Docket 7404: Information Requests by the Vermont Public Service Board

Capitalized terms not otherwise defined below have the meanings assigned to them in the Memorandum of Understanding, dated October 6, 2009, between Entergy Nuclear Vermont Yankee, LLC, Entergy Nuclear Operations, Inc., Enexus Energy Corporation and the Vermont Department of Public Service ("MOU").

Information Requests for Enexus, EVY and ENO

1. Please provide the most recent five-year financial projections (balance sheet, income statement, and statement of cash flows) for Enexus and for EquaGen with footnotes detailing key assumptions relevant to each line item.

2. Please provide the most recent analysis and opinion of the proposed transaction by Standard & Poor's, Moody's, and/or Fitch Ratings. Please provide a copy of any rating agency presentations related to the amended proposal for the spin-off transaction. What indications have the rating agencies provided as to the likely credit rating for Enexus following the spin-off transaction? What indications have the ratings agencies provided with respect to the credit rating of Entergy Corporation ("Entergy") following the spin-off of Enexus?

3. On page 13 of his prefiled testimony, Mr. Keller refers to the estimates of investment-research firms that the enterprise value of Enexus may be in excess of $10 billion. Please provide copies of all research reports since October 1, 2008, that provide analysis or discussion of the value of Enexus following the proposed spin-off transaction.

4. What are the current best estimates of Entergy's investment advisors as to the range of market valuations for Enexus common stock following the spin-off? How does this market valuation compare with the estimates of Entergy's investment advisors at the time the original petition in this docket was filed?

5. Entergy previously explored with its investment advisors, and possibly has continued to explore with them, the merits of alternatives to a leveraged spin-off transaction of its non-utility nuclear business. Please provide the most recent assessment of Entergy's investment advisors as to the range of values that could be realized by Entergy through the sale of its non-utility nuclear business to an independent third party. How does this valuation compare to the assessment of such investment advisors at the time the original petition in this docket was filed?

6. As set forth in Amendment No. 4 to the Form 10 filed by Enexus with the U.S. Securities and Exchange Commission on September 29, 2009 ("Form 10"), the exact financial terms of all the intercompany transactions between Enexus and Entergy have not been definitively determined (for example, the purchase price for additional assets of the non-utility nuclear business and the allocation of separation costs of between $430 and $450 million). Pro forma financial information based on the current proposal indicates that transactions associated

with the separation will result in a net transfer from Enexus to Entergy of approximately $2.75 billion (in the form of the issuance of $2 billion of debt securities to Entergy, the payment by Enexus for additional non-utility nuclear assets and the settlement of intercompany debt and tax obligations). However, the dollar amounts shown in the pro-forma financial information included in Form 10 are all based on current expectations. Although there is nothing to indicate that any variability in these financial terms will be materially significant overall, please confirm this and provide an indication of the maximum and minimum range of any variability in the final financial terms on the overall pro forma financial effect on Enexus and its obligations going forward.

7. Does Enexus have current plans to raise additional equity capital through an initial public offering or through private placements of its common stock? The Form 10 indicates that the ability of Enexus to issue equity will be restricted under the exchange trust agreement with Entergy (see p. 39). Does this mean that Enexus will not be able to raise capital through common stock issuances for 18 months after the spin-off? Does the restriction on strategic transactions, including mergers and acquisitions, by Enexus mean that Enexus will not be able to be acquired by a third party or sell substantially all of its assets to a third party during this 18-month period? Will there be any restriction on stock issuances and strategic transactions following the end of the 18- month period (other than as provided in the Credit Agreement for the Secured Bank Facility)?

8. There was testimony at the technical hearing in July 2008 suggesting that, regardless of its financial structure, Enexus would not be able to achieve an investment grade rating because of how the ratings agencies would assess the business risks associated with the ownership of a fleet of merchant nuclear plants. Without taking into account the ratings agencies negative assessment of these business risks, what overall financial structure and debt level for Enexus following the spin-off would generally be consistent with an investment grade rating?

9. The Board notes that minimal information has been provided as to the terms of the $3.5 billion of unsecured debt Enexus plans to place in connection with the spin-off transaction. Is there any prospective term sheet available as to the anticipated terms of such debt issuance that could be provided to the Board? If not, please outline, as specifically as possible, the likely terms of such debt issuance based on the recommendations and current forecasts of investment advisors to Enexus and lead placement agents for this debt.

