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John F. McCann
Vice President, Nuclear Safety,
Emergency Planning and Licensing

ENOC-13-00016

May 6, 2013

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555-0001

SUBJECT: Response to Request for Additional Information Regarding 10 CFR 50.33
Financial Qualification Review
Vermont Yankee Nuclear Power Station
Docket No. 50-271
License No. DPR-28

REFERENCE: 1. Letter, USNRC to Entergy Nuclear Operations, Inc., "Vermont Yankee Nuclear Power Station - Request For Additional Information Regarding 10 CFR 50.33 Financial Qualification Review (TAC No. MF0947)," dated March 20, 2013, Accession No. ML13077A206

Dear Sir or Madam:

By letter dated March 20, 2013, the NRC requested additional information from Entergy Nuclear Operations, Inc. (ENO) regarding 10 CFR 50.33 financial qualifications pertaining to Vermont Yankee Nuclear Power Station (VY). ENO is the operator of VY, and the agent for VY's owner, Entergy Nuclear Vermont Yankee, LLC (ENVY). Enclosure 1 to this letter provides a proprietary version of the information requested by the NRC. A redacted version of this information, suitable for public disclosure, is provided as Enclosure 2 and is labeled "ENVY Financial Projections (Non-Proprietary Version)."

ENO requests that Enclosure 1 be withheld from public disclosure pursuant to 10 CFR 2.390, as described in the Affidavit of John F. McCann, which is also provided.

A001
NRC

This letter contains no new commitments. If you have any questions, please contact Mr. David Mannai, Senior Manager, Nuclear Safety and Licensing, at 802-380-1175.

Sincerely,



JFM / ljs

- Enclosures: 1. Response to Request for Additional Information
2. ENVY Financial Projections (Non-Proprietary Version)

cc: Mr. William M. Dean (w/o Enclosure 1)
Region 1 Administrator
U.S. Nuclear Regulatory Commission
2100 Renaissance Blvd, Suite 100
King of Prussia, PA 19406-2713

Mr. Richard V. Guzman, Project Manager
Division of Operating Reactor Licensing
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Mail Stop O8C2A
Washington, DC 20555

USNRC Resident Inspector (w/o Enclosure 1)
Vermont Yankee Nuclear Power Station
320 Governor Hunt Road
Vernon, VT 05354

Mr. Christopher Recchia (w/o Enclosure 1)
Commissioner
VT Department of Public Service
112 State Street, Drawer 20
Montpelier, VT 05620-2601


Mr. C. Wamser (VY)
Mr. L. Jager Smith (ECH)

Enclosure 1 to this letter contains Confidential and Proprietary Financial Information to be withheld per 10 CFR 2.390. When Enclosure 1 is separated from this document this letter is UNCONTROLLED.

3. Accordingly, ENO requests that the designated document be withheld from public disclosure pursuant to 10 CFR § 2.390(a)(4).

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 6 day of May 2013.



John F. McCann
Vice President - Nuclear Safety,
Emergency Planning and Licensing

Enclosure 1 to this letter contains Confidential and Proprietary Financial Information to be withheld per 10 CFR 2.390. When Enclosure 1 is separated from this document this letter is UNCONTROLLED.

ENVY Financial Projections (Non-Proprietary Version)

**RESPONSE TO REQUEST FOR ADDITIONAL INFORMATION FOR
NRC STAFF EVALUATION OF LICENSEE'S FINANCIAL QUALIFICATION
IN ACCORDANCE WITH 10 CFR 50.33
ENTERGY NUCLEAR OPERATIONS, INC.
VERMONT YANKEE NUCLEAR POWER STATION**

The Nuclear Regulatory Commission staff, in reviewing Securities and Exchange Commission filings of Entergy Corporation, had the following question transmitted by letter dated March 20, 2013, ADAMS Accession No. ML13077A206:

Regulatory Basis

Title 10 of the *Code of Federal Regulations* (10 CFR) Section 50.33(f) states:

Except for an electric utility applicant for a license to operate a utilization facility of the type described in § 50.21 (b) or § 50.22, information sufficient to demonstrate to the Commission the financial qualification of the applicant to carry out, in accordance with regulations in this chapter, the activities for which the permit or license is sought.

Vermont Yankee Nuclear Power Station (Vermont Yankee) does not meet the definition of an electric utility per 10 CFR 50.2.

Per the guidance in NUREG-1577, Revision 1, "Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance" (Agencywide Documents Access and Management System (ADAMS) Accession no. ML013330264), the NRC does not systematically review its power reactor licensees once it has issued an operating license, other than for transfers discussed in Section 111.1.e. However, section 50.33(f)(5) states:

The Commission may request an established entity or newly-formed entity to submit additional or more detailed information respecting its financial arrangements and status of funds if the Commission considers this information to be appropriate. This may include information regarding a licensee's ability to continue the conduct of the activities authorized by the license and to decommission the facility.

The NRC has used this provision only in limited situations and normally will not require licensees, including those that are not "electric utilities," to report on their financial qualifications at specified intervals. However, reviewers have and will continue to conduct

ENVY Financial Projections (Non-Proprietary Version)

general follow-up reviews of all licensees by screening trade and financial press reports, and other sources of information. Reviewers will use this information to determine whether to recommend any additional NRC action, including requests for additional information and the assignment of additional inspection resources to monitor the adequacy of plant safety performance.

