

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Joint Petition of NorthStar Decommissioning)
Holdings, LLC, NorthStar Nuclear Decommissioning)
Company, LLC, NorthStar Group Services, Inc., LVI)
Parent Corporation, NorthStar Group Holdings, LLC,)
Entergy Nuclear Vermont Investment Company, LLC,) Docket No. 8880
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)

SUMMARY OF PREFILED SURREBUTTAL TESTIMONY OF BRIAN E. WINN

Director of Finance & Economics Brian Winn discusses the additional information that Joint Petitioners have provided and how that additional information affects the position of the Department of Public Service in this proceeding. Mr. Winn then discusses whether the Joint Petition has satisfied the legal requirements for approval in 30 V.S.A. §§ 107, 231, and 232.

Mr. Winn sponsors the following exhibits:

Exhibit DPS-BEW-6	Letter from Jack D. Parrott, Nuclear Regulatory Commission, to A. Christopher Bakken III, Entergy Nuclear Operations, Inc., Re: Vermont Yankee Nuclear Power Station – Request for Additional Information Regarding the Request for Direct and Indirect License Transfers from Entergy to NorthStar (EPID No. L-2017-LLM-0002) (Oct. 12, 2017, corrected to Nov. 3, 2017)
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PREFILED SURREBUTTAL TESTIMONY OF BRIAN E. WINN

1 **Introduction and Summary of Testimony**

2 Q1. **Please state your name.**

3 A1. My name is Brian E. Winn.

4 Q2. **Are you the same Brian E. Winn who previously submitted prefiled direct testimony**
5 **in this proceeding on August 30, 2017?**

6 A2. Yes.

7 Q3. **What is the focus of your surrebuttal testimony in this case?**

8 A3. The focus of my surrebuttal testimony is to present the views of the Department of Public
9 Service (the “Department”) as to whether the NorthStar proposal and the Joint Petition
10 meet the standards for approval and would promote the general good of the State
11 pursuant to 30 V.S.A. §§ 107, 231, and 232.

1 **NorthStar's Technical and Managerial Competence**

2 Q4. **Have the views of the Department regarding NorthStar's technical and managerial**
3 **competence developed since you prefled your direct testimony?**

4 A4. Yes. The Department now has a better sense of NorthStar's overall decommissioning
5 plan, including the proposed division of work among NorthStar and its teaming partners,
6 and now has more information about the experience and technical expertise of personnel
7 within NorthStar. Based on the information made available by Joint Petitioners, the
8 Department generally believes, subject to the concerns I identify below, that NorthStar
9 has engaged or has expressed sufficiently detailed plans to engage (both internally and
10 through its teaming partners) resources with relevant expertise in the technical and
11 managerial aspects of a commercial reactor decommissioning project.

12 Q5. **Has NorthStar clarified any specific aspects of its proposed decommissioning plan?**

13 A5. Yes. For example, NorthStar has clarified that its deal model and disbursement schedule
14 assume that all rubblized concrete will be removed from the site for disposal, as opposed
15 to being reused on site as fill material. NorthStar has also indicated that it does not plan
16 to use explosives in the course of decommissioning the VY Station.

17 Q6. **How do those clarifications affect the Department's views regarding NorthStar's**
18 **technical and managerial expertise?**

19 A6. The Department previously expressed concerns about the risk of cost overruns related to
20 the use of rubblized concrete as onsite fill. As the Department now understands it,
21 NorthStar will reuse rubblized concrete onsite only (if such reuse is approved) if it can do
22 so more cost-effectively than the current cost estimate in the deal model and

1 disbursement schedule for offsite disposal. That assumption in NorthStar's modeling
2 addresses the Department's concerns regarding related cost overruns.

3 The Department had also expressed concern about the appropriateness of using
4 explosives in the course of decommissioning the VY Station. Mr. State has now testified
5 that NorthStar does not plan to use explosives.

6 **Q7. Would additional information shed further light on NorthStar's technical and**
7 **managerial competence?**

8 A7. Yes. NorthStar has not provided sufficient information to permit full evaluation of its
9 project schedule—including the sequence of site restoration and license termination tasks
10 and the project's critical path—which, in the Department's view, is tied to technical and
11 managerial competence.

12 **Q8. Has NorthStar demonstrated the technical and managerial competence needed to**
13 **determine that the transaction promotes the general good of the State?**

14 A8. In some ways. The Department is generally satisfied, based on the additional information
15 the Joint Petitioners have provided, that the personnel NorthStar proposes to execute its
16 technical proposal have relevant experience and expertise. However, in the absence of
17 detailed schedule information, the Department is unable to fully evaluate the adequacy of
18 NorthStar's planning.

