthStar has made clear that it has no interest in decommissioning the VY
10 Station as a DOC, rather than as an owner. As Mr. Smith explained in his prefiled
11 testimony (Smith PFT 4:4-6:5), performing work as a DOC entails certain risks, such as
12 the risk of contract disputes with the owner, that would not be faced if performing the
13 work as an owner (like NorthStar proposes).

14 *Fifth*, Chuck Schwer of the Agency of Natural Resources has taken the position in his
15 prefiled testimony that the existing MOUs and Commission orders require “all
16 structures,” including for example foundations, no matter how far below grade, to be
17 removed from the site by ENVY. Schwer PFT 10:10-14. As explained in the prefiled
18 rebuttal testimony of Scott E. State (at 33:18-35:19), that assertion is inaccurate. Any
19 requirement to remove all structures on the site, regardless of depth, is not necessary and
20 would greatly increase the projected decommissioning and site restoration costs above
21 the estimate prepared by TLG that assumed the removal of structures to 3 feet below
22 grade. For example, according to Messrs. Brewer and Maret (Exhibit DPS-WKB/GAM-

1 2 at 28), such a requirement could increase costs by \$100 million. That additional cost
2 would require many years of SAFSTOR dormancy to allow the NDT funds to grow
3 sufficiently to cover this additional cost.

4 *Finally*, the delays from all of the preceding factors create the potential for additional
5 risks and uncertainties, including market fluctuations impacting NDT trust fund
6 investment performance, potentially higher waste disposal costs as other decommissioned
7 plants use the capacity of available sites, and unforeseen regulatory changes, which could
8 further delay the start of decommissioning and site restoration by ENVY.

9 **Q7. Do you understand the Four Points Report to indicate that the TLG DCE and the**
10 **NorthStar estimate are directly comparable?**

11 A7. No. In fact, Mr. Brewer testifies that, despite his making a comparison, “[t]his is not to
12 say there is no difference in the Entergy and NorthStar estimates aside from the
13 assumptions discussed.” Brewer PFT 9:21-10:1. That observation is correct. The TLG
14 estimate is based on a proprietary cost estimation model based on industry and project
15 cost estimation methods consistent with good estimation practices utilized for funding
16 assurance to the NRC, which substantially differs from budgetary, project and/or
17 contract-based estimates employed by NorthStar. Another material difference is the
18 decommissioning method NorthStar would pursue, which is fundamentally different from
19 the TLG approach, rendering an “apples-to-apples” comparison impossible. Because of
20 the two very different approaches, the sequence and schedule of tasks differ between the
21 approaches, as do other major variables like the volume of waste to be disposed of off-
22 site. Even more importantly, because the TLG estimate assumes the decommissioning

1 and site restoration work will be performed decades in the future after SAFSTOR
2 dormancy, the estimate is inherently subject to the risk that future regulatory changes and
3 other unforeseeable events may alter the estimate significantly.

4 **Q8. Certain witnesses for the Department of Public Service identify Entergy documents**
5 **that purport to quantify decommissioning risks. Brewer PFT at 17:8-19; Dane PFT**
6 **at 37:6-14 (pagination of confidential version). Did you review this testimony and**
7 **the cited documents?**

8 A8. Yes.

9 **Q9. Do you agree with the interpretation of Messrs. Brewer and Dane of these**
10 **documents?**

11 A9. No. Messrs. Brewer and Dane have misinterpreted these documents and ignored certain
12 relevant factors (such as risks that already have been eliminated or will be eliminated
13 with the approval of this transaction). For instance, Exhibit DPS-WKB-4, reflects certain
14 risks associated with continued ownership absent the proposed transfer, and the resultant
15 placement of the VY Station in SAFSTOR. Certain of the risks in this document as
16 applied to NorthStar (for instance, the risk related to waste disposal costs) have been
17 eliminated already. Mr. Brewer made no effort to assess whether these risks apply
18 equally to the NorthStar approach and, indeed, many of them do not apply at all.
19 Mr. Dane similarly foregoes any assessment of whether the risks identified in Exhibit
20 DPS-DSD-24 apply to NorthStar. The document clearly demonstrates a prudent
21 assessment of risks over the SAFSTOR period, as indicated on the face of the document
22 itself, and thus many of such risks will be mitigated through prompt decommissioning

1 under NorthStar's approach. Indeed, certain of the risks will be eliminated entirely by
2 approval of this transaction and, for instance, the site restoration standards NorthStar has
3 proposed.

