STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7404

Petition of Entergy Nuclear Vermont Yankee,	)
LLC, and Entergy Nuclear Operations, Inc., for	)
Approval of an Indirect Transfer of Control of	)
Each Company, Consent to Pledge Assets,	)
Guarantees and Assignment of Contracts by	)
Entergy Nuclear Vermont Yankee, LLC, and	)
Amendment to the CPG of Entergy Nuclear	)
Operations, Inc. to Reflect a Name Change,	)
Replacement of $60 Million Guarantee with $60	)
Million Letter of Credit and Substitution of $700	)
Million Support Agreement for Two Inter-	)
Company Credit Facilities	)

REDACTED VERSION

PREFILED DIRECT TESTIMONY OF
SETH G. PARKER
ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVICE

May 29, 2008

Summary: The purpose of Mr. Parker's testimony is to evaluate the financial issues of Entergy Corp.'s proposed restructuring of its merchant nuclear generating assets to determine if the transaction will promote the public good of Vermont residents.

PREFILED DIRECT TESTIMONY OF
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ON BEHALF OF

THE VERMONT DEPARTMENT OF PUBLIC SERVICE

May 29, 2008

Q: Please state your name, occupation, and business address.

A: My name is Seth G. Parker. I am a Vice-President and a Principal of Levitan & Associates, Inc. ("LAI"), a management consulting firm specializing in the power and fuels markets. I joined LAI in 1998. LAI is located at 100 Summer Street, Suite 3200, Boston, MA, 02110.

Q: Please describe LAI's business.

A: Since its founding in 1989, LAI has conducted numerous assignments in New England as well as in other markets throughout the U.S. and Canada. These assignments have encompassed diverse matters pertaining to price forecasts, competitive power market design, generating asset valuation, bulk power security, power and fuel procurements, contract structures, gas supply / storage / transmission, fuel infrastructure, and risk management. LAI's clients include utilities, power and gas suppliers, Independent System Operators ("ISOs"), end-users, state regulatory commissions, and financial institutions.

Q: Mr. Parker, on whose behalf are you testifying in this proceeding?

A: My testimony is presented on behalf of The State of Vermont Department of Public Service ("DPS").

Q: What is the purpose of your testimony at this time?

A: LAI was retained by the DPS to determine whether Entergy Corp.'s proposed restructuring of its merchant nuclear generating assets will promote the public good of Vermont residents. My testimony will address the financial issues involved in the proposed transaction, including (i) the intended credit rating of Enexus Energy, the proposed new corporate owner of EN Vermont Yankee, (ii) other measures of Enexus Energy's financial strength, and (iii) financial considerations for approval by the Nuclear Regulatory Commission ("NRC"). My testimony also addresses the claimed strategic, operational, and financial benefits of the proposed transaction, and the overall impact on Vermont residents. Mr. Charles W. Adey, a staff consultant of D.L. English Consulting, Inc., LAI's subcontractor for this assignment, will address the technical and operational issues involved in the proposed transaction.

Q: Please summarize your professional background and experience.

A: I am an economic and financial manager with an international background in power and fuel project development, evaluation, financing, and transactions. I have been responsible for modeling and analyses of independent and utility-owned projects, as well as market design, regulatory policy, contract restructuring, power economics, and asset valuation assignments. One of my assignments was to estimate the market value of Entergy Corp.'s Indian Point nuclear power station in New York, taking into account power market conditions, relicensing requirements, operational issues, decommissioning funding, spent fuel management, local economic impacts, and other valuation factors. My colleagues and I identified a range of repowering, new generation, and transmission replacement power alternatives, and estimated their costs and rate impacts. That assignment was performed for the County of Westchester and its Public Utility Service Agency.

Prior to joining LAI, I worked as a consultant and officer of Stone & Webster Management Consultants, Inc., where I was responsible for due diligence and market reviews of many proposed power, fuel, and infrastructure projects in the U.S. and abroad. This work was conducted for commercial banks, investment banks, multilateral lending agencies, and other financial institutions. I have also worked in the Treasurer's Office at Pacific Gas & Electric, and have been involved in project development and financing activities at ThermoElectron Energy Systems and J. Makowski Associates, Inc.

My educational background includes an Sc.B. in Applied Mathematics / Economics from Brown University, and an M.B.A. in Finance / Operation Research from the Wharton Graduate School at the University of Pennsylvania. I have taught undergraduate-level finance as an adjunct faculty lecturer, and have taken additional course work in Basic Gas Turbine Technology and International Political Economics. My resume is provided as Exhibit DPS-SGP-1 to this testimony.

Q: Have you previously presented testimony or served as an expert witness?

A: Yes, I have (i) provided expert reports and participated in technical conferences at the Federal Energy Regulatory Commission ("FERC"), (ii) provided expert reports and testified in U.S. District Court and before the Connecticut Department of Public Utility Control, and (iii) provided expert reports and testimony in other venues. A list of my expert reports and testimony is provided in my resume.

Q: Do you or LAI have any financial interest in the outcome of this matter?

A: Neither LAI nor I have any direct financial interest (i) in Entergy Corp. or any related companies or (ii) in the outcome of the proposed restructuring.

Q: Have you testified previously before the Public Service Board?

A: No, I have not.

Standards of Review

Q: What are the standards that you have used to assess this proposed transaction?

A: I have relied on Vermont law that requires the Public Service Board to decide whether the proposed restructuring will promote the public good, including issues of financial stability and soundness, operational efficiencies, and economic benefits for Vermont ratepayers.

Summary of Testimony

Q: Please summarize your testimony in this matter.

