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July 21, 2020

VIA ELECTRONIC FILING

Mr. Adam Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

In re: Petition by Duke Energy Florida, LLC to Approve Transaction with Accelerated Decommissioning Partners, LLC for Accelerated Decommissioning Services at the CR3 Facility, etc.
Docket No. 20190140-EI

Dear Mr. Teitzman:

On behalf of Duke Energy Florida, LLC (“DEF”), please find enclosed for electronic filing in the above-referenced docket, DEF’s redacted transcript and exhibits for the deposition testimony of the DEF’s witness, Jeff Adix, taken in this proceeding on June 24, 2020.

Thank you for your assistance in this matter. Please feel free to call me at (813) 227-8114 should you have any questions concerning this filing.

Respectfully,

Shutts & Bowen LLP

/s/ Daniel Hernandez

Daniel Hernandez

Enclosure (as noted).

Duke Energy Florida, LLC
Docket No.: 20190140-EI
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail this 21st day of July, 2020, to all parties of record as indicated below.

/s/ Daniel Hernandez

Attorney

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to approve transaction for accelerated decommissioning services at CR3 facility, transfer of title to spent fuel and associated assets, and assumption of operations of CR3 facility pursuant to the NRC license, and request for waiver from future application of Rule 25-6.04365, F.A.C. for nuclear decommissioning study, by Duke Energy Florida, LLC.

DOCKET NO.: 20190140-EI
FILED: June 22, 2020
CONFIDENTIAL

DEPOSITION OF JEFFREY P. ADIX

(Conducted Via Videoconference)

REDACTED VERSION

DATE: June 24, 2020
TIME: 1:03 p.m. to 6:09 p.m.
PURSUANT TO: Notice by counsel for the Citizens of the State of Florida for purposes of discovery, use at trial or such other purposes as are permitted under the Florida Rules of Civil Procedure
REPORTED BY: ANN S. BEILSTEIN, RPR
Notary Public
State of Florida at Large

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25

1 ALSO PRESENT:

2 SCOTT STATE, NorthStar Group Services, Inc.
3 RICHARD POLICH, GDS Associates

3

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1 THE COURT REPORTER: The attorneys
2 participating in this deposition acknowledge that
3 I, the court reporter, am not present with the
4 witness and that I will be reporting the
5 proceedings and administering the oath remotely.
6 This arrangement is pursuant to the Florida Supreme
7 Court Administrative Order No. AOSC-20-16 (and
8 extended by AOSC-20-17). The parties and their
9 counsel consent to this arrangement and waive any
10 objections to this manner of reporting. Please
11 indicate your agreement by stating your name and
12 your agreement on the record.

13 MR. HERNANDEZ: Daniel Hernandez on behalf of
14 Duke agrees.

15 MR. REHWINKEL: Charles Rehwinkel with the
16 Office of Public Counsel agrees.

17 MR. MOYLE: Jon Moyle representing FIPUG, the
18 Florida Industrial Power Users Group. We agree
19 with that.

20 MS. BROWNLESS: Suzanne Brownless, on behalf
21 of the Staff of the PSC, agree.

22 MR. BREW: Jay Brew.

23 MR. REHWINKEL: Okay. I guess you can ask him
24 if he agrees when he gets -- when it's his turn, I
25 guess. Is that okay?

1 THE COURT REPORTER: Yes.

2 MR. REHWINKEL: All right. Daniel, are you
3 ready to continue? I'm hearing an echo now.

4 MR. HERNANDEZ: Was that Jay trying to talk or
5 what's that?

6 MR. REHWINKEL: That was Charles. I don't
7 know, I'm hearing an echo. Is that better.

8 MR. MOYLE: You're better now.

9 MR. HERNANDEZ: Yes, Charles, we're ready to
10 proceed.

11 MR. REHWINKEL: Okay. Well, you could go
12 ahead and administer the oath now.

13 JEFFREY ADIX,
14 the witness herein, being first duly sworn on oath, was
15 examined and deposed as follows:

16 MR. REHWINKEL: Thank you. And before we get
17 underway, I just wanted to make a statement for the
18 record that the deposition is confidential. It's
19 been designated that way because we may ask about
20 confidential information. And I believe all the
21 participants who have been online or are online are
22 either Florida Public Service Commission's
23 employees, Office of Public Counsel employees, who
24 are both covered by the statute and the rules of
25 the Commission and entitled to view information

1 that's been classified as confidential in this
2 docket. The other attorneys are signatories to a
3 Nondisclosure Agreement with Duke Energy Florida
4 and are entitled to receive, view and discuss
5 confidential information that may be elicited in
6 this deposition. And there should be no one else
7 on the line who does not fit into those categories.
8 Is that correct, Counsel?

9 MR. HERNANDEZ: That is correct.

10 MR. REHWINKEL: Okay. In addition, I would
11 propose this. The Public Counsel will be ordering
12 the deposition. We're going to ask for it to be
13 expedited and I've asked for it by Wednesday of
14 this coming week, and I think that's agreeable. We
15 would ask that we get a copy of it directly and
16 that a copy go to Duke and Duke be responsible, if
17 that's agreeable to the rest, to disseminate it to
18 the parties just so they have control over the
19 deposition with respect to who the NDA signatories
20 are.

21 The Public Service Commission Staff is a
22 special situation. If they want a copy of the
23 deposition or any form of -- a portion of it,
24 they -- Duke will have to make certain filings with
25 the Public Service Commission, and if they are a

1 recipient of the deposition, they could control
2 that as required by law.

3 Is that an acceptable process?

4 MR. HERNANDEZ: This is Danny. That's
5 acceptable with the understanding that any copies
6 solicited by any of the other parties will be paid
7 for to the court reporter.

8 MR. REHWINKEL: Yes, that was my -- that's a
9 good clarification.

10 MS. BROWNLESS: And I also wanted to add that
11 we will separately request a copy if we wish, Madam
12 Court Reporter, and we just need you to send the
13 information to me about how we would go about doing
14 that, how we contact you.

15 THE COURT REPORTER: Okay.

16 MR. REHWINKEL: Okay.

17 MR. MOYLE: And that's the same for FIPUG
18 again. I assume that the court reporter has email
19 addresses for us.

20 THE COURT REPORTER: Yes.

21 MR. BREW: This is James Brew. Also, I would
22 also request that contact information for getting
23 the transcript.

24 THE COURT REPORTER: Yes, sir.

25 MR. REHWINKEL: Okay. And one last final

1 administrative issue.

2 Daniel, I would assume that all objections
3 except as to form of the question will be reserved
4 for hearing?

5 MR. HERNANDEZ: That's correct.

6 MR. REHWINKEL: Okay. And you will not waive
7 reading and signing?

8 MR. HERNANDEZ: No. We will read.

9 MR. REHWINKEL: Did I say that right? Yes.
10 Good afternoon --

11 MR. MOYLE: Hey, Charles, one thing you
12 might -- there's someone else that is with the
13 witness. I can't see. All I can see is a tie and
14 a suit. But can we just have everybody who is, you
15 know, there identified?

16 MR. REHWINKEL: I was going to take
17 appearances.

18 MR. DICARLO: Sure. This is Greg DiCarlo,
19 General Counsel for NorthStar.

20 MR. REHWINKEL: You can go ahead around the
21 room and make appearances after Mr. DiCarlo.

22 MS. TRIPLETT: This is Dianne Triplett, Deputy
23 General Counsel for Duke Energy Florida.

24 MR. ADIX: And Jeff Adix. I'll be the witness
25 this afternoon.

1 MR. HERNANDEZ: Daniel Hernandez with Shutts &
2 Bowen on behalf of Duke.

3 MR. STATE: And Scott State, Chief Executive
4 Officer of NorthStar.

5 MR. REHWINKEL: And I'm Charles Rehwinkel,
6 Deputy Public Counsel with the Office of Public
7 Counsel.

8 Jon?

9 MR. MOYLE: Oh, I'm sorry. Jon Moyle with the
10 Moyle Law Firm on behalf of FIPUG.

11 MS. BROWNLESS: Suzanne Brownless with the
12 Florida Public Service Commission on behalf of
13 Commission Staff.

14 MR. BREW: And I'm James Brew for White
15 Springs Agricultural Chemicals, PCS Phosphate.

16 MR. REHWINKEL: Okay. All right. We can
17 start now.

18 DIRECT EXAMINATION

19 BY MR. REHWINKEL:

20 Q Good afternoon. Is it Adix, is that how you
21 pronounce it?

22 A Adix, yes.

23 Q Okay. Good afternoon, Mr. Adix. As I said,
24 my name is Charles Rehwinkel. I'm with the Office of
25 Public Counsel and I'm here to ask you a few questions

1 today. I would ask you if there's anything that you
2 don't understand, if there's an issue with the
3 communications, please ask me to repeat it. And also, I
4 am not trying to rush you in any way. I know that this
5 technology can be difficult, so please take your time.
6 I'm not trying to take advantage of that and get you to
7 answer a question before your counsel has an opportunity
8 to speak if he needs to. Do you understand that?

9 A Yes, that makes sense. Thank you.

10 Q Okay. And if you need a break, please let me
11 know and we'll take one. You control that, but just let
12 us know. I tend to -- I tend to go longer than people
13 otherwise want me to or I don't -- I lose track of time.
14 So if you need a break, let me know, please.

15 A Yes, understood. Thank you.

16 Q Okay. Can you state your name for the record?

17 A Yes. It's Jeffrey, J-E-F-F-R-E-Y, middle
18 initial P, Adix, A-D-I-X.

19 Q And by whom are you employed?

20 A I'm employed by NorthStar Group Services, Inc.
21 as the Vice President, Chief Financial Officer and
22 Treasurer. And I am also the Vice President and Chief
23 Financial Officer of Waste Control Specialists, LLC.

24 Q Are you appearing on their behalf today or on
25 behalf of Duke Energy Florida?

1 A I would ask Counsel to clarify exactly. I'm
2 appearing as an employee of NorthStar Group Services to
3 respond to the testimony in conjunction with the overall
4 process of the testimony and the regulatory process of
5 Duke Energy Florida.

6 Q Okay. Did you receive a Notice of Deposition
7 and review it?

8 A I did.

9 Q Okay. And did you take note of the list of
10 documents that you were requested to appear with today?

11 A Yes, I did.

12 MR. REHWINKEL: Okay. Madam Court Reporter, I
13 would like to ask that the Notice of Deposition be
14 made Exhibit 1 to the deposition.

15 THE COURT REPORTER: Yes, sir.

16 (Exhibit 1 was marked for identification.)

17 MR. HERNANDEZ: And Charles, can you just
18 clarify? We've got several notices, and I know
19 which one you're referring to, but just so the
20 record is clear, can you clarify which one you're
21 speaking about?

22 MR. REHWINKEL: This is a June 22nd, 2020
23 Notice of Deposition Duces Team and it is for
24 Jeff Adix to appear on June 23rd, 2020 at 1:00 p.m.

25 MR. HERNANDEZ: And you're referring to the

1 one issued by the Office of Public Counsel, right?

2 MR. REHWINKEL: Yes.

3 MR. HERNANDEZ: Yes, thank you.

4 BY MR. REHWINKEL:

5 Q And I listed -- am I echoing?

6 THE COURT REPORTER: Now you are.

7 MR. REHWINKEL: Okay. Well --

8 THE COURT REPORTER: I think it's better now.

9 THE WITNESS: You're coming in clearly on this
10 end.

11 BY MR. REHWINKEL:

12 Q Okay. I asked you to bring with you eight
13 documents and I received a few, several documents by a
14 ShareFile today. I think there were at least four
15 documents. Did you bring any documents other than the
16 documents that were provided to the parties via the
17 ShareFile through the Shutts & Bowen law firm?

18 A I did not.

19 Q Okay. Is that because those were the only
20 documents that you had with you that met the definitions
21 of the documents that I listed in 1 through 8 there?

22 A Yes, that is correct.

23 Q Okay. But you do have the ShareFile documents
24 with you?

25 A I do.

1 Q And are they printed out or do you have them
2 online?

3 A No, they are printed out. I have them with me
4 to my right.

5 Q Okay. And do you also have your testimony
6 with you?

7 A I believe I do.

8 THE WITNESS: Is that part of this document?

9 MR. HERNANDEZ: Was that an exhibit to
10 Mr. Polich's deposition, Charles?

11 MR. REHWINKEL: I was asking about his -- his
12 rebuttal testimony, if he had that with him.

13 THE WITNESS: I have a copy of my rebuttal
14 testimony with me.

15 BY MR. REHWINKEL:

16 Q Okay. And do you have a copy of Mr. Polich's
17 testimony with you as well?

18 A Yes, I do.

19 Q Okay. And do you have access to Mr. Polich's
20 deposition?

21 A Yes, I believe that is included in here.

22 THE WITNESS: Correct?

23 MR. HERNANDEZ: We do have the transcript of
24 his deposition, yes.

25 MR. REHWINKEL: Okay. Thank you very much.

1 BY MR. REHWINKEL:

2 Q Let me do this, if we can, and go through and
3 just understand what documents you have. I'll call them
4 the ShareFile documents. These are the documents that
5 were provided to all the parties via the Shutts & Bowen
6 ShareFile earlier today and I just want to understand
7 what those documents are.

8 So if you could tell me -- just pick the first
9 one that's close to you and just tell me what it is and
10 describe it and give me, actually, the Bates numbers.
11 We'll use those.

12 A Which --

13 Q These are at ADIX DEP DT, dash, and then
14 there's a Bates number. So let me ask about the one
15 that's at 1.

16 A Okay. I don't have Bates numbers on my
17 copies, so --

18 Q This would be the biggest one.

19 A I'm sorry. Which one are you referring to as
20 document 1?

21 Q It's the Credit and Guarantee Agreement.

22 A Oh, okay. Yes. Okay. So that is -- this is
23 a full and complete copy, including all of the
24 supplemental schedules of the credit agreement currently
25 in effect between NorthStar and its senior lender group.

1 Q And would this be document number 6 on the
2 duces tecum list?

3 A Yes, it is.

4 Q Okay. All right. Do you have the -- there's
5 a two-page document that's -- it appears to say -- it's
6 about revenue backlog. Do you have that one?

7 A Yes, I do.

8 Q Can you tell me what that document is and
9 which number it responds to?

10 A Yes. That is responding to item number 8 in
11 the document request where the request was to show the
12 calculation of the dollar amount of revenue backlog from
13 page 11, lines 18 to 19 of my testimony. And so this is
14 our internal reporting that is consistently prepared to
15 track the total backlog of revenue in the business.

16 Q Okay. And those two documents that are number
17 6 and number 8, those are both confidential, correct?

18 A Yes, they are.

19 Q Okay. And then there were two other documents
20 that I received, one with Bates 343, but it says
21 Industrial Services Industry Update Summer 2019. Could
22 you tell me what that is and which number it corresponds
23 to?

24 A Yes. That and the other similar document were
25 provided to respond to point number 7 in the document

1 request where I was requested to produce documents
2 showing the calculation of the market value of the
3 companies with similar profiles that I discussed on
4 Page 11, lines 12 and 13 of my testimony.

5 Q Okay. And these documents are not considered
6 confidential; is that right?

7 A No, they are not.

8 Q Okay. Is there in any way any licensing
9 agreement or anything like that that you would have that
10 would restrict their use?

11 A Not that I'm aware of. I receive them on a
12 regular basis from an investment banking firm, but I
13 believe they're disseminated widely.

14 Q Okay. Thank you. And are there -- so did
15 I -- are these the only documents that you brought with
16 you, these four?

17 A Yes, that is correct.

18 Q Okay. All right. So I want to start off
19 asking if you could tell me what your relationship --
20 well, who do you report to?

21 A I report to Scott State, the Chief Executive
22 Officer of the company of NorthStar.

23 Q Okay. Do you know to whom he reports?

24 A I would characterize it as he reports to the
25 board of directors of the company.

1 Q Who makes up the board of directors?

2 A There are multiple individuals on the board of
3 directors, at least five or six different individuals.
4 I don't recall every single name who is formally on the
5 board and who is an observer to our board meetings, but
6 there are approximately five to six individuals.

7 Q Okay. Are they also investors in NorthStar?

8 A There are some independent -- there are some
9 independent directors and there are direct
10 representatives of the controlling investor of the
11 company. I do believe that all of the board members
12 have -- that are not direct investors do have some
13 equity interest in the company as well.

14 Q Okay. Can you tell me who the -- what do you
15 call, the controlling investor is? Can you tell me who
16 that person is?

17 A It's a firm. It's J.F. Lehman & Company,
18 L-E-H-M-A-N.

19 Q Okay. Do you have any either direct or what
20 I'll call dotted line reporting responsibility to anyone
21 at JFL-NGS Partners, Inc.?

22 A No, I do not.

23 Q Okay. Do you have any reporting
24 responsibility above you other than to Mr. State?

25 A No. I work with representatives of the

1 investment group on a regular basis on providing
2 information, providing business updates, but there's no
3 formal or what I would characterize as a dotted line
4 reporting relationship other than my direct reporting to
5 Mr. State.

6 Q Okay. Have you ever testified in a -- well,
7 let me start off, have you ever testified under oath
8 before?

9 A Yes, I have.

10 Q Can you tell me the circumstances?

11 A Yes. I've done it a number of times now
12 throughout my career. I've testified under oath for
13 certain regulatory processes under -- or certain
14 regulatory proceedings as part of the company's Vermont
15 Yankee transaction.

16 Q Let me stop you right there. You're doing
17 what I was going to ask you to do which is to go
18 backwards in time. So was that the first most recent
19 instance of testifying?

20 A No. I've also testified under oath as part of
21 litigation that the company was involved in unrelated to
22 any of these matters.

23 Q Okay. Was that in a court or a regulatory
24 proceeding?

25 A No. It was in a civil proceeding.

1 Q Okay. So when was that?

2 A I believe it was sometime in late -- late
3 2019.

4 Q When you say unrelated to these matters, are
5 you saying it had nothing to do with nuclear
6 decommissioning?

7 A Correct.

8 Q Okay. And then the next most recent before
9 that would be Vermont Yankee?

10 A I believe so.

11 Q Okay. Well, tell me about that. Did you
12 actually testify in that case?

13 A I did. I gave two different sworn depositions
14 at various points in that process. I don't recall the
15 exact characterization of what they were called, but at
16 least two different times in that process I did give a
17 sworn testimony or sworn deposition.

18 Q Okay. Did you testify before a hearing
19 officer before the Commission itself?

20 A No, I don't believe that I did.

21 Q Okay. So did you -- I know that you filed two
22 pieces of testimony, a direct and a rebuttal in that
23 case; is that correct?

24 A Yes. As I mentioned a moment ago, I recall
25 being deposed two different times in that and that would

1 make sense. I believe that was the testimony I referred
2 to.

3 Q Okay. So you filed written testimony and then
4 you testified under oath live?

5 A That is correct.

6 Q Okay. Was there -- was it transcribed, your
7 live testimony under oath?

8 A Yes.

9 MR. REHWINKEL: Okay. Danny, is it possible
10 for us to identify a late-filed exhibit and just
11 ask for the transcriptions of his two depositions
12 if they are not otherwise publicly available on the
13 Vermont Commission website, or if you could just
14 tell us if they are?

15 MS. TRIPLETT: I'm asking Mr. DiCarlo if he
16 even knows -- this is Dianne. I'm asking if he
17 knows whether they're even available either on the
18 website or available to NorthStar.

19 MR. DICARLO: Charles, we can look into
20 locating those, and if we can locate them, then
21 we'll produce this as a late-filed exhibit.

22 MR. REHWINKEL: I'll just identify it as
23 Late-Filed Exhibit Number 2, and we'll just call it
24 Vermont Yankee -- we'll just call it Vermont
25 testimony, okay? And so all I want is either a

1 copy of the transcript if you have access to it or
2 a link to where I could get it. Does that make
3 sense? You understand that?

4 MR. HERNANDEZ: Yes, I do.

5 MR. REHWINKEL: Okay.

6 MR. MOYLE: If you're able to locate it, I'd
7 appreciate it being sent to all the parties.

8 MR. HERNANDEZ: Yes, if we are able to locate
9 it and have access, we will distribute it.

10 MR. REHWINKEL: Thank you.

11 BY MR. REHWINKEL:

12 Q Okay. Mr. Adix, I interrupted you. I think
13 you were at the Vermont Yankee testimony stage. What's
14 the next before that that you can recall?

15 A Prior to that everything else would have been
16 probably over the course of my career, two or three
17 different legal matters at various points in time, again
18 unrelated to nuclear decommissioning, but just
19 testifying as an officer of either NorthStar or earlier
20 in my career for other companies that I worked for prior
21 to NorthStar.

22 Q But you've testified for NorthStar before
23 Vermont Yankee?

24 A Yes. That would have been another -- another
25 legal matter unrelated to nuclear decommissioning. I

1 don't recall the exact dates. It's several years in the
2 past now.

3 Q Okay. When you started with NorthStar, was
4 that in 2018? Do I have that right?

5 A No. I actually started with NorthStar in
6 January of 2016.

7 Q Okay. All right. And it was WCS that you
8 started in 2018; is that right?

9 A That is correct. That was in December of
10 2018.

11 Q Okay. Let me just take you through just real
12 quickly your Exhibit JA-1, if you've got that in front
13 of you, this -- I guess --

14 A I'm quite familiar with it.

15 Q Okay. Well, you started off as a -- with the
16 Arthur Andersen firm; is that right?

17 A That is correct.

18 Q So it says final position, experienced manager
19 and consulting segment leader. Did you start off as an
20 auditor?

21 A Yes, I did.

22 Q Okay. And how many years did you audit?

23 A I was an auditor -- for all seven years that I
24 was with the firm I remained involved in auditing. Even
25 when I was doing more financially-oriented consulting

1 work, I always kept at least one audit client to try and
2 maintain that side of my skill set. So I was primarily
3 in consulting towards the end but with audit involvement
4 throughout my time at Arthur Andersen.

5 Q Okay. Were any of the clients that you
6 audited, were they any of your subsequent employers?

7 A No. They were -- the place where I went to
8 after leaving Arthur Andersen was a client of the firm,
9 but not a client that I had worked on or worked for.

10 Q Okay. You went to SC Johnson & Sons and you
11 were, I guess, for -- it looked like you worked for SC
12 Johnson & Sons for three, almost four years?

13 A Correct.

14 Q Doing -- was it kind of accounting and
15 auditing work?

16 A It was a mix. It was more of -- I would
17 characterize it as more financial analysis, working my
18 first role there helping to support the valuation
19 process for acquisitions and other special projects.
20 And then the last two years I was there, I was in an
21 area controller role, as it was called, where I was part
22 of the financial liaison team between the corporate
23 headquarters office and the Central and South American
24 subsidiary companies.

25 Q Okay. Tell me about Veolia. Is that when you

1 got into the sort of the waste management arena?

2 A I did. I joined there originally in November
3 of 2000 initially as the Vice President of Finance for
4 the North American solid waste business and later added
5 the CFO title to my responsibilities there, but was with
6 them -- the first time I was at Veolia for a little over
7 eight years.

8 Q All right. And then you went to Manpower for
9 about three years, a little over three?

10 A Yeah, it was three and a half, a little over
11 three and a half, just less than four years. It would
12 have been, I believe, from March of Two Thousand -- I'm
13 sorry, March of 2009 through November of 2012.

14 Q All right. Then you went back to Veolia in
15 2012 for, it looks like, less than a year?

16 A Correct. Yes.

17 Q So can you just tell me why you left Veolia,
18 went to Manpower and then went back to Veolia?

19 A Yes. Viola's North American environmental
20 services business was going through a significant
21 restructuring where they had sold off more than half the
22 business. The North American solid waste business that
23 I had been the chief financial officer for had been
24 divested as well as another business, the waste energy
25 business.

1 And so they were looking for -- as part of
2 that spinoff, the executive that was running all of
3 North America was leaving and going with the spinoff of
4 the waste business, and so they were looking for an
5 experienced executive who knew the business, who knew
6 the environmental services business and was known by
7 people there to come back and lead that business after
8 the spinoffs were completed. So it was a unique
9 opportunity going from the type of financial background
10 I had to actually go back and take an operating role as
11 the CEO of that business unit.

12 And so I came back and did that, though
13 shortly after returning, about five months after
14 returning, Veolia launched another global restructuring
15 that completely eliminated environmental services as a
16 stand-alone business everywhere in the world and they
17 went to more of a geographic business structure. And so
18 I ended up leaving the company as part of that
19 restructuring.

20 Q Okay. I may ask you about this later on, but
21 does Veolia in any way compete with WCS?

22 A No. Actually, they are more -- one of their
23 divisions actually is a client of WCS, but their
24 disposable assets that they have are really not directly
25 competitive. They have an incinerator -- unless they've

1 sold that. They may have sold that since I left.

2 But the short answer to your question is no,
3 they are not seen as a competitor to WCS.

4 Q They don't have -- they don't take any
5 low-level radioactive waste in any of their facilities?

6 A No, to the best of my knowledge, they do not
7 have any low-level radioactive waste disposal capacity.

8 Q And you said they're a client of WCS?

9 A There's a division called Eleron that does do
10 some business with WCS.

11 Q Okay. Would they be involved in this
12 decommissioning transaction with CR3?

13 A No, I don't believe that that would be part of
14 the plan.

15 Q Okay. So you left Veolia after they
16 reorganized again and you went to Pfizer?

17 A Correct.

18 Q Okay. And what generally did you do there
19 for -- that was around two years?

20 A Yes. I was a Senior Vice President of Finance
21 for two different groupings of business within Pfizer,
22 so two different effectively divisional chief financial
23 officer roles where I was responsible for leading the
24 finance team and support and information to the business
25 unit leaders for those various segments and really the

1 full scope of financial analysis and planning
2 responsibility for those business units.

3 Q Okay. Now, tell me if you can why you made
4 the change from Pfizer to NorthStar. What was going on
5 there?

6 A Yeah. I was really looking for the
7 opportunity to get back to something closer to the
8 environmental services space. I enjoyed very much my
9 time with Veolia. When I left Veolia the second time, I
10 was under a non-compete agreement that lasted two years.
11 So towards the end of that non-compete agreement
12 expiring, I started to look at alternatives or options
13 to return to this industry and was introduced to
14 Mr. State by a recruiter as NorthStar was looking for a
15 new chief financial officer. And we spoke about the
16 business and about my background, and I was interested
17 in taking the full stand-alone chief financial officer
18 responsibilities for a company like NorthStar and
19 accepted the offer that was made to me.

20 Q Do you know the reason why the CFO, your
21 predecessor, left?

22 A His employment was ultimately terminated. He
23 was someone who had been with the company for a long
24 time, and I believe Mr. State, when we were talking
25 during the interview process, he was looking for a chief

1 financial officer, considering the growth plans and
2 growth potential of NorthStar, that had more experience
3 working in larger global organizations, scope of
4 responsibility that was up to, you know, a billion
5 dollars of revenue or beyond and just a fresh leadership
6 approach as the company was preparing to scale to a
7 greater size.

8 Q Okay. Was there some level of -- I guess I
9 don't know how to say this. Was there some level of
10 financial stress at NorthStar at that time that you were
11 trying to work your way out of or they were?

12 MR. DICARLO: Object to form.

13 A My recruiting was not a function of that. My
14 recruiting, as I testified a moment ago, was really more
15 the type of companies and the type of experience that I
16 brought to NorthStar. And it was understood when I was
17 joining the company that it was likely we were going to
18 seek a new investor group and bring new capital into the
19 company to strengthen its position.

20 And so I would say that there was an awareness
21 that in order to really execute on the strategy that we
22 had, that new capital -- that a new capital structure
23 and that new investors would be required to be brought
24 in, and I was recruited in expectation that that process
25 was about to begin, which it did about six months after

1 I joined.

2 Q Okay. And then finally, you're shown here and
3 you testified at the beginning that you're Vice
4 President and CFO of WCS?

5 A Yes.

6 Q Is that purely a function of the acquisition
7 of WCS by NorthStar?

8 A No, NorthStar did not acquire WCS. The
9 connection there is that there is this common investor
10 between the two companies. I mentioned J.F. Lehman as
11 the controlling investor of NorthStar previously. They
12 also have a controlling investment in WCS. So they were
13 familiar with me after having worked with me through --
14 when they became involved in NorthStar, and I was asked
15 to get involved with WCS a little less than a year after
16 they had acquired that business.

17 Q Okay. Who is Interim Storage Partners?

18 A Interim Storage Partners is a joint venture
19 between WCS where they are -- WCS is a minority partner
20 and Orano as the majority partner.

21 Q Okay. Is that different than the WCS that is
22 going to be the recipient of the low-level waste?

23 A It's an entity that WCS has an investment in.

24 Q Okay. Is there a difference in -- well, is
25 Interim Storage Partners going to be building and

1 operating a storage site in Andrews County, Texas?

2 A Potentially. That's still in the regulatory
3 and permitting process to be determined.

4 Q Is there an actual waste disposal site in
5 Andrews County that's owned by WCS?

6 A Yes, there is.

7 Q Okay. And it's WCS only and not with anyone
8 else?

9 A I'm sorry. Could you repeat that question.

10 Q I apologize. Is that owning and operating of
11 the existing facility, is that just by WCS and without
12 any joint venture partner?