10. In the pro forma financial information included in Form 10, Enexus assumes a 9% annual interest rate on its $3.5 billion in unsecured debt. Please provide the basis and independent support for this assumption. Does Enexus anticipate a fixed rate on this unsecured debt until maturity? What are the most recent CDS (credit default swap) spreads the credit markets are projecting for this debt?

11. The original proposal for the spin-off contemplated maturities ranging from 10 to 12 years for the up to $4.5 billion of Enexus debt to be issued as part of the spin-off transactions

with the possibility that some of the notes could have a term of approximately eight years. On page 9 of his prefiled testimony, Mr. Keller states that none of the notes "are expected to mature before 2015," which suggests that some of the notes making up the $3.5 billion of unsecured debt could have maturities as short as five years (and, possibly, less). Please provide additional and, if possible, more specific information about the anticipated maturity dates for this debt as well as the anticipated principal amount and interest rates associated with such maturity dates. Please also discuss the earlier and additional refinancing risks these shorter maturities seem to create.

12. To what extent does Enexus anticipate that it will be required to repay principal on the $3.5 billion debt issued in connection with the spin-off? Does Enexus anticipate that the entire $3.5 billion of debt will be refinanced as the debt becomes due?

13. Please provide additional information about the anticipated terms of the $500 million of debt securities that will be issued by Enexus, in addition to the $3.5 billion unsecured debt, as part of the proposed transactions. Together, these issuances will result in a total of $4.0 billion of new Enexus debt outstanding following the spin-off. The Board understands that the proceeds from the issuance of these debt securities will be used to provide cash collateral for reimbursement obligations of Enexus under letters of credit. However, other than the proposed use of proceeds, it is not clear how these debt securities are distinguishable from the $3.5 billion of debt securities. Pro forma financial information in the Form 10 indicates that Enexus anticipates a 9% interest rate on these debt securities, but no other anticipated terms are provided.

14. Do the credit support obligations related to this $500 million debt issuance result from the anticipated credit rating of Enexus? The pro forma financial information in the Form 10 assumes that Enexus will pay a 9% annual interest rate on this debt and that the proceeds of the issuance held as collateral for reimbursement obligations will be invested at a 3.2% annual rate, which suggests a considerable annual cost to Enexus. To what extent are similar credit support obligations now being met through an Entergy guarantee?

15. The petitioners seek consent under 30 V.S.A. §§108 and 231 for EVY to issue guarantees, pledge its assets and assign its material contracts to support debt obligations of Enexus. It appears that EVY will issue a guarantee, pledge assets and assign contracts under the Secured Bank Facility, which will be available to Enexus for general working capital purposes, including reliability investments in the VY Station. What other Enexus obligations, if any, will be supported by EVY guarantees, pledges or assignments?

16. Will any portion of the $1.175 billion Secured Bank Facility be committed immediately following the spin-off? What are the specific known uses, including the estimated dollar amount of such uses, to which this facility is expected to be applied in the first year after the spin-off? Enexus currently anticipates capital investments of $361 million in 2010 and $356 million in 2011 (see p. 77 of Form 10). Will these investments be funded through anticipated cash flows, the Secured Bank Facility or otherwise? Please provide a specific "Sources and Uses" statement that delineates the proposed uses for both the Secured Bank Facility and the up

to $4.0 billion in unsecured debt.

17. The Secured Bank Facility and the reserved secured financing authority of $825 million will be generally available, subject to certain restrictions, for working capital purposes. There appears to be no limitation on the use of these funds, for example, for acquisitions or investments unrelated to the core business of Enexus so long as Enexus is in compliance with applicable covenants. What assurances can Enexus provide that these facilities will be available for reliability investments as needed? Is it the current intention of Enexus to maintain a similar secured bank facility in place for working capital purposes for many years beyond the current term of the Secured Bank Facility set forth in the amended credit agreement with the banks? Please discuss the ability of Enexus to renew or replace the Secured Bank Facility and the reserved secured financing authority at the end of their terms.

