

CONFIDENTIAL

Docket No. 20190140-EI  
Cross-Examination  
Hearing Exhibit

Exhibit No.: 14C

Proffered by: Public Counsel

Short title: \_\_\_\_\_

Witness(s): \_\_\_\_\_

**From:** Camp III, Lewis F <Lewis.Camp@duke-energy.com>  
**Sent:** Monday, November 26, 2018 10:36 AM  
**To:** Holstein, Matthew  
**Subject:** RE: ADP CR3 Questions

I agree with this concern, especially given the nature of the entity, which basically has no assets.

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**From:** Holstein, Matthew  
**Sent:** Monday, November 26, 2018 10:22 AM  
**To:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** FW: ADP CR3 Questions

Does this change your thought process at all? I think that we should consider holding some form of credit support from ADP until the fuel is removed. That is apparently many years into the future but spent fuel at a Duke site being managed by another entity seems risky.

**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323

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**From:** LaPratt, Jeffrey  
**Sent:** Tuesday, November 20, 2018 10:23 AM  
**To:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>; Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>; McCabe, Michael <[Michael.McCabe2@duke-energy.com](mailto:Michael.McCabe2@duke-energy.com)>; Ankrum, Richard Kenna <[Kenna.Ankrum@duke-energy.com](mailto:Kenna.Ankrum@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** RE: ADP CR3 Questions

See answers below in RED

Regards,

**Jeff LaPratt, PMP**  
D&D Project Manager  
Crystal River Nuclear Plant  
(352) 501-3006 (office)  
(727) 485-3288 (cell)

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**From:** Holstein, Matthew  
**Sent:** Tuesday, November 20, 2018 10:18 AM  
**To:** Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>; LaPratt, Jeffrey <[Jeffrey.LaPratt@duke-energy.com](mailto:Jeffrey.LaPratt@duke-energy.com)>; McCabe, Michael <[Michael.McCabe2@duke-energy.com](mailto:Michael.McCabe2@duke-energy.com)>; Ankrum, Richard Kenna <[Kenna.Ankrum@duke-energy.com](mailto:Kenna.Ankrum@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** ADP CR3 Questions

All,

We have a couple more questions that we hope you can answer:

1. What will be the amount of the lease payment from ADP to DEF? **ADP proposes \$1.00**
2. Is there a defined or expected timeframe for ADP to move the spent fuel from the Crystal River site? **Although they are actively working on an interim storage solution that could expedite fuel removal, for cash flow purposes ADP assumes DOE pickup of the fuel in 2038 (the current Duke estimated date) Note that spent fuel management costs should be cash neutral with DOE reimbursement should fuel pickup be later than 2038.**

Thanks,

**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323



**From:** LeRoy, Tracey <Tracey.Leroy@duke-energy.com>  
**Sent:** Wednesday, September 19, 2018 9:28 AM  
**To:** Holstein, Matthew; Camp III, Lewis F  
**Cc:** Taylor, Michael Lee  
**Subject:** RE: CR3 Accelerated D&D RFP

Matt –

According to outside counsel, the amounts have been established mostly on “gut” feeling, but they have been roughly in the 20+% of project range.

For Vermont Yankee, \$125 million was proposed initially, but, because NRC struggled with adequacy of funding for spent fuel management,, the amount was increased to \$140 million.

Warmest regards,  
Tracey



**Tracey Mitchell LeRoy** | Associate General Counsel | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** Holstein, Matthew  
**Sent:** Wednesday, September 19, 2018 9:14 AM  
**To:** LeRoy, Tracey; Camp III, Lewis F  
**Cc:** Taylor, Michael Lee  
**Subject:** RE: CR3 Accelerated D&D RFP

Thanks Tracey. If you are able to get some input from outside counsel on the bond amount that would be greatly appreciated. Whatever info we can get for our own credit ask will be helpful given that lack of extensive precedent for these types of contracts.

**Matt Holstein** | Senior Risk Analyst | Duke Energy Corporation  
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**From:** LeRoy, Tracey  
**Sent:** Wednesday, September 19, 2018 9:02 AM  
**To:** Holstein, Matthew <Matthew.Holstein@duke-energy.com>; Camp III, Lewis F <Lewis.Camp@duke-energy.com>  
**Cc:** Taylor, Michael Lee <Michael.Taylor@duke-energy.com>  
**Subject:** RE: CR3 Accelerated D&D RFP

Matt –

In the ADP case, it appears when the license application was initially filed that the amount of the guaranty was \$125 million. If I had to guess, ADP likely increased the amount to \$140 million to get the NRC comfortable that the amount of the guaranty, plus the amount of the nuclear decommissioning trust funds that are to be transferred by the owner of Vermont Yankee demonstrated that adequate financial assurance exists. Aside from the guaranty, it is my understanding that no support was provided to Entergy.

In the case of LaCrosse, I am aware that the amount of the bond reflected the fact that the remaining decommissioning work scope was limited. I do not know exactly how the parties arrived at that number, but I can probably get some insight from outside counsel.