13 A That is correct. The disposal site in Andrews
14 County, Texas is the primary operating location of WCS.

15 Q Okay. Is the existing -- is that an
16 above-ground facility?

17 A No, it's not. The disposal is below grade.
18 There are above-ground support operations, processing
19 facilities, waste disposal container manufacturing
20 facilities, but the ultimate disposal is below grade.

21 Q Okay. What was the -- I think you used the
22 term "air space" in your testimony. What did you mean
23 by that with respect to WCS? Do you know what I'm
24 talking about?

25 A Yes, I do. Air space is a common term in the

1 landfill disposal industry. If you think about a
2 landfill, it will have a permitted volume, whether that
3 could be -- you know, in a municipal solid waste
4 landfill, that might be the mound we commonly see when
5 you drive by a disposal site, and so there's a permitted
6 volume.

7 In the case of WCS where the disposal was
8 below grade, you dig a hole in the ground of a certain
9 size. I'm oversimplifying obviously. But the air space
10 is the volume that is available to be filled with waste
11 for disposal. And so it is something that's measured
12 and tracked in the landfill disposal industry as the
13 amount of available capacity for a given site.

14 Q Okay. Thank you. That makes sense.

15 Is what WCS does now -- does WCS accept
16 low-level radioactive waste today?

17 MR. HERNANDEZ: Object to form.

18 A Yes.

19 BY MR. REHWINKEL:

20 Q Okay. So you objected, but you can go ahead
21 and answer the question, Mr. Adix, if you understand it.

22 A Yes, I believe I do, and WCS does accept
23 low-level radioactive waste in its current operations
24 today.

25 Q Okay. Are there any licenses that need to be

1 obtained by WCS in order to process and accept -- or
2 accept and process the low-level radioactive waste from
3 the CR3 site in the future?

4 A No. To the best of my knowledge, all of that
5 waste could go to the site without any further licensing
6 or permitting changes.

7 Q Okay. So if for whatever reason,
8 hypothetically, the low-level radioactive waste at the
9 CR3 site, if it was all available today to ship and it
10 could be shipped, it could be taken into that site today
11 without any regulatory or other legal restrictions?

12 MR. HERNANDEZ: Object to form.

13 A Yes, I believe so. There's -- you know,
14 there's different classes of waste and WCS is one of the
15 few sites in the country that can accept all of class A,
16 B and C low-level radioactive waste. So I would expect
17 that all of the waste there could go there. And to the
18 extent that the result would be a decision to send a
19 class of waste known as greater than class C waste to
20 the site, I am not sure whether -- what would be
21 required for that particular waste stream to go there.
22 But anything deemed a class A, B or C is fully within
23 the site's permits and that type of waste is commonly
24 taken in today.

25

1 BY MR. REHWINKEL:

2 Q Is greater than class C something other than
3 high-level radioactive waste?

4 A It is. That is not my core area of expertise
5 on the regulatory classifications of waste, but I do
6 know that greater than class C waste is not considered
7 high-level waste.

8 Q Okay. So is there a plan if there's not a
9 permanent repository that the WCS site would be a place
10 to move the spent fuel or high-level radioactive waste
11 from CR3 to Andrews County?

12 MR. HERNANDEZ: Object to form.

13 A That's certainly a possibility, though I don't
14 believe current permitting allows that, but that is
15 certainly a possibility.

16 BY MR. REHWINKEL:

17 Q Okay. And I guess my question was premised
18 upon that facility being licensed to accept high-level
19 radioactive waste at some point in the future.

20 A Yes, that is the focus of the Interim Storage
21 Partners that you brought up previously, and I believe
22 where you were going with that would be addressed by
23 some of the permitting work that is in process with that
24 entity.

25 Q Okay. So is there permitting underway right

1 now with respect to the greater than class C waste? Is
2 there any permitting that needs to occur before that
3 Andrews County facility can accept greater than class C
4 radioactive waste?

5 MR. HERNANDEZ: Object to form.

6 A Yes, I'm not -- I'm not sure on the exact
7 status of that waste stream or where its requirements
8 are. Again, that's a little bit beyond my core
9 expertise. So I know that's an issue that will need to
10 be looked at, but I can't tell you exactly what would be
11 required, if anything, in order for that waste to move.

12 BY MR. REHWINKEL:

13 Q Okay. Well, when I was asking you before
14 about A, B and C, you were pretty confident that any A,
15 B and C waste could -- if it was available, it could go
16 to that site today. Is that fair.

17 A That is a fair characterization.

18 Q Do you have the same level of confidence about
19 greater than class C waste or is there something that
20 makes you think that that might not be as certain?

21 A I know that it's not looked at exactly the
22 same, but I can't speak to the specific differences, if
23 any, that may exist.

24 Q Okay. You had mentioned that the Andrews
25 County facility is one of the few sites in the

1 United States that can take A, B and C waste. Did I
2 hear that right?

3 A For certain types of waste, it may be the only
4 facility. So again, the exact nuances of waste
5 classification and what can go where. But it is my
6 belief that there are certain waste streams that can
7 only go to WCS.

8 Q Do you know what those -- without holding you
9 to it being an exclusive list, do you know what those
10 waste streams are?

11 A No, not explicitly. I believe it is the
12 class B and the class C waste, and there are some
13 nuances around different types of class B and what can
14 go where. But generally, the more active materials and
15 certain types of irradiated hardware is what I was
16 basing my prior comment on.

17 Q Okay. Fair enough.

18 Can you tell me what other facilities that
19 you're aware of that are your competitors that could
20 take any portion of A, B and C radioactive waste?

21 MR. HERNANDEZ: Object to form.

22 A A primary competitor of WCS is Energy
23 Solutions. I can't tell you specifically which sites of
24 theirs can take which classes of waste. That's not
25 something I'm factually comfortable with. But I do know

1 that they are the primary competitor for WCS. There may
2 be a little bit of overlap with another company like US
3 Ecology for certain types of waste, but probably a more
4 limited overlap than Energy Solutions, but I can't tell
5 you by site what is permitted for different companies.

6 Q Okay. Is Energy Solutions in any way related
7 to Holtec?

8 A No, I don't believe so.

9 MR. REHWINKEL: Okay. I think that's
10 H-O-L-T-E-C.

11 THE WITNESS: Yes.

12 MR. REHWINKEL: For the court reporter.

13 BY MR. REHWINKEL:

14 Q These documents that you gave for number 7 in
15 the duces tecum list, they are -- I think you
16 characterized these on page 11 of your testimony as
17 being -- how did we say that? These are companies that
18 are similar or comparable?

19 MR. DICARLO: Charles, give me a second. I
20 need to get to his testimony, page 11. It's on
21 page 11, Charles? Is that what you said?

22 MR. REHWINKEL: Yes, line 13. These are the
23 companies with similar profiles, and that's what we
24 got, the Environmental Services and Industrial
25 Services Industry Update and Sector Update

1 documents.

2 MR. DICARLO: Yes.

3 MR. REHWINKEL: Okay.

4 A I was referring -- those are two industries
5 that share some overlap with the type of work that
6 NorthStar does, more industrial or environmental related
7 work. And so, you know, not an exact match, but hence
8 the term "similar profiles," looking at a couple of
9 different industries versus relying on one single
10 document or one single data point.

11 BY MR. REHWINKEL:

12 Q Okay. So if I looked -- if I opened up --
13 let's take the Environmental Services document. And for
14 the record, this is -- the Bates number on mine starts
15 at 357. It's the Sector Update string of 2020. Do you
16 have that?

17 A Yes, I do.

18 Q And if I turn to the fourth page where it says
19 Public Company Valuation --

20 A Yes.

21 Q -- are these exemplars of the similar profiles
22 that you were referring to in your testimony?

23 A Loosely. My testimony when I talked about
24 that range was based more primarily on general knowledge
25 of what is typical for transaction values when, let's

1 say, a company is sold from one private equity investor
2 to another private equity investor, and prior
3 discussions with investment bankers, prior discussions
4 around that.

5 Since I was requested to produce some evidence
6 or some basis for where that comment came from as
7 opposed to simply stating, you know, what I've heard in
8 conversations, the intent was to produce a range that
9 said in a -- you know, in companies in an environmental
10 services space, that it wouldn't be seen as unusual for
11 them to trade at a multiple of 11 times EBITDA to
12 establish a valuation.

13 My comment was actually somewhat conservative
14 compared to that. You get to the numbers that are in my
15 testimony. Even if you apply a range of eight to ten,
16 you get to the same general point that I was trying to
17 make, that it is very reasonable based on common
18 industry multiples to see NorthStar as a company that is
19 worth or has an enterprise value of one billion dollars
20 or more.

21 Q Okay. And EBITDA, for the court reporter, is
22 E-B-I-T-D-A, all caps?

23 A Correct. It is an acronym that stands for
24 earnings before interest, taxes, depreciation and
25 amortization.

1 Q On this page 4 of the document that I asked
2 you about, are any of these entities considered
3 competitors of WCS in the radioactive waste disposal
4 arena?

5 A Not generally. There's a little bit of
6 overlap for certain waste streams perhaps with US
7 Ecology. Perhaps a little bit into the -- there's a
8 little bit for Clean Harbors, but neither of them would
9 be primary competitors, particularly on the low-level
10 radioactive waste.

11 Q Okay. And just with respect to the other
12 document which begins at Bates 343, this is the
13 Industrial Services, and I would ask you, this isn't
14 exactly set up the same way, but are any of the
15 documents discussed in here, perhaps maybe on Page 10,
16 are any of these entities, other than the ones you've
17 mentioned, I see Clean Harbors here and I guess US
18 Ecology, are any of these competitors of Waste -- of
19 WCS?

20 A I'm just checking the list again. Give me a
21 moment.

22 Q Sure.

23 A No, I would not characterize any of these
24 remaining companies as WCS competitors. Waste
25 Management does have some hazardous waste landfills, but

1 not, to my knowledge, any low-level radioactive waste
2 capacity. It's not something that's commonly discussed
3 as a key competitor of the company.

4 Q Okay. Thank you.

5 All right. Let's move from your exhibit JA-1
6 and I want to go to Page -- let's go to -- well, let me
7 ask you this.

8 A I'm sorry. Your screen may have froze for a
9 moment there. If there was a question, you may need to
10 repeat it.

11 Q Okay. My brain froze.

12 A Oh.

13 Q Let me ask you this about the Vermont Yankee
14 proceeding. Was that the first time you ever testified
15 before a Public Service Commission or public utility
16 commission?

17 A Yes, it was.

18 Q Okay. Was that your first experience with
19 being a participant in a Public Service Commission
20 proceeding anywhere in the country?

21 A Yes.

22 Q Do you consider yourself testifying in this
23 case on behalf of NorthStar and ADP and Duke, or do you
24 consider yourself testifying on behalf of those entities
25 and the customers of Duke Energy Florida?

1 MR. HERNANDEZ: Object to form.

2 A I haven't really thought about it in that way.
3 I primarily am testifying to rebut the testimony that
4 was offered in the proceedings and would defer to
5 Counsel on the best way to characterize my involvement.

6 Q Okay. Well, are you yourself testifying on
7 behalf of the customers in any way?

8 MR. HERNANDEZ: Object to form.

9 A I do not know whether the testimony that I am
10 offering and whether the rebuttal I am offering would be
11 considered in any way on behalf of the customers or not.
12 So in my mind, that's more of a procedural question. I
13 don't believe I'm testifying, you know, in opposition to
14 the customers certainly.

15 BY MR. REHWINKEL:

16 Q Okay. Well, is NorthStar a for profit
17 company?

18 A It is.

19 Q It's not a charitable organization, is it?

20 A No, it is not.

21 Q And it wouldn't be considered a nonprofit if
22 it's a for profit; is that right?

23 A I'm sorry. Could you repeat that question?

24 Q It would not be considered a nonprofit in the
25 sense that it is a for profit company; is that right?

1 A No, I don't believe that it would.

2 Q Okay. Do you consider yourself to be
3 responsible for enhancing the value of the shareholders'
4 interests in NorthStar and ADP?

5 MR. HERNANDEZ: Object to form.

6 A Yes, I do.

7 BY MR. REHWINKEL:

8 Q And I didn't ask that in the sense of you're
9 solely responsible, but that is where your
10 responsibility is as CFO is to contribute to the
11 enhanced value of the shareholders' interests in your
12 companies; is that fair?

13 A I think that's a reasonable characterization,
14 yes.

15 Q Okay. Tell me -- if we can turn to Page 4 of
16 your testimony, I just want to understand on line 5
17 through 6 what your distinction is between a
18 hypothetical liquidation basis and a going concern basis
19 is. Tell me what you see as the difference between
20 those two scenarios.

21 MR. HERNANDEZ: Object to form.

22 A I would characterize that in a hypothetical
23 liquidation scenario, generally you're assuming that the
24 company stops operating and that you raise cash through,
25 again, liquidating the assets and trying to convert

1 everything to cash on a one-off basis, whereas a going
2 concern takes into the account the recurring cash
3 generation, the recurring revenue generation, the
4 recurring profitability of an entity, and is more
5 commonly how investors would look at the value of an
6 entity is what are its future earnings expected to be,
7 future annual earnings to be.

8 Q Does it always have to be one or the other?
9 Can it be a combination or a hybrid situation?

10 MR. HERNANDEZ: Object to form.

11 A I believe it depends on the question one is
12 trying to answer. In this case, I felt that there was
13 an over-reliance on one scenario in the context of the
14 overall transaction.

15 BY MR. REHWINKEL:

16 Q Well, can a company liquidate part of its
17 business and remain a going concern?

18 A Potentially if a company were to divest in an
19 orderly way, part of its business -- sell off a part of
20 its business. You know, that is possible. That is a
21 scenario depending on the context of the situation.

22 Q Well, would you agree that it's not an unheard
23 of scenario?

24 A To divest a portion of a business?

25 Q Yes, sir.

1 A No, that is not unheard of.

2 Q Okay. And is it -- in such scenarios is it
3 possible that a partial divestment could be related to
4 some sort of turbulence in the marketplace either
5 generally or with respect to that company's specific
6 business operation?

7 MR. HERNANDEZ: Object to form.

8 A That is possible. That is a possible
9 scenario.

10 BY MR. REHWINKEL:

11 Q Okay. Further down on Page 4 on line 19, you
12 refer to the DSA, which is the -- tell me what DSA means
13 again.

14 A I believe that would be Decommissioning
15 Services Agreement.

16 Q Okay. Is a fixed-price contract; is that
17 correct?

18 A Yes.

19 Q What is your definition of fixed-price
20 contract?

21 A It is a contract where the consideration that
22 is being paid is known to the party that is paying it
23 and cannot change.

24 Q Is it one where you cannot change or it's not
25 expected to change?

1 A It could be either depending on the context.

2 Q What can you think of -- of the DSA here, is
3 there a possibility that NorthStar could receive more
4 than the currently expected compensation based on
5 changed circumstances in the future?

6 MR. HERNANDEZ: Object to form.

7 A No, I believe that to be highly unlikely based
8 on the nature of the agreement and the commercial
9 negotiations with Duke Energy Florida.

10 BY MR. REHWINKEL:

11 Q Okay. In the answer to my question, you used
12 the phrase "highly unlikely." But does that rule out
13 all possibilities?

14 A There is no scenario I can envision, but I
15 call very few things impossible.

16 Q Okay. You used the word "will" on line 20.
17 Are you expressing a level of certainly there or is that
18 an expectation that you will decommission and take
19 ownership of the spent fuel?

20 A I'm sorry. Could you read the full sentence
21 that you're referring to on that "will" just to ensure
22 clarity?

23 Q Yes, sir. It says: The DSA is a fixed-price
24 contract to which the ADP group through its affiliates,
25 ADP CR3 and ADP SF-I will decommission CR3 and take

1 ownership of the spent fuel.

2 Do you see that?

3 A Yes.

4 Q Okay. Is the use of the word "will" there
5 meaning that it's certain that it will be decommissioned
6 or they will, well -- tell me what you think the word
7 "will" means there.

8 A I take a very plain reading of the word. That
9 is the commercial agreement that is struck and that is
10 the work that will commence immediately upon receiving
11 the approvals to do so.

12 Q Does it mean that you are obligated to
13 decommission CR3 pursuant to the DSA?

14 A Yes, that is inherent in the structure of the
15 DSA.

16 Q Okay. Is it a guarantee that you will be
17 successful in doing that?

18 A The word "will" is not a guarantee. It's a
19 statement of what is expected and will begin as soon as
20 the transaction moves ahead.

21 Q Okay. On Page 5, on lines 4 and 5, the phrase
22 "cannot be isolated or otherwise changed" is used and
23 it's in this sentence. It reads: The DSA represents
24 the result of a lengthy negotiation process and every
25 provision as written in the DSA is important and cannot

1 be isolated or otherwise changed without changing other
2 parts of the transaction.

3 Did I read that right?

4 A Yes.

5 Q Is your testimony here that nothing in the
6 contract can be changed?

7 A Not with -- yes, my testimony is that nothing
8 in the contract will be changed without reopening the
9 entire contract.

10 Q Okay. So any change to the contract would
11 mean that everything else would be opened up and subject
12 to renegotiation?

13 A Yes, I believe that's a fair characterization.

14 Q Is it your understanding if I -- well, let me
15 ask you. Do you have your testimony in front of you?

16 A Yes. It's available on the computer in front
17 of me.

18 Q Okay. If you could go to Page 5 and look at
19 lines 8 through 12 for me, please?

20 MR. HERNANDEZ: Page 5, lines 8 through 12.

21 BY MR. REHWINKEL:

22 Q The sentence that starts, "In the unlikely
23 event"?

24 A Yes.

25 Q Okay. Would you mind reading that aloud?

1 A "In the unlikely event that ADP was unable to
2 complete the decommissioning or for any reason, both DEF
3 and the Florida customers are protected by the fact that
4 DEF would have only paid for verified progress against
5 specific decommissioning milestones, retaining all other
6 funding and trust to support future alternatives."

7 Q Is it your understanding that the milestones
8 have been -- I'm going to use the word "calibrated." If
9 you don't understand it, I'll try to rephrase it. Have
10 been calibrated to approximate the cost of the tasks
11 that would be completed to make that milestone a
12 reality?

13 Well, let me ask you that. Is there something
14 about the DSA that makes sure that those milestones and
15 the payments that are expected to be made somehow
16 approximate the costs that will be incurred by ADP to
17 reach those milestones?

18 MR. HERNANDEZ: Object to form.

19 A Generally, yes, that is my understanding.
20 This was a very focused and lengthy point of negotiation
21 between ADP and Duke Energy and Duke Energy Florida to
22 ensure that there was a proper balanced protection built
23 into the overall transaction structure, and that ADP
24 could not get too far out in front of the work or be
25 paid for work that had not been performed.

1 That whole concept, that whole structure that
2 I spoke to in my testimony was a very critical part and
3 lengthy part of the commercial negotiations of the
4 transactions.

5 BY MR. REHWINKEL:

6 Q So is it possible that if the cost and
7 difficulty of a particular set of tasks that were
8 embedded in reaching a certain milestone were
9 miscalculated and they were greater than what were
10 assumed, that you could, as you used the term, get out
11 ahead of the payments?

12 A No, I don't -- I don't believe that is likely
13 the way this has been structured. Perhaps there's some,
14 again, hypothetical scenario one could construct. But
15 because of the focus that was paid to this area, I'm not
16 aware of any realistic scenario where that could occur.

17 Q The first part of that sentence starts off
18 with the phrase, "In the unlikely event," which
19 indicates that although you think it's unlikely, it's
20 possible that you could get into that hypothetical
21 scenario?

22 MR. HERNANDEZ: Object to form.

23 A Yes, that is how that sentence begins.

24 BY MR. REHWINKEL:

25 Q Okay. And the phrase, "retaining all other

1 funding in trust to support future alternatives," what
2 does that phrase mean as you intended?

3 A Yes. In the context of my testimony, that
4 phrase was directed towards the fact that Duke Energy
5 Florida retains ownership of the trust and that the
6 payments and the payment structure would only be for
7 work completed on the decommissioning.

8 And so let's -- since we're speaking
9 hypothetical scenarios, let's say that 50 percent of the
10 work was complete and some completely -- some event of
11 any kind prevented the work from going forward under
12 ADP, that there would be approximately 50 percent of the
13 work complete and that the funding would still be in the
14 trust controlled by and owned by Duke Energy Florida to
15 evaluate how to best complete the other 50 percent of
16 the work.

17 Q Okay. And that's how I understand it.

18 So my question to you is if that hypothetical
19 scenario occurred, would it always be the case that
20 there was going to be enough money left in what was not
21 paid to ADP to ensure that the remaining percent of the
22 work scenario is -- would be sufficient to complete the
23 job under a SAFSTOR, S-A-F-S-T-O-R, all caps, scenario?

24 MR. HERNANDEZ: Object to form.

25 A Yes, I believe that is the case, and there

REDACTED

1 were multiple layers of protections built into the DSA
2 to ensure that. So beyond the normal case schedule on
3 the project where ADP is only being paid for completion,
4 completed progress or progress against predefined
5 milestones, then there's the additional buffer layer of
6 the \$50 million of cash and committed disposal that is
7 available from day one as another layer of protection.

8 So if there was someone looking at a
9 hypothetical scenario that says you may be 5 million
10 behind here, or I believe in his testimony Mr. Polich
11 raised the example of the [REDACTED] bucket where
12 there's the pay, then grieve requirement, you know, that
13 was perceived as being a hole or a risk that could allow
14 ADP to get out in front of, going back to my previous
15 term, the payments on the project, when in reality that
16 entire [REDACTED] is covered and effectively cash
17 collateralized by the provisional trust that is part of
18 the DSA from day one.

19 So as a specific rebuttal point on that, it's
20 not a coincidence that the amount of cash that is put in
21 trust on day one at closing matches this concept where
22 Duke must pay and then will work out the timing or work
23 out any question of where a specific item is because the
24 size of that gap again is cash collateralized on the
25 first day of the transaction.

1 Q Okay. But going back to my question, if the
2 assumption was that you had achieved or done 50 percent
3 of the work, got 50 percent of the money out of the fund
4 such that 50 percent of the work was left to be done,
5 and 50 percent of the money was left in the trust fund
6 to pay for that and there would be enough money to
7 finish the job without going back to the customers and
8 asking for more money, is that -- am I right about sort
9 of the basic assumptions that are built into that?

10 A Yes, I think that is a fair characterization,
11 and that was a very strong point of the negotiations,
12 the customers' protections and ensuring that ADP would
13 not be in a position to go back and ask for more money
14 at the 50 percent mark, using your example.

15 Q So if the extreme event happened and you for
16 whatever reason had to walk away from the job -- and I'm
17 just using that in a hypothetical sense.

18 A Understood.

19 Q And if it turned out that there was 50 percent
20 of the money left, but really the work left to be done
21 was more like 75 percent just because costs had
22 escalated, there had been some change in the environment
23 that required more costs to be expended to do the same
24 tasks that would have cost less, you know, three years
25 ago, if that circumstance arose, there would be -- these

1 protections might not be enough. Would you agree with
2 that?

3 MR. HERNANDEZ: Object to form.

4 A Actually, no, I wouldn't because of the
5 structure. I think it's important to note for the
6 record that ADP is being paid for progress for
7 decommissioning progress, not for costs incurred. So
8 just because ADP spent more money on a certain phase or
9 because we ran up the cost in a certain area because of
10 some operational decision, that doesn't accelerate or
11 trigger any faster release of the available payments out
12 of the trust.

13 So that, again, was a very specific commercial
14 point that was negotiated to ensure the protection that
15 I think everyone is looking for exists is that the
16 payments are based on progress, not costs incurred. And
17 for that to get that meaningfully out of balance and the
18 fact that there's a monthly reconciliation of what has
19 actually been accomplished against the milestones, for
20 that reason, I would not see that being a realistic
21 scenario under the full structure that's been
22 negotiated.

23 Q Further on down on Page 5 you use the term
24 "core protection." Do you see that? It's on lines 22
25 and 23.

1 A Yes.

2 Q Okay. You're saying that the parent guarantee
3 is a supplemental enhancement rather than a core
4 protection in the transaction structure; is that right?

5 A Yes, that was my testimony.

6 Q Now, when you talk about the parent guarantee,
7 are there -- are you talking about -- there are two
8 guarantees. There's one that would be given by ADP or
9 NorthStar to ADP and one given by Orano to the Orano
10 subsidiary that's your partner; is that right?

11 A I was using the term generally for any
12 guarantees -- parental guarantees in play in the
13 transaction versus referring to one specific one or the
14 other.

15 Q Okay. So this term would also include the
16 Parental Support Agreement that you have with NRC or
17 that you will have with NRC; is that right?

18 A That is correct, yes.

19 Q Okay. If that's not a core protection, what
20 is your definition of core protection and what is an
21 example of a core protection?

22 A Yes. The core protection in my testimony is
23 the structure that I spoke to a moment ago where ADP is
24 only being paid for progress against milestones on an
25 ongoing basis. So the heart of what was negotiated in

1 the DSA with the focus of ensuring that that protection
2 could be demonstrated was this idea that you only get
3 paid for decommissioning progress, not the -- you know,
4 just incurring costs without moving ahead on the
5 decommissioning steps.

6 So in the context of this testimony, the core
7 protection is the structure, is the payment structure,
8 is the pay for performance along the way. And then very
9 closely aligned with the provisional trust being used
10 and basically backstopping any timing misalignment month
11 to month, period to period within that payment structure
12 that was negotiated with DSA.

13 Q Is it your opinion that since this is a
14 supplemental enhancement, that the parent guarantees
15 aren't really necessary?

16 A You could do the work without it. It's
17 something that -- but I use the term "supplemental."
18 It's something that we demonstrated. I believe it's
19 necessary from a Nuclear Regulatory Commission
20 perspective. So there may be certain NRC requirements
21 around that. But I use supplemental in the context of
22 in terms of protecting the customers -- protecting Duke
23 Energy Florida. Core versus supplemental is the payment
24 structure for the work and the timing and the
25 restrictions on how those payments are made are core.

1 And I referred to the guarantees as supplemental because
2 if the work progresses as scheduled and planned, they
3 would be irrelevant to the ultimate performance under
4 the project.

5 Q You're saying if everything goes perfectly as
6 designed, that wouldn't be needed; is that right?

7 A Not even perfectly. Just if things -- if the
8 work is executed and completed, they don't come into
9 play unless there's some unforeseen scenario, but that's
10 deemed remote. And that's why I referred to it as
11 supplemental in my testimony.

12 Q Okay. You started when in 2016 with --
13 January?

14 A Correct.

15 Q Putting aside Vermont Yankee, during your
16 tenure has NorthStar completed a nuclear decommissioning
17 project while you've been CFO?

18 A No, I am not aware of any other projects
19 completed other than the focus on Vermont Yankee.

20 Q Okay.

21 MR. HERNANDEZ: Hey, Charles?

22 MR. REHWINKEL: Yes.

23 MR. HERNANDEZ: Can we take about five minutes
24 right now?

25 MR. REHWINKEL: Absolutely, let's do that.

1 It's -- yeah, let's come back a little after 2:30.

2 MR. HERNANDEZ: Sounds good. Thank you very
3 much.

4 (Recess from 2:25 p.m. to 2:34 p.m.)

5 BY MR. REHWINKEL:

6 Q Have you seen -- have you looked at the org
7 chart that Mr. Polich included in his testimony at
8 RAP-3? It's called Simplified Organization Chart. Are
9 you familiar with that?

10 A I recall seeing something like that in his
11 testimony. I would need to refresh my memory.

12 Q Okay. If you could take a quick look at it?

13 MR. DICARLO: Charles, you're going to have to
14 give us a minute because the transcript that I
15 printed out does not include the exhibit.

16 MR. REHWINKEL: Oh, okay.

17 MR. DICARLO: Let me try to locate them. We
18 may not have gotten a copy of the transcript with
19 exhibits attached.

20 MS. TRIPLETT: This is Dianne. Are you
21 talking about, Charles, Exhibit -- his direct
22 testimony?

23 MR. REHWINKEL: Yes, prefiled testimony. All
24 I want to do is ask if that org chart, if there are
25 any changes to that since it was filed. And I

1 think this was filed with the NRC.

2 MR. HERNANDEZ: I've got it here, Charles.

3 Let me pull that up real quick.

4 MR. REHWINKEL: Okay.

5 MR. HERNANDEZ: Can you tell me approximately
6 what page that appears on, Charles?

7 MR. REHWINKEL: It's pretty early. It's right
8 after his testimony. It's RAP-3 and I don't have
9 the Bates. It's before all that financial stuff.
10 It says Exhibit RAP-3.

11 MR. HERNANDEZ: I'm not finding RAP-3 for some
12 reason on the copy we have.

13 MR. REHWINKEL: Well, he has his CV which is
14 the first exhibit, and then there's a listing of
15 his testimony which is number 2, and then number 3
16 is just this one page. It looks like this.

17 MR. HERNANDEZ: Let me see on the redacted
18 version it shows up.

19 MR. REHWINKEL: Yes, it should be -- it's
20 unredacted.

21 We can go off the record right now.

22 (Discussion off the record.)