18. On page 12 of his prefiled testimony, Mr. Keller states: "Enexus is in the process of negotiating collateral-credit-support arrangements where certain counterparties will accept a secured claim on the assets instead of direct collateral posting. This is an important part of Enexus' liquidity plan." What is the status of these negotiations at this time? If negotiations fail, will Enexus be forced to earmark a portion of the $2.0 billion Secured Bank Facility to support those hedging transactions, thus lessening available liquidity?

19. The Form 10 (p. 79) refers to a $530 million loan by Enexus to Entergy in August and September 2009 as part of a $600 million credit agreement expiring in August 2014. Please explain the reasons for this loan and the anticipated date of repayment by Entergy.

20. Subparagraph 1.1 of the MOU requires Enexus and EVY to establish a $100 million Working Capital Facility, and subparagraph 1.2 provides that the Working Capital Facility "may be used by EVY for cost-justified and economic non-safety projects for VY Station such as critical reliability projects." In his prefiled testimony, Mr. Keller indicates that the establishment of this facility "is meant" to address the DPS's concerns that Enexus is not obligated to loan funds to EVY under the Support Agreement for economic reliability investments that are not necessary to meet NRC requirements. Do Enexus and EVY intend and believe that the DPS will have an enforceable right under the MOU to require EVY to borrow (and Enexus to lend) funds under the Working Capital Facility for reliability projects at the VY Station that "are cost justified and economic to EVY" even if opposed by Enexus (as not in its own best interest)? If not, what is the practical value and benefit of the Working Capital Facility in the parent and wholly-owned subsidiary context? With or without the Working Capital Facility, Enexus will presumably make funds available to EVY through capital contributions or loans for any improvement at the VY Station that Enexus believes is in the best interest of Enexus, assuming it has the funds or access to the funds at acceptable costs.

21. Would Enexus and EVY oppose a mechanism that could be enforced by the DPS or the Board (similar to the mechanism for safety improvements under federal law) that would require officers of EVY to borrow funds from Enexus under the Working Capital Facility for economic

reliability investments?

22. To ensure that funds were available under the Working Capital Facility, would Enexus oppose a requirement that Enexus set aside up to $100 million in trust that would be available to fund the Working Capital Facility?

23. Please provide term sheets for LoC #1 and, if available, LoC #2. Will the $60 million letter of credit (LoC #1) be issued prior to the closing of the spin-off transaction? Will both letters of credit be irrevocable and unconditional, that is, for example, not subject to any conditions related to the financial health of any entity or the value of any supporting collateral? Will Enexus have the repayment obligation with respect to drawdowns by EVY on the letters of credit? What assurance can Enexus and EVY provide that EVY will drawdown on the letters of credit under the circumstances contemplated by the MOU? Under the MOU, do Enexus and EVY believe that EVY will have an obligation enforceable by the DPS to drawdown on the letters of credit as contemplated by the MOU?

24. Does Enexus currently expect that it will have a S&P BB+ credit rating or higher prior to January 1, 2014? If so, what is the basis for this expectation?

25. Under the MOU, Enexus commits to maintain a minimum liquidity of $350 million. However, it appears that Enexus will only be able to meet this commitment if its financial circumstances permit it to do so. If the financial condition of Enexus deteriorates significantly and the Secured Bank Facility is not available, how will Enexus be able to fulfill this commitment? How will the DPS and the Board be able to enforce that commitment, as a practical matter, in any meaningful way if Enexus is not financially able to do so? It is not clear how to value this and other financial undertakings in view of the difficulty or impossibility of effectively enforcing compliance with such commitments when it matters the most, and recent experience has reinforced this concern. Please discuss.

26. We note that, under certain circumstances, Enexus may have to acquire either Entergy's 50% interest in EquaGen LLC ("EquaGen") or certain subsidiaries of EquaGen. Based on financial information as of June 30, 2009, what would be the estimated cost to Enexus of acquiring Entergy's 50% interest in EquaGen?