Warmest regards,  
Tracey



**Tracey Mitchell LeRoy** | Associate General Counsel | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** Holstein, Matthew  
**Sent:** Wednesday, September 19, 2018 8:51 AM  
**To:** LeRoy, Tracey; Camp III, Lewis F  
**Cc:** Taylor, Michael Lee  
**Subject:** RE: CR3 Accelerated D&D RFP

Tracey,

I will be handling this from a credit perspective while Lewis is out for the next two weeks. Do you happen to know how the \$25M bond or \$140M guaranty amounts were decided upon? Also, is it your understanding that ADP provided no support whatsoever to Entergy in the Vermont Yankee decommissioning? That \$140M guaranty appears to be support for the NRC from what I can tell.

Thanks,

**Matt Holstein** | Senior Risk Analyst | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323

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**From:** LeRoy, Tracey  
**Sent:** Wednesday, September 19, 2018 8:28 AM  
**To:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Cc:** Taylor, Michael Lee <[Michael.Taylor@duke-energy.com](mailto:Michael.Taylor@duke-energy.com)>; Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>  
**Subject:** CR3 Accelerated D&D RFP

Lewis –

As a follow-up to our call last week, a recommendation will be made to management tomorrow morning to proceed to a 2-month due diligence period with both AECOM/EnergySolutions (License Stewardship – LaCrosse Model) and ADP (Asset Acquisition). For your reference, I have attached hereto the term sheets that we prepared for the applicable models, as well as a brief description of each model.

For purposes of the descriptions below, please note that there are two aspects of the plant's NRC operating license – owner and operator.

Under the LaCrosse Model of License Stewardship, the operator portion of the NRC license is transferred to the vendor; therefore, the vendor becomes, for regulatory purposes, accountable for all NRC compliance. DEF would continue to be the owner of the plant assets, including the ISFSI and the spent fuel. However, DEF and the vendor would enter into a services agreement pursuant to which DEF would provide certain services to the

vendor, including operating the ISFSI and providing security. As owner of the plant, DEF would continue to hold and manage the nuclear decommissioning trust fund and would disburse payments to the vendor on a milestone basis.

Under the Asset Acquisition, both the owner and operator portions of the NRC license are transferred to the vendor. As a result, the vendor becomes accountable for all NRC compliance and becomes the owner of the plant assets, including the ISFSI and spent fuel (but not the real property), and the nuclear decommissioning trust fund is transferred to the vendor since the vendor is now the owner. Basically, the vendor provides a turnkey D&D solution, with no involvement, oversight or control by DEF. The vendor's performance obligation ends once the spent fuel is removed from the site and the ISFSI is decommissioned. The real property on which the plant assets sit would be leased to the vendor, and that lease would terminate once the ISFSI is decommissioned.

As I mentioned during our call, there is only one case of precedent for each of the models. Under the LaCrosse Model of License Stewardship, it is my understanding that EnergySolutions provided a \$25 million surety bond. Pursuant to the membership interest acquisition that ADP entered into for Vermont Yankee (which, generally, is very similar to the Asset Acquisition), ADP provided a \$140 million contingent support agreement from the parent company to perform ADP's obligations under the agreement, but such agreement was provided purely for NRC purposes. ADP has indicated that it would replicate the approach that it took with Vermont Yankee; however, to my knowledge, there have not been any discussions about amounts of any such contingent support agreement.

Warmest regards,  
Tracey



**Tracey Mitchell LeRoy** | Associate General Counsel | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

**From:** Holstein, Matthew <Matthew.Holstein@duke-energy.com>  
**Sent:** Monday, April 29, 2019 1:29 PM  
**To:** Powell, Mark G  
**Cc:** Camp III, Lewis F  
**Subject:** RE: CR3 Credit Risk Analysis

Mark,

Please see an update below based on my conversation with Alan. DEF has final say on the management of the fund even after closing so that serves as our mitigant for mismanagement.

| Credit Risk                | Potential Causes                        | Mitigants  |
|----------------------------|---|--|
| ADP Unable to Complete Job | Project falls behind schedule           | subcontractor performance bonds  |
|                            |   | \$20M letter of credit to be issued if Milestone One is missed                           |
|                            |   | Parent guarantees from Orano USA and NorthStar   |
|                            |   | Provisional trust starting at \$20M and growing to \$50M through payment withholding     |
|                            |   | Milestone payment schedule and 3rd party work verification                               |
|                            | Subcontractor performance issues        | subcontractor performance bonds  |
|                            | Rising project costs                    | Parent guarantees from Orano USA and NorthStar   |
|                            |   | Provisional trust starting at \$20M and growing to \$50M through payment withholding     |
|                            | ADP becomes insolvent                   | Parent guarantees from Orano USA and NorthStar   |
|                            |   | Provisional trust starting at \$20M and growing to \$50M through payment withholding     |
|                            |   | \$20M letter of credit to be issued if Milestone One is missed                           |
|                            |   | \$30M waste disposal guaranty from ADP affiliate should ADP fail to complete work        |
|                            |   | DEF input into NDTF subaccount management after transfer to ADP                          |
|                            | No room to dispose of radioactive waste | \$30M waste disposal guaranty from ADP affiliate should ADP fail to complete work        |
| NDTF Balance               | Equity market downturn                  | Costless Collar to be executed to protect fund value until transfer of subaccount to ADP |
| Insufficient               | Fund Mismanagement                      | DEF control over NDTF subaccount management after transfer to ADP, conservative strategy |

**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**  
 550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323

**From:** Powell, Mark G  
**Sent:** Monday, April 29, 2019 10:53 AM

**To:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** RE: CR3 Credit Risk Analysis

Matt and Lewis, I had a call with Alan Fata today and he challenged the Potential Cause highlighted below. His take was that there is no threat to the NDTF due to fund mismanagement by ADP because he doesn't think ADP manages any aspect of the NDTF. His exact words were "ADP has no control of the trust." He said that DEF controls the ADP sub-account. He recommended that I remove this threat from the risk assessment. Thoughts? Do we need to discuss?