23 BY MR. REHWINKEL:

24 Q Okay. So back on the record. So have you
25 located RAP-3?

1 A Yes, we have.

2 Q Okay. And my question to you is, this org
3 chart, it says Simplified Organization Chart, is this
4 accurate as far as you know?

5 A Yes, I believe it is.

6 Q Okay. And I asked you about the investors in
7 all of these entities and I'm not asking about the Orano
8 side, O-R-A-N-O. I'm just asking about the right-hand
9 side, the NorthStar side. Do you know who all of the
10 investors are?

11 A I have some familiarity with the ownership
12 structure. Is there a specific investor that you're
13 interested in?

14 Q Well, I was just -- if you -- okay. So at the
15 very top in the elliptical circle there, it lists John
16 Lehman and Mr. Mintz, M-I-N-T-Z, Mr. Brooks, Mr. Harmon
17 as class A managing members, right?

18 A Yes.

19 Q And then over to the right we see JFL Equity
20 Investors IV, Roman numeral IV, LP; JFL Executive
21 Investors IV, L.P.; and JFL Parallel Fund IV, L.P. Do
22 you see that?

23 A Yes, I do.

24 Q Are there discrete and known shareholders in
25 those entities or are those made up of people who just

1 have ownership in these kind of funds? Can you tell me
2 what type of investors are there?

3 MR. HERNANDEZ: Object to form.

4 A In general, they are all going to be funds
5 raised and/or controlled by the private equity sponsor,
6 in this case J.F. Lehman. In terms of the nuances of
7 which fund holds investment from which individual
8 parties, I cannot speak to that, but my understanding is
9 those are all just different entities through which
10 funding is available for investments made by the firm.

11 Q Okay. And the same -- and so Mr. Lehman and
12 Mintz, et al, that are in the elliptical there, are they
13 investors in JFL GP Investors IV, LLC?

14 A They are the managing -- as noted on the firm,
15 they are the managing partners or managing members of
16 the overall firm, and then the firm raises funding from
17 limited partner investors or other investors and uses
18 that to fund their investing activities, but those four
19 individuals are the managing partners of the firm.

20 Q Okay. And then the JFL Equity Investors that
21 I listed that are in the box to the upper right, are
22 those different mixes of investors or investor funds
23 than those that are in JFL GP Investors IV, LLC?

24 A I don't know if there's any overlap between
25 those entities or not. I would simply characterize them

1 as different sources of funding that provided investment
2 that ultimately supported the acquisition of NorthStar.
3 Whether or not those are completely discrete or whether
4 there is overlap within the investor mix of those
5 various limited partnerships, I cannot tell you.

6 Q Okay. And then if I go down to Medley Capital
7 Corporation and Medley Opportunity Fund LP, is that yet
8 another source of investor funds?

9 A That is a separate firm. They are a minority
10 investor in NorthStar. So they are unrelated to any of
11 JFL entities and are a separate independent minority
12 investor in NorthStar.

13 Q Okay. And do you have visibility into who all
14 the equity owners are as far as individuals that make up
15 all of the investors in all of those corporations that
16 sit above NorthStar Group Holdings, LLC?

17 A No, I do not. I could not give you detail on
18 all of the individual investors there.

19 Q And I'm just asking because I'm just trying to
20 understand not who they are, but just the way the
21 transaction or the investment entities are set up.
22 Could there be numerous individuals that have equity
23 interest in investment funds that are part of these
24 ellipses or boxes, ellipticals or boxes that we just
25 talked about?

1 MR. HERNANDEZ: Object to form.

2 A Could you repeat the question? I'm not sure
3 if I followed that.

4 BY MR. REHWINKEL:

5 Q Yes. So what I'm asking about is, I asked you
6 about the -- the four principal managing partners in --

7 A Correct.

8 Q -- Lehman -- it's not Lehman Brothers.
9 Lehman.

10 A Unrelated for the record, thank you.

11 Q Yes. And then over here we have the JFL
12 Equity investment entities or funds over in the box
13 above Medley, right?

14 A Correct.

15 Q And then we have Medley.

16 A Correct.

17 Q So what I'm asking is, are there just people
18 off the street that could be aggregated as investors in
19 these funds that you wouldn't know about, or are they --
20 well, I mean, can people buy shares or some sort of
21 interest in these funds that also invest in NorthStar?

22 MR. HERNANDEZ: Object to form.

23 A No. What I can tell you is that these are not
24 publicly-available investments and they are, you know,
25 private investments by I believe what would be deemed to

1 be called qualified investors. Someone off the street
2 couldn't walk in and say, I'd like to buy some shares in
3 NorthStar. They are limited to accepted, qualified
4 limited partnership investors in the various fund
5 vehicles is probably the best way to characterize that.

6 Q Okay. So I'm going to ask you a question here
7 that's not intended to cast dispersions in any way on
8 anybody, but I just have to ask for the record so I
9 understand.

10 Can you tell me or would you be aware if it
11 was the case, can you tell me whether anybody who is an
12 employee or an executive of Duke could be an investor in
13 one of these funds?

14 MR. HERNANDEZ: Object to form.

15 A I do not know if there are any legal
16 prohibitions on that and I'm not aware of that being the
17 case at all.

18 BY MR. REHWINKEL:

19 Q Okay. Can you say that it isn't the case?

20 A I cannot definitively say that, but I do not
21 believe it to be the case, but I don't have knowledge.

22 Q Okay. And I'm not asking you to know whether
23 Duke itself has corporate ethical guidelines that
24 prohibit this kind of investment. That's something you
25 wouldn't know about, I think. So my question is can you

1 tell me that there are not?

2 A That is not something I have researched or
3 have knowledge of.

4 Q Okay. And if a -- hypothetically, if a Duke
5 executive or employee was a sophisticated enough
6 investor to qualify to invest in one of these funds and
7 they did, hypothetically, you wouldn't know about it one
8 way or the other; is that fair?

9 A No, I do not have visibility -- personal
10 visibility into who the investors are or who the limited
11 partners are in these various investment entities.

12 Q Okay. And I'm not going to leave this
13 hanging. Of course I'll ask Duke in an appropriate
14 circumstance if they can assure that. So I'm not just
15 trying to ask you a question you can't answer and leave
16 it hanging there. I just was wanting to understand the
17 quality of your knowledge about who is in the investment
18 chain above you.

19 A Okay. Understood.

20 Q All right. Let's go to Page 7 and this is --
21 I want to go down to the testimony about goodwill.

22 MR. HERNANDEZ: On Page 7 of what, Charles?

23 MR. REHWINKEL: Of Mr. Adix's testimony
24 starting on line 8.

25

1 BY MR. REHWINKEL:

2 Q And actually, starting on line 10, you say
3 that Mr. Polich incorrectly characterizes goodwill as
4 being, quote, an acquisition in which the purchase price
5 is higher than the fair market value of the purchase.

6 Do you see that?

7 A I do.

8 Q Can I ask you, do you have his confidential
9 testimony with you?

10 MR. DICARLO: We do, yes.

11 BY MR. REHWINKEL:

12 Q And I would ask you to turn to Page --

13 MR. DICARLO: I'm sorry, Charles. You're
14 referring to Mr. Polich's confidential testimony?

15 MR. REHWINKEL: Yes, with the confidential
16 exhibit. And I want to go to Page 162 which I
17 think may be -- I think you just add four Bates
18 numbers to that and I think it's 166 on your Bates
19 numbering if you have it that way. But this is
20 RAP-6, Page 162 that I want to ask about.

21 MR. HERNANDEZ: And at the top it says Page
22 162?

23 MR. REHWINKEL: Yes, on the top right.

24 MR. HERNANDEZ: We are there.

25

1 BY MR. REHWINKEL:

2 Q You're there?

3 A Yes.

4 Q Okay. So this is a document, and if you want
5 to look on Page 150, it looks like it's NorthStar Group
6 Services, Inc. Consolidated Financial Statements and
7 Supplemental Information December 31, 2019 and 2018.
8 And on the following two or three pages, it shows an
9 Unqualified Opinion by PWC or Price Waterhouse Coopers.

10 A Correct.

11 Q Do you see that?

12 A Yes.

13 Q Okay. And are these Financial Statements that
14 you as the CFO would be familiar with?

15 A Yes.

16 Q Okay. So if I could get to you turn to 162
17 and ask you to read the first line under the header
18 "Goodwill" aloud?

19 A Yes. "Goodwill represents the excess of cost
20 over fair value of the net assets purchased in
21 acquisitions."

22 Q Okay. Can you tell me what's the difference
23 between that and what you quote Mr. Polich as saying in
24 your testimony?

25 A Yes. There's a -- could you go back to the

1 actual testimony?

2 Okay. The subtle and important difference
3 there is he left out the net assets reference and simply
4 refers to the fair market value of the purchase. So I
5 read that as saying that, okay, the whole company is
6 worth \$100 million, but we paid \$150 million for it, so
7 therefore, we have goodwill because we overpaid relative
8 to the fair value.

9 It's a subtle difference from an accounting
10 point of view the way -- I understand why you would ask
11 that about the footnote, but his testimony, if you call
12 it the simplified version of that there, when you don't
13 talk about net assets or specific tangible assets and
14 simply say the fair market value of the purchase, then I
15 read that as a financial professional as referring to
16 the entirety of what was purchased. And therefore, I
17 took exception to that as an accurate characterization
18 of goodwill.

19 Q Well, you don't bring up the net asset
20 differential or the subtle difference that you just
21 talked about in your criticism of his testimony, do you?

22 A No. I actually compared it to the definition
23 from the authoritative accounting literature as my basis
24 for comparison.

25 Q Okay. But PWC is -- I mean, they're not going

1 to use an out-of-date unauthoritative definition of
2 goodwill in their footnote, are they?

3 MR. HERNANDEZ: Object to form.

4 A No. And I wouldn't have called Mr. Polich on
5 that point if he had used the exact language from our
6 footnote, but he did not.

7 BY MR. REHWINKEL:

8 Q Okay. Tell me what is meant -- and going back
9 to the footnote, if you have it in front of you, on
10 Page 162, tell me about what it means to elect the
11 option to perform a qualitative assessment.

12 MR. HERNANDEZ: Let me get to the footnote,
13 Charles.

14 THE WITNESS: It's in that same footnote you
15 were just looking at.

16 BY MR. REHWINKEL:

17 Q While he's looking for that, let me ask you
18 this question. Are these footnotes prepared by a client
19 for Arthur Andersen -- Arthur Andersen -- PWC or does
20 PWC themselves prepare these footnotes?

21 A No, the company prepares the footnotes and
22 then they are reviewed by PWC as part of reaching their
23 audit opinion.

24 Q Okay. So this language under Goodwill is
25 something that your staff would have provided or

1 prepared for PWC's review of PBC documents; is that
2 fair?

3 A Yes, the company's corporate controller would
4 have drafted the footnotes and they would have been
5 reviewed, and we would have reacted to any comments from
6 PWC as part of reaching a financial opinion or a
7 financial report issuance.

8 Q Okay. So tell me if you've got this in front
9 you. What does it mean to elect the option to perform a
10 qualitative assessment, et cetera?

11 A Yes. Essentially, under the accounting rules,
12 if it's fairly obvious that the company has not impaired
13 its goodwill because the performance -- and because the
14 performance has been maintained or increased from the
15 last formal assessment as it says here, you're allowed
16 to perform a qualitative assessment to say in lieu of
17 doing a detailed calculation that involves third-party
18 valuation professionals. You're allowed to perform a
19 qualitative assessment to determine, as it says here,
20 whether it's more likely or not that the goodwill is
21 still supported, the carrying value of the goodwill is
22 still supported in the Financial Statements.

23 Q Okay. And in the next paragraph, the little
24 paragraph that starts with, "As a result," you see that
25 underneath that?

1 A Yes.

2 Q It says: As a result of performing its annual
3 impairment analysis at December 31, 2019 and 2018, the
4 company has concluded that no factors existed that
5 indicated that it is more likely than not that the fair
6 value of its reporting unit was less than its carrying
7 amount.

8 Did I read that right?

9 A Yes.

10 Q So is this saying that you didn't see any
11 evidence that there was an impairment?

12 A Correct, that more likely than not, language
13 is taken from the relevant accounting standards. So
14 that is a standard conclusion for this sort of paragraph
15 in a financial statement disclosure.

16 Q Okay. So for purposes of the auditor to give
17 their unqualified opinion, you don't have to prove that
18 there is no impairment. You have to demonstrate that
19 based on your tests and procedures, that no evidence was
20 revealed that demonstrates that it is impaired and
21 should be written down in any way. Is that fair?

22 A Generally, yes.

23 Q Do you know whether companies can borrow
24 against goodwill?

25 MR. HERNANDEZ: Object to form.

REDACTED

1 A Not as a stand-alone asset. Generally no.

2 BY MR. REHWINKEL:

3 Q Okay. I was going to ask you a question about
4 the big document that you provided to us in the duces
5 tecum list, which is the credit agreement, the Credit
6 and Guarantee Agreement.

7 A Yes.

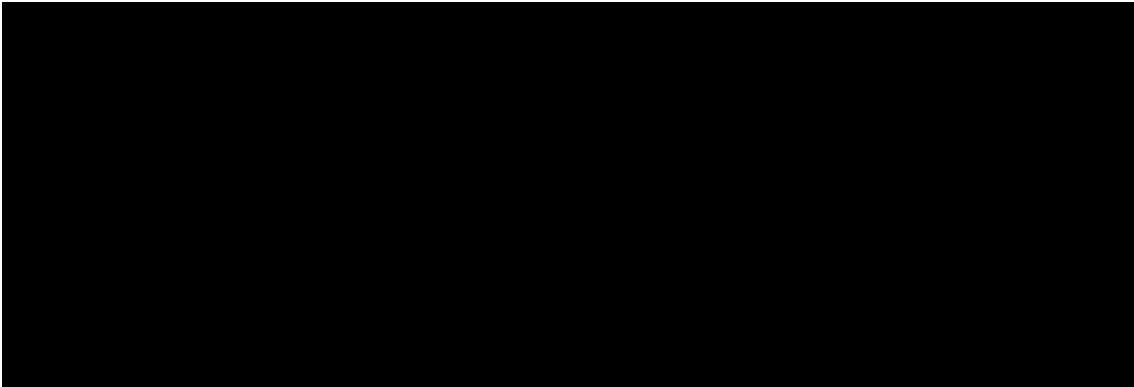
8 Q Okay. And this -- I want to ask you about
9 goodwill with respect to this document, but let's just
10 go over to Page 9 of your testimony and link this
11 document up to your testimony, if we can, on -- this is
12 in the Confidential section that goes from line 8
13 through line 11.

14 A Yes.

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A Yes. I would ask you to look at Page 130 of the agreement, section 6.4, sub part N, please.

Q Okay. Sub part N. All right. Would you mind reading the language?

A Yes. Sub part N: Additional restricted payments made by holdings or any of holdings' restricted subsidiaries provided on a proforma basis immediately after giving effect to any such restricted payment, A, no event of default should have occurred and be continuing or would result therefrom, and B, the consolidated total net leverage ratio shall not exceed 2.00 to 1.00.

Q Okay. And if we turn back to Page 18 of this agreement --

A Yes.

Q -- you see that the -- this is where the definition of consolidated -- is this the right definition? It says consolidated total net leverage ratio?

1 A Yes.

2 Q And it says: Means the ratio at any date of
3 termination of X 6, in parentheses, consolidated total
4 net debt as of such date to Y, consolidated adjusted
5 EBITDA for the then most recently ended test period.

6 A Yes.

7 Q Did I read that right?

8 Okay. So if EBITDA is close to zero or zero,
9 can -- would that -- how would that affect this ratio
10 here?

11 A Well, EBITDA is the denominator of the ratio.
12 So it would change the calculation to whatever current
13 EBITDA was for the reporting period.

14 Q Okay. If your EBITDA was zero, would that
15 likely mean that you were in default anyway?

16 A Yes. For any extended period of time, and
17 there are other covenants in the agreement now that you
18 have that require the company to maintain its net debt
19 to a certain multiple of EBITDA. So if EBITDA were
20 zero, it is very likely that there would be a compliance
21 problem with the credit agreement.

22 Q Okay. Going back to goodwill, am I reading
23 this agreement correctly that -- if I turn to, I guess
24 it's the definition of collateral which is on Page 9, it
25 refers to the collateral documents which the principal

1 one of those is the security -- the Pledge and Security
2 Agreement; is that right?

3 A Yes, that sounds correct. I'd have to trace
4 it back through the document to confirm, but that sounds
5 reasonable.

6 Q Okay. The Pledge and Security Agreement
7 starts at page 273, the definition of collateral is on
8 277. Can I get you to turn to that?

9 A Yes, I hear you.

10 MR. HERNANDEZ: Do you want him to turn to 273
11 or 277?

12 MR. REHWINKEL: 277. I was just showing you
13 where the document started. It's about an eighth
14 of an inch from the back.

15 MR. HERNANDEZ: This version may not be
16 numbered, Charles.

17 THE WITNESS: I believe I found it. Is the
18 bottom of the actual page numbered 2?

19 BY MR. REHWINKEL:

20 Q Yes, that's it.

21 A Okay.

22 Q So if I'm looking at collateral, the
23 definition of collateral up here, does it include
24 goodwill?

25 A No, not as it's defined here.

1 Q Is goodwill covered by this security
2 agreement? In other words, is it a security for the
3 loans that are covered by these covenants?

4 A Indirectly. Let me try and explain that.
5 Goodwill in this context really represents the company's
6 ability to generate continuing earnings. If a new
7 investor were to buy the company, they would buy the
8 company based on the expectation of its ability to
9 generate continuing earnings. Someone looking at
10 NorthStar to buy NorthStar as an investor would not say
11 their trucks are worth X and their excavators are worth
12 Y. They would look at the total earnings power EBITDA
13 generation of NorthStar as a part of arriving at the
14 value. That's why EBITDA is a key criteria for the
15 covenants and a key limiting factor on the dividends per
16 my previous testimony.

17 So I believe we may be trying to mix a couple
18 of different concepts here. Goodwill is not a piece of
19 tangible collateral. It is really the accounting
20 representation of the company's ability to generate a
21 continuing earnings stream.

22 Q Okay. So back on Page 7 of your testimony,
23 and I want you to -- at line 13 when you get there.

24 A Yes.

25 Q Okay. When you talk about future economic

1 benefits, is that the same as what you just described
2 as --

3 A Yes, that is consistent. The future economic
4 benefits in this context are the ability for an entity
5 to continue to generate revenue and earnings on an
6 ongoing basis. That's something that an investor would
7 pay for above and beyond the tangible value of the
8 assets that were being acquired.

9 Q Okay. When we go back and hopefully without
10 having to refer back to that note at 162 of Mr. Polich's
11 testimony, Exhibit RAP-6, the test to retain the
12 goodwill on your balance sheet as an asset isn't that
13 you will achieve future economic benefits. It's that
14 you don't find any evidence that you won't achieve it,
15 in so many words. Is that fair?

16 A Well, I think we're speaking about goodwill in
17 two different contexts. There's the original source of
18 the goodwill on the balance sheet. So when goodwill is
19 created and originally put on the balance sheet, it is
20 being done how someone has evaluated the continuing
21 earnings power of the company. And then on an ongoing
22 basis from an accounting point of view, you're required
23 to look at whether anything has changed that would
24 basically impair the earnings potential of the company
25 going forward. So there's the original recognition of

1 the goodwill and then there's the continuing validation
2 of the goodwill as part of an annual reporting process.

3 Q Okay. I won't make an analogy to momentum,
4 but it seems like what you're saying is that that
5 original assessment is good unless you can prove that
6 it's not. Is that right?

7 MR. HERNANDEZ: Object to form.

8 A Yes, loosely, I think, once it's on the books,
9 under current accounting principles you don't amortize
10 it. You maintain it until there was some change in
11 circumstance that would cause one to question whether it
12 could still be supported.

13 BY MR. REHWINKEL:

14 Q Okay. Let's turn to Page 8 and talk about the
15 Parent Support Agreement and whether GAP would require
16 you to show that as a liability on your balance sheet.

17 A Okay.

18 Q And this discussion is down in the bottom
19 third of that Page 8. But on lines 22 and 23 you say:
20 From an accounting perspective, execution of the PSA
21 creates a contingent obligation with a remote
22 probability of being called, and therefore is not
23 appropriate to recognize in financial statements
24 presented under GAP. Is that right?

25 A Yes.

1 Q So is there a procedure or a test that either
2 you have to perform for your outside auditors or that
3 they have to perform under GAAS, G-A-A-S, that would
4 make some sort of probable listed determination about
5 whether that probability is remote or not?

6 MR. HERNANDEZ: Object to form.

7 A Well, yes, in order -- the existence of those
8 agreements, whether they -- they don't exist yet here in
9 the context of this transaction, but any of those -- you
10 know, to the extent an agreement of that nature exists,
11 there are specific accounting rules around how
12 contingent liabilities are treated. And so whether they
13 are remote or reasonably possible, there's different
14 thresholds.

15 And so in this case, this structure, this
16 agreement would be deemed a remote probability of being
17 called qualitatively because you can't run a numerical
18 test on it and there is no evidence or any factors that
19 suggest that it would be anything but that in the
20 context going back to how the overall transaction
21 structure and how the DSA was put together.

22 BY MR. REHWINKEL:

23 Q Okay. I mean, what you're saying is that you
24 wouldn't structure the transaction like this, have all
25 these documents, the counter-parties negotiate and then

1 say that this was likely enough to occur where you'd
2 recognize it as a liability because that would be kind
3 of circular or self-defeating; is that fair?

4 A Yes, I actually believe that is a fair
5 characterization, and it goes back to my previous
6 testimony on supplemental protection versus core
7 protection.

8 Q Okay. Just real quickly on Page 9, we talked
9 a little bit about the credit agreement and that
10 covenant that you pointed us to on -- I think it was
11 Page 130 that has the two to one ratio in it.

12 Are there any other provisions of the credit
13 agreement, any covenants in there or other provisions
14 that would be an obstacle to adopting any of the five
15 enhancements that Mr. Polich recommends?

16 A I'll have to think about that for a moment.
17 It would really come down to this recommendation that a
18 hundred million dollars of cash is set off to the side
19 and held. Depending on the structuring on that, it is
20 likely that there would be an issue or a conflict there.
21 Without the specific structure or how that was put
22 together, I can't point to a specific provision, but
23 saying that those funds are set aside and unavailable to
24 any other purpose, including debt service, in order for
25 there to be any meaningful protection out of that, you'd

1 have to say that the company couldn't turn around and
2 make those funds available to service its debt.

3 So as we sit here, without having prepared for
4 that question, I can't point to subsection X, Y and Z of
5 the agreement, but that is generally going to be
6 problematic in what's obviously a fairly sophisticated
7 credit agreement to say that you're taking \$100 million
8 of the company's money and putting it in a place where
9 it cannot be accessed for debt service, and Mr. Polich's
10 assertion that restricted cash is an asset and you can
11 go borrow enough new money against it is explicitly
12 false and a direct contradiction to the overall
13 construct of the credit agreement.

14 Q Okay. So I guess -- and I wasn't trying to
15 kind of submarine you with this question, but I just
16 wanted to understand if there was anything else that the
17 credit agreement would be an obstacle to.

18 I would be happy if you would like to answer
19 that question in a late-filed exhibit. I mean, you've
20 kind of given me an answer, that you think that the
21 dollars flow all the way through and there are
22 provisions in here that likely would be triggered that
23 would create default situations or some other jeopardy
24 in the agreement. Is that fair?

25 A Well, it is, and it depends again on what

1 those funds, this minimum cash requirement, you know,
2 how that would be held. So again, I want to be careful
3 for the record to not imply any kind of a support or
4 agreement in that provision.

5 But to the extent that it existed in order for
6 it to have any protection value, there would have to be
7 restrictions on how it can be used. And I can
8 definitively say that as soon as you start restricting
9 cash within the existing company and say that that cash
10 is no longer available for debt service, that is going
11 to be an issue with the credit agreement.

12 If you would like specifics provisions on
13 that, we can certainly provide that. But of the five
14 recommendations, the one that I believe is specifically
15 a problem in the context of the existing credit
16 agreement is definitely this request to set aside
17 \$100 million of cash until the completion of the
18 project.

19 Q Okay. That is what I was looking for is just
20 that kind of an explanation, so thank you.

21 Right below that on Page 13 -- I mean Page 9,
22 lines 13 and 14, you say: In reality Vermont Yankee
23 generates no accounts receivable under GAP as NorthStar
24 already owns the source of payment.

25 A Yes.

1 Q Do you see that?

2 Are there accounts receivable recorded on any
3 set of books that recognize the timing difference
4 between the submittal of the invoice and the payment of
5 the invoice out of the fund?

6 MR. HERNANDEZ: Object to form.

7 A There are -- there is no such receivable on
8 any of our quarterly lender reporting or our annual
9 audit because all of those documents are prepared under
10 GAP. On our internal reporting, we simply recognize the
11 transfer between the trust entity because we keep the
12 trust on the balance sheet and then we pay out of the
13 trust to fund the work that is then earned in a given
14 period. And so we'll track what is pending there, but
15 then we eliminate it for external reporting purposes and
16 any statement prepared under GAP.

17 Q Okay. Is it similar to the eliminations that
18 would occur in the consolidating -- consolidated
19 reporting where you would eliminate intercompany
20 transactions, for example?

21 A Yes, a similar concept to that.

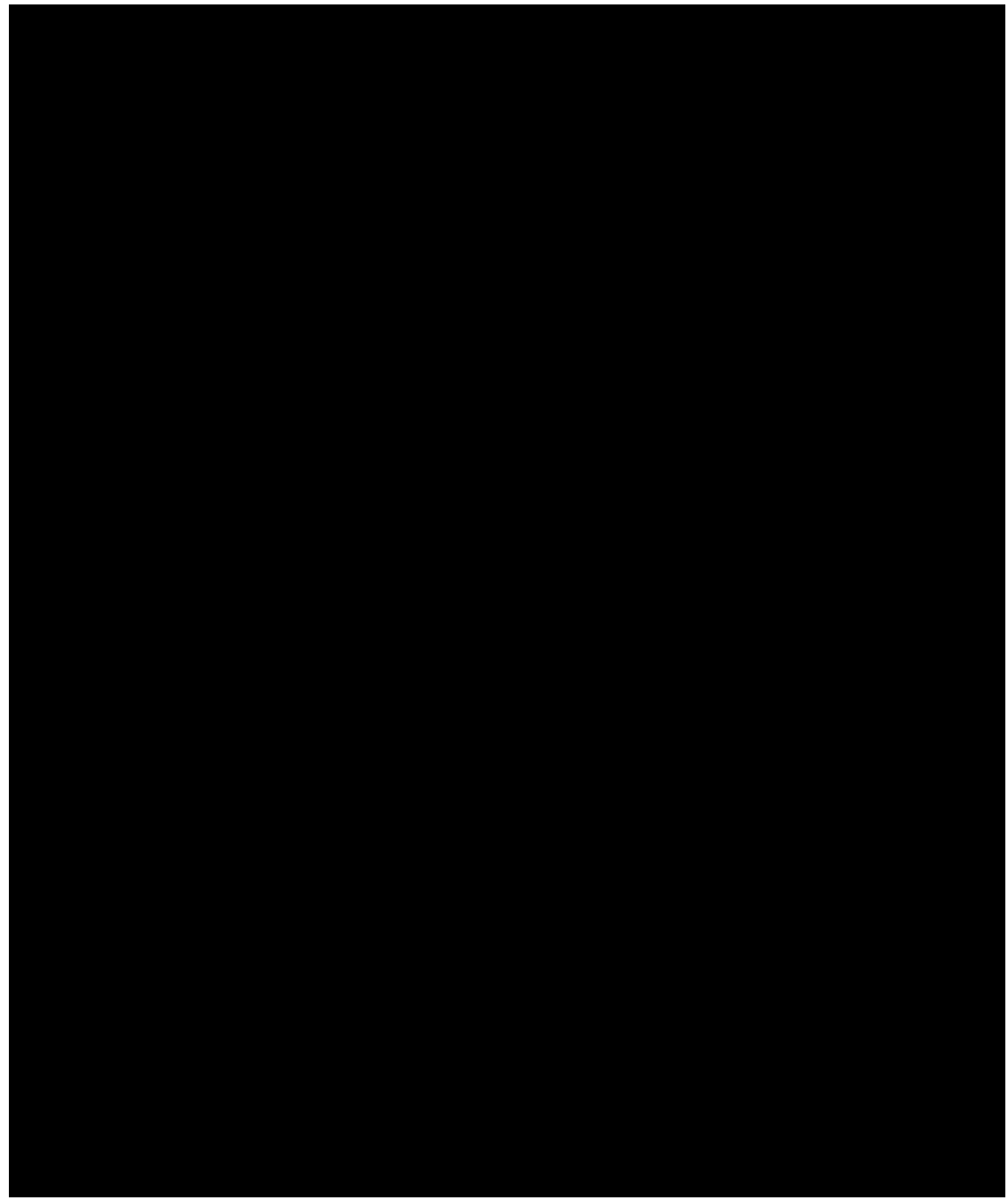
22 Q On Page 10 on line 21, you talk about
23 Mr. Polich referring to financial results as old as 2014
24 as evidence of the company's forward-looking financial
25 prospects. Do you see that?