A: My testimony presents my findings and recommendations concerning the financial strength and credit worthiness of Enexus Energy, the new company that will own EN Vermont Yankee and the other merchant nuclear generating plants. My findings can be summarized as follows:

- Entergy Corp., the current owner of EN Vermont Yankee and the other merchant nuclear generating plants, intends to establish Enexus Energy with a credit rating in the BB range according to Wanda C. Curry's Prefiled Testimony filed with the Public Service Board. Ms. Curry's Prefiled Testimony supports the petition of Entergy Nuclear Vermont Yankee ("EVY") and Entergy Nuclear Operations, Inc. ("ENO" and collectively the "Petitioners").
- The intended credit rating of Enexus Energy is significantly below the BBB/Baa3 investment-grade credit rating of Entergy Corp. In addition, Enexus Energy will have a smaller asset base, fewer revenues, and lower net income compared to Entergy Corp.
- The justification for selecting a credit rating in the BB range is based on a cohort group of exempt wholesale generators ("EWGs") that own and operate merchant generation plants with lower credit ratings. However, those credit ratings reflect the poor financial condition of these EWGs due to poor business decisions and unfavorable market conditions over the past few years. On the

other hand, almost all of the owners of nuclear power plants have investment-grade ratings.

- The NRC will have to approve the transaction, and will consider financial information in its approval process. If Enexus Energy were to have an investment-grade credit rating, the NRC will find the company "financially qualified" under its own regulations. If Enexus Energy will not have an investment-grade credit rating, the NRC will require additional financial information.
- Entergy Corp.'s five year financial projection of Enexus Energy indicates that EVY **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxx **End Confidential Information** If EVY remained a subsidiary of Entergy Corp., its projected financial condition would probably not change materially.
- Ms. Curry's assertion in her Prefiled Testimony that the $60 million letter of credit, which will replace an existing $60 million guaranty from Entergy Corp., "will be available to fund six months of VY Station costs" appears to be inconsistent with the five year financial projections.
- The "strategic, operational, and financial benefits" of the proposed restructuring transaction claimed by Ms. Curry in her Prefiled Testimony will accrue primarily to Enexus Energy and its shareholders, and not to Vermont residents. Some of these claimed benefits may actually pose additional risks to Vermont residents.

Q: What are your conclusions and recommendations in this matter?

A: My conclusions and recommendations are as follows:

- I am concerned that Enexus Energy will have insufficient financial ability to withstand adverse market changes, weather poor plant performance, or fund unexpected capital expenditures under the intended capitalization strategy.
- The EWG credit ratings that Entergy Corp. has relied upon to determine the capitalization strategy for Enexus Energy are inappropriate, and an investment-grade corporate credit rating would be preferable.
- The NRC regulations regarding its approval of the proposed transaction, as well as provisions in the Master Decommissioning Trust Agreement, support my conviction that a nuclear plant owner should be financially strong as evidenced, for example, by an investment-grade credit rating.
- **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxx **End Confidential Information** There are ways that Entergy Corp. could improve the financial strength of Enexus Energy within the planned transaction structure, perhaps sufficient to merit an investment-grade credit rating.
- The Power Purchase Agreement ("PPA") between EVY and the Vermont Yankee Nuclear Power Corporation, which expires at the end of the existing NRC operating license on March 21, 2012, should not be affected by the proposed transaction.

- I recommend that the Petitioners support their assertion that the proposed $60 million Letter of Credit will be sufficient to fund six months of Vermont Yankee costs after permanent shutdown.
- At this point I believe that the drawbacks of the transaction outweigh the benefits to Vermont residents, and recommend that the Petitioners demonstrate tangible benefits for Vermont residents.

Credit Rating of Enexus Energy

Q: What is the expected credit rating of Enexus Energy, the company that Entergy Corp. will establish to own the merchant nuclear plants, including EN Vermont Yankee?

A: Entergy Corp. intends to have Enexus Energy issue $4.5 billion of Senior Notes and enter into various credit facilities. According to Wanda C. Curry's Prefiled Testimony filed with the Public Service Board, Enexus Energy is expected to have a corporate credit rating in the BB range.

Q: What is a corporate credit rating, and who are the key credit rating agencies?

A: A credit rating is a system of rating the ability of a borrower to repay its debt and other obligations. The key credit rating agencies are Standard & Poor's ("S&P"), Moody's Investors Service ("Moody's"), and Fitch Investment Services ("Fitch"). A rating can be for a corporate issuer or for a particular debt issuance.

Q: How do credit rating agencies determine an issuer's credit rating?

A: In general, credit rating agencies maintain extensive historical databases of financial ratios and indicators relative to the success or failure of issuers to pay their obligations. The agencies develop projections of an issuer's revenues, expenses, funds from operations, and earnings, and develop financial ratios and indicators that measure the issuer's ability to meet its debt and other fixed obligations under a variety of economic scenarios. The agencies then utilize the historical database to assess the likelihood of the issuer's ability to meet its fixed obligations in the future and assign credit ratings that reflect any risk of the issuer not being able to meet its fixed obligations.

Q: How does S&P define its issuer credit ratings?

A: According to S&P's Corporate Credit Ratings Criteria 2006, an issuer credit rating is "an opinion of the obligor's overall capacity to meet its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. The opinion is not specific to any particular financial obligation, because it does not take into account the specific nature or provisions of any particular obligation. Issuer credit ratings do not take into account statutory or regulatory preferences, nor do they take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement that may pertain to a specific obligation."

Q: What is the difference between "investment-grade" credit ratings and "speculative grade" credit ratings?