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**From:** Holstein, Matthew  
**Sent:** Thursday, April 18, 2019 9:59 AM  
**To:** Powell, Mark G <[Mark.Powell@duke-energy.com](mailto:Mark.Powell@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** RE: CR3 Credit Risk Analysis

Mark,

This is still ongoing as terms are not finalized but I have provided you a summary of the credit risks, causes and mitigants below and the attached slides show a general overview of risks we see for the project.

| Credit Risk                | Potential Causes                        | Mitigants  |
|----------------------------|---|--|
| ADP Unable to Complete Job | Project falls behind schedule           | subcontractor performance bonds  |
|                            |   | \$20M letter of credit to be issued if Milestone One is missed                           |
|                            |   | Parent guarantees from Orano USA and NorthStar   |
|                            |   | Provisional trust starting at \$20M and growing to \$50M through payment withholding     |
|                            |   | Milestone payment schedule and 3rd party work verification                               |
|                            | Subcontractor performance issues        | subcontractor performance bonds  |
|                            | Rising project costs                    | Parent guarantees from Orano USA and NorthStar   |
|                            |   | Provisional trust starting at \$20M and growing to \$50M through payment withholding     |
|                            | ADP becomes insolvent                   | Parent guarantees from Orano USA and NorthStar   |
|                            |   | Provisional trust starting at \$20M and growing to \$50M through payment withholding     |
|                            |   | \$20M letter of credit to be issued if Milestone One is missed                           |
|                            |   | \$30M waste disposal guaranty from ADP affiliate should ADP fail to complete work        |
|                            |   | DEF input into NDTF subaccount management after transfer to ADP                          |
|                            | No room to dispose of radioactive waste | \$30M waste disposal guaranty from ADP affiliate should ADP fail to complete work        |
| NDTF Balance Insufficient  | Equity market downturn                  | Costless Collar to be executed to protect fund value until transfer of subaccount to ADP |
|                            | Fund Mismanagement by ADP               | DEF input into NDTF subaccount management after transfer to ADP                          |



**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**  
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**From:** Powell, Mark G  
**Sent:** Thursday, April 18, 2019 9:19 AM  
**To:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** CR3 Credit Risk Analysis

Hello Matt. I'm working on a CR3 deep dive risk analysis. The plan is to focus on the project risk register and perform some bow tie type analysis to identify specific threats, preventative controls and mitigating/recovery controls. I would also like to include the contract/credit risks that you worked on with Lewis. Can you provide me with the result of that work?

**From:** Herrera, Steve <Steve.Herrera@duke-energy.com>  
**Sent:** Tuesday, March 05, 2019 10:05 AM  
**To:** Holstein, Matthew; Camp III, Lewis F  
**Subject:** RE: CR3 question

Knowing what terms and conditions that are included in the investment and guidelines policy will be important.

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**From:** Holstein, Matthew  
**Sent:** Tuesday, March 5, 2019 9:25 AM  
**To:** Herrera, Steve <[Steve.Herrera@duke-energy.com](mailto:Steve.Herrera@duke-energy.com)>  
**Subject:** FW: CR3 question

Here is the referenced email.

**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323

---

**From:** Holstein, Matthew  
**Sent:** Tuesday, March 5, 2019 9:19 AM  
**To:** Carrick, Allen <[Allen.Carrick@duke-energy.com](mailto:Allen.Carrick@duke-energy.com)>; McDonough, Kitty <[Kitty.McDonough@duke-energy.com](mailto:Kitty.McDonough@duke-energy.com)>  
**Subject:** FW: CR3 question

**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323

---

**From:** LeRoy, Tracey  
**Sent:** Friday, March 1, 2019 5:03 PM  
**To:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Cc:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>  
**Subject:** RE: CR3 question

Lewis –

The \$540M trust sub-account will have an investment manager, identified by ADP and agreed to by DEF, who will be appointed by DEF as of the closing date pursuant to an amendment to the trust agreement. The actions of the investment manager will be governed by investment policy and guidelines that are agreed to by ADP and DEF before closing. The investment policy and guidelines, as of the closing date, will become part of the trust agreement pursuant to the amendment. ADP will not be able to change the investment manager or the investment policy and guidelines without the consent or involvement of DEF.

Warmest regards,  
Tracey



**Tracey Mitchell LeRoy | Associate General Counsel | Duke Energy Corporation**  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202

Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** Camp III, Lewis F  
**Sent:** Friday, March 01, 2019 3:58 PM  
**To:** LeRoy, Tracey  
**Cc:** Holstein, Matthew  
**Subject:** CR3 question

Tracey,

We had a brief conversation with Keith Butler, continuing our discussion of risks of the accelerated decommissioning proposal, and came out of that with a question we need to chase.