1 A I do.

2 Q And I paraphrased a little bit there.

3 Can you tell me where he says that they -- he
4 ties old financial results to the forward-looking
5 financial prospects?

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1 Q So right now you're in the early stages -- I
2 think you testified you're a year and half into the
3 Vermont Yankee decommissioning; is that right?

4 A Yes.

5 Q And this is the first -- you're in the midst
6 of a major baseload nuclear power plant decommissioning
7 for the first time since this restructuring has
8 occurred; is that fair?

9 A Yes. Vermont Yankee is the first full plant
10 transaction of this type, correct.

11 Q If you go back before 2016, a decade back, the
12 company or some element of the company before it got
13 bigger through mergers and acquisitions did some
14 decommissioning of very small educational institution
15 nuclear reactors; is that right?

16 A Yes. The company has a list of multiple
17 reactor decommissionings that it's done. As you point
18 out, many of them -- many, if not all of them in a
19 researched or university context.

20 Q Okay. So -- well, I won't be argumentative
21 about it.

22 Let's go to Page 11, and I would -- let's go
23 back to the line 12 and 13. You talk about sort of a
24 proxy of measurement of EBITDA of 112 million, implying
25 a market value of nearly one billion dollars. Do you

1 see that?

2 A I do.

3 Q Okay. Is there a treatise or a text or some
4 authoritative source that says that's the case?

5 A Two parts, and I spoke to this partially
6 before. So that comment is based on my own personal
7 knowledge of what private equity owned companies often
8 trade for, and for purposes of making that comment, I
9 used a range of 8X to 10X as the source of that. And
10 then upon request, I -- the two documents that were
11 provided for both the industrial services and the
12 environmental services industry were provided not to
13 point to an exact match, and this company looks exactly
14 like NorthStar, but simply to support the point that an
15 8X to 10X range is not arbitrary or unrealistic when
16 compared to the type of numbers like 11 to 13X for
17 companies in the environmental space, in the industrial
18 services space, and the multiples that they often trade
19 for.

20 So this is not intended to be a precise
21 valuation, but simply to frame the context and say under
22 a very realistic set of assumptions for a company
23 performing at this level, it is very likely that the
24 valuation is at least in that range.

25 Q Is there an industry-wide recognized rule of

1 thumb that's incorporated in any kind of literature that
2 would say that this is a good rule of thumb?

3 MR. HERNANDEZ: Object to form.

4 A I certainly tried to provide two different --
5 and there are other investment bankers. There are other
6 industry publications just to provide support to show
7 that a recognized investment banking firm has reported
8 common enterprise value multiples and current valuations
9 north of 10 for companies in the environmental and
10 industrial space and using that as a proxy for
11 NorthStar. There are other materials that could be
12 found, but generally, companies that generate those
13 kinds of earnings in anything resembling this space will
14 trade on that basis.

15 I base that comment on a combination of
16 personal knowledge, multiple conversations, multiple
17 years of discussing those kind of values, but then
18 buttressed it with two specific recent examples from a
19 recognized investment banking firm that is involved in
20 buying and selling companies in this industry.

21 Q Can you take me, for example, through the
22 environmental services document and show me where
23 there's a tangible kind of evidence of what you're
24 talking about in the document? What's the best place
25 for me to look to see this phenomenon?

1 A Very simply, Page 4 of that document,
2 historical averages from 2016 to the last 12 months,
3 EV/EBITDA, that's the ratio of enterprise value to
4 EBITDA is 11X.

5 Q Okay. And I would see the same thing over --
6 what about on the other document, the industrial
7 services?

8 A Yes. In the other document, you correctly
9 noted before that Page 10 was the best place to see
10 that. And so depending on which sector you looked at,
11 for environmental services, the mean EV to EBITDA was
12 13X for that collection of companies. There are other
13 spaces, engineering and construction, where it's listed
14 as 10.9 to the left of that. So relatively consistent
15 with the 11 that was mentioned before, it will vary, but
16 that is the cleanest place of some industry comparables
17 in this set of documents.

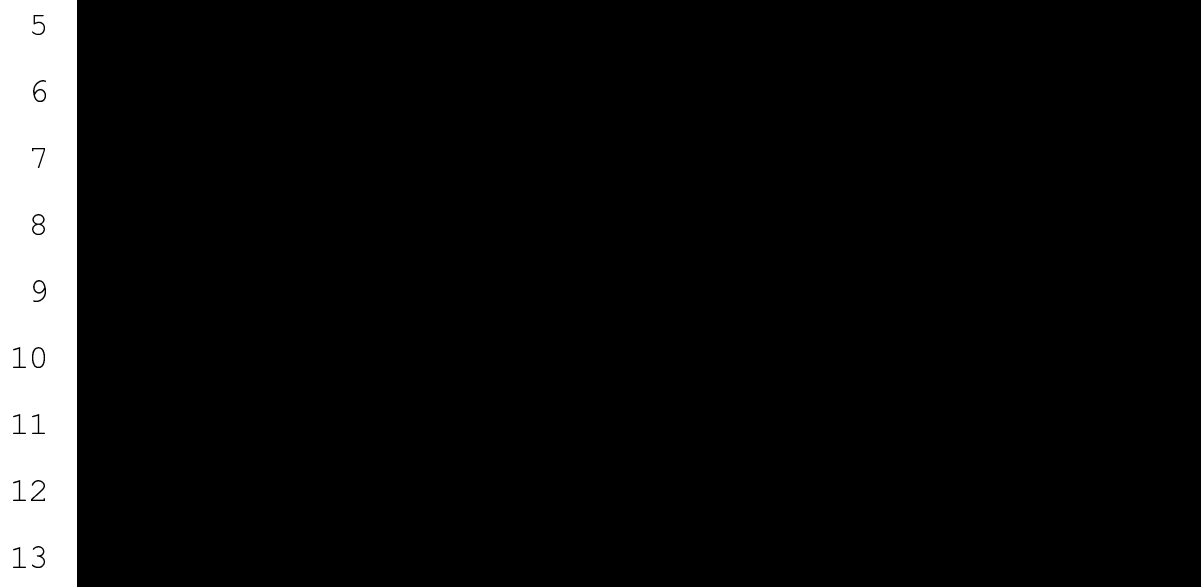
18 Q Okay. What is your opinion or what is your
19 understanding of what the equity ratio of NorthStar is?

20 A Well, I don't have the calculation right in
21 front of me, but it's going to be the comparison of the
22 equity in the company to the debt in the company and the
23 ratio of the two. So that's not a number I have off the
24 top of my head, but I certainly understand the concept.

25 Q Can you go to Page 152 of Mr. Polich's RAP-6?

REDACTED

1 And I just want to know kind of what the two numbers are
2 that you would look at for the -- or what numbers, maybe
3 there are more than two, to determine the equity ratio
4 from this balance sheet for 2019.



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14 A Yes.

15 Q Okay. Let's go to Page 11, line 18 through
16 20, and it's -- if we go to Page 11 and go to lines 18
17 through 19, and I want to direct you to the sentence
18 that starts with the word "Consistent."

19 A Yes.

20 Q Do you see that?

21 A Yes.

22 Q Could you read that aloud, and then I want to
23 ask you about the document that I think relates to that.

24 A Okay. "Consistent with the going concern
25 testimony above, these results are sustained by

REDACTED

Page 89

1 [REDACTED] of reported revenue backlog entering 2020
2 and a larger pipeline of additional opportunities."

3 Q Okay. Now, the [REDACTED] backlog, we asked
4 you for the document. I think you gave us what's
5 number 8.

6 A Yes.

7 Q Okay. Can you show me on this document where
8 the components of the [REDACTED] are?

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15 Q Yes, if you wouldn't mind, and then I want to
16 ask you what soft backlog means, but --

17 A Yes. So in the way that we do our reporting,
18 hard backlog is existing signed fixed-price contracts on
19 percentage of completion work that is accounted for on a
20 percentage of completion accounting basis. And so this
21 is -- you know, there's a contract. You can point to
22 the contract and say, this contract has a fixed price of
23 \$10 million and we're 60 percent of the way through it,
24 so we have a hard backlog remaining of \$4 million.
25 Sixty percent of the 10 million is complete.

1 Four million remains in backlog yet to complete, as a
2 simple example. So that is for the portion of the work
3 that's performed on that basis.

4 There's two other -- there's a few other
5 different categories. When we use the term "soft
6 backlog," there's a portion of our work that's performed
7 on a time and materials basis. Let's say our emergency
8 response division shows up to a company that's had a
9 major flood or a major fire. Oftentimes you'll be
10 tasked to go deal with the issue. You don't sign a
11 fixed-price contract up front because you don't know
12 what the full scope of the work is going to be. And so
13 you account for that on a time and materials basis and
14 bill it as you go along.

15 There's a recognition in our soft backlog
16 numbers that there's a certain amount of recurring
17 revenue in the business that's not tied to any
18 fixed-price contract. It more happens as part of
19 recurring time and materials work. It happens when we
20 consistently historically generate additional change
21 orders off of fixed-price work and contracts where that
22 is relevant. And there's also a certain amount of work
23 that is very small recurring work that may run through
24 the numbers in a given month without ever really showing
25 up in backlog because you both book it and perform it in

1 the same month.

2 So those are all types of work that roll into
3 what we would call soft backlog which are revenue that
4 we expect to see in the coming 12 months.

5 The other category of soft backlog is work
6 where we have a signed contract or we are in the
7 process -- we've been given an award by the customer,
8 but we're in the process of negotiating a contract. If
9 the work has been won, but you haven't yet moved it to
10 hard backlog, then that would also be included in our
11 standard recurring definition of soft backlog.

12 So there's two examples included in here.
13 Obviously, a large and very relevant one to this
14 conversation is the \$540 million value associated with
15 the Crystal River decommissioning. That qualifies as
16 soft backlog in this reporting because we have an
17 executed agreement against it as noted in the reporting,
18 subject to regulatory approval, of course. Or it can be
19 smaller things like this project up here, Ameren,
20 McLean, Illinois, where we have an [REDACTED] scope
21 expansion that's been awarded to us, but the relevant
22 contract documents, purchase orders were still in the
23 process of being issued at the reporting cutoff date.
24 So that's an example, a smaller example of a similar
25 concept.

1 So it's the total of those two, the
2 fixed-price, fully contracted work, the recurring
3 non-fixed-price work that runs through the numbers, as
4 well as timing items for work that's in the process --
5 it's awarded but in the process of being contracted that
6 makes up our total definition of backlog.

7 Q What is the reference to -- thank you for
8 that. What is the reference to the Duke Crystal River
9 Units 1 and 2? It says "exclude" and it's a negative of
10 [REDACTED] What does that reference?

11 A So that's the section of the calculation where
12 we start with the total hard backlog, the [REDACTED] from
13 the previous page, and this is the section where we are
14 calculating expected change orders on future work. And
15 so we're not saying that we're going to earn change
16 orders on all of the work that's in hard backlog. We're
17 backing out Vermont Yankee. We're not going to earn
18 change orders against ourselves there. We don't expect
19 to apply for change orders or receive change orders on
20 the Duke Crystal River 1 and 2. We're not assuming that
21 on this other 270 Park project that's referenced.

22 So fundamentally, we're excluding these
23 individually larger projects where we don't expect
24 change orders to be following a similar pattern to
25 routine historical smaller work.

1 And so we're applying this 32 percent change
2 order factor not to the entire [REDACTED] of hard
3 backlog, but only applying it to this residual
4 [REDACTED] pool of individually smaller projects. So
5 we're just backing that out of a calculated -- out of a
6 calculation to get to the relevant denominator, if you
7 will.

8 Q So if I go look on the first page in the hard
9 backlog, this is the hard backlog on the first page?

10 A Correct.

11 Q The Tampa IE, is that Crystal River?

12 A No, it is not. That's a different business.

13 Q So where is -- okay. First of all, I wasn't
14 aware you were doing decommissioning. Is this a D&D job
15 at Crystal River 1 and 2?

16 A Of the fossil units that are -- yes, that was
17 announced as part of the overall transaction
18 announcement at the same time that Crystal River 3 was
19 publicly announced, as I recall, and that is fossil
20 decommissioning work at that site.

21 Q So were those negotiated together?

22 A At least on a parallel timeline. I don't know
23 exactly if they overlap. I believe there were different
24 individuals involved from different parts of Duke and
25 certainly even parts of NorthStar, but the timing ran in

1 parallel. And there are certain efficiencies that are
2 expected from having those units out of the way at the
3 time CR3 -- at the time the CR3 decommissioning work is
4 progressing.

5 Q Okay. So is Duke -- is CR1 and 2, is that
6 done?

7 A No. That is in process right now.

8 Q Okay. But it will be done before you do the
9 work on 3?

10 A There may be some overlap, but they're not
11 expected to interfere with each other in any way, and if
12 anything, to be complementary.

13 Q Are you saying there are some synergies
14 between the two jobs?

15 A Well, having those plants out of the way will
16 make it easier to access the footprint of CR3. So
17 that's really the basis for my comment.

18 Q Oh, okay. You've lodged some criticisms of
19 Mr. Polich in your rebuttal testimony, and my question
20 to you is, are there any other objections or criticisms
21 that you have that you haven't -- that you have
22 formulated that you haven't included in your rebuttal
23 testimony?

24 MR. HERNANDEZ: Object to form.

25 A Generally, I would say I raised the issues of

1 greatest concern. As a general theme that I believe I
2 stated or alluded to in my testimony, there were just a
3 number of statements that were incorrect or things like
4 the repeated references to there's no restriction on the
5 company being able to pay dividends out that were not
6 true. And so there are just a number of statements that
7 were made that in my opinion undercut the overall
8 credibility of the testimony. But I believe I raised
9 the primary ones that I identified in reading through
10 both his testimony and his deposition.

11 BY MR. REHWINKEL:

12 Q So I guess my question comes down to this: Do
13 you have any plans to raise additional objections or
14 concerns at the hearing that you haven't put in your
15 prefiled direct testimony?

16 MR. HERNANDEZ: Object to form.

17 A Not at this time, no. I'm not aware of
18 anything else that I would plan to introduce in a
19 hearing that I haven't spoken to now absent new
20 information.

21 BY MR. REHWINKEL:

22 Q Absent what?

23 A New information.

24 Q Okay. Going back to the credit agreement real
25 quickly, if I could get you to turn to the page that has

REDACTED

Page 96

1 the preamble which is -- I guess it's Page 1.

2 A Yes. It says Credit and Guarantee Agreement
3 at the top?

4 Q Yes, sir. And there's a definition -- well, I
5 guess the first definition is 2019 dividend. And this
6 is that [REDACTED] that Mr. Polich discussed in his
7 testimony; is that right?

8 A Yes.

9 Q What does that have to do with this agreement?
10 I'm just curious.

11 A It was specifically -- as I mentioned
12 previously, in a credit agreement like this, the lenders
13 are going to generally put restrictions on the company's
14 ability to pay difficult dividends out, pay funds out to
15 investors in the company. And so that [REDACTED]
16 dividend that's referenced here on the first page was
17 explicitly allowed as part of the refinancing
18 transaction. So it was actually paid concurrently with
19 the refinancing. And so it was referenced here in the
20 document as being allowed by the lenders.

21 Q Is it fair to say that the refinancing or the
22 restructuring provided for funds to make the dividend
23 payment?

24 A Yes, it is actually.

25 Q Okay. If you could go to Page 40 and 41 of

1 this credit agreement, and this is under the definition
2 of Parental Support Agreement, and let me know you're
3 there.

4 A Yes, I'm there.

5 Q Okay. The arrangements that are defined in
6 Parental Support Agreement, is this consistent with your
7 answer you gave to me earlier in the deposition about
8 parental support agreements or parental guarantees as
9 being sort of all under the same umbrella?

10 A Yes, I believe it is. This section
11 specifically speaks to and contemplates parental support
12 required to support nuclear decommissioning
13 transactions.

14 Q One of the recommendations of Mr. Polich is to
15 put the State of Florida on the Parental Support
16 Agreement that you would execute with the NRC. Do you
17 understand that?

18 A Yes, I'm aware that's a recommendation.

19 Q Is there anything in the credit agreement that
20 would prohibit the State of Florida being an additional
21 beneficiary like the State of Vermont is?

22 MR. HERNANDEZ: Object to form.

23 A I don't believe that is a credit agreement
24 issue.

25

1 BY MR. REHWINKEL:

2 Q Okay. On Page 41, at the end of that Parental
3 Support Agreement definition, it has a subsection E that
4 says: Each nuclear decommissioning project shall be
5 established on a, quote, fixed cost basis, fixed cost,
6 closed quote, basis. Do you see that?

7 A I do.

8 Q Is that something that the -- is this notion
9 of a fixed-cost agreement, does that reference what
10 we've been talking about in the DSA being a fixed-cost
11 agreement?

12 A Yes, I believe it does.

13 Q So is this agreement recognizing that that's a
14 fixed-cost agreement or was there some reason that you
15 had to for borrowing purposes make that a fixed-cost
16 agreement?

17 MR. HERNANDEZ: Object to form.

18 A I don't recall the origin of that specific
19 clause in the drafting of the agreement, but that's
20 generally our approach and is consistent with the
21 methodology that was used in Vermont for structuring the
22 transaction and tying payments to performance under a
23 fixed schedule of payments and costs. So it doesn't
24 surprise me seeing something like that because that's
25 generally how you approach these projects, but I don't

1 recall the specific origin of that clause here in the
2 definition.

3 BY MR. REHWINKEL:

4 Q With a little more research and maybe some
5 contemplation, would you be able to answer that question
6 in a late-filed deposition exhibit, explain to me why
7 provision E in the Parental Support Agreement definition
8 is there, what's the purpose of it?

9 A Yes, I believe we could do that.

10 MR. REHWINKEL: Danny, can we make a
11 late-filed number 3, and it would just be
12 Explanation of Parental Support Agreement and
13 Fixed-Cost Relationship, just to give it a title.

14 MR. HERNANDEZ: Okay.

15 BY MR. REHWINKEL:

16 Q And I just want to understand if you can tell
17 me why that's there and what's the purpose of it as it
18 relates to the DSA.

19 A Yes, I have some -- I believe I know, but I
20 won't speculate without going back to the transaction
21 documents.

22 Q Okay. And that's fair. I'm not trying to put
23 you on the spot. That's why some more time to answer it
24 would be fine with me.

25 Okay. On Page 14 you reference Mr. Polich

1 talking about -- and this is on line 9 and 10, that
2 Mr. Polich says restricted cash or trust assets could be
3 borrowed against.

4 A Yes.

5 Q And you cited his deposition testimony. If I
6 could get you to turn to the first reference on Page 61
7 if you have that nearby?

8 A One second.

9 MS. TRIPLETT: Charles, this is Dianne. Isn't
10 that page included as an exhibit?

11 MR. REHWINKEL: Yes, it's in his testimony,
12 Mr. Adix's testimony.

13 MS. TRIPLETT: The copy of the deposition
14 transcript we have isn't numbered. That's --

15 MR. REHWINKEL: Okay. Well, you should have
16 this as his testimony, JA-2.

17 MR. HERNANDEZ: This particular line on
18 Page 62?

19 MR. REHWINKEL: Well, this is on JA-2, Page 3,
20 and I'm asking about lines 10 through 14 of the
21 deposition excerpt.

22 THE WITNESS: Is it the line that starts, "To
23 the extent the company"?

24 BY MR. REHWINKEL:

25 Q Yes. So my question is, is this what you mean

1 where he has testified -- or Mr. Polich has testified
2 that restricted cash or trust assets could be borrowed
3 against?

4 A Yes, that's one example. He repeats this
5 theme several times in his testimony, but this is one
6 specific example.

7 Q And is it because the prior questions talked
8 about increasing the contributions from 6 to 10 percent?

9 A Both that and the recommendation to set aside
10 more than \$100 million of restricted cash. The same
11 point applies to both of those recommendations.

12 Q Well, when you say restricted cash, tell me
13 what you mean by restricted cash as it relates to the
14 105 million.

15 A I mean cash that has to be held and can't be
16 used for any other purpose.

17 Q Okay. And I think he said amortized, but if
18 you substituted monetized or collateralized, would that
19 make more sense?

20 A No. The whole premise is actually incorrect.

21 Q I'm just talking about, do you think he meant
22 to say amortized or do you think he meant to say
23 securitized, collateralized, monetized? He means to
24 borrow against, right?

25 A I don't know what Mr. Polich meant to say, to

1 be perfectly honest with you.

2 Q But did you assume he meant amortize it like
3 you would amortize an asset over a period of time?

4 MR. HERNANDEZ: Object to form.

5 A No. I assume that Mr. Polich said that this
6 was an asset that could be borrowed against.

7 BY MR. REHWINKEL:

8 Q Okay. And collateralized would be more
9 descriptive of borrowing against an asset, right?

10 A Well, he's trying to make the argument, I
11 think, and I don't want to put myself in his head, but
12 he's trying to make the argument that it's not really
13 unavailable to the company because we're going to make
14 you set it aside, but then we're going to say that it's
15 still available to the company because you can obtain
16 credit against it and still utilize the fund associated
17 with it. It's a little bit circular, but in the reality
18 of how we operate and how virtually any company that has
19 a sophisticated credit agreement would operate, it's
20 just false.

21 Q On Page 14, when you talk about the Vermont
22 Yankee trust funds --

23 A Yes.

24 Q -- would you agree that those funds are not --
25 you can't collateralize those funds or borrow against

REDACTED

1 them in any way?

2 A Yes. They are only available to support the
3 continued performance of the ongoing decommissioning
4 work.

5 Q Okay. On Page 14 starting at line 17, you
6 talk about -- well, you get into talking about the
7 [REDACTED] Do you see that?

8 A Yes.

9 Q Okay. And you talk about the value that
10 creates for DEF's customers. What do you mean by that
11 phrase, "value that creates for DEF's customers"?

12 A That disposal cost is a -- disposal is a key
13 cost variable on any decommissioning project. And
14 knowing that there is [REDACTED] of pre-committed
15 disposal as part of the transaction structure, that
16 creates a layer of protection, a buffer layer. And
17 when, you know, we talk about the scenario, you
18 mentioned some hypothetical scenarios of what if there
19 was a cost overrun, or what if, you know, 50 percent of
20 the money had been paid but there was still 75 percent
21 of the work to do, this is a protection because it is a
22 dollar to dollar -- dollar for dollar offset effectively
23 to the expected cost of performing the decommissioning.

24 So it is a resource that provides additional
25 funding and/or really reduces the out-of-pocket cost to

1 complete the decommissioning if you could send
2 [REDACTED] site at no
3 incremental cost to the trust fund if there was some
4 problem.

5 Q Okay. So I don't know how a low-level
6 radioactive waste disposal site works, but I assume
7 there is some kind of a unit cost either by weight or
8 volume or some other measure that's got a dollar sign
9 attached to each unit. Is that fair?

10 A For accounting purposes, yes. For economic
11 purposes, not necessarily. I'm not trying to be
12 evasive. I can clarify that if you'd like.

13 Q I'm just trying to understand how you would
14 know that you've got [REDACTED]. Is it like
15 [REDACTED] of what you're going to take out of CR3? How
16 do you know that?

17 Well, first of all, how do you value that
18 relative to the job you're trying to do?

19 MR. HERNANDEZ: Object to form.

20 A Yes, at a high level there would be standard
21 pricing established for waste coming out of the site
22 depending on the characterization of that waste.
23 Whether it's class A, class B, class C, there's
24 different pricing associated with those different levels
25 of waste.

1 And so in the normal course of business, the
2 expectation would be that NorthStar or Orano, depending
3 on the nature of the work being performed, would
4 generate low-level radioactive waste in the
5 decommissioning, would send it to WCS. WCS would send
6 an invoice to the relevant party. Cash would change
7 hands and things would flow that way.

8 Q Okay.

9 A The pricing that's used to support the flow of
10 waste back and forth in what's anticipated to be the
11 normal course of business, if one of the parties didn't
12 perform or there was payment not made or anything along
13 those lines, that same -- instead of sending a

14 [REDACTED] if there was a failure to
15 perform, this agreement has been put in place to say
16 that that waste could still be sent to the disposal
17 site. WCS is effectively guaranteeing to take that
18 waste regardless of -- take that waste and guarantee
19 that they'll take [REDACTED] of waste if there was some
20 event that triggered this provision to become relevant.

21 Q Has the [REDACTED] has that become fixed in
22 terms of what services will be provided? In other
23 words, I'm going to make a number up. One hundred -- I
24 mean 10 million pounds. I don't know how many tons that
25 is. Let's say that you sat down and you said

1 10 million pounds today over X period of time is
2 [REDACTED] Is that in any way fixed? In
3 other words, do you know for sure that you could put
4 this amount of volume over there for [REDACTED] credit
5 or cash, however, over this period of time or can that
6 number change?

7 MR. HERNANDEZ: Object to form.

8 A I don't know whether that's completely
9 finalized or it's in a draft form, but there's
10 indicative pricing, I believe, that exists. I don't
11 know whether that's still being refined or not, but it's
12 not a -- it's a number that has some basis behind it.

13 It's important to remember that this
14 [REDACTED] So if
15 you think about the balance of how this is structured,
16 and this is another, you know, thing that was done
17 intentionally and thoughtfully as part of the
18 negotiations on this, at the beginning of the project
19 you haven't by definition disposed of anything yet. So
20 you have your greatest disposal liability at the time
21 you have the [REDACTED]

22 Over time, as some of the work and some of the
23 volume starts being sent there, through the 6 percent
24 contribution we're replacing the [REDACTED]
25 [REDACTED] with more general cash collateral

REDACTED

1 that could be used for anything, not just disposal.

2 So there's some thought that goes into that
3 structure because at the beginning you have your
4 greatest disposal exposure to the project, and as you go
5 from starting to send waste over and taking down the
6 remaining disposal, you're replacing that specific type
7 of project guarantee or support with a more general cash
8 collateral.

9 But the reason you wanted to rebut this point
10 specifically in the testimony is there really didn't
11 seem to be any credit being given for this [REDACTED] up
12 front when you have all of the disposal of the project
13 out in front of you, and then we replace it over time
14 with cash to get to the commercially negotiated
15 50 million. But there's always \$50 million of cost
16 protection to the project the way this was structured
17 and designed.

18 BY MR. REHWINKEL:

19 Q So the transaction between ADP and WCS, that
20 would be an affiliate party transaction, right?

21 A Yes, because of the relationship there, we
22 would likely characterize it as that.

23 Q And is the financial arrangement contract
24 indicative pricing, whatever, that's going to be at some
25 point, I guess, executed, is that a fixed price over the

1 life of the project?

2 A Fixed price per unit of volume based on waste
3 classification.

4 Q Is that a yes?

5 A Well, it's fixed price -- if there's less
6 waste that's ultimately sent, then the price for
7 disposal would go down. If there's more volume
8 discovered, the absolute dollar could go up. But the
9 fixed price for a cubic foot of a certain class of waste
10 would not change from once established for the project.

11 Q And that's going to be a contract that says
12 that or that's what you're saying is you expect that's
13 how it's going to be?

14 A Yeah. No, there will be a contract between
15 WCS and the entities that are sending disposal volume to
16 WCS. That would be a contracted arrangement.

17 Q Are you saying that WCS won't be able to raise
18 the price for a given unit of volume or given unit of
19 pricing?

20 A Yes, once -- they will be fixed for the
21 project on a unit of volume basis. That is a variable
22 that's not being left to float or fluctuate.

23 Q Is that stated in any of the documents that
24 have been filed like the DSA or anything like that?

25 A I don't recall whether that is explicitly

1 there or not. I suspect that Mr. Hobbs will be able to
2 testify to that tomorrow.

3 Q Okay. I can ask him about that. But I'm
4 asking you because you're the CFO of both entities, so I
5 just thought you might know.

6 A Yeah, it's -- well, I know that there will be
7 and I previously testified that there will be a
8 fixed-price contract established. What I was saying I
9 didn't know is whether that was explicitly referenced --
10 the existence of that contract was explicitly referenced
11 in the DSA. It's an important nuance there.

12 Q Okay. If there are waste disposal sites that
13 are -- well, does Holtec have a waste disposal site for
14 low-level A, B, C waste?

15 A No, I don't believe so. I don't think that is
16 their business.

17 Q Does ES? Is that what it's called, ES,
18 Environmental -- what's it called?

19 A Energy Solutions perhaps?

20 Q Yes. Do they?

21 A They have low-level waste disposal sites.
22 Their different sites can take different classes of
23 waste. As I testified earlier, not everything that can
24 go to WCS could go to Energy Solutions, but I can't give
25 you chapter and verse on that by site.

1 Q If a competitor's site is closed for whatever
2 reason, through a court challenge or some operational
3 issue, and the waste has to go somewhere else, could it
4 go to WCS, Andrews County site?

5 MR. HERNANDEZ: Object to form.

6 A Generally yes. I mean, you would have to know
7 the specifics and the characterization of the waste, but
8 generally for low-level radioactive waste, it's very
9 possible it could come to WCS.