A: Investment-grade credit ratings are viewed as safer and more prudent by investors and lenders. S&P credit ratings from AAA to BBB are considered to be investment-grade, and from BB to C speculative grade. Moody's credit ratings from Aaa to Baa are considered to be investment-grade, and from Baa to C speculative grade. According to S&P, issuers with speculative credit ratings "are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions."

Q: What is the corporate credit rating of Entergy Corp?

A: Entergy Corp. has an issuer credit rating of BBB from S&P, Baa3 from Moody's, and BBB- from Fitch. These are all investment-grade credit ratings.

Q: What are the corporate credit ratings of other owners of nuclear power plants?

A: Almost all of the owners of nuclear power plants that we have been able to research have investment-grade corporate or issuer credit ratings. I have prepared the following table of nuclear plant owners, the size of their nuclear generation assets, and their corporate or issuer credit ratings. Company names in parenthesis are the parent companies of the nuclear plant operators. In cases where there are multiple plant owners, we obtained credit ratings for the first companies listed that have the largest ownership share. We obtained credit rating data for most of the companies from Bloomberg LP, and where necessary obtained credit ratings for the other companies from 2007 SEC Form 10-K reports. In cases where the S&P corporate credit ratings were not provided, we notched up the S&P senior unsecured long-term debt ratings one level to estimate the corporate ratings. This is a common practice, and would not apply to credit ratings by Moody's.

Plant Operator (Owner)	MW	S&P	Moody's	Fitch
Exelon Generation Co., LLC	17,161	BBB+	A3	BBB+
Entergy Nuclear Operations, Inc.	9,578	BBB	Baa3	BBB-
Duke Energy Power Company, LLC	6,996	A-	Baa2	
Dominion Generation (Dominion Resources, Inc.)	5,979	A	Baa2	
Southern Nuclear Operating Co., Inc. (Southern Company)	5,696	A	Baa1	
Tennessee Valley Authority	6,677	AAA	Aaa	
Florida Power & Light Co.	4,784	A	A1	A
Constellation Energy	3,825	BBB+	Baa1	BBB+
FirstEnergy Nuclear Operating Co. (FirstEnergy Corp.)	3,769	BBB	Baa3	BBB
Arizona Public Service Co.	3,733	BBB-	Baa2	BBB-
PSE&G Nuclear (PSEG Power LLC)	3,237	BBB	Baa1	BBB+
Progress Energy	4,127	BBB+	Baa2	BBB
STP Nuclear Operating Co. (NRG Texas LLC / CPS Energy / Austin Energy)	2,502	B+	Ba3	B
TXU Generating Company LP (Energy Future Holdings Corp.)	2,300	B	B3	
PPL Susquehanna, LLC (PPL Corporation)	2,216	BBB+	Baa2	BBB
Pacific Gas & Electric Co.	2,174	BBB+	A3	BBB+
Southern California Edison Co.	2,150	A+	A2	
Indiana/Michigan Power Co.	2,060	BBB	Baa2	BBB
Nuclear Management Co. (Xcel Energy)	1,618	BBB+	Baa1	
Wolf Creek Nuclear Operating Corp. (Kansas City Power & Light / Kansas Gas & Electric / Kansas Electric Power Cooperative)	1,165	BBB+ / BBB-	A3 / Baa3	
Ameren UE	1,125	BBB-	Baa2	BBB+
Energy Northwest	1,107	AA	Aaa	
Detroit Edison Co.	1,089	BBB	Baa1	BBB
FPL Energy Point Beach, LLC (FLP Group Inc)	1,030	A	A2	A
South Carolina Electric & Gas Co. (SCANA Corporation)	966	A-	Baa1	
Nebraska Public Power District	764	A+	A1	
Omaha Public Power District	478	AA+	Aa1	

The exceptions to these investment-grade credit ratings are TXU, now known as Energy Future Holdings Company and NRG Energy. TXU has had a number of problems stemming from bad overseas investments, competitive pressures here in the US, and other business challenges. TXU was downgraded below investment-grade in June 2005, and was further downgraded in 2007 as a result of a leveraged buyout that loaded the company up with significant amounts of debt. NRG Energy was downgraded below investment-grade in 2002 due to highly leveraged merchant power plant investments that suffered from low power prices and high fuel costs in the U.S. and overseas. NRG experienced liquidity problems and filed for bankruptcy in May 2003. NRG Energy emerged from bankruptcy in December 2003 and is still in the process of returning to financial health.

Q: What is the advantage of having an investment-grade credit rating?

A: There are many financial institutions, funds, and other investors that are restricted to investment-grade securities. Debt that has an investment-grade rating or is issued by an issuer with an investment-grade rating has (i) a broader market with more potential purchasers and (ii) has lower costs in terms of interest rate compared to ratings below investment-grade, which are referred to as "speculative grade" credit ratings. For example, the Federal Reserve Board has restrictions for its bank members of the Federal Reserve System that purchase debt securities below investment-grade, and the Federal Home Loan Bank System prohibits federally chartered savings and loan associations from purchasing debt securities below investment-grade. The State of Vermont has restrictions on purchases of securities below investment-grade for state-chartered insurers.

Another example that illustrates the advantage of having an investment-grade credit rating is the Master Decommissioning Trust Agreement of July 31, 2002, between EVY and Mellon Bank, the trustee for the Vermont Yankee decommissioning trust fund (Attachment A.DPS-EN2-22.1 and provided as Exhibit DPS-SGP-2). The purpose of the Master Trust "is to accumulate and hold funds for the contemplated Decommissioning of the Station…" According to Exhibit A, Permitted Investments, of this Agreement, "permitted investments…shall be any investments in Investment-Grade Securities…" as well as in "market indexes or other non-nuclear sector mutual funds…"

Q: How does S&P describe the credit quality of an issuer with a credit rating in the BB range, the credit rating that Enexus Energy intends to have under the proposed reorganization?