4 Finally, Exhibit DPS-WKB-5 does not identify risks associated with the
5 decommissioning of the VY Station, but rather assesses risks associated with the
6 potential failure of the proposed sale of the VY Station to NorthStar. Again, Mr. Brewer
7 has not explained how such risks are relevant following closure of the transaction and,
8 indeed, they are not.

9 **Q10. In his pre-filed testimony, Mr. Dane raises the issue of how Entergy assessed**
10 **NorthStar's financial status pre-recapitalization. Dane PFT 25:5-20 (pagination of**
11 **confidential version). What is your response?**

12 A10. During due diligence, Entergy evaluated the proposed transaction and NorthStar both as a
13 counterparty and as a potential partner for Vermont. Entergy performed a lengthy due
14 diligence involving detailed assessments that stretched well over a year to ensure all
15 aspects were thoroughly vetted. As part of that process, Entergy evaluated NorthStar's
16 credit position, and one document related to that evaluation is reflected in Exhibit DPS-
17 DSD-15. Entergy understood that environmental and decommissioning services
18 companies like NorthStar with the expertise and experience to remediate contaminated
19 sites would not have balance sheets that look like those of a publicly held utility
20 corporation. NorthStar has assembled a qualified team of experts in specialized areas,
21 developed a well thought out project plan, and has strong commitments that provide
22 confidence in its ability to execute. Given these factors, the NDT funds under the

1 NorthStar proposal will be sufficient to complete the decommissioning. In addition, as I
2 stated in an earlier response, NorthStar's parent had committed to providing additional
3 assurances.

4 Further, the Entergy evaluation discussed by Mr. Dane reflected the position of NorthStar
5 Group Services, Inc. before it undertook its recent recapitalization, which has resulted in
6 improved liquidity, a larger undrawn line of credit, an infusion of new equity, and new
7 owners more closely aligned with NorthStar's business purpose, all of which demonstrate
8 NorthStar Group Services, Inc.'s financial security and capacity to provide funding
9 assurances, if necessary, for the VY Station decommissioning.

10 **Q11. Finally, if NorthStar has a \$143 million liability on the promissory note to Entergy**
11 **(specifically to VYARM) and does not recover enough from DOE to repay the**
12 **promissory note, must NorthStar repay the remainder of the promissory note from**
13 **NorthStar's own funds?**

14 A11. Yes.

15 **Q12. Will NorthStar's repayment obligation interfere with the funding available to it to**
16 **complete decommissioning and site restoration of the portions of the site aside from**
17 **the ISFSI and switchyard areas?**

18 A12. No. Entergy committed contractually with NorthStar that, after the DOE proceeds are
19 applied to the loan balance, NorthStar is required to repay any remaining balance on the
20 loan only *after* NorthStar has completed both radiological decommissioning *and* site
21 restoration for the portions of the VY Station site other than the ISFSI and switchyard
22 areas. Section 1.1(g) of the Decommissioning Completion Assurance Agreement,

1 Exhibit B to the MIPA (Attachment A.DPS.JP.1-12.1), requires only “[r]epayment and
2 satisfaction in full of the [VYARM] Note no later than the Partial Site Restoration Date
3 (as defined in Section 2.1(b)).” Section 2.1(b) in turn defines “Partial Site Restoration
4 Date” to mean “[r]elease pursuant to 10 C.F.R. section 50.83 *and completion of Site*
5 *Restoration* of all portions of the Site other than the ISFSI ... on or before the later of
6 December 31, 2030 or the date that is ten (10) years from the date of completion of the
7 ISFSI Expansion” (emphasis added). And Section 11.1(198) of the MIPA defines “Site
8 Restoration” to mean “the activities that will be performed pursuant to the site restoration
9 standards developed pursuant to the Settlement Agreement and in accordance with any
10 other agreement between the Company and the *State of Vermont* (or any political
11 subdivisions thereof) memorializing such standards” (emphasis added).

12 **Q13. Does that conclude your rebuttal testimony?**

13 A13. Yes, at this time.