10 BY MR. REHWINKEL:

11 Q If something like that happened hypothetically
12 and supply was exceeded by demand, are you saying that
13 there would be no way that WCS could raise the price for
14 waste disposal from the CR3 project to ADP?

15 A Yes, I am.

16 MR. REHWINKEL: Okay. I'm about to wrap up
17 with a few more questions, but let's take a break
18 right now.

19 (Recess from 4:06 p.m. to 4:16 p.m.)

20 BY MR. REHWINKEL:

21 Q Page 15 of your testimony between lines 18 and
22 20, you talk about Entergy being completely out of the
23 state of Vermont. Do you see that?

24 A Yes.

25 Q Do you know whether Entergy was ever regulated

1 by the State of Vermont as a public utility?

2 MR. HERNANDEZ: Object to form.

3 A Yes, I believe they were. They were -- as the
4 operator of the plant there, I believe that they were.

5 BY MR. REHWINKEL:

6 Q Well, was it a merchant plant that Entergy
7 owned?

8 A Yes, it was.

9 Q Do you know whether the Vermont PSA regulated
10 anything to do with that plant?

11 A I believe that it did.

12 Q Okay. Would the Florida Public Service
13 Commission have any regulatory authority over ADP?

14 MR. HERNANDEZ: Object to form.

15 A I would have to defer to Counsel on that. I'm
16 not a Florida regulatory expert unfortunately.

17 BY MR. REHWINKEL:

18 Q Okay. Could the Florida Public Service
19 Commission do anything to Duke based on something they
20 were not happy about ADP doing with respect to
21 decommissioning of CR3?

22 MR. HERNANDEZ: Object to form.

23 A I do not know what their full rights would be
24 with respect to Duke, but I do understand that Duke is a
25 regulated entity, is a regulated entity. I just can't

1 speak to the full rights as it relates to this project.

2 BY MR. REHWINKEL:

3 Q On Page 16, lines 6 through 7, you say that
4 Mr. Polich has suggested that NorthStar is overextended
5 because of its work on VY. Do you see that?

6 A I do, yes.

7 Q Are you testifying that he said it is
8 overextended or that he implied it in some way?

9 A He certainly implied it. I would have to find
10 in his testimony my basis for that comment. I could
11 look for it if you would like me to.

12 Q Well, I am kind of interested in whether you
13 think it's something that he explicitly said.

14 A Okay. If you give me a moment, I would look
15 for that reference.

16 Q Okay.

17 A Okay. We're getting warmer. Give us just one
18 moment.

19 Q Okay.

20 MR. DICARLO: Charles, he's looking at
21 Mr. Polich's direct testimony right now.

22 MR. REHWINKEL: Okay.

23 MS. BROWNLESS: And Charles, may I take
24 advantage of this pause to ask, can you give us an
25 estimated time of how much longer you'll be?

1 MR. REHWINKEL: Inside of ten minutes, maybe
2 five.

3 MS. BROWNLESS: Thank you, sir.

4 THE WITNESS: I'm getting there.

5 (Discussion off the record.)

6 BY MR. REHWINKEL:

7 Q Back on?

8 A Yes, back on the record. So --

9 MR. DICARLO: Charles, for the record, he's
10 looking at the deposition transcript of Mr. Polich
11 and our version is not paginated for some reason.
12 I don't know why.

13 THE WITNESS: It is under questioning by
14 Mr. Hernandez. Okay. So if you go immediately
15 after the testimony at the end, immediately after
16 the brief recess from 2:23 to 2:32 p.m.

17 MR. REHWINKEL: Okay.

18 MS. TRIPLETT: Charles, it's near the back.

19 MR. REHWINKEL: Okay.

20 BY MR. REHWINKEL:

21 Q I was thinking you were saying he did this in
22 his direct testimony. I didn't understand that you were
23 talking about his deposition.

24 A It was based on the deposition testimony in
25 here for clarity.

1 Q Okay. Well, can you read the passage? And I
2 can probably find it from the index because --

3 A Okay. So there's kind of multiple allusions
4 to this. I don't -- so he does not directly use that
5 word. But the comment is: Decommission -- he talks
6 about the Vermont Yankee project -- decommissioning
7 project that it has put itself in a position of
8 completing, and that is the Vermont Yankee project, that
9 is projected to be a 500 million dollar plus project.
10 When you think about it, that if things on that project
11 start deteriorating to the extent that you start having
12 cost overruns, you can very quickly put them into a
13 position where cash coming in does not equal the amount
14 of cash liabilities that are occurring as part of the
15 project.

16 Then proceeds to talk about how Crystal River
17 is another \$500 million project. Now we've got a
18 billion dollars worth of nuclear decommissioning
19 projects on board, what the cost overruns are.

20 But then he talks about specifically -- his
21 testimony is that there are serious unknowns in terms of
22 whether these projects will move forward in accordance
23 with NorthStar's projections. And if they don't,
24 NorthStar could be put in financial trouble very
25 quickly, unable to pay its bills.

1 And so that was my -- I interpret all of that
2 to be indicating a risk of NorthStar being overextended
3 because of the project. There may be other references
4 in here, but that's an example of some of the testimony
5 that gave rise to my comment wanting to rebut the idea
6 that somehow we're stretched or overextended as part of
7 completing the Vermont Yankee work.

8 Q Okay. You mentioned I think when we were
9 talking about the backlog document about hurricane work.
10 Is that a material part of the revenue that the company
11 earns, NorthStar?

12 A No, not at this point in time. There had been
13 some years where that has generated a meaningful amount
14 of revenue in the 2017 and 2018 storms. It was really
15 fairly minimal in 2019. It's event based, so it's
16 something that will flex up and down when there's some
17 sort of an event, hurricane or any other type of
18 disaster or project of that sort. So we don't see it as
19 a recurring part of the revenue base, but when something
20 happens, we have some demonstrated credentials on being
21 able to support that type of work.

22 Q So you haven't relied on it as part of the
23 financial strength, if you will, of NorthStar?

24 A No. It is more financial -- incremental to
25 the financials when a large event like that happens.

1 Whenever we do financial projections or modeling, we
2 tend to take very conservative assumptions on that line
3 of business because it is harder to predict obviously.

4 Q Okay. Let's go back to Page 6 of your
5 testimony. Actually, before we do that, let me ask you
6 about -- if you can tell me how -- just mechanically how
7 the dollars that are transferred from the Vermont Yankee
8 NDT or Nuclear Decommissioning Trust to ADP, how they
9 are tracked and reported to the NRC. Do you have an
10 understanding of that?

11 A Yes, I do. But just to clarify, they're not
12 being transferred to ADP. They're being transferred to
13 NorthStar in this case because that's a NorthStar
14 stand-alone project.

15 Q Okay. Thank you for the correction.

16 A So before any funds are withdrawn from the
17 Vermont Yankee trust funds for the decommission trust
18 fund, a notice letter is sent to the Nuclear Regulatory
19 Commission a minimum of 30 days before any draws are
20 made giving them a period to react and object if
21 appropriate to the draw. That's never happened, but if
22 I understood your question correctly, there is a
23 standard 30-day notice to the Nuclear Regulatory
24 Commission before any draws are made against the trust.

25 Q And do you have some sort of standard

1 reporting format that you track these dollars? And I
2 guess it's sort of a cumulative reporting with some
3 itemization?

4 A Yes, that's a reasonable characterization.
5 There is a -- let's call it kind of a formal accounting
6 that's prepared every month. There's a similar
7 structure here that was approved in Vermont where we are
8 only being paid for progress against defined
9 decommissioning milestones. And so there is a running
10 tracking of the percent complete against the defined
11 milestones that are relevant to that project, and then
12 that becomes the underlying basis and support for the
13 payment draws that are ultimately made. So I think the
14 summary that you provided is reasonable and that is how
15 we manage it.

16 Q Is that documentation that's given to the NRC
17 periodically?

18 A I don't recall -- they receive periodic
19 reports. I don't recall whether they receive -- the
20 notice that is given is more of a general notice of here
21 are the dollars that we expect to draw and it's
22 approximately this amount, whereas the actual document
23 that supports the draw from the trust is much more
24 detailed and will be at the disclosed amount to the NRC
25 or less. I know there are a number of different pieces

1 of reporting that go back and forth, but the monthly
2 30-day notice that I just described is more of a -- is
3 less detailed than the actual underlying support that is
4 provided to support the trust draw itself.

5 Q Is that underlying support and the report that
6 it supports, are those public documents or are they
7 filed confidentially?

8 A I don't believe any of that is made public. I
9 would have to -- would have to confirm what, if
10 anything, comes out, but generally, that's considered
11 proprietary and that level of detail I believe would not
12 be public.

13 Q Will the reporting -- will there be any
14 similar level of detail reporting for Florida?

15 MR. HERNANDEZ: Object to form.

16 A In general, as part of supporting -- in this
17 case, the structure is different. We're applying for
18 payment to a trust that continues to be owned and
19 controlled by Duke Energy Florida. So I'm comfortable
20 and confident in saying that yes, there will be detailed
21 reporting to justify the payment draws against the
22 defined -- pay item schedule is the term we often use.
23 But yes, there will be detailed reporting provided to
24 Duke Energy Florida as part of the application for
25 monthly payment from the decommissioning trust.

1 Q Has Duke passed on the types of reports that
2 you make in Vermont to see kind of how you do business?

3 MR. HERNANDEZ: Object to form.

4 A I don't know what has been shared back and
5 forth at the level of detail draft monthly reporting.
6 Mr. Hobbs may be able to speak to that, but I have not
7 been personally involved in drafting the monthly
8 reporting format yet.

9 Q Okay. Now let's go to Page 6. Just the last
10 couple of questions here. Are you there?

11 A Yes.

12 Q Okay. So there's a Q and A about Mr. Polich
13 not being a CPA. Do you see that?

14 A Yes.

15 Q And then I just want to understand the
16 qualitative nature of this sentence. You say he appears
17 to be an engineer, and I want to understand why you said
18 it that way.

19 A It was just -- I don't have definitive
20 knowledge of that. From reading his resume, he appeared
21 to be a licensed engineer. So I didn't imply anything
22 negative on that particular sentence. It was just from
23 reading his resume, he appears to be an engineer.

24 Q Okay. In the same way you appear to be a CPA?

25 A If one read my resume and saw that it said

1 CPA, yes.

2 Q So you're not suggesting that somehow you
3 don't believe that Mr. Polich is not only a nuclear, but
4 I think a mechanical engineer, right?

5 A No, I am in no way casting aspersions on
6 Mr. Polich's engineering qualifications.

7 MR. REHWINKEL: Okay. That's all I have. I
8 appreciate your time and your patience and your
9 answers. Thank you.

10 THE WITNESS: Thank you.

11 MR. MOYLE: Now we're at that part of the
12 deposition where we get to figure out who gets to
13 go next. So I know Jay Brew has some questions, I
14 think Suzanne has questions and I have questions.
15 And I'm happy to let Jay take the lead if he is
16 comfortable doing that.

17 MS. BROWNLESS: Let's let Jay go first, Jon.

18 MR. MOYLE: Yeah, Suzanne, are you okay with
19 that?

20 MS. BROWNLESS: Yes, sir.

21 MR. BREW: Can you hear me?

22 THE WITNESS: Yes.

23 CROSS-EXAMINATION

24 BY MR. BREW:

25 Q Okay. Good afternoon, Mr. Adix. I'll be

1 brief. I'm Jay Brew. I represent PCS Phosphate.

2 MR. REHWINKEL: Hey, Jay?

3 MR. BREW: Yes.

4 MR. REHWINKEL: Before you get started, the
5 court reporter needs to ask you a question that you
6 weren't around for when she went through it, I
7 think.

8 MR. BREW: Okay.

9 THE COURT REPORTER: Do you consent to the
10 fact that I remotely swore in the witness at the
11 beginning of the deposition?

12 MR. BREW: Yes.

13 THE COURT REPORTER: Thank you.

14 BY MR. BREW:

15 Q Can you hear me all right?

16 A Yes, I can hear you.

17 Q Okay. I'm having a little trouble with my
18 speaker.

19 Good afternoon, Mr. Adix. This should be
20 relatively quick and painless.

21 A Okay.

22 Q First, have you reviewed the Duke petition in
23 this matter?

24 A No, I have not.

25 Q Okay. Are you completely familiar with the

1 underlying transactional documents?

2 A No. I would characterize it as I have a
3 general working knowledge, but Mr. Hobbs is going to be
4 much more of the expert witness on all aspects of the
5 transactional documents.

6 Q Okay. Is it your understanding that the
7 transactional documents are supposed to cover all
8 elements of the transaction, including dismantling and
9 decommissioning removal of materials, high-level
10 storage, maintenance and security of the storage
11 facility?

12 MR. HERNANDEZ: Object to form.

13 A That is my understanding, yes, at a high
14 level.

15 BY MR. BREW:

16 Q Okay. And in your testimony, you described
17 the DSA as a fixed-price contract; is that right?

18 A That is correct.

19 Q And by fixed price, you're referring to the
20 \$540 million that's supposed to be included in a sub
21 account?

22 A Correct also.

23 Q Okay. Is that fixed price sufficient to
24 accomplish everything that ADP has agreed to accomplish
25 in the transaction?

1 A Yes, we believe that it is in the current
2 construct of the transaction.

3 Q Okay. Does it include any responsibility for
4 the independent spent fuel storage installation and
5 spent nuclear fuel?

6 MR. HERNANDEZ: Object to form.

7 A Yes, that scope is included as part of the
8 overall transaction structure.

9 BY MR. BREW:

10 Q Okay. Are any costs associated with the
11 independent spent fuel storage installation and spent
12 nuclear fuel included -- or to be included in the DSA?

13 A No, I don't believe so. That was not part of
14 the structure as the -- that was actually part of the
15 reason the ownership transfer of the fuel occurs to put
16 ADP in a position to seek Department of Energy recovery
17 for the key costs related to the spent fuel management.

18 Q Okay. And so am I correct that ADP SF, is it
19 1 or i?

20 A 1, SF-1.

21 Q Okay. That's what I thought. That ADP SF-1
22 assumes ownership of the independent spent fuel storage
23 installation and the spent fuel from the date of
24 closing?

25 A Yes, that is my understanding as well.

1 Q And it remains responsible and has ownership
2 of those materials indefinitely?

3 A Correct.

4 Q Okay. And ADP SF-1 and the related companies
5 have no recourse to Duke or its rate payers for any of
6 the costs associated with the independent spent fuel,
7 storage installation and spent fuel beyond the date of
8 closing?

9 MR. HERNANDEZ: Object to form.

10 A That is my understanding as well and again
11 would defer to Mr. Hobbs on the details of that
12 structure and the negotiations around it, but yes, that
13 is my understanding.

14 BY MR. BREW:

15 Q Okay. I'm trying to get the understanding
16 from your side right now, not from Duke's side.

17 A Okay.

18 Q Part of the arrangement includes removal of
19 all of the listed materials except for excluded
20 facilities from the site; is that right?

21 A I believe so.

22 Q Okay. And you discussed earlier that that
23 would include or contemplates removing low-level waste,
24 meaning levels A, B and C to the site plans for Andrews
25 County in Texas; is that right?

1 A Correct. That is the planned destination for
2 all of that waste.

3 Q Okay. To the extent that decommissioning
4 generates greater than class C waste, does ADP SF-1 own
5 that greater than class C waste?

6 A Yes.

7 Q Okay. And so you are totally responsible for
8 decontaminating it and finding a place to put it; is
9 that right?

10 A Yes. That was a core commercial point
11 negotiated into the transaction.

12 Q And can the site in Andrews County, Texas
13 accept greater than class C waste?

14 A Right now it can be accepted to be stored
15 there. The long-term disposal is still under
16 evaluation, what steps may be necessary to allow for
17 that, but it is available as a, at a minimum, an interim
18 destination and potentially more.

19 Q Okay. But for our purposes in this docket,
20 how the greater than class C waste is stored, disposed
21 of or moved is your problem, not Duke's; is that right?

22 THE COURT REPORTER: Was there an answer?

23 A I said that is correct. I don't -- I'm sorry
24 if there was --

25

1 BY MR. BREW:

2 Q I'm sorry. I didn't hear the answer. Okay,
3 thank you.

4 With respect to the DSA and decommissioning
5 and dismantling itself, is there any provision for
6 changing the fixed contract other than a change in
7 end-state conditions?

8 A No, I do not believe there is.

9 Q Okay. On Page 5 of your testimony, and
10 Mr. Rehwinkel talked a little bit about this, but I just
11 wanted some clarification.

12 You say beginning on line 3 that the DSA
13 represents the result of a lengthy negotiation process
14 and every provision as written in the DSA is important
15 and cannot be isolated or otherwise changed without
16 changing other parts of the transaction.

17 Do you see that?

18 A I do.

19 Q Okay. Throughout the entire period of the
20 negotiation -- first of all, were you involved in those
21 negotiations?

22 A No, I was not the primary company
23 representative on those negotiations, but remained in
24 close contact with the executives who were representing
25 NorthStar and ADP in those negotiations.

1 Q Okay. Is it your understanding that those
2 negotiations were conducted with the full knowledge that
3 Duke would require approval from the Public Service
4 Commission of Florida for the transaction?

5 A Yes.

6 Q Okay. You talked briefly with Mr. Rehwinkel
7 about Vermont Yankee and the role of Entergy in Vermont
8 and it was a little confusing to me.

9 Is it your understanding that Entergy has any
10 recourse to Vermont rate payers for any of its costs of
11 decommissioning?

12 MR. HERNANDEZ: Object to form.

13 A It's my understanding that Entergy is not
14 involved in the decommissioning of Vermont Yankee in any
15 way, shape or form anymore, that the transaction that
16 NorthStar closed with Entergy removed them from that
17 responsibility.

18 BY MR. BREW:

19 Q Was there -- okay. That's fine.

20 MR. BREW: That's all I have. Thank you so
21 much.

22 THE WITNESS: Thank you.

23 MR. MOYLE: Suzanne, whatever your preference
24 is.

25 MS. BROWNLESS: I don't have very many, Jon,

1 so if I could go next I'd appreciate it.

2 MR. MOYLE: Sure.

3 CROSS-EXAMINATION

4 BY MS. BROWNLESS:

5 Q Good afternoon, sir. How are you?

6 A Good afternoon. Good. Thank you. Yourself?

7 Q Fine.

8 I want to go back to the sentence on Page 5
9 that everybody keeps talking about which is the sentence
10 that talks about how the DSA cannot be isolated or
11 otherwise changed without changing other parts of the
12 transaction.

13 A Yes.

14 Q And there's been several questions about that
15 and I just want to make sure I understand sort of in
16 simple terms what that means.

17 Is it NorthStar's position that the Commission
18 must approve all of the provisions of the DSA as is
19 without modification, all up or all down; is that
20 correct?

21 A It's NorthStar's position and ultimately
22 through ADP that if the deal was re-opened for any
23 reason, it's a very integrated document and a lot of
24 overlap between the different provisions. And so, yes,
25 at a minimum, it would be a source of significant delay

1 because the deal could not be signed with any of these
2 suggestions just layered in and would require a
3 revisiting of the entire transaction.

4 So I don't feel I am in a position to tell the
5 Commission what it can or cannot do, but this point of
6 my testimony was, when I say it cannot be isolated or
7 otherwise changed without changing other parts of the
8 transaction, part of my testimony is that we would have
9 to revisit the entire transaction at that point because
10 of the degree of integration and overlap and interplay
11 between the final negotiated outcome.

12 So I don't presume to tell the Commission what
13 it can or can't do, but arbitrarily or dropping in one
14 point in isolation is not as simple as it may appear as
15 we think about the transaction, if that's a fair
16 response.

17 Q So the bottom line for you is if any of the
18 five terms and conditions that OPC has suggested be
19 added are, in fact, added, as far as NorthStar is
20 concerned, that would scotch the whole deal and
21 everybody would have to go back and negotiate?

22 A Yes.

23 Q Is it fair to say that in your opinion the
24 most important safeguard for DEF's customers is that the
25 ADP group only gets paid for each specific

1 decommissioning milestone it completes in accord with a
2 set time schedule?

3 A Yes, I believe that -- I agree with that
4 characterization.

5 Q Okay. On Page 7 of your testimony, if you can
6 turn there?

7 A Yes.

8 Q On lines 8 through 19 you discuss GAP
9 standards regarding goodwill. Do you see that, sir?

10 A I do.

11 Q Okay. Can you tell me the specific GAP
12 standards that you are referencing there?

13 A Yes. It's based on the -- the relevant
14 accounting standard is -- it's from the Accounting
15 Standards Codification. ASC 805 is the most current
16 authoritative source of the accounting rules around
17 goodwill.

18 Q Okay. And that's A as in Adam, S as in Sam,
19 what else?

20 A C as in Charlie.

21 Q Okay. ASC 805?

22 A Correct.

23 Q Thank you. And are these the current GAP
24 standards regarding goodwill as far as you're aware?

25 A Yes, they are. And in my rebuttal testimony,

1 I was simply wanting to point out that among other
2 things there was some outdated information on the need
3 to amortize goodwill versus evaluating for impairment,
4 and ASC 805 in my opinion is the most current source of
5 reference to look at for what the relevant accounting
6 rules are around that.

7 Q On Page 11, if you can turn there?

8 A Okay.

9 Q Lines 7 and 8.

10 A Yes.

11 Q Is it fair to say that you think it
12 appropriate that NorthStar be evaluated as a going
13 concern and not liquidation salvage value?

14 A Yes, I agree with that.

15 Q Okay. Wouldn't a liquidation salvage value be
16 a worst case scenario, in other words, represent the
17 greatest risk for rate payers?

18 A I think, you know, under the circumstances
19 that you found yourself in that position, that would be
20 a -- that would be a bad situation for NorthStar. It
21 wouldn't necessarily be a bad position for rate payers
22 because of the protections that had already been
23 negotiated into the DSA.

24 So consistent with my previous testimony
25 earlier this afternoon, because of the protections

1 generated by the way the payment is scheduled, because
2 of the protections generated by the provisional trust
3 and a number of the other terms that are built in there,
4 that would be a very bad outcome for NorthStar, but my
5 testimony would be that there are reasonable protections
6 that would keep that type of liquidation scenario from
7 being a bad outcome for rate payers or necessarily even
8 costing additional to rate payers because there would be
9 the work that had already been completed, plus there
10 would be the value of the provisional trust that's
11 structured into the transaction as a primary layer of
12 incremental cash and disposal or eventually all cash
13 protection in the transaction.

14 So I think about that a little bit differently
15 is the way I -- is the way I think about the approach on
16 that and the risk specifically from a rate payer
17 perspective.

18 Q When you were negotiating this contract, did
19 you negotiate it with protections that were aimed at a
20 complete liquidation scenario or did you negotiate the
21 protections based on what you discussed with
22 Mr. Rehwinkel, perhaps a positive -- a partial
23 liquidation?

24 MR. HERNANDEZ: Object to form.

25 A I would say that the protections were intended

1 and negotiated to apply in any scenario along the
2 spectrum. Of course, in the normal course of
3 operations, we complete the project. There is a
4 meaningful, you know, surplus funding above and beyond
5 the \$540 million that was transferred to ADP and it's a
6 benefit to the rate payers.

7 The protections were negotiated where if under
8 any scenario the work was not able to be completed, that
9 there would be funding left for the work that had not
10 been completed with a direct provisional buffer.

11 So, you know, I think the protections are
12 really negotiated with the thought of any scenario,
13 worst case or otherwise, not pushing the problem back to
14 the rate payers. It's a problem for NorthStar, it's a
15 problem for ADP, but negotiated and structured in such a
16 way that it shouldn't be a problem for the rate payers,
17 particularly with Duke Energy Florida keeping control of
18 the trust.

19 BY MS. BROWNLESS:

20 Q Okay. Can you turn to Pages 12 through 15 of
21 your testimony, please?

22 A Yes.

23 Q And on those pages you discuss Mr. Polich's
24 recommendations, do you not?

25 A I do, yes.

1 Q Okay. And I just want to go through each of
2 these five recommendations and ask you the same
3 question, which is have you quantified a cost to
4 NorthStar of implementing each rack. So let's start
5 with the amendment of the Parental Support Agreement to
6 add the State of Florida.

7 Have you done any attempt to quantify the cost
8 to NorthStar if you had to do that?

9 A No, we have not.

10 Q Okay. Are you aware of whether -- and I'm
11 going to ask you about each enhancement as well.

12 Are you aware of whether that recommendation
13 would require additional Nuclear Regulatory Commission
14 approval?

15 A For -- and this is for the addition to the
16 Parental Support Agreement?

17 Q Yes, sir, of the State of Florida.

18 MR. HERNANDEZ: I'm going to object to form.

19 A I believe there is a requirement around that,
20 though the regulatory details around that are a little
21 bit beyond my expertise. But I believe there is
22 certainly a notice and approval requirement around that.

23 BY MS. BROWNLESS:

24 Q Thank you.

25 With NorthStar -- and I know you discussed

1 this quite at length that NorthStar maintain a
2 \$105 million cash or cash equivalent during the term of
3 the transaction. Have you attempted to quantify the
4 financial cost to NorthStar if required to do that?

5 A No, I have not.

6 Q Okay. Is that a term or condition which would
7 essentially make it highly difficult for NorthStar to
8 complete the project?

9 A Absolutely.

10 Q Okay. Are you aware of whether this -- are
11 you aware of whether this condition would require NRC
12 approval?

13 MR. HERNANDEZ: Object to form.

14 A I do not know if that condition would require
15 NRC approval. As I testified earlier, I do believe it
16 would become an issue with the company's creditors
17 depending on how it was structured specifically, and I
18 can't speak to the NRC on that point.

19 BY MS. BROWNLESS:

20 Q Thank you.

21 Point number 3: Increasing the contracture's
22 provisional trust contributions from 6 percent to
23 10 percent. Have you calculated a cost to NorthStar for
24 that provision?

25 A No, I have not.

1 Q Okay. And again, were you required to do
2 that, what impact do you think it would have on
3 NorthStar's ability to perform?

4 A I think it would make it more difficult to
5 perform and actually would raise the risk of successful
6 performance because there would be less working capital
7 and less flexibility in how the work was pursued.

8 Q Okay. Do you understand or know whether this
9 additional requirement would require NRC approval?

10 A I do not know about the NRC on that position.
11 And again, we anticipate potential creditor issues on
12 that subject to further review.

13 Q Okay. What about amending the reporting
14 requirements in Attachment 9, Section B, from quarterly
15 to monthly, expanding the information reported requiring
16 reporting to PSC on a monthly basis, quarterly and
17 annual basis. Have you quantified the potential cost
18 for those enhancements?

19 A No, we have not quantified the cost for that
20 recommendation.

21 Q Okay. Here today can you give us any kind of
22 estimate off the top of your head?

23 A No, I really cannot because of the -- going
24 back to the integrated nature of the transaction, I
25 don't feel comfortable trying to put a cost at something

1 that really isn't quantifiable in my opinion.

2 Q Okay. And would this addition require NRC
3 approval, do you know?

4 A I do not know.

5 Q And finally, establishing an independent
6 monitor to oversee decommissioning activities and ADP
7 CR3's financial status, have you attempted to quantify
8 how much it would cost to hire an independent monitor?

9 A No, I have not.

10 Q Okay. In Mr. Polich's deposition exhibit
11 number 10, late-filed deposition exhibit, he indicated a
12 cost between \$90,000 and \$120,000 per year. Are you
13 familiar with his exhibit?

14 A I have seen that, yes.

15 Q Okay. Do you agree with, first of all, the
16 types of activities he's listed there?

17 A No, I do not.

18 Q And what do you think is wrong or missing or
19 inaccurate about what he's listed?

20 MR. DICARLO: I would just add for the record,
21 the witness does not have that document in front of
22 him, and I recall that it was a list that was
23 fairly extensive. I just wanted to make that clear
24 for the record.

25 MS. BROWNLESS: Sure, and I understand that.

1 I thought he would have that with him as part of
2 Polich's deposition.

3 A My answer to that point, subject to that
4 clarification by Counsel, is it's not a matter of
5 redlining or editing the list. The entire proposed
6 function is both redundant in its nature related to the
7 other protections already negotiated as part of the DSA
8 and ADP's obligations to Duke Energy Florida, and it
9 actually significantly -- in the spirit of a lot of
10 testimony and questions about project execution and cost
11 and timeliness, it raises the risk of project delays and
12 cost increases as you have, you know, someone trying to
13 look over the shoulder and provide another perspective
14 when there are extensive reporting and monthly update
15 processes already negotiated into the transaction.

16 So I see it as both redundant and actually
17 raising the risk of delays and cost increases to the
18 overall project depending on how someone interpreted
19 their mandate for that type of role.

20 BY MS. BROWNLESS:

21 Q Okay. And do you have an idea generally
22 whether the ballpark range he's got here, \$90,000 to
23 \$120,000, is reasonable for an independent monitor? Do
24 you have any experience which would give you any idea
25 how to evaluate that?