We understand that ADP will be wearing the risk of earnings on the \$540M trust sub-account and therefore will have the right to direct how the funds are invested. Are there any restrictions on what investments they can elect? The concern is if they decide to go with riskier investments to enhance their returns, or if there is a big downturn in the markets, does that impact their ability to complete the project.

Thanks,  
Lewis

**From:** LeRoy, Tracey <Tracey.Leroy@duke-energy.com>  
**Sent:** Monday, March 18, 2019 12:14 PM  
**To:** Holstein, Matthew  
**Cc:** Camp III, Lewis F; Fata, Alan A.  
**Subject:** RE: CR3 Questions

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Matt –

Please see responses in red, bold font below.

Warmest regards,  
 Tracey



Tracey Mitchell LeRoy | Associate General Counsel | Duke Energy Corporation  
 550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
 Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

**From:** Holstein, Matthew  
**Sent:** Monday, March 18, 2019 12:01 PM  
**To:** LeRoy, Tracey <[Tracey.Leroy@duke-energy.com](mailto:Tracey.Leroy@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** CR3 Questions

Tracey,

We have a list of questions that we are hoping you could answer based on what our expectations are for the contract.

1. Does the contract require ADP to secure performance bonds from subcontractors or is that ADP's choice? **Providing performance bonds is part of ADP's practice, but we will be including specific language to address that matter in the next version of the Decommissioning Services Agreement ("DSA").**
2. What legal entity will be signing or receiving (beneficiary) on the Duke side of the following agreements, DEF or the NDTF?
  - a. Services agreement – **Duke Energy Florida, LLC**
  - b. The provisionary trust (who would receive the funds if an event of default occurred) - **NDTF**
  - c. The \$20M letter of credit issued if the project falls behind schedule – **Duke Energy Florida, LLC**
3. What kind of liquidated damages are we expecting? **None – Duke Energy Florida, LLC has agreed to the \$20M letter of credit in lieu of liquidated damages.**
4. What are the years that we are expecting to get DOE recovery for? (What year did the DOE claim start?) **January 1, 2014-December 31, 2018. (Note: The original claims period only went through the end of February 2018, but, given the delays resulting from the DOJ's motion for summary judgement, Duke is in the process of extending the claims period to cover all of 2018.)**
5. What is the correct term for the provisional trust, is it provisional or provisionary? **Provisional is how it is characterized in the DSA and is the descriptive term outside counsel advised that we use.**

Thanks,

**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323



**From:** LeRoy, Tracey <Tracey.Leroy@duke-energy.com>  
**Sent:** Tuesday, April 30, 2019 5:44 AM  
**To:** Holstein, Matthew; Fata, Alan A.; LaPratt, Jeff  
**Cc:** Camp III, Lewis F  
**Subject:** RE: DSA

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Matt –

ADP's consensus is that your proposal won't work for them. Given that ADP has a guaranteed cost model with the pay-item schedule controlling what work it can be paid for, providing cost certainty, and significant cash escrowed for issues that may arise, the idea of agreeing to anything different than they must do for its commercial lenders will be problematic for both NorthStar and Orano. ADP thinks that certification of compliance with our lender covenants is fair and reasonable under the circumstances.

Warmest regards,  
Tracey



Tracey Mitchell LeRoy | Associate General Counsel | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** LeRoy, Tracey  
**Sent:** Monday, April 29, 2019 3:51 PM  
**To:** Holstein, Matthew <Matthew.Holstein@duke-energy.com>; Fata, Alan A. <Alan.Fata@duke-energy.com>; LaPratt, Jeffrey <Jeffrey.LaPratt@duke-energy.com>  
**Cc:** Camp III, Lewis F <Lewis.Camp@duke-energy.com>  
**Subject:** RE: DSA

Matt –

I don't know, but I have sent ADP's counsel an email to see if that approach would be possible.

Warmest regards,  
tracey



Tracey Mitchell LeRoy | Associate General Counsel | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** Holstein, Matthew  
**Sent:** Monday, April 29, 2019 3:44 PM  
**To:** LeRoy, Tracey <[Tracey.Leroy@duke-energy.com](mailto:Tracey.Leroy@duke-energy.com)>; Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>; LaPratt, Jeffrey

<[Jeffrey.LaPratt@duke-energy.com](mailto:Jeffrey.LaPratt@duke-energy.com)>

Cc: Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>

Subject: RE: DSA

We were thinking of something a little more concrete such as a minimum total equity value and requiring quarterly financials be sent to us. Did you get the impression from ADP that something like that wouldn't be possible?

**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**

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**From:** LeRoy, Tracey

**Sent:** Monday, April 29, 2019 3:12 PM

**To:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>; Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>; LaPratt, Jeffrey <[Jeffrey.LaPratt@duke-energy.com](mailto:Jeffrey.LaPratt@duke-energy.com)>

**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>

**Subject:** RE: DSA

Matt –

ADP's goal with the language was to not to sign up for any specific covenants, as they can and do change, but to agree that the Parent Guarantors will always be in compliance with their respective lender's covenant requirements. As of now, NorthStar's obligation is to maintain a Leverage ratio of 5.00 measured at 12/31/2019, but, by closing, that could change, leading to differing requirements for this contract vs. our lender requirements. Therefore, ADP suggests that the language remain without a specific covenant identified other than general compliance with our lender's covenants. Taking it a step further, NorthStar believes obtaining the applicable information from Orano would probably be cumbersome and time consuming.