Vermont Yankee Impairment

Vermont Yankee's quarterly 10-Q filing to the U.S. Securities and Exchange Commission (SEC) on November 6, 2012, which was posted on the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system (and captured in the ADAMS at Accession no. ML 13072A156) stated the following:

Impairment

Because of the uncertainty regarding the continued operation of Vermont Yankee, Entergy has tested the recoverability of the plant and related assets each quarter since the first quarter 2010. The determination of recoverability is based on the probability-weighted undiscounted net cash flows expected to be generated by the plant and related assets. Projected net cash flows primarily depend on the status of the pending legal and state regulatory matters, as well as projections of future revenues and expenses over the remaining life of the plant. Prior to the first quarter 2012, the probability-weighted undiscounted net cash flows exceeded the carrying value of the Vermont Yankee plant and related assets. The decline, however, in the overall energy market and the projected forward prices of power as of March 31, 2012, which are significant inputs in the determination of net cash flows, resulted in the probability-weighted undiscounted future cash flows being less than the asset group's carrying value. Entergy performed a fair value analysis based on the income approach, a discounted cash flow method, to determine the amount of impairment. The estimated fair value of the plant and related assets at March 31, 2012 was \$162.0 million, while the carrying value was \$517.5 million. Therefore, the assets were written down to their fair value and an impairment charge of \$355.5 million (\$223.5 million after-tax) was recognized.

Because an impairment is an indication that there has been a change in the cashflow and/or revenues generated by Vermont Yankee as determined by the company through periodic assessments, the NRC staff requires further information to insure that the licensee is meeting NRC requirements for financial qualifications.

RAI-1

Please provide updated proformas for the operations and maintenance and cashflow for Vermont Yankee for the period of 2013-2018.

ENVY Financial Projections (Non-Proprietary Version)

RESPONSE:

Provided below are income statement figures for Entergy Nuclear Vermont Yankee, LLC (ENVY). Information for 2013 through 2017 is based on a February 2013 present estimate, and is subject to change. Historical data from 2008 through 2012 are also provided.

Entergy Nuclear Vermont Yankee, LLC -- Income Statements (2008-2017)

Dollars in Thousands

Forecast as of February 2013

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vermont Yankee MDC	605	605	605	605	605	605	605	605	605	605

Projected Capacity Factor

Average Contract Price \$/MWh

Average Market Price \$/MWh

Power Sales - Contract

Power Sales - Market

Total Revenue

Operation & Maintenance

O&M

Outage

Fuel

Plant Depreciation

Other

Interest Income

Interest Expense

Decommissioning

Other

Total Operating Expenses

Operating Profit

Income Taxes

Net Income

Totals may not foot because of rounding. 2012 O&M expense includes the \$355.5 million non-cash impairment charge noted in this RAI.

ENVY Financial Projections (Non-Proprietary Version)

Provided below are cash flow figures for ENVY. Information for 2013 through 2017 is based on a February 2013 projection. Historical data from 2008 through 2012 are also provided.

Entergy Nuclear Vermont Yankee, LLC -- Cash Flow Statements (2008-2017)

Dollars in Thousands

Forecast as of February 2013

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
OPERATING ACTIVITIES										
Net Income										
Non-Cash Items Included in Net Income:										
Depreciation, Amortization, Decom. and Deferred Income Taxes										
Other										
Net cash flow provided / (used in) operating activities										
INVESTING ACTIVITIES										
Construction Expenditures										
Nuclear fuel purchases										
Decom. Trust Contrib. and Realized Change in Trust Assets										
Proceeds from Sale of Switchyard										
Investment in Texas Compact										
Proceeds from DOE Spent Nuclear Fuel Litigations										
Net cash flow provided / (used in) investing activities										
FINANCING ACTIVITIES										
Proceeds from issuance of:										
Long Term Debt										
Common Stock										
Retirement of:										
Long Term Debt										
Advances (To) / From Parent/Associated Companies										
Net cash flow provided / (used) by financing activities										

Totals may not foot because of rounding.

ENVY Financial Projections (Non-Proprietary Version)

Provided below are Balance sheet figures for ENVY. Information for 2013 through 2017 is based on a February 2013 projection. Historical data from 2008 through 2012 are also provided.

Entergy Nuclear Vermont Yankee, LLC -- Balance Sheets (2008-2017)

Dollars in Thousands

Forecast as of February 2013

Projected Balance as of December 31

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ASSETS:										
Cash										
Accounts Receivable										
Fuel										
Inventory										
Notes Receivable										
Net Plant										
Decommissioning Trust Funds										
Other Deferred Assets										
Prepayments & Other										
Total Assets										
LIABILITIES:										
Accounts Payable										
Accum. Def. Income Taxes										
Accrued Pension Liability										
Notes Payable										
Decommissioning Liability										
Other Liabilities										
Total Liabilities										
EQUITY:										
Member's Interest										
Retained Earnings										
Accumulated Other Comprehensive Income										
Treasury Stock										
Total Equity										
Total Liabilities & Equity										

Totals may not foot because of rounding.

ENO notes that ENVY has in place two credit support agreements available to provide funds to ENVY for expenses and obligations to safely operate and maintain Vermont Yankee. One of these credit agreements is provided by Entergy International Holdings LTD LLC in the amount of \$35 million. The other credit agreement is provided by Entergy Global Investments, Inc., also in the amount of \$35 million.

These two credit agreements have been discussed by the NRC in its Safety Evaluation Report concerning the transfer of the Vermont Yankee license to ENVY, at page 5, dated May 17, 2002, available at ADAMS Accession No. ML020390198.