A: While an issuer rated BB is less vulnerable in the near term than other issuers with speculative ratings, "it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments" according to S&P's Rating Definitions in its Corporate Ratings Criteria 2006.

Q: How does Moody's describe the credit quality of an issuer with a Ba credit rating, which is equivalent to a BB rating from S&P?

A: According to Moody's Rating Symbols & Definitions, published in March 2008, "Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk."

Q: Did Standard & Poor's ("S&P") confirm the expected BB credit rating of Enexus Energy?

A: S&P provided a Rating Evaluation Service for Entergy Corp. in October 2007 (provided as Exhibit DPS-SGP-3 (CONFIDENTIAL) that is the response provided by Entergy to DPS.EN2-28.7) in which it provided a preliminary credit rating evaluation for Entergy Corp. and NuclearCo. (a previous name for Enexus Energy) under two scenarios: **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxr **End Confidential Information**

Q: Did S&P explain its rationale for assigning a **Begin Confidential Information** xxxxxxxxxxx **End Confidential Information** corporate credit rating of NuclearCo. under Scenario 1?

A: Yes, S&P identified the following risk factors in explaining its rationale for its preliminary corporate credit rating assignment of NuclearCo., the then-current name for Enexus Energy, under Scenario 1: **Begin Confidential Information**

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Although S&P identified factors that would mitigate those risks, the net result was a **Begin Confidential Information** xxxxx**End Confidential Information** credit rating for NuclearCo. on a preliminary basis.

Q: What is the meaning of a "-" at the end of an S&P credit rating score?

A: S&P may determine that an issuer or specific debt issuance is at the high or low end of any particular rating category, and uses a "+" or "-"sign to indicate that respective designation. A "-" sign after the rating means it is at the lower end of the given letter designation. For example, an AA- means it is at the lower end of the AA range.

Q: Did Entergy Corp. receive any other preliminary credit ratings for Enexus Energy?

A: Yes, Entergy received a Rating Assessment from Moody's (provided as Exhibit DPS-SGP-4 (CONFIDENTIAL) that is Entergy's response to DPS.EN2-28.6) in which it provided a preliminary credit rating evaluation for Entergy Corp. and Entergy Nuclear under the same two scenarios as with S&P: **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx**End Confidential Information.** In the Rating Assessment, Moody's provided a preliminary corporate credit rating for Enexus Energy as shown in the following summary table: **Begin Confidential Information**

Issuer	Financing and Spin-off	Financing
Entergy Nuclear	xxxxxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxxx
Entergy Corporation	xxxxxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxxx

*Corporate Family Rating
End Confidential Information

Q: Did Moody's explain its rationale for assigning a **Begin Confidential Information** xxxx**End Confidential Information** corporate credit rating of Entergy Nuclear under the spin-off scenario?

A: Yes, Moody's identified a number or factors to explain its credit rating determination that were similar, if not identical, to the factors identified by S&P.

Q: What do the numbers mean in a Moody's credit rating?

A: As with S&P, Moody's may determine that an issuer or specific debt issuance is at the high or low end of any particular rating category, and uses numerical modifiers, 1, 2, and 3, to indicate that respective designation. A "3" indicates that it is in the low end of Moody's range for that rating category.

Financial Strength of Enexus Energy

Q: Will Enexus Energy have sufficient financial strength as an owner of six merchant nuclear plants?

A: I believe the credit ratings that have been assigned on a preliminary basis by S&P and Moody's are good indications that Enexus Energy will have limited financial ability to address risks having to do with adverse changes in the power and fuels market, poor plant performance that reduces the revenues from the six merchant nuclear generating plants, or to fund unexpected capital expenditures required for the safe and efficient operation of those plants.

Q: Do you have other concerns about the financial ability of Enexus Energy to address those risks?

A: Yes. Entergy Corp. is a large integrated utility holding company with two broad businesses. Its utility businesses generate, transmit, distribute, and sell electric power in a four-state service territory that includes portions of Arkansas, Mississippi, Texas, and Louisiana. Its utility business also includes a small natural gas distribution utility. Its non-utility business owns and operates six merchant nuclear power plants, and also provides services to other nuclear power plant owners. According to its most recent Annual Report, Entergy Corp. had operating revenues of $11.5 billion and net income of $1.1 billion in 2007. As of year-end 2007, Entergy Corp. had total assets of $33.6 billion, and total equity of $7.9 billion. After the proposed transaction, Enexus Energy will be much smaller than Entergy Corp. in terms of revenues, net income, assets, and net equity. In addition, Enexus Energy will not have the diversity of business operations that Entergy Corp. has, and will not have any of the regulatory protection that many of those businesses enjoy.

Q: How will the revenues and net income of Enexus Energy compare to Entergy Corp?

A: According to a five year (2008-2012) financial projection developed by Entergy Corp. (Attachments A.DPS:EN.1-9.1 and A.DPS:EN.2-43 and provided as Exhibit DPS-SGP-5 (CONFIDENTIAL) and Exhibit DPS-SGP-6 (CONFIDENTIAL), respectively), Enexus Energy will have **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx **End Confidential Information.** After accounting for the spin-off of the six merchant nuclear generating plants, Enexus Energy will have **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxrx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx**End Confidential Information**

Q: How will the total assets and total equity of Enexus Energy compare to Entergy Corp?

A: According to those same financial projections developed by Entergy Corp., Enexus Energy will have **Begin Confidential Information** xxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx**End Confidential Information.** After accounting for the spin-off of the six merchant nuclear generating plants, Enexus Energy will have **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxx**End Confidential Information**

Q: In addition to **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx, **End Confidential Information** are you concerned with any other aspect of Enexus Energy's projected balance sheet?