Warmest regards,

Tracey



**Tracey Mitchell LeRoy** | Associate General Counsel | Duke Energy Corporation

550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202

Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** LeRoy, Tracey

**Sent:** Friday, April 26, 2019 4:15 PM

**To:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>; Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>; LaPratt, Jeffrey <[Jeffrey.LaPratt@duke-energy.com](mailto:Jeffrey.LaPratt@duke-energy.com)>

**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>

**Subject:** RE: DSA

Matt – I have sent ADP's attorney a request to see if they will provide them.

Warmest regards,

Tracey



**Tracey Mitchell LeRoy** | Associate General Counsel | Duke Energy Corporation

550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202

Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** Holstein, Matthew  
**Sent:** Friday, April 26, 2019 3:38 PM  
**To:** LeRoy, Tracey <[Tracey.Leroy@duke-energy.com](mailto:Tracey.Leroy@duke-energy.com)>; Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>; LaPratt, Jeffrey <[Jeffrey.LaPratt@duke-energy.com](mailto:Jeffrey.LaPratt@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** RE: DSA

We are working on some language of our own but I think what ADP sent could be reasonable and worked into our language. Would ADP be willing share what NorthStar and Orano's covenants are?

**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323

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**From:** LeRoy, Tracey  
**Sent:** Friday, April 26, 2019 3:33 PM  
**To:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>; Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>; LaPratt, Jeffrey <[Jeffrey.LaPratt@duke-energy.com](mailto:Jeffrey.LaPratt@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** RE: DSA

Matt –

Set forth below is suggested language that ADP's counsel just sent to me for our consideration.

*"... the financial condition of either Parent Guarantor causes it to be out of compliance with the covenants of its long-term debt agreements or other similar scenarios that would force a non-discretionary acceleration of debt service payments beyond the level deemed "current" in the most recent audited financial statements of the Parent Guarantor."*

Warmest regards,  
Tracey



**Tracey Mitchell LeRoy | Associate General Counsel | Duke Energy Corporation**  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** LeRoy, Tracey  
**Sent:** Friday, April 26, 2019 2:45 PM  
**To:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>; Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>; LaPratt, Jeffrey <[Jeffrey.LaPratt@duke-energy.com](mailto:Jeffrey.LaPratt@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** RE: DSA

Matt –

I should have noted that ADP's counsel has requested financials from Orano and will forward them to me when he receives them.

Warmest regards,



Tracey



**Tracey Mitchell LeRoy** | Associate General Counsel | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** LeRoy, Tracey  
**Sent:** Friday, April 26, 2019 2:44 PM  
**To:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>; Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>; LaPratt, Jeffrey <[Jeffrey.LaPratt@duke-energy.com](mailto:Jeffrey.LaPratt@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** RE: DSA

Matt –

Attached hereto are the requested financials for NorthStar. Please note that these financials are NorthStar's confidential information that we have obligation to protect as confidential pursuant to an NDA.

Warmest regards,  
Tracey



**Tracey Mitchell LeRoy** | Associate General Counsel | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** Holstein, Matthew  
**Sent:** Friday, April 26, 2019 1:30 PM  
**To:** LeRoy, Tracey <[Tracey.Leroy@duke-energy.com](mailto:Tracey.Leroy@duke-energy.com)>; Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>; LaPratt, Jeffrey <[Jeffrey.LaPratt@duke-energy.com](mailto:Jeffrey.LaPratt@duke-energy.com)>  
**Cc:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Subject:** RE: DSA

Tracey, Alan, or Jeff,

Could someone please request that ADP provide us with 2018 financials for Orano USA LLC, NorthStar Group Services, Inc., and NorthStar Group Holdings, LLC?

Thanks,

**Matt Holstein** | Senior Risk Analyst | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323

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**From:** LeRoy, Tracey  
**Sent:** Thursday, April 25, 2019 10:58 AM  
**To:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>; Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>  
**Subject:** DSA

Gentlemen –

The DSA provides DEF a right to terminate the DSA prior to the closing date if the financial condition of either Parent Guarantor *[describe decrease in financial indicator]*. From a credit-risk perspective, I would appreciate feedback on what the appropriate credit-risk mechanism would be to include in this particular provision.

Warmest regards,  
Tracey



**Tracey Mitchell LeRoy** | Associate General Counsel | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

**From:** Camp III, Lewis F <Lewis.Camp@duke-energy.com>  
**Sent:** Tuesday, February 26, 2019 3:30 PM  
**To:** LeRoy, Tracey; Holstein, Matthew  
**Cc:** Fata, Alan A.  
**Subject:** RE: Follow-Up to Friday's Call

Thanks Tracey. This is helpful. I will mention just a couple of items for you to consider.

