

Entergy's CEO Discusses Q4 2010 Results - Earnings Call Transcript

Entergy ([ETR](#)) Q4 2010 Earnings Call February 08, 2011 11:00 am ET\

Operator

Good day, everyone, and welcome to the Entergy Corporation Fourth Quarter 2010 Earnings Release Conference Call. [Operator Instructions] At this time, for introductions and opening comments, I would like to turn the call over to Vice President of Investor Relations, Ms. Paula Waters. Please go ahead, ma'am.

Paula Waters

Good morning and thank you for joining us. We'll begin this morning with comments from Entergy's Chairman and CEO, Wayne Leonard; and then Leo Denault, Entergy's CFO, will review results. In an effort to accommodate everyone with questions this morning, we request that each person ask no more than two questions. After the Q&A session, I will close with the applicable legal statement. Wayne?

J. Leonard

Okay, thanks, Paula. I'll begin today with our most frequently asked question, what's the latest in New York and Vermont?

Starting in Vermont, at the end of October, the Atomic Safety and Licensing Board denied a late filed contention on hard-to-access electric cables, finding that reopening the case was not likely to lead to a different outcome. The petitioner, the New England Coalition, appealed that decision to the Nuclear Regulatory Commission. In parallel, we continued to supply the NRC staff information on related issues to assure the safety valuation report remains complete as time continues to pass. And as you know, we are over five years since our original filing.

Regardless, once the expected supplement to that safety valuation report is issued, we're expecting a positive decision from the NRC on VY [Vermont Yankee] license renewal application. Importantly, NRC regulations allow for the commission to issue the license during a pending appeal.

We are committed to maintaining open and timely communications in Vermont, however great the challenge is for gaining public support in disproving the negative put in the public's mind that the age of the plant is determinant of its condition. That is essentially the position Governor Shumlin took last month when he said, "It was designed to be shut down in 2012, and that 40 years is up in 2012." He went on to say, "It's old, it's tired, and it should be retired." In fact, he has encouraged New York to take the same position. States or governors are certainly free to voice their opinions, but the NRC, which has jurisdiction on these matters, must deal with the facts. The truth is, what those in the industry already know to be true, that the 40-year license was based on the expected economic life, not the physical life, the nuclear plants were designed for. Recognizing this fact, the NRC set two principals in reviewing license renewal applications. First, that all operating plans provide and maintain an acceptable level of safety; and secondly, each plant's licensing basis is required to be maintained during the renewal term in the same

manner and to the same extent as during the original licensing term. To that point, with the constant replacement of equipment and design upgrades, most of the 1970s vintage plants are in excellent operating condition, and Vermont Yankee's operating records certainly supports that fact.

For example, during the first 30 years of its life, Vermont Yankee's average capacity factor was below 78% and it never had a breaker-to-breaker run. Over the last five years, the capacity factor has been above 94% and it has had two breaker-to-breaker runs. In fact, Vermont Yankee has been evaluated in the excellent category as compared to its peers.

Efforts also continue to secure a new power purchase agreement with the Vermont Utilities. Negotiations had been ongoing for some time now, and we have made progress toward reaching agreement on key terms and conditions that would provide citizens of Vermont continued access to clean and affordable power. However, while we would certainly prefer to sell power in state, that is not a necessary condition, of course. We expect to have clarity by around the middle of 2011 on all the open issues we are pursuing, including but not limited to securing a PPA with the local utilities.

Importance of Vermont Yankee's continued operations to Vermont was highlighted in a presentation given last month by ISO-New England to a Vermont incentive committee. The system operators' assessment of reliability of the Vermont electric system found what you would expect; that with that amount without Vermont Yankee, existing state reliability risks increase. ISO-New England studies on the performance and costs of transmission solution alternatives to VY are expected in first half of 2011.