27. Enexus will depend on the safe and reliable operation of six merchant nuclear plants, all of which were placed in service between 1971 and 1976 and are now between 33 and 38 years old. While the Board notes that many older nuclear plants, including the VY Station, have improved their capacity factors over the last 15 years, there is little historical data as to the continued reliability of nuclear plants that are over 40 years old from which the Board can assess the likelihood that unplanned outages of significant duration or frequency or actual plant closures will greatly exceed historical norms as these plants continue to age. The ability of Enexus to generate and access necessary funds may be impaired if the reliability of these plants and the revenue and cash flow generated by these plants is significantly less than in the past. The

Secured Bank Facility and the reserved secured financing authority provide some assurance in this regard, but they may not always be available in such circumstances, given their restrictive financial covenants. Please address this concern generally and discuss specifically how Enexus would approach a scenario in which two of the plants have ceased operation and the VY Station experiences a significant unplanned outage which will require a large capital investment to remedy. Please provide the Board with any recent analyses relating to the ability of Enexus to withstand a series of adverse events at the same time, including the results of any "stress tests" performed on Enexus.

28. The tables depicting forward power contracts on pages 83-85 of the Form 10 show a declining trend for output sold forward. Please elaborate. How does this downward trend square with the assumption on page 104 of continued stability in Enexus cash flows?

29. Four of the six nuclear plants are subject to relicensing risks between now and the first quarter of 2011 (see p. 102 of Form 10). Due to current economic conditions, the market for independent power is lower than in the recent past, and the timing of any significant increase in market prices appears uncertain. In addition, conditions in the financial markets have not returned to normal, and interest rates and spreads for non-investment grade debt are still significantly higher than when the original petition in this docket was filed. Hedge counterparty risks appear greater and more difficult to assess than it seemed at the time the original petition was filed, especially as traditional criteria like credit ratings have proven to be unreliable in many cases. Given these circumstances and conditions, the potential risks and costs for Enexus, and indirectly EVY, of the debt transactions associated with the spin-off would appear, based on available information, to be higher than might be the case two or three years from now, regardless of Enexus' ability to place $3.5 billion of unsecured debt under current market conditions. Please explain the proposed timing of the spin-off transaction with these considerations in mind.

30. Enexus acknowledges that the extent to which it is leveraged and its resulting credit rating could limit its ability to obtain additional financing as needed in the future (see p. 35 of Form 10). To the extent it remains available and Enexus is in compliance with applicable covenants, the Secured Bank Facility and the reserved secured financing authority would appear to provide an important funding source for Enexus. There remains concern, however, with respect to (i) Enexus' potential ability to refinance $4.0 billion in aggregate of debt, a portion of which it now appears may begin to mature in 2015 or earlier, and (ii) Enexus' ability to obtain funds for significant capital improvements at VY Station that are necessary to maintain the plant's reliability in the event of a significant deterioration of Enexus' financial circumstances due to other plant closures or outages, low power prices, financial market conditions or other factors.

Such concerns have been heightened by the turmoil in, and nearly complete breakdown of, the financial markets beginning last September. To a significant degree, Enexus will be dependent on a well-functioning market for non-investment grade debt as it seeks to refinance its unsecured debt or needs to obtain additional financing to meet other exigencies. Conditions in the financial markets appear to have become more normal in recent months, and the successful placement by Enexus of $3.5 billion in unsecured debt in 2010 would seemingly provide additional evidence of continuing improvements in the financial markets. Nevertheless, the U.S. has experienced a period of almost two years in which the market for new issuances of non-investment grade debt has been extraordinarily weak (dating back several months at least prior to the events of September 2008). While such a contingency is hopefully unlikely, it is difficult to ignore the possibility that another financial crisis could limit Enexus' ability to obtain necessary financing for a period of two years or more. If such an extended market breakdown occurred during a period in which Enexus needed to refinance its unsecured debt or needed to finance a significant capital improvement while it was not in compliance with its financial covenants under the Secured Bank Facility, please describe how Enexus would respond.

31. A series of financing innovations were critical to the creation of a significant market for non-investment grade debt in the early 1980s. However, the creation and growth of this market has coincided with a three-decade period of unprecedented net capital inflows into the United States, which would appear, at least indirectly, to have contributed to the flourishing of this market and the relative modesty of the interest rate spreads between investment grade and non-investment grade debt. Many economists believe that the current economic crisis will ultimately require or result in a dramatic global readjustment and reversal of current trade and investment flows. If a reversal of net capital flows into and out of the U.S. were to occur, what do the petitioners and their investment advisors believe would be the consequences for the market in non-investment grade debt of U.S. issuers and for Enexus' ability to obtain necessary refinancing or funding on a financially acceptable basis?