1 **NorthStar's Financial Strength and Soundness**

2 **Q9. What additional financial information has NorthStar provided since you prefiled**
3 **your direct testimony?**

4 A9. NorthStar has provided additional information regarding its capitalization levels and
5 credit capacity following its recent recapitalization. NorthStar also has provided
6 additional information regarding its financial performance this year (post-
7 recapitalization).

8 **Q10. Does that additional financial information affect the Department's view of**
9 **NorthStar's financial strength and soundness?**

10 A10. Not in a way that satisfactorily addresses the questions raised earlier. As Department
11 witness Dan Dane explains in more detail in his surrebuttal testimony, NorthStar has not
12 responded meaningfully to several of the Department's concerns regarding the
13 Company's financial profile and long-term financial health. Although NorthStar's
14 rebuttal testimony pointed to the Company's recapitalization and better-than-expected
15 2017 revenue numbers as reasons for optimism, those developments alone do not change
16 the overall financial profile of the Company. *First*, it is too early to tell whether or, the
17 extent to which the more balanced structure that NorthStar achieved through the
18 recapitalization will be sustained. *Second*, NorthStar's improved performance was
19 attributable in large part to its emergency response business, a business which is,
20 according to the rebuttal testimony of NorthStar's Jeffrey Adix, "inherently less
21 predictable," making it an unreliable indicator of sustainable improvement. Prefiled
22 Rebuttal Testimony of Jeffrey P. Adix at 3:19. Accordingly, NorthStar's recapitalization

1 and recent performance, though incrementally positive, do not resolve the Department's
2 questions and reservations about NorthStar's financial strength and soundness.

3 **Q11. Does the Department have concerns about NorthStar's decommissioning cost**
4 **estimate?**

5 A11. Yes. *First*, as is discussed more fully by Department witnesses Warren Brewer and
6 Gregory Maret in their testimony and expert report, NorthStar has not provided sufficient
7 information concerning how its decommissioning cost estimate accounts for risks of cost
8 overruns related to unknown or changing conditions at the VY Station site, including any
9 plans to conduct appropriate site characterization work. The Department's concerns
10 regarding the lack of information about and attention to those risks remain largely
11 unaddressed.

12 *Second*, NorthStar has not addressed certain specific concerns identified in the prefiled
13 direct testimony of Messrs. Brewer and Maret, and in their expert report. Chief among
14 those issues are the timing of DOE claims and recoveries for spent fuel costs as they are
15 modeled in NorthStar's estimate. Lacking that information, it is not possible to
16 objectively evaluate whether spent fuel management expenditures, and therefore overall
17 project costs, are reasonably estimated.

18 *Third*, in some areas, the Department has *less* information than it had when I and other
19 Department witnesses prepared and prefiled our direct testimony. Mr. State indicated in
20 his deposition and rebuttal testimony that certain tabs of the deal model spreadsheet that
21 included detailed breakdowns of waste disposal costs are no longer operative or accurate.
22 However, that now-obsolete information has not been replaced with current data or

1 figures. Although NorthStar has recently provided information in discovery about the
2 volumes of various waste streams and the disposal rate applicable to each of those
3 streams, those discovery responses do not provide the level of detail that the now-
4 obsolete tabs contained. That missing information prevents the Department and its
5 experts from fully investigating and testing the assumptions in the deal model and
6 disbursement schedule to ensure the overall project cost is reasonably estimated. The
7 discovery responses also raise new concerns. For example, NorthStar appears to be
8 relying on an assumption that significant volumes of waste, beyond concrete and soils,
9 will be disposed of as exempt waste not required to go to a NRC-regulated facility, thus
10 incurring a much lower disposal rate. NorthStar has not provided accompanying detail
11 sufficient to evaluate the reasonableness of the assumption that the lower disposal rate
12 will apply to that broad extent.

13 **Q12. How do the Department's concerns about NorthStar's decommissioning cost**
14 **estimate affect its evaluation of NorthStar's financial strength and soundness?**

15 A12. The information gaps the Department has identified heighten the risk that the
16 decommissioning project costs could exceed NorthStar's estimate, thus putting added
17 stress on the financial assurance mechanisms NorthStar proposes.

18 **Q13. Does the Department have concerns about the financial assurance NorthStar has**
19 **proposed?**

20 A13. Yes; the Department has two overarching concerns. *First*, the Department has questions
21 about the sufficiency of the proposed financial assurances, both in light of Mr. Dane's
22 analysis, and in light of the risks identified by Messrs. Brewer and Maret. *Second*, the

1 Department has concerns about NorthStar’s ability to fully fund the \$125 million support
2 agreement that is a key component of the financial assurance package as it currently
3 stands.

4 **Q14. How could Joint Petitioners address the Department’s concerns regarding the**
5 **proposed package of financial assurances?**

6 A14. Although the Department is hesitant to be overly prescriptive in instructing the Joint
7 Petitioners as to how to craft an acceptable financial package, proposing additional or
8 alternative funding sources could create an overall stronger package to provide assurance
9 that adequate funding exists to complete the VY Station work as proposed by Joint
10 Petitioners. Providing for safeguards on how the financial assurance mechanisms—both
11 existing and new—are monitored and controlled could further strengthen the overall
12 package.