1 A Well, if someone has -- if an established firm
2 has quoted to do the work for that price, I think that's
3 a price for the work. I am testifying that I'd question
4 the whole kind of the underlying premise of that.
5 Mr. Polich has testified that his firm would do that
6 scope of work for that price. I agree that that is his
7 testimony for the record.

8 Q Okay. But you have no opinion as to whether
9 that is a reasonable amount given the activities listed?

10 A I do not.

11 Q Okay. And again, do you know whether adding
12 that would require approval by the NRC?

13 A I do not.

14 Q Okay. Finally, in Mr. Polich's deposition, he
15 indicated that he thought the price of these types of
16 enhancements would be \$10 million. Do you remember
17 that?

18 A I do.

19 Q Okay. Do you agree with that figure?

20 A I do not.

21 Q Okay. And do you have any -- can you give any
22 idea at all of a ballpark figure or are you just unable
23 to at this time?

24 A No, I'm unable to. I found that to be an
25 unsupported number and I thought it was inconsistent

1 with previous testimony that said there would be no
2 financial impact to the transaction in the original
3 testimony, and then when questioned upon deposition, the
4 number was 10 million. I don't know if that's a good
5 number or a bad number, but it's an inconsistency where
6 we start out with recommendations that are supposed to
7 have no financial impact, and all of a sudden we're at a
8 eight-figure cost which may or may not even be right.
9 And so I struggle with the entire construct around
10 quoting a number like that and its relevance to the
11 original filed testimony.

12 MS. BROWNLESS: That's all I have. Thank you
13 so much, sir.

14 THE WITNESS: Thank you.

15 MR. MOYLE: I'm going to have some questions.
16 It's probably not going to be as short as the
17 others. So do you want to take a break before we
18 jump in?

19 THE WITNESS: I'm good if everyone else is
20 good.

21 MR. REHWINKEL: Jon, you didn't include me in
22 that other part, right?

23 MR. MOYLE: Yes. Well, let's do this. The
24 court reporter has been going for a while. Let's
25 just take a quick five, stretch, and then we'll

1 come back.

2 THE WITNESS: All right. Very good.

3 (Recess from 5:05 p.m. to 5:11 p.m.)

4 CROSS-EXAMINATION

5 BY MR. MOYLE:

6 Q Good afternoon. I know that you've been
7 answering questions for a few hours now. I'm Jon Moyle
8 and I represent the Florida Industrial Power Users
9 Group. Some of the questions that I have for you have
10 been addressed, so I'll review my notes and try not to
11 be redundant, but let me start with kind of a broad
12 question. Tell me, if you would, your understanding of
13 the role of the Florida Public Service Commission.

14 A Well, I understand them to be certainly the
15 relevant regulator for Duke Energy Florida and they have
16 approval rights over this transaction.

17 Q Anything else?

18 A No, that's how I would summarize things at a
19 high level.

20 Q Okay. So with respect to obligations to
21 customers, do you believe they have any obligations or
22 responsibilities to people that Charles represents and
23 that Mr. Brew represents and that I represent?

24 A Yes, I believe they do.

25 Q And what is your belief about those

1 responsibilities?

2 A Well, I can't give you a chapter and verse on
3 their charter statement, but I certainly believe that
4 they have an obligation to represent the interests of
5 the rate payers and customers in the state of Florida
6 and to ensure that transactions and changes are in their
7 interests.

8 Q Yeah. And when you say changes there, you
9 know, there's been some discussion about possible
10 changes to the transaction and I just want to be clear.
11 I mean, you're not saying that the Commission doesn't
12 have the power to change anything in this transaction,
13 are you?

14 MR. HERNANDEZ: Object to form.

15 A No, that's not my testimony.

16 BY MR. MOYLE:

17 Q But you're just -- you are saying, though, and
18 Susan Brownless asked you questions about it, that any
19 changes you believe would cause this deal to go off
20 track?

21 A Yes, that is my testimony.

22 Q And that could be even a minor change?

23 A I can't speculate on what's minor or what's
24 major. I believe that the entire transaction would
25 reopen if something was imposed on the original

1 construct. It's within the Commission's rights to do
2 so. As I testified previously, I'm not in any way
3 trying to say what they can or can't do, but changes to
4 the current agreement construct would open the
5 agreement.

6 Q Do you have an opinion whether you think it's
7 fair to go to the Commission and say, here's this
8 transaction, it's presented to you on a take it or leave
9 it basis? Do you think that's a fair position to put
10 the Commission in?

11 MR. HERNANDEZ: Object to form.

12 A I don't have an opinion on fairness. I
13 believe the transaction is a fairly negotiated
14 transaction between two sophisticated parties and with
15 significant protections for the rate payers of the state
16 of Florida and it's in their interest for the
17 transaction to move ahead.

18 BY MR. MOYLE:

19 Q Are you familiar with the history of the CR3
20 project?

21 A Not in a detailed way, no.

22 Q So with respect to some of the past problems
23 that have taken place, you wouldn't have knowledge about
24 the building cracking or anything like that?

25 A I'm aware that the building crack occurred and

1 I'm aware of the circumstances under which the plant
2 shut down. I don't have detailed knowledge beyond those
3 sorts of high level pieces of history.

4 Q Yeah. Are you aware that there was an upgrade
5 made to the project that cost the rate payers hundreds
6 of millions of dollars because the upgrade was made but
7 then the plant never started operating again?

8 MR. HERNANDEZ: Object to form.

9 A No, I wasn't aware of that.

10 BY MR. MOYLE:

11 Q Yeah. But you're of the belief that
12 notwithstanding the history of the Crystal River 3, that
13 having -- if you're the Commission, having someone keep
14 an eye on it as monitoring the project and the flow of
15 the project, you think that's an unreasonable
16 proposition; is that right?

17 MR. HERNANDEZ: Object to form.

18 A I believe that provision increases the risk of
19 timely project execution and potentially raises the cost
20 of completing the project.

21 BY MR. MOYLE:

22 Q Do you have an independent monitor in, where
23 is it, Vermont?

24 A Information is provided to the State there on
25 an ongoing basis as part of the public Memorandum of

1 Understanding that is available on that project. So
2 there is reporting that was agreed to as part of our
3 Memorandum of Understanding with the State of Vermont.

4 Q And is that -- so that was a poor question. I
5 apologize for that. Is there an independent third party
6 that is involved in the Vermont deal?

7 A Not in that role. They have consultants that
8 are representing the State's interests and I believe
9 they're contracted by the Public Service Commission, but
10 I'm not sure who the ultimate contracting party is for
11 their consultants. But ultimately, we answer to the
12 State versus some independent monitor.

13 Q Yeah. So what do these consultants for the
14 Vermont Public Service Commission do?

15 MR. HERNANDEZ: Object to form.

16 A Review reporting and its completeness relative
17 to what was agreed in our Memorandum of Understanding
18 with the State.

19 BY MR. MOYLE:

20 Q Yeah. And are you -- I think I saw somewhere
21 where you said you're on time and on budget with the
22 Vermont project; is that right?

23 A That is correct.

24 Q So I take it that this review process or this
25 monitoring process in Vermont has not slowed things

1 down; is that correct?

2 MR. HERNANDEZ: Object to form.

3 A No, it has not been a source of delay there
4 because we're simply doing what we agreed to in the
5 original agreement that gave rise to the transaction.

6 BY MR. MOYLE:

7 Q It's not costing you any money there either;
8 is that correct?

9 MR. HERNANDEZ: Object to form.

10 A It's not costing us money beyond what we
11 included in our budget. I testified that we are on
12 budget.

13 BY MR. MOYLE:

14 Q Right. Did you include money in your budget
15 for monitoring like they're doing in Vermont?

16 A We included money in our budget to execute the
17 DSA as it's currently been constructed.

18 Q Okay. And that includes a monitoring
19 component, correct?

20 A It includes the agreed-upon reporting to Duke
21 Energy Florida.

22 Q Yeah. To Duke Energy Florida or you meant --
23 I'm sorry. We're talking past each other. I'm asking
24 you about your monitoring in Vermont.

25 A Oh, you're still talking about Vermont. I did

1 not understand that.

2 Q Did you budget money for that reporting and
3 monitoring in Vermont?

4 A Yes.

5 Q How much?

6 A It's not carved out. It's part of the general
7 project overhead and administration. It's not a
8 separate line item.

9 Q So you don't know -- you don't have
10 information on that specifically?

11 A It's not a separately identified cost for that
12 component.

13 Q And was this something that the Vermont
14 Commission asked of the petitioners, the folks who
15 brought the deal to them, to say we want to have some
16 consultants, we want to keep an eye on this, we want to
17 monitor this, this is going to be part of what we
18 require? Was that how that happened?

19 MR. HERNANDEZ: Object to form.

20 A There was an extensive negotiation process
21 that gave rise to the Memorandum of Understanding that
22 allowed the project to move forward. And so what
23 appears in that document is the byproduct or the end
24 product of those negotiations with the State of Vermont.

25

1 BY MR. MOYLE:

2 Q Okay. So the State of Vermont was negotiating
3 and sought those provisions, fair?

4 A I'm sorry. What kind of provisions?

5 Q The provisions that we're talking about with
6 respect to the monitoring and the consultants that are
7 involved in giving reports to the Vermont Public Service
8 Commission?

9 A Yes, everything that was negotiated is in the
10 publicly-available Memorandum of Understanding for the
11 transaction.

12 Q Okay. You talked about a distinction between
13 hard deals and soft deals. I'm not sure you said deals,
14 but my recollection is hard and soft. Do you recall
15 that?

16 A Yes. That was in the context of backlog.

17 Q And this project is still classified as soft;
18 is that right?

19 A Yes. It is an executed contract subject to
20 regulatory approval.

21 Q All right. And so the reason it's soft is
22 because there's still a possibility that an independent
23 body like the Public Service Commission could request
24 some changes like an independent monitor, correct?

25 A No. The reason it's soft is because the

REDACTED

1 regulatory approval process hasn't been completed. And
2 therefore, we're not in a position to proceed with the
3 actual execution of the work.

4 Q You have an executed contract with Duke,
5 right?

6 A Yes.

7 Q Are there other contracts that are not
8 executed at this point?

9 A No. At this point, there's nothing else --
10 there's nothing else material in that number that is not
11 supported by an underlying contract.

12 Q When you were talking about the [REDACTED]

13 [REDACTED]

14 A Yes.

15 Q -- it sounded to me like you weren't sure
16 whether that contract was executed or not. Do you know,
17 is that contract executed and in place?

18 A There is agreed-upon price -- well, the
19 [REDACTED] is executed and will be
20 executed and will be in place as of the date of the
21 closing. We don't have an approved transaction yet, so
22 it's not really in force at this point. So, you know,
23 it will be effective the date of the closing of the
24 transaction.

25 Q Right. But you're saying that you've seen the

1 document, you're aware of the document, there are
2 signatures on the document, there's a document that says
3 this is the deal and it's just subject to a condition
4 subsequent of the Commission approving the transaction.
5 Is that your testimony?

6 MR. HERNANDEZ: Object to form.

7 A I'm testifying that that agreement exists and
8 it is an integral part of the DSA and must be in place
9 as part of closing the DSA.

10 BY MR. MOYLE:

11 Q Okay. And it's in writing?

12 A Yes.

13 Q Have you seen it?

14 A No.

15 Q Are there other parts of your rebuttal
16 testimony that were based not on the testimony filed by
17 Mr. Polich in this case but based on his deposition?

18 A Yes, there were -- well, there were multiple
19 rebutting both the original testimony and the
20 clarification of his testimony that he offered in the
21 deposition. So there are elements of both pieces of his
22 on the record testimony that I had attempted to address
23 in my rebuttal.

24 Q Yeah. And did you decide to do this? This
25 was just your decision to say, I'm going to take on

1 issues that he raised in his deposition?

2 MR. HERNANDEZ: Object to form.

3 A That was following discussions with Counsel on
4 the transaction.

5 BY MR. MOYLE:

6 Q Okay. You have a good background in the waste
7 business based on your work with, is it Veolia?

8 A Yes.

9 Q Yeah. The classifications that you described,
10 A, B and C --

11 A Yes.

12 Q -- have you-all looked at -- I mean, C is the
13 most significant with respect to radiological
14 characteristics and A is the least; is that right?

15 A Yes.

16 Q So when you're looking at putting together
17 this arrangement, did you do some kind of an inventory
18 about how much was going to be waste that was going to
19 be an A compared to B compared to C? Did somebody do
20 that in this deal?

21 MR. HERNANDEZ: Object to form.

22 A Yes, there are assumed waste profile and waste
23 mix assumptions underlying the overall transaction
24 model.

25

1 BY MR. MOYLE:

2 Q Yeah. And who did that? Who put together
3 those -- like, is it fair to call them waste
4 characterization studies?

5 A I don't recall who did that. I don't know who
6 specifically performed that piece of the project or that
7 piece of the preparation.

8 Q Yeah. But it was one of the companies that
9 you're representing or you're not sure?

10 A I believe so, but I don't know for sure who
11 actually completed that work.

12 Q Yeah. Do you know what that was based on?

13 A No, I cannot speak to that in detail.

14 Q Yeah. Is there any situation where you take
15 apart a nuclear power plant and you have material that
16 is beyond the C classification?

17 MR. HERNANDEZ: Object to form.

18 A Yes, that's possible.

19 BY MR. MOYLE:

20 Q And what do you do you if that happens?

21 MR. HERNANDEZ: Object to form.

22 A Well, that's been contemplated in the
23 transaction that that's a part of the scope for ADP to
24 manage that waste, and we are required to move it off
25 site either to a storage or permanent disposal location.

1 BY MR. MOYLE:

2 Q Have you been aware historically that's been
3 quite a challenge to try to move nuclear fuel rods,
4 correct?

5 A Yes. That's not my area of expertise, but I
6 understand that that is -- that has been contemplated as
7 part of the construct of this transaction by people that
8 have the right experience, the right expertise on how
9 to -- on how this will actually work.

10 Q Yeah. So tell me at a high level, what
11 happens with the spent fuel rods?

12 MR. HERNANDEZ: Object to form.

13 A They stay where they are until there is an
14 approved location for them to go elsewhere.

15 BY MR. MOYLE:

16 Q And that could either be at a facility that
17 you-all own and gets permitted or it could be, you know,
18 a Yucca mountain type facility that the federal
19 government puts in place?

20 A Yes, I would agree that there are multiple
21 scenarios.

22 Q Yeah. And what's the status of permitting
23 with respect to you-all being able to accept that
24 material on an interim basis? You had answered a prior
25 question talking about that could be a possibility that

1 you could take it in Texas on an interim basis; is that
2 right?

3 A That is one possible scenario. It's too soon
4 to say whether that is going to be an allowable or the
5 preferred option as we go forward.

6 Q Yeah. But none of the pricing of that is part
7 of this deal?

8 A No, it's not.

9 Q Okay. Do the companies that you're involved
10 with, do they have permits in hand to be able to take on
11 an interim basis spent nuclear fuel rods?

12 MR. HERNANDEZ: Object to form.

13 A To be able to take where? Can you clarify the
14 question?

15 BY MR. MOYLE:

16 Q Yes. Your facility in Texas, I mean,
17 that's -- my understanding is that you think that that
18 may be a potential solution to take the spent nuclear
19 fuel rods, consolidate them in a single location, and
20 Texas might be a location to do that; is that right?

21 A That is a possible outcome.

22 Q Yeah. And where is that from a business
23 development standpoint on your side of the table?

24 MR. HERNANDEZ: Object to form.

25 A It's still in process and there have been no

1 permits issued at this point, but it is an active
2 project.

3 BY MR. MOYLE:

4 Q Okay. So no permits, not a single permit with
5 respect to that at this point?

6 A No, there is not a permit in place with
7 respect to that at this point.

8 Q If a commissioner was to ask you when you're
9 on the stand to say, Well, what are we going to do with
10 the spent nuclear fuel rods, I mean, I understand Duke
11 is changing title from that from Duke to another
12 company, but it's all going to stay at Crystal River,
13 what are we supposed to do with that, how would you
14 answer that?

15 MR. HERNANDEZ: Object to form.

16 A Who is "we" in this context?

17 BY MR. MOYLE:

18 Q We, the Public Service Commission.

19 A The fuel rods remain where they are until
20 there's a permitted option to take them somewhere else.
21 It is no longer Duke's responsibility to manage the cost
22 of the operation and maintenance of it until there is an
23 option somewhere else.

24 Q And do you know with respect to the trust
25 fund, the nuclear trust fund that you've talked about

1 some, whether that would have sufficient funds in it to
2 deal with the spent nuclear fuel rods?

3 A The decommissioning trust fund doesn't have
4 anything to do with the spent fuel rods as I understand
5 it. Please correct it.

6 Q No, you may have a better understanding than
7 me. What's your understanding?

8 A My understanding is that the nuclear
9 decommissioning trust is not available to pay for the
10 costs of spent fuel management, and the structure of
11 this transaction specifically excludes it from -- it
12 does not contemplate any funding from the
13 decommissioning trust, the spent fuel management.

14 Q Do you have an understanding of how management
15 and ultimate disposal of spent nuclear fuel rods would
16 be handled?

17 A Define how it would be handled.

18 Q From a financial standpoint.

19 A It's an obligation of the Department of Energy
20 and it's something that we would manage with the
21 Department of Energy to seek reimbursement for the
22 related costs.

23 Q Yeah. Do you know if there was a fee on a per
24 megawatt hour basis that has anything to do with spent
25 nuclear fuel rod management?

1 A No, I'm not familiar with that topic at all.

2 Q Okay. I just -- on a couple of points, just,
3 I did math quickly in my head, but the cost of having an
4 independent monitor would be -- how long is the project
5 supposed to take, ten years?

6 A The current estimate is approximately six and
7 a half.

8 Q So if you did -- if you had \$100,000 per year,
9 the cost that the OPC expert said, \$600,000, you know,
10 that's -- what is that, just over one percent of the --
11 or one-tenth of a percent of the overall cost of this
12 project? The overall cost is 500 million, right?

13 A 540 million to be exact.

14 Q Yeah. So 500,000 is what, one-tenth of
15 one percent?

16 A Yes.

17 MR. HERNANDEZ: Object to form.

18 BY MR. MOYLE:

19 Q And the \$10 million number is one percent
20 of -- less than one percent of your estimated value of
21 the company as an ongoing concern, correct?

22 MR. HERNANDEZ: Object to form.

23 A If that math is correct.

24 BY MR. MOYLE:

25 Q Yeah. The record probably will not reflect

1 that. You said that in a way that might have had a
2 little question mark in it, but I guess the math is what
3 the math is.

4 A I guess I wasn't clear on the point you were
5 trying to make, sir, but I was agreeing that you
6 interpreted that correctly.

7 Q Okay. You are agreeing with my math?

8 A Yes.

9 Q Okay. You were asked some questions about a
10 couple of business models that you have and that you use
11 and you're familiar with in the company. One is the
12 fixed cost basis, and that's the project that we have
13 here, right?

14 A Yes.

15 Q And then you said there's also a time and
16 materials way of doing business, correct?

17 A Yes.

18 Q Are you familiar with those kind of at a high
19 level?

20 A I am, yes.

21 Q Okay. So time and materials, typically you
22 have some costs that are added on top of the time and
23 materials; isn't that correct?

24 A Well, time and materials as I think about it
25 and in the context of my previous testimony is that you

1 are billing someone based on the time and based on the
2 amount of work provided. There's not an end fixed cost
3 for the work, but based on the ultimate scope and the
4 level of effort to complete the work, it will be a
5 variable number that is billed.

6 Q Yeah. Do people add 10 percent overhead
7 administration, or maybe not 10 percent, but some figure
8 for overhead administration and then also a profit
9 number on time and material contracts that you're
10 familiar with?

11 MR. HERNANDEZ: Object to form.

12 A There's usually some markup on the time and
13 materials. It can vary from contract to contract.

14 If I could, though, I would like to correct
15 one point for the record just since I'm not sure what
16 the point of the question was going back to your
17 previous point. \$10 million is one percent of a
18 billion, not a tenth of a percent, because I did the
19 math. It seemed to be a point that was being made, so I
20 just wanted to correct that point for the record before
21 I agree to it.

22 BY MR. MOYLE:

23 Q Yeah. Well, thanks for doing that. And I
24 think anyone who is familiar with my math skills will
25 not be surprised that it was an error.

1 A I just didn't want to make an incorrect
2 statement for the record. Nothing beyond that.

3 Q Yeah. No, thank you for correcting it. I
4 appreciate it.

5 All right. So the fixed -- the time and
6 materials, there is some adder that has a markup is your
7 testimony, correct?

8 A Yes. Time and materials contracts usually
9 work with recovery of direct incurred costs plus some
10 sort of markup.

11 Q Okay. And the fixed costs does not work that
12 way, correct?

13 A That is correct. There's a negotiated
14 up-front number, and then as the contractor, you must
15 live within that number to complete the work.

16 Q Yeah. And you would agree with me, would you
17 not, looking at the two, that there's more risk
18 associated with a fixed-price contract for the
19 contractor as compared to a time and materials contract,
20 with all other things being equal?

21 A Generally, yes. You have to be efficient in
22 how you execute the work.

23 Q Right. And if there are inefficiencies or
24 if -- this is on a fixed price. The way the fixed price
25 works is both parties identify a scope and say here's

1 what the fixed price covers, correct?

2 A Generally, yes.

3 Q And then there's some negotiation and you come
4 up with a monetary number that says here's the number
5 that we're going to have as the fixed price and that's
6 going to affect the deal?

7 A Generally, yes, I agree with your summary.

8 Q Okay. And in this document, what's your
9 understanding with respect to the ability to get change
10 orders? You had talked about change orders a little
11 bit. What would have to happen for a change order to be
12 processed as you understand it?

13 A Fundamentally, there's no provision for change
14 orders in the agreement as I understand it. And the
15 only contemplated scenario where the cost to Duke could
16 increase, the fees received or the payment received by
17 ADP could increase is there was a discovered change in
18 end-state conditions. To the best of my knowledge,
19 that's the only scenario that would be deemed a change
20 of scope where total cost of the project could be
21 revisited.

22 Q Is your company -- a lot of companies that
23 I've been seeing in the popular press and others are
24 making adjustments, these are mainly publicly-traded
25 companies making adjustments to their guidance of their

1 earnings. Are you familiar with that?

2 A Yes, I am.

3 Q Yeah. Have you-all considered doing anything
4 in that regard?

5 A No, we haven't actually. We've actually
6 reaffirmed our projections for 2020 and potentially even
7 increased them modestly, but we are sticking to our
8 original plan for 2020 and are actually ahead of it
9 through the first five months of the year.

10 Q Yeah. And have you considered things like all
11 of a sudden if we have a labor -- an impact on labor
12 because of the pandemic and how that might affect your
13 business?

14 A Yeah, we live that every day. That's the
15 nature of what we do on a national basis and it's
16 something we're quite good at managing, and we've
17 managed it very well through the pandemic to date and
18 it's something that we'll anticipate continuing to need
19 to manage.

20 Q The term "schedule of values," are you
21 familiar with that?

22 A Yes.

23 Q And will this project be done in a way that
24 you have a schedule of values that essentially says,
25 okay, X percent of the scope of the work has been

1 completed, please send us X percent of the dollars? Is
2 that what's contemplated?

3 A Fundamentally, yes, though it will be broken
4 down into many components or many phases. It's not one,
5 you know, monolithic number across the
6 six-and-a-half-year project. So it will be on a phase
7 by phase, work scope by work scope approach.

8 So fundamentally what you've said is correct
9 and it would be -- but it would be broken down into a
10 number of discrete parts versus looking at the entire
11 project start to finish as a number and saying what
12 percent are we. It would be broken down in a more
13 refined way.

14 Q Yeah. And I'm not -- obviously, nuclear
15 plants and taking care of them are, you know, not
16 something that has been done a lot. But you see this a
17 lot in the construction context, agree?

18 A I'm sorry. See what in a construction
19 context?

20 Q A schedule of values, a scope of work, could
21 you please build this office building; I'll have an
22 architect that will look at the work and sign off on a
23 schedule of values and the bank or the lender will pay
24 based on somebody looking at it and saying, okay, this
25 much is done, so the parties aren't arguing is it

1 20 percent, is it 30 percent, is it 50 percent?

2 MR. HERNANDEZ: Object to form.

3 A In general, yeah, that type of construct I
4 would agree is -- different variations of that are
5 fairly common.

6 BY MR. MOYLE:

7 Q Yeah. And can you just enlighten me with
8 respect to how that would be determined in this deal
9 with regard to determining what percent of the project
10 has been completed? Does Duke look at that and say, you
11 know, we agree with your number? Is there some kind of
12 a third party that looks at it, would come up with a
13 third -- you know, with a number in terms of the
14 schedule of values?

15 A Yes. As currently constructed, the primary
16 interplay on that would be between the EDP project team
17 and the Duke personnel that would be physically
18 verifying the completion of scope of work and the
19 monthly pay applications that would be made based on the
20 progress against the milestones.

21 Q And I mean, the way it works in general terms
22 is that if the contractor gets ahead of the owner of the
23 building, that's not good for the owner typically, all
24 other things being considered, correct?

25 A Agreed.

1 Q Yeah. Are you familiar that oftentimes
2 there's a retainage amount that's held in these type of
3 arrangements that have schedules of values? They pay,
4 but then there's a retainage amount that's typically
5 held to the end to pick up things that are not done,
6 punch list things, and then that's provided as a last
7 payment to the contractor?

8 MR. HERNANDEZ: Object to form.

9 A Yes, that's a fairly common construct in
10 construction contracts. I would suggest that the
11 six percent provisional trust funding effectively plays
12 that role in the context of this transaction.

13 BY MR. MOYLE:

14 Q What was the percent held back in Vermont?
15 Was it ten?

16 A It was ten after the first hundred million was
17 drawn from the trust. And in the construct here, it's
18 six percent from day one.

19 Q Yeah. In your time and materials, are there
20 retainers that are typically used there in those
21 contracts?

22 MR. HERNANDEZ: Object to form.

23 A It varies. Not necessarily. Sometimes yes,
24 sometimes no. It depends on the contract of
25 construction.

1 BY MR. MOYLE:

2 Q Yeah. The facility in Texas, do you know how
3 much air space it has in it now as we sit here today?

4 A I can't quote an exact number. There is a
5 large amount of available capacity there, but I can't
6 give you a number from memory.

7 Q Yeah, I understand. You do it by cubic feet
8 or a ton? How do you measure radioactive material?

9 A Yeah, it's volume based on a cubic foot basis
10 is the primary unit of measure.

11 Q And then when it comes in, is it in
12 semi-trailers or trains or how does it get sent?

13 A A lot of the waste does come in by rail, and
14 so it's removed. There are rail offloading facilities
15 at the site, overhead crane setups. It depends on the
16 packaging of the waste when it comes in. But the site
17 is fully served by rail and most of the volume,
18 particularly for a project like this, would be expected
19 to come in by rail.

20 Q Yeah. And my question about how much, you
21 know, capacity is there, I wasn't seeking, like, in
22 terms of tons. I was just wondering if at a high level
23 you've got 10 percent filled and 90 percent remaining or
24 50/50. Just where in the life of the landfill or the
25 solid waste disposal facility is it, if you can help me

1 with that?

2 A Well, conservatively, you know, there's 40 to
3 50 years of expected permitted operation at a minimum
4 and a potential for expansions beyond that. So again, I
5 can't give you exact numbers, but the potential -- the
6 volumes associated with the guarantee here are amply
7 covered multiple times over by the capacity of the site.

8 Q And you would agree if that guarantee, that
9 number, it could be a good deal for Duke or maybe it's
10 not a good deal for Duke?

11 MR. HERNANDEZ: Object to form.

12 A The number is a supplemental protection. The
13 deal for Duke is in the \$540 million pricing. The
14 [REDACTED] is just a supplemental layer of protection as
15 part of the whole provisional trust concept that's
16 structured into the DSA.

17 BY MR. MOYLE:

18 Q So it's not an add on [REDACTED] It's just part of
19 the overall 540 and you've got a locked-in disposal
20 price?

21 A No, it's -- there's a \$540 million fixed
22 price. That is what Duke is going to put into the trust
23 and that's all that's available to support the project.
24 What the [REDACTED] is is simply saying if ADP didn't perform
25 for any reason, that there's [REDACTED] of committed

1 disposal capacity available at the site and it would be
2 no cost to Duke, it would be no cost to the rate payers
3 if there was some problem that prevented ADP from
4 executing on the decommissioning as planned.

5 Q And who is providing that guarantee?

6 A It's being provided by WCS, the disposal site.

7 Q And how are they affiliated with the name of
8 the company that's going to do the removal?

9 A They are the committed source for all of the
10 disposal out of the project. So they are effectively a
11 prime supplier, a prime customer. ADP is a customer of
12 the disposal site. There's common ownership between
13 NorthStar and WCS that's been disclosed for the record,
14 but no other -- the commercial relationship is supplier
15 and customer.

16 Q Okay. And there's no interlocking ownership
17 or financial interest in the disposal facility?

18 MR. HERNANDEZ: Object to form.

19 A Between -- there is a common investor between
20 the disposal facility and NorthStar. NorthStar doesn't
21 own the disposal facility. There is -- there is
22 common -- a common investor between the two sites, as I
23 disclosed in the beginning of my testimony.