A: Yes. During those five years I see that **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx**End Confidential Information.**

Q: Are there positive financial considerations in the proposed restructuring for Vermont ratepayers?

A: Yes, Entergy Corp. intends to replace an existing $60 million guaranty from Entergy Corp. to Entergy Vermont Yankee ("Entergy VY") with a $60 million Letter of Credit with a third party. Entergy Corp. also intends to replace two credit agreements between Entergy Corp. subsidiaries and Entergy VY with a $700 million Support Agreement between Enexus Energy and the six merchant nuclear generation companies.

Q: Do you consider the financial aspects of the transaction, including the proposed Letter of Credit and Support Agreement, to be adequate from the perspective of Vermont ratepayers?

A: I have not yet completed my analysis of the entire proposed restructuring transaction, and certain documents may not yet be in final form. Moreover, I intend to review responses to my testimony from EVY, ENO, and others. At this point I note that the $60 million Letter of Credit will be with a third party that will have an A/A credit rating or better, which I view positively in light of Entergy Corp.'s credit ratings of BBB/Baa3, provided that EVY's ability to draw upon the Letter of Credit is at least equivalent to the existing guaranty. At the same time, I note that the $700 million Support Agreement relies on the financial strength of Enexus Energy, which is expected to have a credit rating in the BB range and may not have the ability to address all of the operating and market risks previously identified.

Q: Have conditions in the credit market changed over the past few months, and would any such changes affect the proposed transaction?

A: The credit market has deteriorated over the past few months due to bank write-offs related to mortgage and structured securities. In the Response of EVY and ENO to the DPS's Second Round of Information Requests (Response A.DPS:EN.2-38 and provided as Exhibit DPS-SGP-7), Entergy Corp. recognized that "Market conditions have changed since the announcement of the transaction in November. However, Entergy is still confident that it will be able to execute the proposed transaction in the financial markets." If the interest rate of the proposed debt increases due to these changes, then the debt service obligation will be higher for the originally intended debt amount of $4.5 billion. In that case, the corporate credit ratings could be lower due to poorer debt service coverage and similar financial ratios. Alternatively, Enexus Energy could issue less debt to maintain the same debt service coverage and similar financial ratios consistent with the originally intended corporate credit ratings.

Financial Strength of Entergy Nuclear Vermont Yankee

Q: What is the financial outlook for EVY?

A: According to the Projected Income Statement in the five year financial projection previously mentioned, **Begin Confidential Information** xxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxx **End Confidential Information** EVY's revenues are determined by its output, its capacity factor, and the contract price established in the PPA. The PPA sub-purchasers include Central Vermont Public Service Corporation (35% share) and Green Mountain Power Corporation (20% share). EVY's operating expense categories include O&M, administrative, and other expenses. While certain expenses would be different if EVY remained a subsidiary of Entergy Corp., as explained below, it is likely that its projected financial condition would not change materially under the proposed restructuring.

Q: Will the PPA be affected by the proposed restructuring transaction?

A: No. In its response to Q.DPS:EN.1-11 (Attachment A.DPS:EN.1-11 and provided as Exhibit DPS-SGP-8), EVY notes that restructuring will have no material impact on the existing power supply contracts, including the PPA. The current PPA is assigned to Entergy Nuclear Power Marketing, LLC ("ENPM"). EVY further notes that there will be minor administrative issues to address, such as providing notices of name changes and identification of new bank accounts for settlement purposes. In its response to Q.DPS:EN.2-2 (Attachment A.DPS:EN.2-2 and provided as Exhibit DPS-SGP-9), EVY also notes that ENPM will continue to be the PPA assignee when ENPM becomes part of Enexus Energy.

Q: Will EVY's operating expenses be affected by the proposed restructuring transaction?

A: Yes. In its answer to the NRC's Request for Additional Information, EVY addressed questions about its net income projection (Attachment A.DPS:EN.2-482 and provided as Exhibit DPS-SGP-10 (CONFIDENTIAL)). EVY stated that "both operations and maintenance expenses and nuclear fuel are now projected to be **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxx **End Confidential Information**

Q: Will EVY have sufficient funds to meet its capital expenditure requirements in the five year period?

A: According to the Projected Cash Flow Statement in the five year financial projection, EVY will require between **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx. E**nd Confidential Information** The Projected Cash Flow Statement adjusts EVY's expected net income for (i) income tax considerations in which EVY's negative operating profit appears to provide a tax "shield" for other profitable plants, and (ii) non-cash expenses and cash from investing and financing activities.

Q: What do EVY's capital expenditures include?

A: According to the five year financial projection, the capital expenditures include construction, nuclear fuel purchases, and decommissioning trust contributions and realized change in trust assets. It is uncertain whether the last category of capital expenditures reflects monies deposited to the trust net of capitalized trust earnings.

Q: Will the proposed restructuring transaction have any effect on the contributions into the Decommissioning Trust Fund set up for Vermont Yankee?

A: At this point, I do not believe that the proposed transaction will affect the contributions to the Decommissioning Trust Fund or the accumulation of those funds.

Q: How will the advances from Enexus Energy to fund EVY's capital expenditures be counted under the $700 million Support Agreement?

A: I do not know. I would request that the Petitioners answer this question, and provide a projection of outstanding amounts paid and outstanding balances under the Support Agreement for the five year period from 2008 through 2012.

Q: Do you have any other questions about the five year financial projection?