13 **Q15. Why do you recommend alternative funding sources?**

14 A15. In the Department’s view, the funding sources comprising a financial assurance package
15 are as important as its total dollar value. The quality of the source matters. The
16 Department has raised concerns regarding NorthStar’s ability to fully fund the proposed
17 \$125 million support agreement; accordingly, the Department would not view a
18 NorthStar support agreement tied to a higher dollar value as any more protective of the
19 State. It is the Department’s view that a financial assurance package with a number of
20 different funding sources/mechanisms likely offers improved security. First and
21 foremost, the financial assurance mechanism or mechanisms should address the concerns

1 about NorthStar's ability to fund the support agreement, to the extent that agreement
2 remains a part of the package of financial assurances.

3 **Q16. What are the Department's concerns about NorthStar's ability to fund the \$125**
4 **million support agreement?**

5 A16. The Department has a number of concerns regarding the adequacy of NorthStar's \$125
6 support agreement as a form of financial assurance, each of which are discussed in more
7 detail in Mr. Dane's testimony. Those concerns include:

8 1. NorthStar does not presently have funds sufficient to fund the support agreement
9 it if was called on today, nor has it made commitments to set aside such funds;

10 2. Limitations related to NorthStar's existing credit agreement;

11 3. NorthStar's recent balance sheet improvements do not meaningfully alter its
12 overall financial metrics or credit profile; and

13 4. Demands under the support agreement will be controlled by NorthStar entities
14 higher in the corporate structure than NorthStar Vermont Yankee, LLC, and there
15 is no means of enforcing the agreement (as proposed) if NorthStar determines it is
16 against its interests to provide further funds to NorthStar Vermont Yankee, LLC.¹

17 Notably, the Nuclear Regulatory Commission (NRC) also has raised questions about
18 the adequacy of the \$125 million support agreement in recent Requests for Additional
19 Information (RAIs) to NorthStar.²

¹ See Prefiled Rebuttal Testimony of Scott E. State at 13:1-7; Exhibit DPS-DSD-37, Adix Dep. 64:10-17.

² See Letter from Jack D. Parrott, Nuclear Regulatory Commission, to A. Christopher Bakken III, Entergy Nuclear Operations, Inc., Re: Vermont Yankee Nuclear Power Station – Request for Additional Information Regarding the Request for Direct and Indirect License Transfers from Entergy to NorthStar (EPID No. L-2017-LLM-0002) (Oct. 12, 2017, corrected to Nov. 3, 2017), Exhibit DPS-BEW-6, encl. 1, at 3.

1 Q17. **Does the Department have a response to NorthStar’s suggestion that it would**
2 **potentially be willing to place in escrow some portion of the profit premium it would**
3 **recover for completing tasks under budget?**

4 A17. NorthStar has not committed to escrowing contingency/profit funds but suggests that it
5 may be willing to do so. Specifically, NorthStar suggests that a portion of its
6 contingency/profit could be placed in escrow, with a cap on the total amount of the
7 escrow fund—a cap that potentially would decrease over time. The Department believes
8 that escrowing of real, liquid funds, including the so-called contingency/profit funds,
9 would be a step in the right direction and would provide additional assurance about
10 NorthStar’s ability to handle cost overruns or unanticipated site conditions. The
11 Department would encourage NorthStar to commit to escrow as significant a portion of
12 its contingency/profit as it is able, while still maintaining the cash flow and flexibility it
13 needs to complete the work.

14 Q18. **Have the Joint Petitioners demonstrated that NorthStar’s financial strength and**
15 **soundness is such that the transaction promotes the general good of the State?**

16 A18. Not to date. The Department continues to hold the concerns it had at the time I prefiled
17 my direct testimony. However, the Department now has a better sense of NorthStar’s
18 plans, and therefore of how the Joint Petitioners could assuage the Department’s
19 concerns. By providing additional financial assurances, and by addressing the
20 Department’s concerns regarding the existing assurances, the Joint Petitioners could
21 demonstrate that the proposed transaction promotes the general good of the State.

1 **Conclusion**

2 **Q19. Based on the information currently available to the Department, does the proposed**
3 **transaction promote the general good of the State?**

4 A19. As the proposed transaction is currently structured, and based on information made
5 available to date, the Department cannot recommend that the PUC conclude that the
6 proposed transaction would promote the general good of the State of Vermont. The
7 Department's primary remaining concern is with the sufficiency of the package of
8 financial assurances, as detailed above and in the other testimony submitted on behalf of
9 the Department.

10 **Q20. Does that conclude your testimony?**

11 A20. Yes, at this time.