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 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	)	Docket No. 8880

SUMMARY OF SIXTH SUPPLEMENTAL PREFILED TESTIMONY OF SCOTT E. STATE

Mr. State supplements his testimony regarding the parent support agreement and attaches a supplemental Request for Additional Information ("RAI") response, which was provided to the Nuclear Regulatory Commission ("NRC") on June 28, 2018.

Mr. State sponsors a new exhibit, Exhibit JP-SES-22, which is a copy of the supplemental NRC RAI response.

Mr. State sponsors a second new exhibit, Exhibit JP-SES-23, which is a redline comparison of the updated parent support agreement against the last version submitted to the Public Utility Commission ("PUC").

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<u>FIFTH SUPPLEMENTAL PREFILED TESTIMONY OF SCOTT E. STATE</u>

Q1. Are you the same Scott E. State who previously submitted prefiled testimony and discovery responses in this Docket and who testified at an evidentiary hearing on May 11, 2018?

A1. Yes.

Q2. Please describe the recent history of the draft parent support agreement.

A2. A draft form of parent support agreement was attached to the MOU (Exh. PUC-2 at Attachment 3). After the evidentiary hearing, a revised draft of the parent support agreement was provided to the NRC with NorthStar's responses to the NRC's Requests for Additional Information ("RAI"). Soon thereafter, I provided the RAI response and the revised draft parent support agreement to the PUC as an attachment to my supplemental testimony dated May 23, 2018. I had committed in earlier prefiled testimony to provide the RAI response, and the PUC also made a record request for the RAI response. In my supplemental testimony providing the RAI response and its attachments, I noted that an inadvertent error in the revised draft parent support agreement (a deletion of the Department of Public Service from one provision) would still be corrected, and that there might be additional changes as well.

Q3. Do you have an update to provide concerning the draft parent support agreement?

A3. Yes. On June 28, 2018, as part of a supplemental RAI response to the NRC, NorthStar attached a further revised draft parent support agreement. This draft corrects the inadvertent error noted above and also makes certain other additional changes to address NRC concerns and/or were deemed helpful from NorthStar's perspective to clarify the document. The revised draft is attached as part of Exhibit JP-SES-22 to the instant testimony, and a redline comparison showing changes from the last submission of the parent support agreement to the PUC is attached as Exhibit JP-SES-23.

Q4. You mentioned that the new revised draft parent support agreement is an attachment to a supplemental RAI response to the NRC. Please describe what is covered in the supplemental response.

A4. The full supplemental RAI response is attached as Exhibit JP-SES-22 to the instant testimony. Two points are worth summarizing for the PUC's and the parties' convenience. First, the supplemental RAI response undertakes a revised cash flow analysis reflecting a more conservative scenario using an assumption that taxes on NDT gains are paid all at once prior to transaction closing, rather than over a five-year period after closing. Second, the supplemental RAI response discusses several sources of funding that can be used to support spent fuel management expenses, since, notwithstanding licensees' strong track record of recovery of damages from the Department of Energy ("DOE"), the NRC has traditionally reviewed funding assurance without allowing licensees to assume DOE recoveries.

Q5. What does the conservative analysis mentioned as your first point show?

A5. This revised cash flow analysis reflecting a more conservative scenario shows that the NDT remains adequate to support the NRC license termination component and $20 million of spent fuel management expenses at any one time.

Q6. Does that analysis rely on any funding source beyond the NDT?

A6. Yes. Before explaining this, it is important to note that the NRC does not permit any portion of the SRT to be considered as funding for NRC license termination. Accordingly, while the deal model that NorthStar presented to the PUC and the parties in this docket assumed that $25 million of the SRT would count as funding toward the completion of the project, the NRC does not consider that amount (and therefore NorthStar has not relied on it in prior submissions to the NRC). In the recent revised cash flow analysis reflecting a more conservative scenario, NorthStar does, however, rely on the initially funded $30 million amount in the first escrow account as available for license termination. Because the $25 million that NorthStar had included in its deal model in this docket is approximately the same as the $30 million that NorthStar did not include in its deal model (and instead added, pursuant to the MOU, as a backstop financial assurance for the project), there is no material difference in the frontline (i.e., NDT plus a portion of the SRT) source of funding for the project as it has been presented to the PUC in this docket.

Q7. Turning to your second point, is it acceptable for NorthStar to point to various of the financial assurances required by the MOU as frontline funding for spent fuel management, or, on the other hand, does this convert financial backstops into frontline funding sources?

A7. Yes, it is acceptable for NorthStar to point to various of the financial assurances in the MOU as possible funding sources for spent fuel management, because the analysis is undertaken only under the extreme (and not historically accurate) assumption that NorthStar will recover nothing from DOE for spent fuel management outlays. In fact, Joint Petitioners have presented testimony that NRC licensees recover on average 90% of their spent fuel management outlays. *See* Tr. 5/10/2018 (Twomey) at 75-76. Accordingly, using the assumption in NorthStar's deal model that NorthStar recovers from DOE in line with other NRC licensees historically, there is no need to rely on any financial assurances required by the MOU as frontline funding support for spent fuel management. NorthStar's reference to these assurances in the supplemental RAI response must be taken in the context of the extreme assumption that NorthStar does not recover anything from DOE, and therefore it should cause no concern in this docket.

Q8. Does that conclude your testimony?

A8. Yes, at this time.