24 BY MR. MOYLE:

25 Q J.F. Lehman?

1 A Correct.

2 Q Yeah. Mr. Rehwinkel asked you some questions
3 about the board. I believe it was of the company that
4 you're the chief financial officer for.

5 Who is the chairman of the board?

6 A An individual -- I believe the name shares an
7 individual by the name of Alex Harmon, H-A-R-M-O-N.

8 Q Just briefly at a high level, does he have a
9 background in law or engineering or finance or solid
10 waste?

11 MR. HERNANDEZ: Form.

12 A I would characterize his background more of a
13 financial nature.

14 BY MR. MOYLE:

15 Q Are you -- I know you said you're a CPA. Was
16 that a retrospective answer or are you still currently
17 licensed?

18 A No, I've maintained my continuing education
19 and I still hold an Iowa certificate.

20 Q But you're not actively practicing?

21 A I'm not practicing as a CPA because I work for
22 a private -- I'm in a private enterprise. I'm not
23 performing tax services or complication services. So
24 it's an active certificate, but I'm not practicing as a
25 CPA because I don't work for an accounting firm.

1 Q Yeah. You had said that you kept one customer
2 just to keep your skills kind of fresh. I assume you're
3 not doing that anymore or no?

4 A That was in the early 1990s when I was still
5 working for an accounting firm.

6 Q Yeah, okay. So do you have any understanding
7 with respect to the trust, you're going to ultimately be
8 paid from a trust; is that right?

9 A Yes, from a sub account of the investing
10 decommissioning trust.

11 Q Yeah. And the entity responsible for the
12 trust is Duke, correct?

13 A Yes.

14 Q Yeah. Do you have any understanding with
15 respect to Duke's fiduciary duty with respect to the
16 trust?

17 MR. HERNANDEZ: Object to form.

18 A Could you clarify your question?

19 BY MR. MOYLE:

20 Q Sure. I mean, what is -- you're familiar with
21 the phrase "fiduciary duty"?

22 A Yes.

23 Q Do you believe that Duke has a fiduciary duty
24 with respect to the trust?

25 A With respect to the trust or the beneficiaries

1 of the trust? I'm trying to tease out your focus here,
2 sir.

3 Q Well, with the beneficiaries.

4 A I believe that Duke has a responsibility to
5 manage the trust, to manage its earnings prudently, and
6 to ensure that the funds are only spent for -- the
7 funding in the trust is only spent for qualified
8 activities.

9 Q Who are the beneficiaries of the trust?

10 MR. HERNANDEZ: Object to form.

11 A My understanding is that the primary purpose
12 of the trust is to allow for the decommissioning of the
13 Crystal River nuclear power plant. And my understanding
14 also is that to the extent that that's accomplished with
15 excess funding remaining, then that excess funding flows
16 to the benefit of the rate payers of the state of
17 Florida. That's my high-level understanding.

18 BY MR. MOYLE:

19 Q Okay. And this deal that is before the
20 Commission, it's anticipated there will be funds left
21 over, approximately 100 million; is that your
22 understanding?

23 A Yes.

24 Q In your testimony, and this is on Page 12,
25 line 11, there's a note I had.

1 A Okay.

2 Q So when you talk about abrupt economic
3 disruption, you're talking about the COVID-19 situation;
4 is that right?

5 A Yes, I am.

6 Q And have you gone out -- you say that you've
7 been able to raise net equity. Is that since the COVID?

8 A Yes. Actually, we did disclose a
9 publicly-announced recent acquisition about a week ago.

10 Q And it's publicly announced. I'm not familiar
11 with it. Would you describe it briefly?

12 A It's a demolition company that serves the
13 Chicago market, a company by the name of Heneghan
14 Wrecking NorthStar acquired about a week ago. And to
15 your question of whether we've raised debt since the
16 COVID-19 outbreak, we did to fund that transaction.

17 Q Yeah. Who funded that?

18 A A consortium of our existing lenders.

19 Q There were some questions about dividends and
20 dividend payments. Just bottom line, tell me what
21 prevents dividend payments from being made to your
22 shareholders without any limit. Was it the two-to-one
23 ratio that you had talked about? Just help me with
24 that.

25 A Correct. That was the Section 6.4N of our

1 credit agreement reference that we discussed that is
2 typically capped, leveraged at two to one as part of any
3 dividend payment.

4 Q Okay. And for someone who didn't get a degree
5 in economics, the two to one, just describe that.

6 A It's net debt of the company, so total
7 indebtedness less cash on hand divided by the company's
8 EBITDA. I believe we defined that previously as the
9 earnings before interest and taxes, depreciation and
10 amortization. Basically, the company's cash earnings in
11 layman terms, so our layman's terms. So it is our net
12 debt less cash divided by our EBITDA which again I would
13 characterize simplistically as cash earnings.

14 Q So if you had a hundred million in cash
15 earnings, what would be your debt limit?

16 A Two hundred million.

17 Q Okay.

18 A And just to be clear, that's not a debt limit
19 on the company. It's the limit at which the company
20 could not pay a dividend that would take that ratio
21 above that. So no dividend could be paid if debt was
22 200 million or more in the example of \$100 million of
23 EBITDA. So there definitely is not an unlimited
24 liability to send dividends upstream. The banks share a
25 common interest in ensuring that that type of scenario

1 could not occur.

2 Q Right. If you exceed that ratio, does it also
3 constitute a breach of your financing agreement or your
4 credit facility?

5 A Yes, that would be a restricted payment, and
6 making a dividend that violated that would be a breach
7 of the credit agreement.

8 Q Yeah, I'm sorry. I was asking a little
9 broadly. If you -- in that scenario that we had,
10 100 million and 200 million was your debt limit, if you
11 said, I want to go borrow another 50 million to take you
12 to 250 million, you wouldn't be able to do that under
13 the credit facility you have or would you?

14 A You could talk to the lenders about borrowing
15 money, but you couldn't pay dividends. I was answering
16 that question. There were a number of references in the
17 testimony to an unlimited ability to pay dividends, and
18 I wanted to clarify that there is not an unlimited
19 ability to pay dividends and there is a hard cap on the
20 level at which a dividend can be paid.

21 Q Yeah. I was a little confused by your
22 testimony where you said, oh, if there's something in
23 the agreement that says we can pay a \$50 million
24 dividend. Is it your understanding that in order to pay
25 a dividend, you have to have something in that agreement

1 or some signed document by the lender that you can pay a
2 dividend, or can you pay the dividend so long as you
3 don't exceed that ratio?

4 MR. HERNANDEZ: Object to form.

5 A Well, it's both. The up-front provision of
6 the 50 million governs the use of the financing proceeds
7 from the refinancing, and then going forward, any future
8 dividends would be subject to the two-to-one leverage
9 cap.

10 BY MR. MOYLE:

11 Q Yeah. What would happen -- because this fund,
12 right, I mean, do you know -- I don't have a great deal
13 of knowledge about funds, but I generally understand
14 they set up funds and they acquire assets and they have
15 a projected life fund. So they tell their investors,
16 we're going to run this fund for five years and then
17 we're going to sell it and pay it out.

18 Does that make sense to you? Have you heard
19 of that?

20 A I get the concept that you're talking about.
21 The investment in NorthStar is company specific. You
22 know, private equity investors buy and sell companies,
23 but there's no hard deadline on when that may happen or
24 a date where, you know, there's some stated sunset date,
25 if I'm understanding the spirit of your question

1 correctly.

2 Q Yeah. I just am curious. What happens if
3 somebody comes along and says, boy, we like your
4 company, we like its prospects, we like the idea of
5 being in a business with some, what is it, radiological
6 waste, we'll pay you 15 times EBITDA, 20 times EBITDA;
7 how would that affect this transaction, if at all?

8 A I don't think it would affect this transaction
9 at all. They would probably listen very carefully if
10 somebody was offering that type of number for their
11 shares in the company.

12 Q Yeah. So with respect to Duke knowing that
13 they're going to be doing business with NorthStar, I
14 guess if somebody bought NorthStar, they'd still be
15 doing business with NorthStar, but it could be managed
16 and owned by other people, fair?

17 A Yeah, that's a fair possibility.

18 Q The layman folks that are the main investor,
19 do they have a track record of buying and selling that
20 is active or are they more characterized as buying and
21 hold? Can you give us a little insight on that, if you
22 know?

23 A Yes. If you look at the history of their
24 funds, it's really been company specific. There have
25 been some transactions they've been in for shorter

1 periods of time. They've had some portfolio companies
2 they've been in in a longer period of time, multiple
3 years, five, six, seven, eight years. I don't even know
4 the exact number for some of these. But they can be
5 very patient when there's a reason to do so. And you
6 know, I've heard them say specifically that it's really
7 situation dependent. So there's no -- you know, there's
8 no buy and flip, buy and flip. It's really situation
9 dependent.

10 Q Yeah. But they do sell companies
11 periodically? You said five to seven?

12 A That's what the heart of their business is,
13 yes.

14 Q And did in 2017 ownership change?

15 A Yes.

16 Q Describe that, if you would.

17 A Well, that's the transaction where J.F. Lehman
18 bought their controlling interests in the company and
19 consolidated what had been at a fairly fragmented
20 ownership group briefly, and so recapitalized the
21 company and brought in a single controlling owner, and
22 it's been very helpful to NorthStar's ability to
23 execute. It's been very, very helpful over the last
24 three years having a steady focused owner that put
25 capital into the company.

1 Q Who owned it prior to the acquisition?

2 A It was a group of four different investment
3 groups. A company named Apollo, another company called
4 Evergreen, another company called CHS, and another
5 company called Felton. There were four different
6 investment groups that had positions in the company
7 previously.

8 Q Okay. And all those companies are investment
9 banking firms?

10 A Private equity firms of one kind or another.

11 Q Just give me a second. I think I've covered
12 most of the ground I wanted to discuss with you, if you
13 could.

14 A Of course.

15 MR. MOYLE: Okay. That's all I have. Thank
16 you. Thank you for your time. I appreciate it.

17 And off the record.

18 (Discussion off the record.)

19 MR. HERNANDEZ: Jon, this is Danny. I'm going
20 to have just one follow-up clarification for
21 Mr. Adix.

22 MR. MOYLE: Yeah, okay. And that whole
23 conversation was off the record there, sir.

24 Thank you for your time. I appreciate it. I
25 guess we'll see you like this for the hearing, but

1 anyway, I appreciate your time and answers to the
2 questions.

3 THE WITNESS: Thank you. Have a good evening.

4 CROSS-EXAMINATION

5 BY MR. HERNANDEZ:

6 Q Okay. Mr. Adix, you were asked a series of
7 questions about the independent monitor recommended
8 enhancement by Mr. Polich. Do you recall that?

9 A Yes.

10 Q Mr. Moyle attempted to draw some comparisons
11 between the independent monitor recommended enhancement
12 made by Mr. Polich and the reporting requirements that
13 NorthStar has with respect to the Vermont Yankee deal.
14 Do you recall that?

15 A I do.

16 Q Okay. Can you tell us whether the Vermont
17 Yankee deal involves an independent monitor relationship
18 between NorthStar and any individual such as the one
19 that Mr. Polich is recommending for this deal?

20 A No. As I testified previously, we answer to
21 the State there, and because they don't have a utility
22 to regulate and while they hire consultants to support
23 them in their financial review and status of the
24 reporting, we're not answering directly to any
25 independent monitor there or providing information other

1 than honoring our commitments that we made to the State
2 as part of that transaction.

3 Q And is there an independent monitoring
4 reporting to the Vermont Commission at all in connection
5 with the Vermont Yankee deal?

6 A No, I'm not aware of any structure like that
7 at all.

8 MR. HERNANDEZ: I don't have any further
9 questions.

10 MR. MOYLE: And I think I just have one
11 follow-up on that, on your questions.

12 RE CROSS-EXAMINATION

13 BY MR. MOYLE:

14 Q How did the State get involved with
15 negotiating with your company in Vermont?

16 A It was really a function of the structure of
17 that transaction where we were buying the plant, and as
18 part of buying the plant and the special purpose entity
19 that owned the plant, as part of Entergy's exit from the
20 state and exit from any future decommissioning or site
21 restoration responsibilities. So that was their entry
22 point to engage with NorthStar directly because we were
23 going to be the party owning the plant, owning the trust
24 funds and on the hook and responsible for all site
25 restoration activities beyond the radiological piece of

1 the decommissioning at the close of the transaction.

2 MR. MOYLE: Yeah. Okay, thank you.

3 THE WITNESS: Thank you.

4 MR. HERNANDEZ: And we will read.

5 MR. REHWINKEL: Okay. Well, thank you very
6 much, and I guess we have taken care of all the
7 administrative stuff, and of course we'll order.
8 I've asked the court reporter for both depositions
9 to get them by Wednesday and she believes that's
10 doable, so that's the expectation. Thank you.
11 Safe travel.

12 (The deposition concluded at 6:09 p.m.)

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CERTIFICATE OF OATH

STATE OF FLORIDA)
COUNTY OF HILLSBOROUGH)

I, the undersigned authority, certify that
JEFFREY P. ADIX appeared remotely and was duly sworn.

WITNESS my hand and official seal this 29th
day of June, 2020.

ANN S. BEILSTEIN, RPR
Notary Public
State of Florida
My Commission Expires 10/31/2020
Commission No. GG 037843

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF HILLSBOROUGH)

I, Ann S. Beilstein, Registered Professional Reporter, certify that I was authorized to and did stenographically report the foregoing deposition; that a review of the transcript was reserved; and that the transcript is a true record of the testimony given by the witness.

I further certify that I am not a relative, employee, attorney, or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

Dated this 29th day of June, 2020.

Ann S. Beilstein, RPR

1 PLEASE ATTACH TO THE DEPOSITION OF JEFFREY P. ADIX,
2 TAKEN ON JUNE 24, 2020, IN THE CASE OF IN RE: PETITION
3 TO APPROVE TRANSACTION FOR ACCELERATED DECOMMISSIONING
4 SERVICES AT CR3 FACILITY, ETC.

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PAGE	LINE	CORRECTION AND REASON THEREFOR
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20 I HAVE READ THE FOREGOING PAGES AND, EXCEPT FOR ANY
21 CORRECTIONS OR AMENDMENTS INDICATED ABOVE, I HEREBY
22 SUBSCRIBE TO THE ACCURACY OF THIS TRANSCRIPT.

22 _____
JEFFREY P. ADIX

DATE

24 _____
WITNESS TO SIGNATURE

DATE

**REDACTED IN
ENTIRETY**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to approve transaction for accelerated decommissioning services at CR3 facility, transfer of title to spent fuel and associated assets, and assumption of operations of CR3 facility pursuant to the NRC license, and request for waiver from future application of Rule 25-6.04365, F.A.C. for nuclear decommissioning study, by Duke Energy Florida, LLC.

DOCKET NO.: 20190140-EI

FILED: June 22, 2020

NOTICE OF DEPOSITION DUCES TECUM

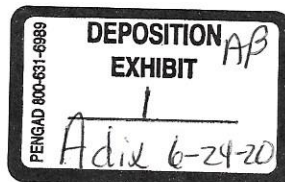
TO: Dianne M. Triplett
Duke Energy Florida
299 First Avenue North
St. Petersburg FL 33701
dianne.triplett@duke-energy.com

NOTICE is hereby given that pursuant to Rule 28-106.206, Florida Administrative Code and Florida Rule of Civil Procedure 1.310, the Office of Public Counsel will take the deposition of the following named individuals at the location and time indicated below:

NAME	DATE and TIME	LOCATION
Jeff Adix Terry Hobbs	June 24, 2020 at 1:00 p.m. June 25, 2020 at 9:00 a.m.	Via Zoom Link (Link will be circulated to witness and counsel by Court Reporter prior to deposition)

Terry Hobbs is requested to have with him:

1. All documents containing the analyses, notes, report(s) and other work product of the TRC scrub Team as discussed on pages 7-9 of your direct testimony.
2. All communications between the TRC Scrub Team and the TRC related to the analysis and recommendations contained on pages 8, Line 14 through Page 9, Line 7 of your Rebuttal Testimony.



3. All documents relied upon by the TRC in its deliberations and decisions reflected in the March 2019 recommendation that the DSA should be approved as described on Page 9, Lines 8-9 of your rebuttal testimony.
4. All workpapers, analysis, memoranda, notes, and supporting documents (including documents relied upon, consulted and referenced) in the development of his testimony in this matter.
5. All documents the deponent reviewed and/or considered in preparing his testimony in this matter.
6. All drafts of any supplemental testimony the deponent has provided or prepared in this matter.
7. All workpapers, analysis, memoranda, notes, and supporting documents (including documents relied upon, consulted and referenced) the deponent reviewed and/or considered in preparing or providing his supplemental testimony in this matter.
8. All notes the deponent prepared concerning or related to your supplemental testimony in this matter.

Jeff Adix is requested to have with him:

1. All workpapers, analysis, memoranda, notes, and supporting documents (including documents relied upon, consulted and referenced) in the development of his testimony in this matter.
2. All documents the deponent reviewed and/or considered in preparing his testimony in this matter.
3. All drafts of any supplemental testimony the deponent has provided or prepared in this matter.
4. All workpapers, analysis, memoranda, notes, and supporting documents (including documents relied upon, consulted and referenced) the deponent reviewed and/or considered in preparing or providing his supplemental testimony in this matter.
5. All notes the deponent prepared concerning or related to your supplemental testimony in this matter.
6. The agreement referred to on page Page 9, lines 8-11
7. The documents showing the calculation of the market value of the companies with similar profiles discussed on Page 11, lines 12-13.
8. The documents showing the calculation of the dollar amount of revenue backlog shown on page 11, lines 18-19

A telephonic conference line will be made available if a party wishes to participate telephonically and has made arrangements to view confidential information. This deposition shall be taken upon oral examination before an official court reporter or other officer authorized by law to take depositions. The deposition is being taken for purposes of discovery, for use at trial, and

for any other purposes allowed under the Florida Rules of Civil Procedure and the Rules of the Florida Public Service Commission.

Please govern yourselves accordingly.

Respectfully Submitted,

J.R. Kelly
Public Counsel

s/Charles Rehwinkel
Charles J. Rehwinkel
Deputy Public Counsel
Florida Bar No. 0527599

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

Attorneys for the Citizens
of the State of Florida

CERTIFICATE OF SERVICE
Docket No. 20190140-EI

I **HEREBY CERTIFY** that a true and correct copy of the foregoing Citizens' Notice of Deposition to Duke Energy Florida has been furnished by electronic mail on this 22nd day of June, 2020, to the following:

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DEF-CR3@shutts.com
msenosiain@shutts.com

s/Charles J. Rehwinkel

Charles J. Rehwinkel
Deputy Public Counsel

JEFF ADIX

LATE-FILED

COMPOSITE DEPOSITION EXHIBIT 2

STATE OF VERMONT
PUBLIC SERVICE BOARD

Joint Petition of NorthStar Decommissioning)
Holdings, LLC, NorthStar Nuclear)
Decommissioning Company, LLC, NorthStar)
Group Services, Inc., LVI Parent Corp., NorthStar) Docket No. []
Group Holdings, LLC, Entergy Nuclear Vermont)
Investment Company, LLC, and Entergy Nuclear)
Operations, Inc., and any other necessary)
affiliated entities to transfer ownership of Entergy)
Nuclear Vermont Yankee, LLC, and for certain)
ancillary approvals, pursuant to 30 V.S.A. §§ 107,)
231, and 232)

SUMMARY OF PREFILED TESTIMONY OF JEFFREY P. ADIX

Mr. Adix, Vice President and Chief Financial Officer of NorthStar Group Services, Inc., describes NorthStar's financial strength and position, and hence the reliability of the \$125 million parent support agreement being executed by NorthStar Group Services, Inc. as part of the proposed transaction.

Mr. Adix sponsors the following exhibit:

JP-JPA-1 NorthStar's operating trend from
2011 to 2015

STATE OF VERMONT
PUBLIC SERVICE BOARD

Joint Petition of NorthStar Decommissioning)
Holdings, LLC, NorthStar Nuclear)
Decommissioning Company, LLC, NorthStar)
Group Services, Inc., LVI Parent Corp., NorthStar) Docket No. []
Group Holdings, LLC, Entergy Nuclear Vermont)
Investment Company, LLC, and Entergy Nuclear)
Operations, Inc., and any other necessary)
affiliated entities to transfer ownership of Entergy)
Nuclear Vermont Yankee, LLC, and for certain)
ancillary approvals, pursuant to 30 V.S.A. §§ 107,)
231, and 232)

PREFILED TESTIMONY OF JEFFREY P. ADIX

1 Q1. **Please state your name and business address.**

2 A1. Jeffrey P. Adix, Seven Penn Plaza, 370 7th Avenue, Suite 1803, New York, NY 10001.

3 Q2. **What is your occupation?**

4 A2. I am the Vice President and Chief Financial Officer (“CFO”) of NorthStar Group
5 Services, Inc., which is the parent company of the NorthStar companies. NorthStar
6 Group Services, Inc. is wholly owned by LVI Parent Corp., and LVI Parent Corp. is
7 wholly owned by NorthStar Group Holdings, LLC. Both LVI Parent Corp. and
8 NorthStar Group Holdings, LLC are passive holding companies that hold the stock or
9 membership interests of the wholly-owned subsidiary, but have no tangible assets or
10 employees and conduct no active business.

11 In addition to being the CFO of NorthStar Group Services, Inc., I am also an
12 officer at each of the companies below NorthStar Group Services, Inc., which include
13 NorthStar Decommissioning Holdings, LLC, the entity that will acquire the membership
14 interests in Entergy Nuclear Vermont Yankee, LLC, under the proposed transaction.

1 The remainder of my testimony, unless otherwise specified, uses “NorthStar” to
2 refer to NorthStar Group Services, Inc. and its subsidiaries.

3 **Q3. What is your educational and professional background?**

4 A3. I have a B.S in business administration from Drake University (1989) and an M.B.A.
5 from the University of Wisconsin at Milwaukee (2004). I began my career as a certified
6 public accountant at Arthur Andersen before transitioning to industry and working in a
7 variety of financial management roles for both private and publicly-held global
8 businesses. These roles included Chief Financial Officer for a global professional
9 services business, Chief Audit Executive for a \$20 billion publicly-traded company, and
10 various senior positions over nine years at Veolia Environmental Services North
11 America, including CFO of the Solid Waste business unit and the President and Chief
12 Executive Officer for the combined Hazardous Waste and Industrial Services business
13 units. Most recently before joining NorthStar, I was the Senior Vice President for
14 Finance and Group CFO of the largest operating group within Fiserv, Inc., a financial
15 services technology company with over \$5 billion in annual revenue. At NorthStar, I am
16 in charge of all corporate financial management and planning, and my staff and I provide
17 support to the various NorthStar offices around the country, including monitoring the
18 financial performance of all projects, forecasting, and providing general accounting
19 services.

20 **Q4. What is the purpose of your testimony in this proceeding?**

21 A4. My testimony will provide an overview of NorthStar’s financial results and position.

1 Q5. **What can you tell us about NorthStar's financial results and position?**

2 A5. NorthStar is a privately-held company owned by four large private equity firms, which
3 have collectively invested over \$275 million in the company. Because NorthStar is
4 privately held, its financial statements are not a matter of public record, but on a
5 consolidated basis, NorthStar generated more than \$650 million of gross revenue in 2015
6 and has grown revenue at compounded double-digit rates over the period from 2011 to
7 2015 through a combination of organic growth and strategic acquisitions. The
8 company's operations are consistently profitable as well, with \$30 million of income
9 from operations in 2015, and with an operating income growth rate approaching 30%
10 over the same five year period. The company currently has total assets of more than
11 \$380 million, working capital of more than \$50 million, and a total backlog of work of
12 nearly \$400 million, excluding the planned transaction recently announced for the
13 Vermont Yankee plant. NorthStar's operating trend from 2011 to 2015 is attached hereto
14 as Exhibit JP-JPA-1.

15 Q6. **How does the financial position of NorthStar Group Services, Inc. as just described**
16 **bear on the \$125 million parent support agreement that NorthStar Group Services,**
17 **Inc. is executing as part of this transaction?**

18 A6. The scope and operating profitability of our full business platform provides additional
19 resources to support our nuclear decommissioning business and generates an enterprise
20 value that is significantly in excess of the parent support commitment. However, we do
21 not expect it to be necessary to provide direct parental support because we project that the

1 directly responsible NorthStar subsidiaries will be able to accomplish the project using
2 the available funds in the decommissioning and site restoration trusts.

3 **Q7. Are there any other financial assurances that NorthStar will bring to this**
4 **transaction?**

5 A7. Yes. NorthStar has a strong history of obtaining bonding work items and also maintains
6 comprehensive insurance coverage for its entire business. NorthStar has obtained more
7 than \$250 million in performance bonds since 2014 to provide additional assurance of
8 project completion when required. NorthStar also has an excess liability insurance
9 coverage limit of \$50 million across its business, with a history of increasing coverage to
10 higher levels based on project needs and risk. NorthStar also has a comprehensive
11 general liability policy with a coverage limit of \$27 million, and a pollution policy with a
12 coverage limit of \$10 million. The ability to provide this level of bonding and insurance
13 reflects NorthStar's strong history of successfully and safely completing complex
14 projects of all sizes and offers further protection to the company and the various
15 stakeholders in its projects.

16 **Q8. Does the fact that NorthStar has obtained so many surety bonds indicate that those**
17 **bonds have been called upon?**

18 A8. No. To the contrary, NorthStar has never had a bond called by a customer. The bonds
19 simply provide extra assurance, beyond NorthStar's own financial resources and track
20 record of performance, that projects will be completed as contractually agreed.

21 **Q9. Does that conclude your testimony?**

1 A9. Yes, at this time.

2 17148069.1

NorthStar Group Services, Inc.
Results from Operations Trend 2011 - 2015

	Audited					CAGR
	2011	2012	2013	2014	2015	2011-15
Gross revenue	\$ 339.1	\$ 404.9	\$ 371.8	\$ 473.2	\$ 652.3	17.8%
Operating income	10.7	19.9	17.6	(2.5)	29.6	29.0%
<i>% of revenue</i>	3.2%	4.9%	4.7%	-0.5%	4.5%	
Depreciation expense	6.9	6.7	7.3	8.6	10.7	
EBITDA	\$ 17.6	\$ 26.6	\$ 24.9	\$ 6.1	\$ 40.3	23.0%
<i>% of revenue</i>	5.2%	6.6%	6.7%	1.3%	6.2%	

STATE OF VERMONT

PUBLIC UTILITY COMMISSION

Joint Petition of NorthStar Decommissioning)
Holdings, LLC, NorthStar Nuclear)
Decommissioning Company, LLC, NorthStar)
Group Services, Inc., LVI Parent Corp.,)
NorthStar Group Holdings, LLC, Entergy)
Nuclear Vermont Investment Company, LLC,)
and Entergy Nuclear Operations, Inc., and any) Docket No. 8880
other necessary affiliated entities to transfer)
ownership of Entergy Nuclear Vermont Yankee,)
LLC, and for certain ancillary approvals,)
pursuant to 30 V.S.A. §§ 107, 231, and 232)
)

SUMMARY OF PREFILED REBUTTAL TESTIMONY OF JEFFREY P. ADIX

Mr. Adix, Vice President and Chief Financial Officer of NorthStar Group Services, Inc., corrects a working capital figure reported by Department of Public Service witness Daniel S. Dane for the year 2015; discusses the importance of an error that Mr. Dane himself admits concerning the accounts receivable turnover ratio; provides an update on NorthStar's financial performance during 2017 since the first three months of that year; and discusses a June 2017 recapitalization that strengthened NorthStar's balance sheet by, *inter alia*, reducing its total debt by approximately \$100 million.

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Joint Petition of NorthStar Decommissioning)
Holdings, LLC, NorthStar Nuclear)
Decommissioning Company, LLC, NorthStar)
Group Services, Inc., LVI Parent Corp.,)
NorthStar Group Holdings, LLC, Entergy)
Nuclear Vermont Investment Company, LLC,)
and Entergy Nuclear Operations, Inc., and any) Docket No. 8880
other necessary affiliated entities to transfer)
ownership of Entergy Nuclear Vermont Yankee,)
LLC, and for certain ancillary approvals,)
pursuant to 30 V.S.A. §§ 107, 231, and 232)
)

PREFILED REBUTTAL TESTIMONY OF JEFFREY P. ADIX

- 1 Q1. **Please state your name for the record.**
- 2 A1. Jeffrey P. Adix
- 3 Q2. **Are you the same Jeffrey P. Adix who submitted opening prefiled testimony in this**
4 **proceeding on December 16, 2016?**
- 5 A2. Yes.
- 6 Q3. **Do you wish to respond to any of the testimony filed on behalf of non-petitioners in**
7 **this proceeding?**
- 8 A3. Yes. I reviewed the testimony of Department of Public Service witness Daniel S. Dane
9 and wish to respond to and/or to confirm certain points in his testimony. *First*, I would
10 like to correct certain figures presented in the financial table (Table 2) provided by Mr.

