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 other necessary affiliated entities to transfer ownership of Entergy Nuclear Vermont Yankee, pursuant to 30 V.S.A. §§ 107, 231, and 232)

Docket No. 8880

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 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

Docket No. 8880

PREFILED REBUTTAL TESTIMONY OF JEFFREY P. ADIX

Q1. Please state your name for the record.

A1. Jeffrey P. Adix

Q2. Are you the same Jeffrey P. Adix who submitted opening prefiled testimony in this proceeding on December 16, 2016?

A2. Yes.

Q3. Do you wish to respond to any of the testimony filed on behalf of non-petitioners in this proceeding?

A3. Yes. I reviewed the testimony of Department of Public Service witness Daniel S. Dane and wish to respond to and/or to confirm certain points in his testimony. First, I would like to correct certain figures presented in the financial table (Table 2) provided by Mr.
Dane (at PFT 18-19). 1 Second, I would like to provide an updated outlook for NorthStar Group Services, Inc.’s (“NorthStar”) performance in 2017 relative to the full year projection provided by Mr. Dane in his testimony. As Mr. Dane noted (PFT 24:8-15), improved performance by NorthStar in the remainder of 2017 as compared to the first three months of 2017 would improve NorthStar’s scores on the financial ratios that Mr. Dane uses to evaluate NorthStar’s financial status. Third, I would like to confirm certain testimony from Mr. Dane on NorthStar’s recent recapitalization transaction and provide further clarification.

**Financial Table Correction**

Q4. **Please discuss the corrections to the financial table (Table 2) in Mr. Dane’s testimony.**

A4. First, the correct working capital number for 2015, computed consistently with other years, is $38.394 million, as opposed to the negative $183.840 million presented by Mr. Dane.

Q5. **Do you know why Mr. Dane reported an incorrect number?**

A5. Mr. Dane did not appear to be using the final version of the 2015 audited financial statements at the time that his testimony was prepared. The figure that I provided above is based on the final version of these statements, with any earlier versions superseded. See Attachment A.DPS.NS.2-21.3 at NS-VYNDC 0105494 to NS-VYNDC 0105495.

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.
A6. Yes. Mr. Dane initially reported the accounts receivable turnover (“T/O”) ratio for
NorthStar as 1.31x for 2017, 1.55x for 2016, 1.62x for 2015, 1.17x for 2014, and 1.74x
for 2013 (Dane PFT 19:2). In his subsequent update on October 9, 2017, he revised those
ratios upward to 4.23x for 2017, 4.57x for 2016, 4.20x for 2015, 3.37x for 2014, and
3.93x for 2013 (Dane updated Table 2). The Department’s cover letter accompanying
Mr. Dane’s revised Table 2 describes the change as resulting from correction of an
“error” that Mr. Dane had made in his original testimony. However, neither that cover
letter nor the revised Table 2 discusses the positive impact of the change as an indicator
of NorthStar’s ability to manage its liquidity and fund the operations of its subsidiaries,
as needed. The increase in the ratio by correcting Mr. Dane’s error is substantial, with
the 2017 ratio, as an example, more than tripling from its original value of 1.31x to its
corrected value of 4.23x.

NorthStar’s Performance In 2017

Q7. Mr. Dane reports (Exhibit DPS-DSD-2 at 4) that NorthStar’s actual sales in
January through March 2017 were below NorthStar’s projections. Do you agree?
A7. Yes. The year began with a lower run rate (i.e., lower actual sales compared to the
projected rate) than previously expected due to a number of factors, including lower
revenues in NorthStar’s inherently less predictable emergency response business.

Q8. Can you provide a further report on NorthStar’s performance since then, and
whether NorthStar is now meeting its projections?
A8. Yes. While revenue has improved throughout the year across multiple parts of the business, there has been a larger increase in the Company’s emergency response business, with substantial new work in process related to Hurricanes Harvey and Maria. The combined effect of these revenue improvements from earlier in the year is that the Company now expects to exceed Mr. Dane’s 2017 revenue and EBITDA projections by approximately 10% and 30%, respectively, with a fourth quarter annualized run rate approximating recent history from 2015 and 2016.

Q9. **How is that improved performance relevant to Mr. Dane’s analysis?**

A9. It is relevant because Mr. Dane acknowledges that his testing (using ratios) of NorthStar’s financial status was dependent on “assumptions” he made “to annualize partial year income statement data,” and that “NorthStar’s actual performance for the remainder of the year could improve upon or worsen the financial picture provided in Table 2.” Dane PFT 24:4-8.

Recapitalization Transaction

Q10. **Mr. Dane commented that NorthStar’s recent Recapitalization Transaction “appears to have removed approximately $100 million of debt from NorthStar’s balance sheet ....” (Dane PFT 17:10-11). In response to his use of the word “appears,” can you confirm that this is an accurate understanding?**

A10. Yes.
Q11. **Is there other background and impact from this transaction that you would like to highlight that is relevant to NorthStar’s ability to perform the VY Station decommissioning?**

A11. Yes. NorthStar closed a transaction in June 2017 through which J.F. Lehman and Company (“JFLCO”), in partnership with Medley Capital, invested significant new capital into the company. JFLCO is a leading middle-market private equity firm with a 25-year history and more than $3 billion of cumulative investments made. As noted above, at the completion of this transaction, NorthStar’s total debt decreased by approximately $100 million, and NorthStar gained access to a significant undrawn revolving line of credit as part of a more favorable amended and extended senior credit agreement. Beyond a much stronger working capital position to support the business, NorthStar gained strong owners to help it drive its strategic plan and support the continued growth and financial stability of NorthStar.

Q12. **Does that conclude your testimony?**

A12. Yes, at this time.