We will need to get good clarity on what exactly the phrase “establish and hold” means. Obviously, the legal language of the trust will help define this. We need to understand who/what the proposed trustee is and probably want to specify some requirements. For example, we might want to use a highly rated U.S. domestic bank as trustee.

Thanks,  
Lewis

**From:** LeRoy, Tracey  
**Sent:** Tuesday, February 26, 2019 1:39 PM  
**To:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>; Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>  
**Cc:** Fata, Alan A. <[Alan.Fata@duke-energy.com](mailto:Alan.Fata@duke-energy.com)>  
**Subject:** Follow-Up to Friday's Call

Gentlemen –

Alan was out of the office in all-day meetings yesterday, and I just had a chance to speak with him regarding the follow-up items.

With respect to the L/C alternate (i.e., the provisional trust), the general concept is as follows:

- ADP will establish and hold the provisional trust.
- ADP will fund the provisional trust with \$20 million in cash and a \$30 million disposal cost guarantee.
- DEF will holdback 6% from each invoice and transfer it to the provisional trust until \$30 million in cash has been transferred to the provisional trust, at which time the disposal cost guarantee will be extinguished. As the holdback amount accumulates, the amount of the disposal cost guarantee will decrease.
- At all times during the project, the provisional trust must have \$50 million of value in it.
- Upon the occurrence of specified events of default, DEF will have the right to have funds in the provisional trust disbursed to it.
- ADP will only have the right to have funds disbursed to it upon achievement of 2 milestones.
  - Upon completion of the first milestone (i.e., TBD), ADP can have \$20M disbursed to it.
  - Upon completion of the second milestone (i.e., the achievement of ISFSI-Only End State Condition), ADP can have the balance of the provisional trust disbursed to it.

Obviously, the devil is in the details. I am expecting to receive revised transaction documents from outside counsel later today that will include contract language regarding the provisional trust and the operation thereof, which I believe will help us to better define any issues of concern and address them. Accordingly, I will forward those documents to you once we receive them.

In the meantime, if you think it would be helpful to have a call with Alan before receiving the revised transaction documents, please let me know.

Finally, with respect to parent guarantees that will be provided by NorthStar and Orano, am I correct to presume that you will want to start with a Duke form? If so, can you please provide me with a form that you would to use as a starting point for negotiations?

Warmest regards,

Tracey



**Tracey Mitchell LeRoy** | Associate General Counsel | Duke Energy Corporation

550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202

Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

**From:** Holstein, Matthew <Matthew.Holstein@duke-energy.com>  
**Sent:** Friday, May 03, 2019 7:37 AM  
**To:** LeRoy, Tracey; Camp III, Lewis F  
**Cc:** Reising, Ron  
**Subject:** RE: Language for Section 5.1.8

Lets go with "senior unsecured debt rating or long-term issuer rating"

Thanks,

**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323

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**From:** LeRoy, Tracey  
**Sent:** Thursday, May 2, 2019 10:42 PM  
**To:** Camp III, Lewis F <Lewis.Camp@duke-energy.com>; Holstein, Matthew <Matthew.Holstein@duke-energy.com>  
**Cc:** Reising, Ron <Ron.Reising@duke-energy.com>  
**Subject:** RE: Language for Section 5.1.8

Gentlemen –

For Orano, please confirm whether the following language is acceptable:

The senior unsecured debt rating of Orano SA falls below "BB-" by S&P Global Ratings or its successor.

Warmest regards,  
Tracey



**Tracey Mitchell LeRoy | Associate General Counsel | Duke Energy Corporation**  
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Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** Camp III, Lewis F  
**Sent:** Thursday, May 2, 2019 2:58 PM  
**To:** LeRoy, Tracey <[Tracey.Leroy@duke-energy.com](mailto:Tracey.Leroy@duke-energy.com)>; Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>  
**Cc:** Reising, Ron <[Ron.Reising@duke-energy.com](mailto:Ron.Reising@duke-energy.com)>  
**Subject:** RE: Language for Section 5.1.8

I spoke with Ron about this, and also got some additional feedback from Matt.

Ron wanted us to get straight to the point with a hard position rather than asking for something and have a backstop position. So we agreed that we would accept a two-notch downgrade (they are already on negative outlook) such that a credit rating of BB- would not trigger an issue but a downgrade below that level would.

Let me know if questions.

Thanks,

Lewis

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**From:** LeRoy, Tracey  
**Sent:** Thursday, May 2, 2019 7:51 AM  
**To:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>; Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>  
**Cc:** Reising, Ron <[Ron.Reising@duke-energy.com](mailto:Ron.Reising@duke-energy.com)>  
**Subject:** RE: Language for Section 5.1.8

Thanks for the feedback. I will revise the waiver language consistent with Lewis' comment and will add the other entity to the NorthStar standard.

With respect to Orano, is the BB reference an S&P rating? Also, if Orano comes back and pushes for BB-, would you be okay accepting it?