A: Yes. Under the terms of the PPA, the contract price is calculated monthly based on a number of factors, and it is unclear what assumptions EVY utilized to project the contract prices in the five year financial projection. In particular, the 2012 contract price is listed as **Begin Confidential Information** xxxxxxxxxxx **End Confidential Information**, a significant increase from the previous year. The PPA expires on March 21, 2012, so I recommend that the Petitioners clarify whether or not this value is a blend between the contract price and the expected market price in that year.

We also note that the average contract prices in the first three years of the five year financial projection are lower than the Base Prices shown in Schedule D of the PPA. Based on our review of the PPA, the formula for determining the average annual contract price is linked to the Installed Capability of the plant after an uprate, which would have the effect of lowering the average contract price. We would like EVY to confirm whether or not our understanding of the average annual contract price in the five year financial projection is correct.

Q: According to this five year financial projection, how would EVY fund unexpected operating expenses or capital expenditures?

A: The five year financial projection is likely predicated on "normal" plant performance. In the event that extra funds are required due to poor operating performance or unexpected problems, EVY would have to receive additional advances from its parent company, Enexus Energy.

Q: Will additional advances from Enexus Energy to fund EVY's unexpected operating expenses of capital requirements exceed the $700 million limit in the Support Agreement?

A: I do not know at this time, but I would review the Petitioners' response to my earlier request for a projection of amounts paid and balances outstanding under the Support Agreement from 2008 through 2012.

Q: Does the five year financial projection support Wanda C. Curry's assertion in her Prefiled Testimony that the $60 million letter of credit "will be available to fund six months of VY Station costs."?

A: According to the EVY Projected Income Statement, six months' fixed operating expenses are expected to vary between **Begin Confidential Information** xxxxxxxxxxxxxxxxxxxx. **End Confidential Information** In the event of a permanent shutdown, it is not clear which operating expenses EVY assumed would be avoided and which would continue. I recommend that EVY explain the discrepancy between Ms. Curry's assertion and the five year financial projection.

Credit Ratings of Merchant Generation Companies

Q: What was the basis for Entergy Corp.'s objective of Enexus Energy receiving **Begin Confidential Information** xxxxxx **End Confidential Information** credit ratings from S&P and Moody's, respectively?

A: According to the Prefiled Testimony of Wanda Curry, the Chief Financial Officer of Entergy Nuclear Operations, Inc., Enexus Energy's "capitalization strategy will be similar to those of other EWGs. EWGs are typically rated below investment-grade, with ... an average S&P rating of approximately single B." "NewCo. is expected to take on a slightly more conservative capital structure, with an anticipated S&P rating in the BB range…"

Q: Do you have any concerns about whether this capitalization strategy is appropriate for Enexus Energy?

A: Yes, I am concerned that these EWGs are generally in poor financial condition, and that their credit ratings are too low due to factors such as poor business decisions and unfavorable market conditions over the past few years. The credit ratings of these EWGs should not be used as a basis for Enexus Energy's capitalization strategy.

Q: What were those poor business decisions and unfavorable market conditions?

A: There have been many newspaper stories and magazine articles that document these factors. First, plant owners built too many new generating plants, so that parts of the country, including New England, had a generation surplus that limited plant operation and depressed revenues. Second, many plant owners financed new plants with high percentages of debt, burdening their financial performance with high debt service requirements. In many cases the owners' equity in these plants became negative. Third, many plant owners selected debt terms with relatively short maturities, and were later unable to refinance the maturing debt as banks tightened lending terms. Fourth, many plants were designed to burn natural gas, the cost of which doubled between 2002 and 2007. The rising cost of gas squeezed many plant earnings and depressed plant values. Fifth, generators were unable to earn sufficient revenues from the energy, capacity, and ancillary services markets to cover their fixed capital costs and operating expenses. Only recently have capacity mechanisms been implemented in New England and other northeast markets, which have increased revenues for many generators.

Q: What was the effect of these poor business decisions and unfavorable market conditions on the EWGs?

A: The effect was that the financial condition of many EWGs deteriorated and their credit ratings declined. In fact, many of these EWGs were forced into bankruptcy, and have only recently emerged.

Q: What EWGs were used by Entergy Corp. in developing a capitalization strategy?

A: In the **Begin Confidential Information** xxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx **End Confidential Information.**

Q: Have any of the EWGs used by Entergy Corp. encountered the business and market factors you identified above, and do their credit ratings reflect those factors?

A: Yes, all five EWGs have credit ratings that reflect some combination of poor business decisions and unfavorable market conditions. The first EWG, which I will identify as EWG 1, went through a period of rapid expansion and found itself unable to meet its debt obligations. Moody's lowered the company's long-term debt ratings from a Baa3 investment-grade in early 2001 to Caa1 in late 2003. S&P lowered the company's corporate credit rating from BB+ to B over that period of time. The company declared bankruptcy in 2005 and emerged from bankruptcy earlier this year. At the time of the Investment Bankers' Presentation**,** EWG 1 was still in bankruptcy and therefore was not rated by Moody's and had a D credit rating from S&P.

EWG 2 was one of the energy companies accused of price manipulation and other fraudulent practices during the California electricity crisis in 2000. Two years later the company was accused of accounting fraud and other misdoings. Only a change in management and a severe program of cost cutting and financial restructuring allowed the company to avert a bankruptcy filing. In 2000 and 2001, the company had investment-grade credit ratings of a BBB+ issuer credit rating from S&P and a BBB senior unsecured debt rating from Fitch. By 2002-2003 the company was downgraded to B by S&P and to CCC+ by Fitch.

EWG 3 filed for bankruptcy in May 2003 and emerged from bankruptcy in December of that same year. The company currently has a Ba- corporate credit rating from Moody's.