1 Dane (at PFT 18-19).¹ *Second*, I would like to provide an updated outlook for NorthStar
2 Group Services, Inc.’s (“NorthStar”) performance in 2017 relative to the full year
3 projection provided by Mr. Dane in his testimony. As Mr. Dane noted (PFT 24:8-15),
4 improved performance by NorthStar in the remainder of 2017 as compared to the first
5 three months of 2017 would improve NorthStar’s scores on the financial ratios that Mr.
6 Dane uses to evaluate NorthStar’s financial status. *Third*, I would like to confirm certain
7 testimony from Mr. Dane on NorthStar’s recent recapitalization transaction and provide
8 further clarification.

9
10 **Financial Table Correction**

11 **Q4. Please discuss the corrections to the financial table (Table 2) in Mr. Dane’s**
12 **testimony.**

13 A4. First, the correct working capital number for 2015, computed consistently with other
14 years, is \$38.394 million, as opposed to the negative \$183.840 million presented by Mr.
15 Dane.

16 **Q5. Do you know why Mr. Dane reported an incorrect number?**

17 A5. Mr. Dane did not appear to be using the final version of the 2015 audited financial
18 statements at the time that his testimony was prepared. The figure that I provided above
19 is based on the final version of these statements, with any earlier versions superseded.

20 *See Attachment A.DPS.NS.2-21.3 at NS-VYND 0105494 to NS-VYND 0105495.*

21 **Q6. Are there any other corrections that you would like to highlight?**

¹ All citations of the Dane PFT herein use the pagination in the confidential version of that PFT.

1 A6. Yes. Mr. Dane initially reported the accounts receivable turnover (“T/O”) ratio for
2 NorthStar as 1.31x for 2017, 1.55x for 2016, 1.62x for 2015, 1.17x for 2014, and 1.74x
3 for 2013 (Dane PFT 19:2). In his subsequent update on October 9, 2017, he revised those
4 ratios upward to 4.23x for 2017, 4.57x for 2016, 4.20x for 2015, 3.37x for 2014, and
5 3.93x for 2013 (Dane updated Table 2). The Department’s cover letter accompanying
6 Mr. Dane’s revised Table 2 describes the change as resulting from correction of an
7 “error” that Mr. Dane had made in his original testimony. However, neither that cover
8 letter nor the revised Table 2 discusses the positive impact of the change as an indicator
9 of NorthStar’s ability to manage its liquidity and fund the operations of its subsidiaries,
10 as needed. The increase in the ratio by correcting Mr. Dane’s error is substantial, with
11 the 2017 ratio, as an example, more than tripling from its original value of 1.31x to its
12 corrected value of 4.23x.

13

14 **NorthStar’s Performance In 2017**

15 Q7. **Mr. Dane reports (Exhibit DPS-DSD-2 at 4) that NorthStar’s actual sales in**
16 **January through March 2017 were below NorthStar’s projections. Do you agree?**

17 A7. Yes. The year began with a lower run rate (*i.e.*, lower actual sales compared to the
18 projected rate) than previously expected due to a number of factors, including lower
19 revenues in NorthStar’s inherently less predictable emergency response business.

20 Q8. **Can you provide a further report on NorthStar’s performance since then, and**
21 **whether NorthStar is now meeting its projections?**

1 A8. Yes. While revenue has improved throughout the year across multiple parts of the
2 business, there has been a larger increase in the Company's emergency response
3 business, with substantial new work in process related to Hurricanes Harvey and Maria.
4 The combined effect of these revenue improvements from earlier in the year is that the
5 Company now expects to exceed Mr. Dane's 2017 revenue and EBITDA projections by
6 approximately 10% and 30%, respectively, with a fourth quarter annualized run rate
7 approximating recent history from 2015 and 2016.

8 Q9. **How is that improved performance relevant to Mr. Dane's analysis?**

9 A9. It is relevant because Mr. Dane acknowledges that his testing (using ratios) of
10 NorthStar's financial status was dependent on "assumptions" he made "to annualize
11 partial year income statement data," and that "NorthStar's actual performance for the
12 remainder of the year could improve upon or worsen the financial picture provided in
13 Table 2." Dane PFT 24:4-8.

14

15 **Recapitalization Transaction**

16 Q10. **Mr. Dane commented that NorthStar's recent Recapitalization Transaction**
17 **"appears to have removed approximately \$100 million of debt from NorthStar's**
18 **balance sheet" (Dane PFT 17:10-11). In response to his use of the word**
19 **"appears," can you confirm that this is an accurate understanding?**

20 A10. Yes.

1 Q11. **Is there other background and impact from this transaction that you would like to**
2 **highlight that is relevant to NorthStar’s ability to perform the VY Station**
3 **decommissioning?**

4 A11. Yes. NorthStar closed a transaction in June 2017 through which J.F. Lehman and
5 Company (“JFLCO”), in partnership with Medley Capital, invested significant new
6 capital into the company. JFLCO is a leading middle-market private equity firm with a
7 25-year history and more than \$3 billion of cumulative investments made. As noted
8 above, at the completion of this transaction, NorthStar’s total debt decreased by
9 approximately \$100 million, and NorthStar gained access to a significant undrawn
10 revolving line of credit as part of a more favorable amended and extended senior credit
11 agreement. Beyond a much stronger working capital position to support the business,
12 NorthStar gained strong owners to help it drive its strategic plan and support the
13 continued growth and financial stability of NorthStar.

14 Q12. **Does that conclude your testimony?**

15 A12. Yes, at this time.

CONFIDENTIAL

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STATE OF VERMONT
PUBLIC UTILITY COMMISSION
DOCKET NO. 8880

Joint Petition of NorthStar)
Decommissioning Holdings, LLC,)
NorthStar Nuclear Decommissioning)
Company, LLC, NorthStar Group)
Services, Inc., LVI Parent)
Corporation, NorthStar Group)
Holdings, LLC, Entergy Nuclear)
Vermont Investment Company, LLC,)
and Entergy Nuclear Operations, Inc.,)
and any other necessary affiliated)
entities to transfer ownership of)
Entergy Nuclear Vermont Yankee, LLC)
and for certain ancillary approvals)
pursuant to 30 V.S.A. Paragraphs 107,))
231 and 232)

** CONFIDENTIAL - UNDER PROTECTIVE ORDER **

Deposition of JEFFREY P. ADIX
Tuesday, October 3, 2017
9:02 a.m.

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street - 26th Floor
Boston, Massachusetts 02109

----- J. Edward Varallo, RMR, CRR -----
Registered Professional Reporter

CONFIDENTIAL

Page 2

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CONFIDENTIAL

Page 3

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CONFIDENTIAL

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I N D E X

DEPONENT PAGE

Jeffrey P. Adix
by Ms. Ellsworth..... 8
by Mr. Landis-Marinello..... 224

ADIX EXHIBITS FOR IDENTIFICATION PAGE

Exhibit 1 37
Summary of Prefiled Testimony of
Jeffrey P. Adix
Exhibit 2 39
Entergy's February 9, 2017 submission to the
NRC (no Bates numbers)
Exhibit 3 117
NorthStar spreadsheet captioned 2017 -
Liquidity Forecast Summary - Key Figures
(Bates EN-VYND 0049479 - 485)
Exhibit 4 124
Joint Petitioners' Responses to DPS's Second
Set of Information Requests, July 21, 2017,
page 27

CONFIDENTIAL

Page 5

1	-----	
2	ADIX EXHIBITS	FOR IDENTIFICATION
3	-----	PAGE
4	Exhibit 5	138
5	NorthStar comparative balance sheets	
6	31-Aug-15 (Bates NS-VYNDC 50105623765)	
7	Exhibit 6	150
8	NorthStar Group Services, Inc. Consolidated	
9	Financial Statements and Report of	
10	Independent Certified Public Accountants,	
11	Years Ended December 31, 2016 and 2015	
12	(Bates NS-VYNDC 0105430 - 457)	
13	Exhibit 7	141
14	NorthStar Group Services, Inc. Consolidated	
15	Financial Statements and Report of	
16	Independent Certified Public Accountants,	
17	Years Ended December 31, 2015 and 2014	
18	(Bates NS-VYNDC 0105490 - 520)	
19	Exhibit 8	153
20	Joint Petitioners' Responses to DPS's Second	
21	Set of Information Requests, July 21, 2017,	
22	pages 38 and 39	
23		
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25		

1 -----
2 ADIX EXHIBITS FOR IDENTIFICATION PAGE
3 -----
4 Exhibit 9 184
5 Joint Petitioners' Responses to the Vermont
6 Public Service Department's First Set of
7 Information Requests, dated April 26, 2017
8 Exhibit 10 205
9 Excel version of NorthStar's deal model for
10 the Vermont Yankee transaction (14 pages)
11
12
13
14 ORIGINAL EXHIBITS RETAINED BY THE COURT REPORTER AND
15 RETURNED TO WILMER CUTLER PICKERING HALE AND DORR
16
17
18 -----
19 COUNSEL'S DIRECTION TO DEPONENT NOT TO ANSWER
20 -----
21 At page 27, line 18 At page 110, line 9
22 At page 112, line 21 At page 113, line 18
23
24
25

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1 Q. And is Mr. State an investor in LVI, one
2 of the LVI entities?

3 A. I don't know what his current status is
4 as it relates to that.

5 Q. Has he at some point been an investor in
6 one of the LVI entities?

7 A. As the CEO of the company, I believe he
8 had some equity interest, but I don't know the
9 details of how that was structured exactly.

10 Q. Do you know whether he still has an
11 equity interest in any of the LVI entities?

12 A. I do not.

13 Q. Does Mr. State have an equity interest
14 in any of the NorthStar entities?

15 A. I do not know. Not that I have seen to
16 date. The equity structure with our new investor
17 and senior management is still in the process of
18 being finalized.

19 Q. As a part of the recapitalization?

20 A. That is correct.

21 Q. Are there any individuals who serve as
22 directors or officers of the NorthStar entities that
23 have an equity interest or will have an equity
24 interest in the newly recapitalized structure?

25 A. It's possible, yes.

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1 Q. And when will that be finalized?

2 A. I do not know.

3 Q. Do you have a general timeline?

4 A. I would expect it to be relatively soon,
5 like within the next six months. But I don't have
6 any specific timeline.

7 Q. What is the process that's underway to
8 finalize that?

9 A. I believe Mr. State has been in
10 discussions with our new primary investor on that
11 topic.

12 Q. And who is the new primary investor?

13 A. J.F. Lehman & Company.

14 Q. Will J.F. Lehman & Company have equity
15 and an ownership interest in the NorthStar entities
16 that are the petitioners here?

17 A. Yes, they already do.

18 Q. And what's the percentage of that
19 interest?

20 A. I believe it's effectively more than --
21 It's more than 80 percent of the total common
22 equity. I can't quote the exact percentage but they
23 effectively have operating control, ultimate
24 operating control or equity control of those
25 entities.

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1 Q. And is it your understanding that J.F.
2 Lehman & Co. will have the opportunity to appoint
3 individuals, an individual or individuals, to
4 director or management positions at the NorthStar
5 entities?

6 A. Yes.

7 Q. And have they done so already?

8 A. Yes.

9 Q. Who have they appointed?

10 A. Well, existing senior management has
11 generally stayed in their same roles. My title has
12 not changed. My scope of responsibility related to
13 those legal entities has not changed. And then
14 there are several individuals on the board of
15 directors that are from J.F. Lehman & Company.

16 Q. Who are those individuals?

17 A. I don't recall the full names. I can
18 tell you that one of the gentlemen is Alex Harmon
19 and a gentleman by the name of Glenn Shor, S-h-o-r,
20 are two of the directors on a recent resolution that
21 I saw. But I don't remember who the other directors
22 are from outside of the company.

23 Q. Are there more than just these two that
24 were appointed or that are J.F. Lehman affiliates or
25 employees?

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1 that the parent has offered. And I understand your
2 answer to be yes?

3 A. Yes.

4 Q. Okay. The example that you're thinking
5 of, do you know what the amount of that parental
6 guarantee is?

7 A. Not specifically. For example, the
8 lease example was probably, I recall, on like a
9 several-hundred-thousand-dollar piece of equipment.
10 It was relatively small.

11 Q. Are there other guarantees that you're
12 aware of that the parent has put into place that are
13 for larger amounts?

14 A. I believe there have been some that are
15 larger than that, but I can't cite a specific
16 example as I sit here.

17 Q. Are there any guarantees that have been
18 in the ballpark of this \$125 million support
19 agreement?

20 A. No, not that I'm aware of.

21 Q. So lower numbers than that is what
22 you're aware of in the past?

23 A. Yes. I would characterize it as
24 significantly lower.

25 Q. Do you know why NorthStar Group

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1 Services, Inc. here is offering a guarantee in the
2 form of a support agreement as opposed to a parental
3 guarantee like the one we were discussing?

4 A. No, I don't know the specific history of
5 why this form was settled on.

6 Q. Is it your understanding that the
7 support agreement is a form that is less of a direct
8 guarantee than a true parental guarantee?

9 A. I don't really have a position on the
10 relative strength of a support agreement relative to
11 a parent guarantee, without looking at the specific
12 terms and conditions of those two documents.

13 Q. Looking at this document, it says that
14 it does not constitute a direct or indirect
15 guarantee by the parent to any person for the
16 payment of operating costs of the subsidiary. I'm
17 paraphrasing, but in general do you see that in the
18 document?

19 A. Yes, I see point 2 on page 1 of the
20 agreement.

21 Q. Okay. Do you have an understanding of
22 what that section of this agreement means?

23 A. I will read it again. (Pause) I
24 believe I understand how that's worded.

25 Q. And what is your understanding of how

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1 that will operate?

2 A. I would say that my conceptual
3 understanding is that this agreement acknowledges
4 the fact that the NRC may look to resources beyond
5 the actual Vermont Yankee LLC entity as a source of
6 funding to complete required tasks, but it's not
7 locking the company into a specific guarantee or
8 specific form of how that settlement may occur.

9 Q. And looking at the clause above it, the
10 availability of funding clause here, it begins "From
11 time to time upon request of the subsidiary" various
12 funding could be made available. Do you have an
13 understanding as to how operationally that will take
14 place in the event that NorthStar does take
15 ownership of the facility and needs to call on this
16 support agreement?

17 A. No, not really. I think it would be
18 considered a fairly remote event that this would be
19 exercised, so my expectation is that one would have
20 to look at the facts and circumstances at that time
21 if there was deemed to ever be a need to call on
22 this agreement. It's not intended to be a regular
23 or expected event with a defined mechanism for how
24 that would occur.

25 Q. Who would be responsible for determining

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1 whether or not a request to call on the support
2 agreement would be made?

3 A. Something of that nature would probably
4 be a combination of senior management in
5 consultation with the board of directors of the
6 relevant entities.

7 Q. And so the subsidiary that's actually a
8 party to this putative agreement is the NorthStar
9 Vermont Yankee, LLC company. Right?

10 A. Correct.

11 Q. And I don't think that NorthStar Vermont
12 Yankee, LLC has any directors. Am I right about
13 that?

14 A. I don't recall.

15 Q. Well, that's knowable. So I'll
16 represent to you, you're welcome to flip back and
17 look at it, but in the NRC filing because of the LLC
18 status, perhaps, it just has a managing member,
19 which is NorthStar Decommissioning Holdings, LLC.

20 A. Okay.

21 Q. So no board of directors?

22 A. Yes. So I was referring to, in that
23 context I guess I was thinking of the NorthStar
24 Group Services board evaluating that call in
25 conjunction with a determination that there were not

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1 sufficient resources within the LLC to complete the
2 work.

3 Q. And I'm just sort of trying to
4 understand how this would progress, if it were ever
5 to progress. So if the subsidiary, which is the
6 NorthStar Vermont Yankee, LLC --

7 A. Yes.

8 Q. -- who at the subsidiary either by role
9 or by name would be responsible for determining that
10 a call needed to be made on the support agreement?

11 A. I don't think that -- Consistent with my
12 previous testimony, I don't believe that that's been
13 formally defined, again because this is not expected
14 to be something regularly used and the likelihood of
15 that call occurring is deemed to be remote as we
16 think about it today. So if there was a shortage of
17 funds, if there was a liquidity problem within that
18 entity, if there was not cash available at a point
19 in time to pay bona fide obligations of that entity
20 for whatever reason, that's something that would
21 have to be evaluated by whoever was deemed to be the
22 manager of that entity at that time. But since that
23 entity also is a subsidiary of NorthStar Group
24 Services, I think the senior management would really
25 be involved in looking at the whole situation

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1 because it's not a bright line as I understand it on
2 how that structurally would look. There might be
3 people who would have roles in both entities from a
4 legal structure perspective.

5 Q. And so that includes, right, Mr. State
6 and yourself and the others who are both management
7 of the NorthStar Vermont Yankee, LLC as well as
8 NorthStar Group Services, Inc. Correct?

9 A. Correct.

10 Q. So your understanding or your
11 expectation, I should say, is that the decision
12 whether to call on the support agreement subsidiary
13 to parent is more of a collaborative process because
14 the personnel are all basically the same?

15 A. Yeah, I think that's a fair
16 characterization in the unlikely event that the
17 entity found itself in that position.

18 Q. And so would the parent, NorthStar Group
19 Services, Inc., be in a position to disclaim the
20 support agreement and indicate they didn't think the
21 support being requested for was requested?
22 Required. Excuse me.

23 A. I think that's -- In my mind that's more
24 of a legal distinction. I think at a practical
25 level there would be a thorough review whether there

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1 were any other alternatives that were available
2 besides drawing on the support agreement for a given
3 need.

4 Q. And it would be the parent, NorthStar
5 Group Services, Inc., would be involved in
6 determining where money might be able to come from
7 or whether a particular obligation needed to be
8 funded. Correct?

9 A. Yeah, I think that is a fair
10 characterization, yes.

11 Q. Is that typical in your experience with
12 how what I will call a parental guarantee works?

13 A. Yes. That doesn't seem inconsistent to
14 me with how that works, though. I would say I have
15 never been involved in a situation where an
16 operating subsidiary was not able to meet its
17 obligations on its own and had to draw down on a
18 parental guarantee. In any case where there's been
19 that type of guarantee in place, there's always been
20 an alternative found to manage through it at the
21 operating entity level and there's never been a need
22 to formally call a parental guarantee.

23 Q. Have you had any discussions within
24 NorthStar about whether the NorthStar Vermont
25 Yankee, LLC, the subsidiary in this particular

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1 support agreement, will or should have some sort of
2 an independent director or independent individual
3 who is evaluating things like whether the support
4 agreement should be called upon?

5 A. I have not been part of any discussions
6 of that nature.

7 Q. Do you know whether any such discussions
8 have occurred?

9 A. I do not.

10 Q. Is that something that the NorthStar
11 entities would be willing to consider in connection
12 with the Vermont Yankee transaction, that is, an
13 independent director of some sort being involved in
14 the Vermont Yankee LLC subsidiary?

15 A. I think NorthStar's position is that it
16 would like to execute the transaction in the way
17 that it has been presented. In my position, I don't
18 feel like I'm in a position to accept or deny things
19 on a piecemeal basis. If there was an alternative
20 that was required for regulatory approval, we would
21 have to look at that in its entirety versus taking a
22 position on individual points.

23 Q. But that is not something that you have
24 discussed or that you're aware has been discussed to
25 date?

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1 A. No.

2 MS. WILSCHEK: I just wanted to remind
3 counsel and direct the witness in terms of
4 discussions with your counsel, you would not answer
5 those questions.

6 THE WITNESS: Understood.

7 MS. WILSCHEK: Discussions with, for
8 example, Greg DiCarlo.

9 THE WITNESS: Understood.

10 BY MS. ELLSWORTH:

11 Q. Did you restrict your answering to my
12 questions on those grounds?

13 A. No. My testimony is that I am not aware
14 of any such conversations.

15 Q. Thank you. Just to be clear.

16 And so do you know whether NorthStar
17 would go through with this transaction if a
18 requirement that were imposed by some entity was to
19 appoint an independent director?

20 A. I do not.

21 Q. Is that something, recognizing you
22 haven't had conversations about this, is that
23 something that you think would be a problem for
24 NorthStar in executing this transaction?

25 A. Potentially.

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1 actually compel the bonding company to perform in
2 lieu of the subcontractor if it actually reached
3 that point. Again, we see that as somewhat of a
4 hypothetical and fairly remote considering the
5 nature of the subcontractor and their ultimate
6 backing. But at the same time that is the right
7 under the agreement: is to provide the funding to
8 complete the work and not cause that to be an
9 obligation of NorthStar if there was some
10 deficiency, shortfall, the subcontractor wasn't able
11 to perform for any reason.

12 Q. And what rights, if any, would NorthStar
13 have in that scenario to select the alternative
14 contractor that would perform or complete the work
15 that the subcontractor, AREVA that we're discussing
16 here, didn't complete?

17 A. We would have to look at the final form
18 of the instrument. But generally the bonding
19 company would have some say in that, but NorthStar
20 would have strong rights of approval on how that
21 work was ultimately completed and by whom.

22 Q. And is that the same process that you
23 understand would be undertaken with the other bonds
24 that are being contemplated for the Yankee
25 decommissioning?

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1 A. Generally, yes, with the details of the
2 actual instruments to be confirmed. But the way we
3 think about it is that there are multiple different
4 layers before you would ever have to think about
5 getting to the support agreement between the actual
6 funds that are built into the project plan, the
7 bonding that would be provided by most of the
8 relevant subcontractors, if not all. Again, we'd
9 have to look at the facts and circumstances on those
10 two specific contractors that you mentioned.

11 And then, only then, if you had a
12 Treasury-rated bonding company that didn't perform
13 on the work, so you would have a supplier that
14 didn't perform, a Treasury-rated bonding company
15 that didn't perform, and you still had work to be
16 done that outstripped the resources within the LLC
17 at that point in time, under that whole series of
18 events you could get to the point where you'd look
19 at whether additional support, either temporary or
20 permanent, was required to complete that phase of
21 the work.

22 Q. So that brings me back to the question
23 which brought us here, which is I understand the
24 sequence you've laid out about how you think this
25 would occur. But in the event that during the

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1 reactor phase of the decommissioning there was a
2 need to call upon the support agreement, what would
3 NorthStar's ability be to meet that need, NorthStar
4 Group Services, Inc.?

5 A. We would intend to do whatever was
6 necessary to meet that need, either through directly
7 available funds or through the support of our
8 ultimate equity investors if we needed to make a
9 request there. But in the remote event that you had
10 to make a call there, we would follow through and do
11 the work. Again, but this is seen as a sort of
12 remote backstop versus something that is an intended
13 or assumed part of how the work would be funded or
14 supported.

15 Q. Do the equity investors have any
16 obligation to provide the funding if you were to
17 have to request it?

18 A. I don't believe they do. Even as we
19 discussed earlier, the support agreement itself is
20 structured to provide flexibility in what is done.
21 So, really, again I would come back to the support
22 agreement has a remote likelihood of being used and
23 to the extent that it was eventually used, it's
24 structured in a way to provide maximum flexibility
25 in how the company would cover those obligations.

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1 But at the same time acknowledging that the company
2 is standing behind this work and we wouldn't simply
3 throw up our hands and say the LLC is all you have.
4 It's intended to provide something in writing that
5 says there is intent and resource beyond the LLC to
6 deal with any remote contingencies that might
7 present themselves over the course of the work.

8 Q. So I understand the intent. What I'm
9 trying to understand is the source of the resource.
10 And so if I understand your testimony, it is that
11 the investors would have no obligation to provide
12 the resources in the event that NorthStar Group
13 Services didn't have the resources and were asking
14 investors to make a contribution. Is that correct?

15 A. Yes, that is my understanding, that
16 there is not any document that would obligate that
17 in its current form. Not a contract or agreement
18 that would formally obligate them in that way.

19 Q. And there's nothing that informally
20 obligates them either. Right?

21 A. No.

22 Q. What are the resources that NorthStar
23 Group Services, Inc. might have available to fund
24 the support agreement?

25 A. Retained earnings, working capital, its

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1 line of credit are all potential sources that could
2 be brought to support this project just as it would
3 support any other project in the company.

4 Q. And those sources of income, well, not
5 the credit agreement but the other income would be
6 from ongoing projects that NorthStar is in the
7 process of undertaking. Correct?

8 A. Retained earnings and working capital,
9 yes. The credit agreement, no. That's an existing
10 facility that already is in place today.

11 Q. And what facility is that?

12 A. The senior credit agreement of the
13 company.

14 Q. Is that the credit agreement that was
15 altered during the recapitalization or amended?

16 A. Correct, yeah, it was amended and
17 extended as part of the recapitalization
18 transaction.

19 Q. And does NorthStar Group Services, Inc.
20 have unfettered ability to call on that credit
21 agreement if it needed to fund the support
22 agreement?

23 A. Unfettered up to the limits of the
24 agreement.

25 Q. I don't have it in my mind. What are

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1 the limits of the agreement, if you know?

2 A. Yes. Within our senior credit agreement
3 we have a [REDACTED] revolving line of credit
4 within the overall senior credit agreement.

5 Q. And is that being called upon right now
6 for anything?

7 A. As of today there's no cash draws
8 against that. There are some letters of credit that
9 are outstanding as a subset of that.

10 Q. Do you know what the amount is of those
11 letters of credit?

12 A. Approximately [REDACTED]

13 Q. So [REDACTED] is committed to
14 a letter of credit?

15 A. As of today, yes.

16 Q. As of today, correct.

17 Is that credit line something that you
18 expect to use as part of other projects going
19 forward?

20 A. It's a source of working capital to the
21 whole business, so it's not intended to be a
22 permanent source of financing for any portion of the
23 business. It is intended to deal with timing
24 issues, delays in receiving payment from a client,
25 perhaps. If we had a large influx of business

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1 providing working capital to allow us to scale up
2 and service a large increase in the level of
3 business of the company. So it really is designed
4 to be a source of financial flexibility to the
5 company.

6 Q. Are there other -- Strike that. Does
7 NorthStar have in the pipeline any sort of planned
8 long-term projects that it is undertaking right now
9 or expects to over the course of the next two to
10 three to four years?

11 A. Could you be more specific on that?

12 Q. Yes. Are there any specific large
13 projects that NorthStar is in the process of or will
14 be undertaking?

15 A. Well, we certainly are looking to
16 continue to develop opportunities in our nuclear
17 decommissioning business. We do not see the Vermont
18 Yankee transaction as a one-time transaction. We
19 think this is something that could become a core
20 recurring part of the business at multiple
21 facilities as we look at the market.

22 We are also trying to develop projects
23 in other parts of our business: some of the
24 remediation work on coal ash impoundments as one
25 example that large utilities are working to meet the

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1 regulatory requirements on. We see that as a
2 business that we are trying to further develop. And
3 in the normal course of our business, we do large
4 projects from time to time. In almost any year
5 we'll have a number of larger projects, usually of a
6 year to year and a half duration, not multi, three,
7 four-year projects necessarily but, yes, in our kind
8 of mainline demolition and abatement business, we
9 will generally have some larger projects as well.

10 Then there will be things that happen,
11 major storm response events like the work we're
12 doing in Texas and Puerto Rico right now, those can
13 be quite large when they happen and they happen a
14 little less predictably but can be large sources of
15 business for the company as well.

16 Q. If this transaction closes and NorthStar
17 goes forward with the decommissioning, will that be
18 the largest source of NorthStar's business going
19 forward?

20 A. Not necessarily. It'll be an important
21 part of the business, but not necessarily the
22 largest source of business at any point in time when
23 we look at the full size and scope of everything
24 that the company is doing.

25 Q. And what is the distinction you're

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COURT REPORTER'S CERTIFICATE

I, J. Edward Varallo, RMR, CRR,
Registered Professional Reporter and Notary Public
in the Commonwealth of Massachusetts (my commission
expires 12/09/2022), hereby certify that the
deposition of Jeffrey P. Adix taken on October 3,
2017, in the matter of Joint Petition of NorthStar
and Entergy to transfer ownership of Entergy Nuclear
Vermont Yankee, LLC (Vermont PUC Docket No. 8880)
was recorded by me stenographically and transcribed;
that before being sworn by me, the deponent provided
satisfactory evidence of identification as required
by Executive Order 455 (03-13) of the Governor.

I certify that the deposition transcript
produced by me is true and accurate to the best of
my ability.

I certify further that I am not counsel,
attorney, or relative of any party litigant, and
have no interest, financial or otherwise, in the
outcome of this suit.



DATED: 10/13/2017

J. Edward Varallo

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Duke Energy Florida, LLC to Approve Transaction with Accelerated Decommissioning Partners, LLC for Accelerated Decommissioning Services at the CR3 Facility, Transfer of Title to Spent Fuel, and Assumption of Operations of the CR3 Facility Pursuant to the NRC License, and Request for Waiver From Future Application of Rule 25-6.04365, F.A.C. for Nuclear Decommissioning Study

DOCKET NO.: 20190140-EI
Dated: July 2, 2020

**JEFF ADIX RESPONSE TO
LATE-FILED DEPOSITION EXHIBIT
ON BEHALF OF
DUKE ENERGY FLORIDA, LLC**

REDACTED

Late filed Ex. 3 –

[REDACTED]

[REDACTED]