

# **VERMONT YANKEE LEGISLATIVE REVIEW**

## **Issues**

### **Decommissioning**

- Responsibility: Entergy Nuclear Vermont Yankee, LLC
- Current Status: Safstor, 60 years after plant closure, no contributions required unless NRC orders
- Possible approaches:
  - Required contributions to build adequate fund by likely shutdown (2032?)
  - Required contributions to build adequate fund in case of earlier shutdown
  - Required guarantees that adequate funds will be there regardless of when shutdown occurs

### **Shared Excess Revenues**

- Potentially very lucrative for Vermont
- Cautions:
  - Depends on power market and the way ENVY sells the plant output.
  - No guarantee that there will be anything to share.
  - 55% vs. 92.5%
- Application of Funds: In the absence of direction from the PSB or the Legislature, they will be applied against retail electric rates.

### **Post- Extension Purchase Power Agreements**

- Uncertain at this time:
  - Don't know if price will be stable or track the market or if it's likely to be below market
  - Don't know quantity
  - Expect it to depend on operation of the plant (if plant is running, power is bought; if it is down, the utilities will buy elsewhere – risk is on utilities)

# OUTLINE OF VERMONT YANKEE TRANSACTIONS

## Abbreviations

VYNPC	Vermont Yankee Nuclear Power Corporation
VYNPS or VY	Vermont Yankee Nuclear Power Station
ENVY	Entergy Nuclear Vermont Yankee, LLC, current plant owner
ENO	Entergy Nuclear Operations Inc., company that operates the plant
CVPS	Central Vermont Public Service Corporation
GMP	Green Mountain Power Corporation
CMP	Central Maine Power Corporation
NEPCO	New England Power Company
CL&P	Connecticut Light and Power Company
PSNH	Public Service Company of New Hampshire
WMEC	Western Massachusetts Electric Company
CELC	Cambridge Electric Light Company
BED	Burlington Electric Department
VEC	Vermont Electric Cooperative, Inc.
WEC	Washington Electric Cooperative, Inc.
LED	Lyndonville Electric Department

## Color Key:

Original Sponsors/Owners that still own shares of VYNPC and purchase power from plant through VYNPC

Original Sponsors/Owners that sold their ownership interests in 2003, but still buy power through VYNPC

Vermont utilities that purchased some VYNPC shares originally belonging to CVPS and GMP and sold them back to VYNPC in Dec. 2001

## **1. Vermont Yankee is Established**

### Original VY Purchasers / “Sponsors” (Since 1966; VYNPS began operations in Dec. 1972)

Total Original Plant Output: Approx. 510 MW

<u>Purchaser</u>	<u>Entitlement Percentage</u>
CVPS	35%
GMP	20%
NEPCO	22.5%
CL&P	9.5%
CMP	4%
PSNH	4%
WMEC	2.5%
CELC	2.5%

These companies had to pay all capital, operating and other costs of VY and had to purchase power from VY at the cost of that power up to their respective shares, through Nov. 30, 2002 -- 30 years after the plant started to operate.

Early in the history of the plant, smaller Vermont companies – **BED, VEC, WEC** and **LED** – became part owners. In total, they owned 6.1 %, which came out of the 55% owned by **CVPS** and **GMP**.

From this time until 2001, when the sale to Entergy was being considered, all of these utilities were sponsors and shareholders of VYNPC, which owned VYNPS, and they purchased power that was generated at VYNPS.

## **2. Power Sales Arrangements are Made with Entergy**

### **Sept. 21, 2001 Power Purchase Agreement: ENVY to Sell to VYNPC**

Parties: ENVY and VYNPC, in anticipation of, and conditioned on, the sale of the VYNPS to ENVY.

VYNPC will buy the full output at the time (about 520 MW) for prices specified for every year to March 2012. The maximum price is set for each year, with \$42 per MWh in 2002 and this year (2009). At the time, this was not viewed as being a low price – after 9/11, power prices slumped. It has turned out to be extremely beneficial, saving many millions of dollars.

When the uprate to about 610 MW takes place, VYNPC buys only the pre-uprate amount (about 520 MW). When power output is reduced, VYNPC takes a proportional share of the output.