EWG 4 went from having BBB+/Baa- investment-grade corporate credit ratings in 2000-2001 to B-/B- in 2003 as a result of reporting sham electricity and natural gas trades and other fraudulent practices. The company's corporate credit rating was raised by Moody's from B- to B+ earlier this year.

EWG 5, also encountered severe adverse market conditions and filed for bankruptcy in 2003. The company emerged from bankruptcy in early 2006 and has maintained a B+ corporate credit rating since then.

All of these EWGs have gone through a period of significant financial stress during the early part of this decade, as evidenced by the fact that three of the five have gone through bankruptcy proceedings, and none of them has fully recovered. Their credit ratings reflect their weakened financial condition, and may not be a good basis for Enexus Energy's capitalization strategy, even though Enexus Energy will have a slightly higher credit rating.

Q: How can the financial strength of Enexus Energy be improved under the proposed restructuring transaction in order to enhance its ability to address adverse market changes, weather poor plant performance, or fund unexpected capital expenditures?

A: On a preliminary basis, there are at least three alternatives to improve the financial strength, and hence the credit rating, of Enexus Energy under the proposed restructuring. These are preliminary because there are accounting and financial impacts that I may not have fully considered, but I would like Petitioners to respond, and perhaps suggest a superior alternative, in their rebuttal testimony

First, Enexus Energy could issue less debt at inception than the $4.5 billion envisioned. Less debt would reduce the fixed payment obligations of Enexus Energy, increase its net income, increase the book equity value, and improve its financial ratios. Credit rating agencies would increase Enexus Energy's credit rating if the amount of debt initially issued were reduced. Over time, as Enexus Energy built up a stronger balance sheet, it could probably issue additional debt without jeopardizing its credit rating.

Second, Entergy Corp. could offer a guarantee or keepwell agreement to Enexus Energy by which Enexus Energy could rely on financial support if and when required. Such a guarantee or keepwell agreement could be arranged for a defined period of time or until a specified financial target were achieved. In this scheme, Enexus Energy would benefit from the Entergy Corp.'s financial strength, but there may be adverse reporting and credit implications for Entergy Corp.

Third, Enexus Energy could retain a greater amount of debt proceeds that would increase its initial cash balances and improve its equity position. In addition to these three possibilities, I expect that there are other alternatives in which Enexus Energy can be spun off from Entergy Corp. with improved financial strength.

Financial Factors Considered by the Nuclear Regulatory Commission

Q: Is NRC approval necessary for this transaction?

A: Yes, Entergy must obtain NRC approval for the indirect transfer of control of the license for Vermont Yankee pursuant to Section 184 of the Atomic Energy Act of 1954, as amended, and 10 CFR 50.80.

Q: What are the financial requirements on which the NRC bases its approval?

A: The NRC bases its approval, in part, on financial requirements that are outlined in its "Standard Review Plan on Financial Qualifications and Decommissioning Funding Assurance," NUREG-1577, Rev.1 (provided as Attachment DPS-SGP-12). The financial requirements include estimates of total annual operating costs for the first five years of operation and the sources of funds to cover those operating costs. If applicable, the NRC "will also use credit rating information from *Moody's, Standard & Poors*, and *Value Line* or other widely accepted rating organizations. If the applicant has an 'investment-grade' rating or equivalent from at least two of these sources, the reviewer will find the applicant financially qualified."

Clearly, the NRC relies heavily on credit ratings to assess the financial strength of the nuclear plant owner, and gives preferential treatment to owners with investment-grade credit ratings. Alternatively, the NRC must rely on "other relevant financial information" submitted to them to determine financial fitness, such as the amount of cash or cash equivalents that would be sufficient to pay fixed operating costs for at least six months. I conclude that the NRC's regulations support the position that Enexus Energy be financially strong enough to warrant an investment-grade corporate credit rating.

Claimed Benefits of the Restructuring Transaction

Q: What are the claimed benefits of the restructuring?

A: In her Prefiled Testimony, Ms. Curry claims a number of benefits from the restructuring transaction, including a less complicated corporate structure, less complex financing activities, as well as "strategic, operational and financial flexibility of the non-utility nuclear business over the current diversified structure."

Q: Please describe the first claimed benefit, a less complicated corporate structure.

A: On page 6 of her Prefiled Testimony, Ms. Curry claims that the restructuring transaction "will lessen the complicated structure that has developed." She compares Exhibit EN-1, Simplified Organization Chart – Current, to Exhibit EN-2, Simplified Organization Chart – Post Reorganization (both of which are included as exhibits to Ms. Curry's Prefiled Testimony) and asserts that "This transaction as proposed will lessen the complicated structure that has developed."

and “the restructuring will centralize ownership and control of Entergy's non-utility, wholesale-nuclear fleet…”

Q: Do you believe that this proposed corporate structure will benefit Vermont residents?

A: The post-transaction corporate structure appears to be almost as complicated as the current structure. Although some entities have been removed, other new entities have been added and the relationship between the entities is still complicated. Specifically, Entergy International Holdings LTD, Entergy Global, LLC, EN New York Inv. Co. 1, and EN Inv. Co., LLC have been removed from the organization chart while NewCo, Entergy ENOI Holdings, LLC, and NewCo ENOI Holdings, LLC have been added. Entergy Nuclear Holding Company #2 has been replaced by ENOI Holdings, LLC and EN Operations, Inc. has been replaced by ENOI LLC. While there may be advantages to the individual companies that will own and operate the merchant nuclear power plants, I do not see any reason why this new corporate structure will benefit Vermont residents.

