

1 consortium, the two parent companies, which are Orano  
2 and NorthStar -- Orano is a well-capitalized entity of  
3 which has minimal risk of not being able to support the  
4 parental support agreement.

5 NorthStar on the other hand is -- if you look  
6 at the financial structure that was provided, is held  
7 by a series of independent companies in which case  
8 there is very little capital support for NorthStar in  
9 their financials right now. There is nothing that  
10 would prevent NorthStar from dividending or -- not  
11 dividending but moving assets up to its parent entities  
12 at any point in time.

13 Without that covenant, if the project gets in  
14 financial trouble -- and again, with the other  
15 enhancements that we're talking about in terms of  
16 frequency of reporting of information to Duke as well  
17 in Recommendation 4, as well as Recommendation 5, it  
18 could be sometime before anybody knows what's really  
19 going on which could result in a shell of a company  
20 which means the parental support would be worthless.

21 Q Okay. And if the commission requires that  
22 this recommended enhancement be made part of the DSA  
23 and the ADP parties refuse to agree to do so, would it  
24 be your recommendation that the commission not approve  
25 the DSA on that basis?

1 an account receivable to be paid by a third party?

2 A Because accounts receivable are usually based  
3 upon contractual terms and the ability to collect those  
4 funds are based on those contractual terms. Also,  
5 there is nothing to guarantee that those -- depending  
6 upon the situation and where those accounts receivable  
7 are from.

8 NorthStar is about to -- is in the process  
9 right now, for example, of decommissioning Vermont  
10 Yankee which is a significant amount of accounts  
11 receivable to them. To the extent that they have the  
12 ability to withdraw or to be paid by the nuclear  
13 decommissioning trust fund and access those funds in  
14 accordance with that contract could significantly  
15 impede their ability to utilize those accounts  
16 receivable.

17 Q Okay. But you indicated that NorthStar's  
18 financial stress -- if NorthStar is under financial  
19 stress, it won't be able to or it will be impeded in  
20 its ability to collect on an account receivable. And I  
21 guess I'm not understanding your response.

22 Could you explain that to me again, please?

23 A I'm talking about -- again, we're addressing  
24 NorthStar's financial situation in the event of  
25 financial stress. And NorthStar may not be able to

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1 corresponding liability equivalent to that cash to  
2 raise additional cash. And that additional cash can  
3 then be turned around and used for paying bills and  
4 doing other types of corporate -- additional corporate  
5 needs.

6 Just because an entity is required to  
7 maintain a cash asset doesn't necessarily mean that it  
8 does not have the ability to utilize that cash.

9 Q Okay. Thank you for that explanation. I  
10 want to turn to page 27, in particular lines 4 through  
11 5. In there, you indicate that in 2019 NorthStar  
12 distributed \$50,000,000 to its members.

13 You're not suggesting by that statement that  
14 it was somehow improper or illegal for NorthStar to  
15 distribute funds to its members, were you?

16 A No, because there is no legal requirement  
17 that prevents them. I mean NorthStar -- this goes back  
18 to my argument as to why the parental guarantee is  
19 potentially worthless. There is no legal requirement  
20 for them to keep any value at all in NorthStar and,  
21 therefore, the parental guarantee if there is no value  
22 in NorthStar is totally worthless.

23 Q Companies distribute funds to their members  
24 all the time, don't they?

25 A No.

1 corporation at the same time.

2 And on top of that, when you look at the  
3 financial structure from NorthStar and up there are  
4 multiple levels of different LLCs that each provide --  
5 are intended to provide a barrier that don't allow  
6 creditors or bankruptcy situations to reach up above.

7 In the case of Orano, the fact that they  
8 maintain the same name through it and such it's a  
9 different issue. There is certain credibility involved  
10 with using your name all the way through the corporate  
11 structure that when you think about discrediting that  
12 name you're going to provide a heck of a lot more  
13 support for the lower-level companies and so that is  
14 one of my concerns.

15 It goes back to our concern -- I should say  
16 the concern that Dr. Jacobs and I talked about in terms  
17 of what could happen if NorthStar projects do become  
18 financially troublesome. And the fact that there is  
19 nothing to prevent from the corporate structure, the  
20 governance agreements from that -- essentially all of  
21 the asset bases are dividended up to the parents.

22 Q So you were concerned about the levels of the  
23 number of different corporations in the ultimate  
24 structure?

25 That was one of your concerns?

1 Q Okay. Do you have an idea of what higher  
2 price Duke and in essence Duke's customers should be  
3 willing to pay to include your enhancements?

4 A Let's use the \$10,000,000 figure I just gave  
5 you.

6 Q Are you aware of instances where NorthStar  
7 was not able to meet its contractual responsibilities  
8 related to a nuclear decommissioning?

9 A NorthStar has not done a nuclear  
10 decommissioning of this size.

11 I have to go back to their balance sheets  
12 prior to the 2017 acquisition by the consortium. It's  
13 hard to tell who acquired who in that configuration.

14 But that consortium purchased -- you look at  
15 their balance sheets prior to that and they had  
16 negative equity. That tells me they were hanging on by  
17 their thumbs, and they had already had considerable  
18 investment by one of the investors in terms of a loan  
19 prior to that. That indicated to me that they were not  
20 making money on their projects.

21 Q But the question I'm asking, notwithstanding  
22 that, were there any instances in which NorthStar did  
23 not comply and complete their contractual  
24 responsibilities related to a nuclear decommissioning?

25 A Again, going back to what they were