Warmest regards,  
Tracey



**Tracey Mitchell LeRoy** | Associate General Counsel | Duke Energy Corporation  
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Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

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**From:** Holstein, Matthew  
**Sent:** Thursday, May 2, 2019 7:39 AM  
**To:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>; LeRoy, Tracey <[Tracey.Leroy@duke-energy.com](mailto:Tracey.Leroy@duke-energy.com)>  
**Cc:** Reising, Ron <[Ron.Reising@duke-energy.com](mailto:Ron.Reising@duke-energy.com)>  
**Subject:** RE: Language for Section 5.1.8

I agree completely on your point regarding compliance with covenants. My only comment on it would be that we might want to include NorthStar Group Holdings, LLC in the language in addition to NorthStar Group Services, Inc. NorthStar has been providing us with both entity's financials.

For Orano, I suspect they will push for falling below BB- to be the trigger but we might as well start with BB for negotiation purposes.

**Matt Holstein** | Senior Risk Analyst | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323

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**From:** Camp III, Lewis F  
**Sent:** Thursday, May 2, 2019 7:29 AM  
**To:** LeRoy, Tracey <[Tracey.Leroy@duke-energy.com](mailto:Tracey.Leroy@duke-energy.com)>; Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>  
**Cc:** Reising, Ron <[Ron.Reising@duke-energy.com](mailto:Ron.Reising@duke-energy.com)>  
**Subject:** RE: Language for Section 5.1.8

My issue with the waiver is that we should NOT allow a lender waiver to be considered as being in compliance. The lender may have numerous reasons or side deals around granting that waiver, so in my opinion it should be written as failure to comply with existing covenants notwithstanding any subsequent waiver that may be agreed to with the lender. We would always have the ability to grant our own "waiver" if we felt it was appropriate.

I see no reason not to accept an attestation from an appropriate officer of the company.

Orano SA, the ultimate parent, is BB+ but on negative outlook. I assume we could tie it to the parent company rating and give them one notch so that if they fall below BB flat, it would be an issue.

Matt, your thoughts?

Thanks,  
Lewis

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**From:** LeRoy, Tracey  
**Sent:** Wednesday, May 1, 2019 11:13 PM  
**To:** Camp III, Lewis F <[Lewis.Camp@duke-energy.com](mailto:Lewis.Camp@duke-energy.com)>; Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>  
**Cc:** Reising, Ron <[Ron.Reising@duke-energy.com](mailto:Ron.Reising@duke-energy.com)>  
**Subject:** Language for Section 5.1.8

Gentlemen –

Based on my discussions with Ron earlier today, my understanding regarding the standards for the NorthStar and Orano parent guarantors are as follows:

NorthStar: The financial condition of NorthStar Group Services, Inc. causes it to be (i) out of compliance with the covenants of its long-term debt agreements or other similar scenarios that would force a non-discretionary acceleration of debt service payments beyond the level deemed “current” in the most recent audited financial statements of NorthStar Group Services, Inc. and the lender(s) has not waived compliance with such covenants or (ii) unable to renew any credit facility.

At closing for (i), NorthStar suggests providing a copy of the actual compliance calculations and reporting submitted to the lenders, accompanied by a financial officer certification on the underlying financials. This is the formal process NorthStar does with a lender, so ADP believes it should be adequate proof of compliance. At closing for (ii), would you be willing to accept an attestation from the CFO confirming that the event has/has not occurred?

Orano: I understand the applicable standard will be tied to a decrease in credit rating. Please provide your preferred language for the Orano standard by no later than end of the day tomorrow so that it can be included in the revised documents that we will send to ADP on Friday.

Warmest regards,  
Tracey



Tracey Mitchell LeRoy | Associate General Counsel | Duke Energy Corporation  
550 South Tryon Street | Mail Code DEC45A | Charlotte, NC 28202  
Office: 704.382.8317 | [tracey.leroy@duke-energy.com](mailto:tracey.leroy@duke-energy.com)

**From:** Holstein, Matthew <Matthew.Holstein@duke-energy.com>  
**Sent:** Friday, January 25, 2019 12:54 PM  
**To:** Fata, Alan A.; Camp III, Lewis F; Herrera, Steve  
**Subject:** RE: Latest Presentation  
**Attachments:** CR3 Decommissioning Risks.pptx

Here is the updated version of the slides. Lewis and Steve, I made a couple of minor tweaks after speaking with Alan. Please let me know if anyone has any questions or concerns.

Thanks,

**Matt Holstein | Senior Risk Analyst | Duke Energy Corporation**  
550 South Tryon Street | Mail Code DEC 40C | Charlotte, NC 28202 | 704 382-4323

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**From:** Fata, Alan A.  
**Sent:** Friday, January 25, 2019 12:38 PM  
**To:** Holstein, Matthew <[Matthew.Holstein@duke-energy.com](mailto:Matthew.Holstein@duke-energy.com)>  
**Subject:** Latest Presentation