I also am concerned that ENOI will be 50% owned by Enexus Energy and 50% owned by Entergy Corporation through ENOI Holdings. A good deal of Ms Curry’s Prefiled Testimony, pages 28-32, describes a complicated system of conflict resolution which would become necessary if there were “differences of opinion” between the ENOI owners. It does not appear that this cumbersome system will be an improvement over the current corporate structure, and may be a hindrance to the optimal operation of the plants, which could adversely affect Vermont residents.

Q: Is the conversion of a Delaware corporation to a limited-liability company, such as the conversion of ENO to ENOI LLC, a benefit for Vermont residents?

A: According to page 9 of Ms. Curry's Prefiled Testimony, there is no difference between the two corporate forms as far as liability of the owners of an LLC and the liability of the shareholders of a corporation. I generally understand, however, that an LLC structure is considered to provide some degree of protection against certain claims, and thus insulate those companies from certain risks. Without knowing the particular advantages for ENOI, I do not consider this conversion a benefit to Vermont residents, and it may in fact expose them to additional risks.

Q: Please describe the next claimed benefit, strategic flexibility.

A: According to page 33 and 34 of Ms. Curry's Prefiled Testimony, Enexus Energy "will be free to deploy operating cash flow to fund any of its operations or strategic initiatives without consideration of capital requirements of other Entergy businesses" and "will be free to develop business plans and strategies that achieve strategic alignment with the business solely in the northeast."

Q: Do you believe that this strategic flexibility will benefit Vermont residents?

A: No, I do not. I have not seen any evidence that the current organizational structure restricts the deployment of capital to the merchant nuclear power plants. All indications are that operating expenses are being paid on a current basis and that required capital expenditures are being adequately funded. Although it is true that future deployment of investment capital within the Enexus Energy fleet of assets will be unencumbered by the capital needs of the Entergy Corp. regulated divisions, there will be less capital to deploy in the event of a major capital need. This increased strategic flexibility comes with a price, a much smaller financial pool of resources. Similarly, I don't understand why the current organizational structure would prevent Entergy Corp. from developing sound and profitable business plans and strategies that have synergies with its existing merchant nuclear businesses in the northeast. Finally, even if the restructuring transaction permitted Entergy Corp. to develop such business plans and strategies, I believe that the benefits would accrue primarily to Enexus Energy and its shareholders, not to Vermont residents.

Q: Please describe the claimed operational benefits.

A: According to page 34 of Ms. Curry's Prefiled Testimony, "Maintaining the operational benefits of scale of a large nuclear fleet is a paramount consideration…" "Further, the [proposed] operational structure is designed to enhance and concentrate management focus on the non-utility, wholesale-nuclear company, thereby resulting in a significant benefit to the proposed transaction."

Q: Do you believe that these operational benefits will benefit Vermont residents?

A: No, I do not believe that the restructuring transaction will improve operational benefits of scale that do not presently exist. As Ms. Curry states on page 27 of her Prefiled Testimony, "there will be essentially no changes in each Unit's operations other than those made in the ordinary course of business." While the focus of Enexus Energy management would be entirely on the merchant nuclear power plants in the northeast (until it developed business plans and strategies that achieve strategic alignment as claimed by Ms. Curry), Entergy Corp. appears to be managing these plants very well as evidenced by high capacity factors, increased output, and other metrics. Therefore I do not believe that the claimed operational benefits will benefit Vermont residents.

Q: Please describe the claimed financial flexibility benefits.

A: According to page 34 and 35 of Ms. Curry's Prefiled Testimony, Enexus Energy "should realize financial benefits in the form of a reduced cost of capital, and optimized capital structure, reinforced capital discipline, and reduced risk through insulation from the businesses in the Entergy structure."

Q: Do you believe the first financial benefit, that Enexus Energy will have a reduced cost of capital?

A: No, I cannot understand how a company with a credit rating in the BB range could have a lower cost of capital compared to a company with an investment grade credit rating such as Entergy Corp. Enexus Energy's cost of debt will be higher, and shareholders will likely require higher dividends to compensate for the higher risks, since all of Enexus Energy's assets will be merchant nuclear power plants without fuel diversity or regulatory recourse, compared to Entergy Corp. which will have multiple businesses with rate-base assurance.

Q: Do you believe the next financial benefit, that Enexus Energy will have an optimized capital structure?

A: Enexus Energy may, over time, have a capital structure that is optimized for an owner of merchant nuclear power plants. However, the five year financial projections indicate that Enexus Energy will be highly leveraged on a book basis for many years with high debt service obligations relative to funds from operations. While Enexus Energy may ultimately achieve a capital structure optimized for merchant nuclear power plants, it will likely have higher costs of debt and equity capital. I do not believe that Vermont residents will benefit from either the initial capital structure planned for Enexus Energy or an optimized structure that may be achieved over time.

Q: Do you believe the last financial benefit, that Enexus Energy's risk will be reduced by being insulated from other Entergy Corp. businesses?

A: No, I do not believe that Enexus Energy's risk will be reduced by being insulated from other Entergy Corp. businesses. On the contrary, the current diversified structure reduces risk, which will be lost when the merchant nuclear plants are isolated from Entergy. If the proposed transaction were to be completed, it is likely that Entergy Corp.'s risk profile will decrease by having spun all of the merchant nuclear power plants. At the same time, the risk profile of Enexus Energy will be higher because of its small size, its concentration of technology, the exposure to market prices in competitive markets, and other factors identified by S&P and Moody's. Insulating Enexus Energy from other Entergy Corp. businesses appears to be more of a drawback than a benefit to the Vermont residents.

Q: Does that complete your testimony?

A: Yes, it does at this time. I look forward to reviewing the Petitioners' rebuttal testimony to see how the concerns I have outlined in my testimony can be answered.