Information Requests for DPS

32. Please provide the Board with a copy of any recent Enexus financial projections reviewed by the DPS as well as any analysis performed by the DPS with respect to those projections.

33. Please provide the Board with a copy of any materials provided to the DPS by the petitioners since October 1, 2008, in connection with this docket that have not been filed with or otherwise provided to the Board.

34. Please explain the practical benefit and value of the $100 million Working Capital Facility between Enexus and EVY in the parent-subsidiary context. Does the DPS believe the MOU gives, or was meant to give, the DPS an enforceable right to require EVY to borrow funds under the Working Capital Facility for any reliability investment that is economically viable for EVY even if Enexus opposes such loan? If not, won't the decision as to whether EVY borrows under this loan facility ultimately be an Enexus decision determined by its interests, as would be the case with any EVY capital improvement? Under the MOU, is Enexus required to dedicate

and set aside funds for the Working Capital Facility so that such funds will be available if and when needed?

35. Will the DPS have an enforceable right under the MOU to require EVY to drawdown on LoC#1 and LoC#2 at the times and under the circumstances contemplated by the MOU?

36. Assuming that Enexus will not have a S&P credit rating of BB+ immediately following the spin-off from Entergy, discuss the appropriateness of delaying the requirement to obtain LoC#2 until at least January 2014. Does the DPS currently anticipate that Enexus is likely to have a BB+ credit rating by 2014? How will the DPS enforce the requirement of the MOU to obtain LoC#2 in 2014 if a significant deterioration in the financial condition of Enexus or in the health of financial markets makes it impossible or unreasonably expensive to obtain such letter of credit?

37. In information request number 25 to the petitioners, the Board raised concerns about the commitment by Enexus to maintain a minimum liquidity of $350 million. Please also address those concerns. How will the DPS or the Board be able to enforce effectively the commitment of Enexus to maintain at least $350 million of liquidity when it actually matters, that is, when financial circumstances make it difficult or impossible for Enexus to maintain that liquidity cushion?

38. Please respond to the concerns raised in information request number 27 to the petitioners about the relative absence of historic data as to the future reliability of the six merchant nuclear plants that will be owned by Enexus and on the ability of Enexus to generate or access funds as needed if such future reliability deteriorates significantly below historical norms as these plants continue to age.

39. After the spin-off and planned financing transactions, Enexus will be a highly debt-leveraged company as the debt to capital ratio of Enexus will increase substantially from 17.3% to 83.5% on a pro-forma basis as of June 30, 2009 (see p. 69 of Form 10). As a company becomes more debt-leveraged, any increase or reduction in expenditures has an increasingly significant multiplier effect on a company's cash flow and profitability. To a degree, debt leverage provides strong additional incentive to reduce expenses and, overall, can be constructive to efficiency in many industries. However, the potential societal consequences of such additional incentive to reduce or postpone expenditures would seem to be different (and potentially much more negative) in the case of a company owning six aging merchant nuclear plants (and subject to no guaranteed rate of return on its investments) than in the case, for example, of a retail clothing chain or even a telecommunications carrier. When it comes to the ownership and operation of an aging nuclear power plant, a little excess in terms of expenditures and redundancies may be preferable to an excessive focus on efficiency and cutting costs. In light of this concern, does the DPS believe optimization of leverage is an appropriate financial strategy for the owner of six aging merchant nuclear plants? Does the DPS have concerns that the incentive structure associated with a highly debt-leveraged company – regardless of that

company's professionalism, intentions and good faith – may, at least at the margins, affect judgments about capital improvements and their timing and color assessments of, and responses to, probabilities and cost/benefit analyses? While NRC requirements provide some assurance that safety considerations will not be neglected, the same may not be true with respect to other expenditures at the VY Station. In order to assist the Board's evaluation of the public good of the indirect transfer of control of EVY, the VY Station and ENO, the Board would appreciate the views of the DPS about this concern. Please also address concerns of the public about the advisability of transferring an aging Vermont nuclear plant to a company with a "junk bond" credit rating that seeks a 20-year extension of the CPG.