

# Joint Fiscal Office

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## MEMORANDUM

To: Representative Obuchowski, Chair of the Joint Fiscal Committee  
Senator Ann Cummings, Vice Chair of the Joint Fiscal Committee

From: Catherine Benham

Date: April 9, 2009

Subject: Vermont Yankee Current Estimated Contracting Costs

As you know, the legislature has hired consultants to assist in the discussion of renewing Vermont Yankee's operating license. Over the fall and into the session, the work plan has been further developed. In particular, we are now anticipating that the Vermont Yankee discussions will continue through next session. Below is a table laying out current anticipated costs. There is an estimated budget cost, as well as a high estimate. For budgeting purposes I would suggest using the high end and our hope is to come in below this estimate.

### Estimate Legislative Consulting Costs for Vermont Yankee Discussion

	<i>One session work plan</i>		<i>Two session work plan</i>		<i>Difference (high vs fall)</i>	<i>Difference (new: high vs low)</i>
	<i>Summer 2008</i>	<i>Fall 2008</i>	<i>March 2009</i>			
			<b>New Contract (Low)</b>	<b>New Contract (High)</b>		
Synapse + subcontractors	\$ 291,355	\$ 384,294	<b>\$702,575</b>	<b>\$ 995,345</b>	\$ 611,051	\$ 292,770
Richard Saudek		\$ 39,500	\$ 53,500	\$ 53,500	\$ 14,000	\$ -
	\$ 60,000					
VT Law School (Michael Dworkin)		\$ 20,000	\$ 30,000	\$ 30,000	\$ 10,000	\$ -
Other - advertising, video, meeting exp, etc	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ -
Misc meetings, other consultants	\$ 15,000					
<b>TOTAL</b>	<b>\$ 376,355</b>	<b>\$ 453,794</b>	<b>\$796,075</b>	<b>\$1,088,845</b>	<b>\$ 635,051</b>	<b>\$ 292,770</b>

Attached is a memo from Ezra Hausman at Synapse explaining the changes from the earlier workplan.

For comparative purposes the Department of Public Services anticipates FY 2009 expenditures for Vermont Yankee of about \$4 million which is up from a usual level of expenditure of about \$1 million annually.

As always, these budget numbers are subject to change depending on legislative requests.



March 30, 2009

Representative Michael Obuchowski, Chair, Legislative Joint Fiscal Committee  
Senator Anne Cummings, Vice Chair, Joint Fiscal Committee  
Vermont Legislative Joint Fiscal Office  
One Baldwin Street  
Montpelier, Vermont 05633-5301

Dear Representative Obuchowski and Senator Cummings:

With this letter I am submitting an updated budget for Synapse' services in support of the Legislature's deliberations regarding the continued operation of the Vermont Yankee Nuclear Power Station (VY-NPS) after its current license expires in March, 2012. The updated budget includes continuing support for the services of Synapse staff, as well as to cover the costs of the following subcontractors:

- Mr. Bruce Lacy, expert in nuclear operations and management
- Law firm of Stinson Morris, providing legal advice related to federal electricity law, and jurisdictional/preemption issues
- La Capra & Associates, providing modeling support services
- Mr. Michael Wilson, research geologist
- Attorney Richard Scholes, specialist in bankruptcy law

As you are no doubt aware, the scope of services provided by Synapse has expanded significantly since we were first contracted by the Legislature in this matter. For example:

- Our original Scope of Services called for a single full-day briefing for Vermont Legislators; we have since provided several days of appearances before Legislative Committees that were not in the original scope, and we understand that you anticipate these will continue.
- The original contract was anticipated to cover services through the 2009 Session, and you now anticipate continuing to require support for the Legislature through the 2010 Session, as well as for summer committees during 2009.
- We had not anticipated working with the economic analysis team at all, nor subcontracting for (or requiring at all) dispatch modeling services, yet these tasks have grown into a significant and costly part of our work.
- We had expected to rely on Mr. Lacy for limited review of technical materials, yet he has turned out to be an invaluable asset in many areas of nuclear operations,

regulation, and economics and has been relied upon heavily by both Synapse and the Legislature.

- We had not anticipated hiring either a geologist or a specialist in bankruptcy law, but we have since been requested to do both and to include them under our contract with the legislature.