### **Sept. 21, 2001 Amended and Restated Additional Power Contract Among the Above Owners/Sponsors/Purchasers**

Parties: VYNPC and the above Purchasers.

VYNPC will resell the VYNPS power to the original Sponsors under Purchase Power Agreements (PPA's) priced to reflect the costs of VYNPC (primarily power costs).

## **3. Small Vermont Utility Owners and Purchasers Sell their Rights**

### **December 6, 2001 Secondary Purchaser Settlement Agreements**

Parties: **CVPS** and **GMP** and **BED, LED, WEC** and other small Vermont utilities (Orleans, Northfield, Stowe, Hardwick)

These publicly- owned utilities were purchasing VY power from **CVPS** and **GMP**. In these contracts, they sold those purchase rights back to **CVPS** and **GMP**.

**and**

## December 19, 2001 Settlement Agreement and Release Among Certain Vermont Utilities

Parties: VYNPC, **BED, VEC, WEC and LED.**

These publicly-owned Vermont utilities owned a total of 6.1% of the VYNPC stock. They opposed the sale to ENVY, both as shareholders and as parties to the PSB review of the Entergy sale. This contract provides that they will have their shares bought by VYNPC for \$230 a share and that they will withdraw from the PSB case to approve the sale.

### **4. “Memorandum of Understanding” Sets Out Terms of Future Transactions**

#### **March 4, 2002 “MOU” – Adopted by the PSB in Order on ENVY purchase of VYNPS**

Parties: VYNPC, ENVY, Department of Public Service, **CVPS** and **GMP**

The MOU included the following provisions:

- a) Sharing of “Excess Revenue” after License Extension

For each of ten years beginning March 13, 2012 [the first day of the operation under the new license], ENVY will share with VYNPC one-half of the revenue on all sales, to the extent that revenue exceeds an average of \$61 per Megawatthour (called the “Strike Price”). The \$61 is adjusted annually to account for the cost of running the plant.

#### SHARING AGREEMENT EXAMPLE

“Strike Price”: \$61.00

Actual average revenues per Megawatthour for the year: \$66.00<sup>1</sup>

If Vermont Yankee operates at an annual capacity factor of 90%, it will generate about 4,800,000 MWh in the course of a year.<sup>2</sup>

If the difference between the average price per MWh for that year is \$5.00 (\$66 – \$61), the total amount of the sharing fund will be \$24,000,000. VYNPC gets ½ of that, or \$12,000,000. If CVPS and GMP are entitled to 92.5% of what VYNPC gets, they get a total of \$11,100,000. If CVPS and GMP get 55%, they get a total of \$6,600,000.

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<sup>1</sup> Over the last two years, the average in the market was up around \$70; recently, it has declined so that it may well be below \$61 for an extended period. By 2012, it may have risen again.

<sup>2</sup> 610 MW X 90% X 8760 hrs in a year = 4,809,240 MWh

NOTE: The Original Sponsors were all still owners of VYNPC at the time of the MOU and its approval by the PSB. The MOU itself provided that ENVY would “share with VYNPC fifty percent of the ‘Excess Revenue’...” In its Order approving the sale to ENVY and the MOU, the PSB said that ENVY “will share 50 percent of the excess revenues with VYNPC *and its Sponsors.*” (Emphasis added)

b) Decommissioning

ENVY will have full responsibility for decommissioning and for providing sufficient funds to complete decommissioning.

c) PSB Jurisdiction Over Extension of License Beyond March 2012

All parties agree that the PSB has the authority to rule on a license extension and ENVY will not challenge that jurisdiction on the grounds of preemption.

**5. Original Sponsors Sell Their Ownership Shares Back to VYNPC**

**October 31, 2003 Agreement for Repurchase of Shares from five Sponsors**

Parties: VYNPC, **NEPCO**, **CELC**, **WMEC**, **PSNH** and **CL&P**.

VYNPC repurchases the shares of VYNPC owned by these original Sponsors, leaving **CVPS**, **GMP** and **CMP** as the owners of shares in the company. No mention of the Sharing Agreement.

# CURRENT OWNERSHIP AND POWER SALES