See slide 12 for timeline.  
Alan



# CR3 Decommissioning Risks

January 22, 2019



BUILDING A **SMARTER** ENERGY FUTURE<sup>SM</sup>

## Vendor Structure

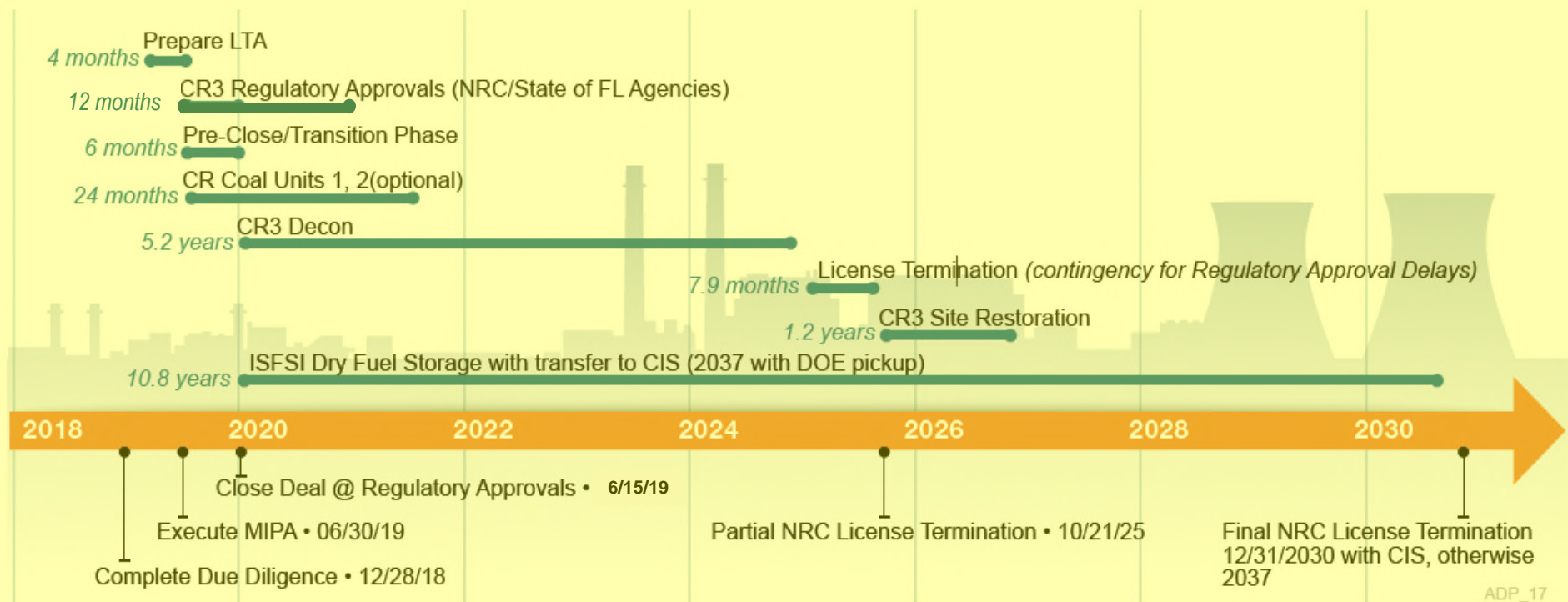
- Preferred Vendor: Accelerated Decommissioning Partners Crystal River, LLC
- The LLC is owned by Accelerated Decommissioning Partners (ADP)
- ADP is a JV between Northstar Group Services, Inc. (75%) and Orano USA, LLC (25%)
- Northstar is a US-based facility services contractor that specialized in abatement and D&D
- Orano USA is the US subsidiary of a nuclear conglomerate ultimately owned by the French government
- Northstar and Orano have both gone through recent reorganizations that have improved the companies' financial position
- Duke considers both to be a credit risk although Orano is likely to receive support from the French government if needed
- The weak credit health of the JV owners is typical of companies in this field



## Deal Structure

- Project Scope
  - Decommissioning & dismantling (D&D) of Crystal River Unit 3
  - Spent fuel management and removal
  - NRC owner/operator license termination
- D&D Target Completion: October 2025
- Fuel Removal Completion: December 2030 (could be as late as 2037 which is a Duke estimate)
- Owner/Operator License will be transferred to ADP from DEF
- Title to spent fuel, ISFSI, and DOE Standard Contract will be transferred to ADP from DEF
- PP&E will be leased by to ADP by DEF
- NRC will reduce license upon completion of D&D and terminate it upon removal of spent fuel
- ADP responsible for cost overruns

## Deal Lifespan



ADP\_17

## Project Costs and Fund Management

- Project will be paid for by DEF's Nuclear Decommissioning Trust Fund (NDTF)
- Current NDTF Value: \$659,385,000
- Total project cost will be \$820,979,000 which includes D&D and spent fuel management
- Cost to DEF will be \$540M; remaining costs will be covered by a DOE claim and NDTF earnings
- ADP is responsible for cost overruns and NDTF earnings shortfalls
- DEF will retain the NDTF and set up a subaccount and trustee
- DEF will direct the trustee to pay ADP from the subaccount based on milestones as work is completed and verified by a 3<sup>rd</sup> party
- Excess NDTF funds will be returned to DEF customers until spent fuel is offsite

## Risks

1. Vendor is unable to perform work
  - Vendor becomes financially insolvent
  - Project falls behind schedule
  - Vendor/subcontractors don't have technical expertise required
2. Nuclear or environmental incident
3. Spent fuel not removed on time
4. Inadequate performance assurance
5. Damage to other Crystal River facilities
6. Change in NRC regulations

## Vendor Proposed Mitigation and Precedent



## Duke Credit Ask







*BUILDING A **SMARTER** ENERGY FUTURE<sup>SM</sup>*