Because of these significant expansions in the scope and schedule of our work, we are requesting a commensurate increase in our budget. The current budget accompanying this letter is predicated on the assumption that the Legislature will continue to require our services into and perhaps through the 2010 session, including service during the summer recess, but no longer than that. It assumes completion of the initial dispatch modeling work and of Synapse' role in the independent economic analyses in May 2009, although some follow-on work for the modeling team is assumed to be required. We assume continued reliance on Mr. Lacy and Stinson Morris, although at a reduced level. We assume a significantly reduced workload during the summer.

Of course, we cannot be sure how this process will proceed and what issues and Committee activities may require additional unanticipated assistance from Synapse. For this reason we have also provided a sample "High Case" budget which would include additional support from Synapse, Mr. Lacy, and Stinson Morris, additional model runs and analysis by La Capra (which would be by specific request from the Legislature,) as well as some additional assistance from Dr. Wilson and Mr. Scholes. We do not anticipate that the total cost through the end of the 2010 Session will exceed or even reach this "High Case" budget.

One important difference between the base and high case budgets is the level of support the Legislature will need toward the end of the 2010 session. It is our understanding that delaying a decision until the end of this session would produce significant hardship and cost for ENVY, because of their scheduled refueling in the Spring of 2010. Many aspects of the refueling process will depend on the expectation for continued operation of the plant going forward, including many details of fuel design and fabrication, maintenance to be performed, and other factors. For ENVY to "keep their options open" until this late date would mean incurring costs in the 10s of millions of dollars, and I would imagine that they will be highly motivated to obtain an answer before this date. This expectation is reflected in the base case budget, while the high case assumes that the process lasts until the end of the 2010 session regardless of the additional costs incurred by ENVY.

Finally, the line item for La Capra & Associates has increased from the original expectation for their services. This reflects additional work for the modeling process because of the "hands-on" approach of our supervisory team, including Synapse, the economic modeling team, and representatives of GMP and CVPS. We have required more detailed review of the model assumptions than would most clients, and have wanted a more direct role in specifying model details. La Capra has shared the cost of this additional review. The current base case estimate includes either additional detailed review of the model, or additional runs and sensitivity tests at the end of the process.

The high case assumes both, and also a larger set of additional runs which require significant changes to the model inputs by la Capra.

As originally agreed, all of the services provided under this contract will be billed on a time and materials basis. Should the Legislature complete its business in this matter sooner than shown in these projections and not require additional services from Synapse or our subcontractors, the total expenditures would reflect that early termination and be significantly lower.

Thank you for your attention to this matter.

Best Regards,

Ezra Hausman

# Attachment A

## Original and Updated Budget Projections

	September 2008 Projected	Actual Through February 2009	March 2009 Projected	March 2009 "High Case"	High-Base Difference
Hausman	\$ 54,000	\$ 79,538	\$ 163,538	\$ 214,538	\$ 51,000
Steinhurst	\$ 79,200	\$ 47,520	\$ 166,320	\$ 223,920	\$ 57,600
Biewald		\$ 1,980	\$ 11,700	\$ 17,640	\$ 5,940
Smith/Mancinelli	\$ -	\$ 37,797	\$ 88,167	\$ 141,297	\$ 53,130
Other Synapse	\$ 80,820	\$ 5,065	\$ 15,450	\$ 16,950	\$ 1,500
Synapse Expenses	\$ 11,675	\$ 3,336	\$ 6,648	\$ 8,448	\$ 1,800
<i>Subcontractors (including overhead):</i>					
Nuclear expert (Lacy)	\$ 20,160	\$ 39,779	\$ 83,768	\$ 154,118	\$ 70,350
Preemption lawyer (Stimson Morr	\$ 45,500	\$ 44,965	\$ 69,263	\$ 95,513	\$ 26,250
Dispatch Modeler (La Capra)		\$ 10,349	\$ 78,821	\$ 91,421	\$ 12,600
Wilson (Geologist)		\$ 10,000	\$ 10,500	\$ 21,000	\$ 10,500
Scholes (Bankruptcy)		\$ 3,754	\$ 8,400	\$ 10,500	\$ 2,100
<b>Total</b>	<b>\$ 291,355</b>	<b>\$ 284,083</b>	<b>\$ 702,575</b>	<b>\$ 995,345</b>	<b>\$ 292,770</b>