But not only would reliability likely deteriorate, studies have shown power rates would also rise as supply is reduced. To that point, on January 26, 2011, IBM, the major employer in Vermont, said, "It takes about \$35 million a year in power to power its Vermont facility, and the company estimates those costs will go up by 25% if Vermont Yankee goes offline." And in an open letter to Governor Shumlin on February 3, 2011, community leaders representing industry, labor and energy stakeholders expressed concern that the window of opportunity was closing to allow the Public Service Board to complete its docket of Vermont Yankee's continued operations beyond 2012 and emphasized the serious economic consequences for Vermont if the plant is not allowed to operate under a renewed license.

One final note on Vermont Yankee, in early of November, we announced the process to explore potential sale of plant. The confidential nature of the process does not allow me to provide any updates today, but all our actions remain consistent with the objectives of keeping the plant open and meeting stakeholder needs.

For the pessimists, and I know there may be a lot of you out there on this issue, one thing you should know is, and it may not have been well, but over the last few years, VY's earnings contribution to Entergy at best has simply covered its fully allocated overhead. Some of that is fixed and some of that is variable.

Turning to New York. On December 3, a significant milestone was achieved when NRC issued the final supplemental environmental impact statement. In short, the NRC staff concluded that there were no environmental impacts that would preclude another 20 years of operation for new deployed units. The ASLB will now hold hearings on these new contentions which begin at the end of this year or early next.

Also in December, the Administrative Law Judges with the New York Department of Environmental Conservation issued a ruling and schedule in the water quality certification and the State Pollutant Discharge Elimination System or SPDES water permit proceedings. The schedule is set for hearing to begin June 14 before the ALJs on a number of issues, including the threshold issue, regarding whether Entergy could even obtain air permits necessary to build and operate cooling towers in Indian Point, given the Air Quality's [National Ambient Air Quality Standards] non-attainment status in the area. Related issues in force include the effectiveness of our proposed best technology available alternative, Wedgewire screens. A decision by the ALJs on the issues to be tried starting this summer could be referred to the commissioner of the New York Department of Environmental Conservation by the end of this year or early next.

As you know, on January 18, President Obama issued an executive order based upon the principles that the regulatory system, "must protect public health, welfare, safety and our environment while promoting economic growth, innovation, competitiveness and job creation; and must promote predictability and reduce uncertainty; and must identify and use the best, most innovative and least burdensome tools for achieving regulatory." He went on to say, "A government-wide review of the rules already on the books to remove outdated regulations and stifle job creation and make our economy less competitive." The executive order was issued to make clear, "that this is the operating principle of our government."

Certainly, the cooling tower versus Wedgewire screens matter at Indian Point and similar cooling water intake issues around the nation would seem to be a good opportunity to meet the President's stating operating principle for government as EPA moves toward issuing new intake structure rules.

Then on January 27, Chairman Fred Upton of the House Energy and Commerce Committee called on the NRC for greater transparency and certainty in the license renewal process. He stated that, "Gone are the days of reasonable expectation for a stable and predictable regulatory process, and that this uncertainty and lack of transparency in the process is needlessly putting plants and thousands of jobs at risk."

In particular, Chairman Upton cited the applications for Pilgrim and Vermont Yankee, saying, "Today marks an unfortunate milestone for the Nuclear Regulatory Commission as the timeline for the reactor renewal process has now doubled without explanation, eclipsing 60 months with no end in sight." And just yesterday, on the Senate side, in their own letter to the NRC, Senators Inhofe and Vitter referenced Chairman Upton's letter as well as President Obama's Executive Order, questioning the extended timeframe to review license renewal applications for plants in some areas of the country and the need

to protect the rights of the applicants, as well as the public or local citizens in the process. They requested responses to their specific questions by February 24, as well as such things as e-mails and phone logs supporting the activity to date.

The mounting press rates on these issues seem to be driven by the fact that federal government has cleared jurisdiction on these issues and Congress is questioning whether that is being exercised as intended. In any event, we're hopeful that this increased attention will bring expedited resolution.

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