

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost Recovery Clause

Docket No. 150009-EI
Submitted for Filing: May 1, 2015

**DUKE ENERGY FLORIDA, INC.'S NOTICE OF FILING
THE DIRECT TESTIMONY AND EXHIBITS OF MARK R. TEAGUE**

Duke Energy Florida, Inc. ("DEF" or the "Company"), hereby gives notice of filing the Direct Testimony of Mark R. Teague with Exhibit Nos. ___(MT-6) and (MT-7) (redacted version) in support of DEF's Petition for Approval of Nuclear Costs to be Recovered During the Period January-December 2016 for the Levy Nuclear Project and Crystal River Unit 3 Uprate Project as Provided in Section 366.93(6), Florida Statutes, and Rule 25-6.0423(7), Florida Administrative Code.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via electronic and U.S. Mail this 1st day of May, 2015.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Nuclear Cost Recovery
Clause**

DOCKET NO. 150009-EI
Submitted for filing: May 1, 2015

REDACTED

**DIRECT TESTIMONY
OF MARK R. TEAGUE IN SUPPORT OF
ACTUAL/ESTIMATED AND PROJECTED COSTS**

**ON BEHALF OF
DUKE ENERGY FLORIDA, INC.**

IN RE: NUCLEAR COST RECOVERY CLAUSE

BY DUKE ENERGY FLORIDA, INC.

FPSC DOCKET NO. 150009-EI

DIRECT TESTIMONY OF MARK R. TEAGUE

1 **I. INTRODUCTION AND QUALIFICATIONS.**

2 **Q. Please state your name and business address.**

3 A. My name is Marcus (“Mark”) R. Teague. My current business address is 400
4 South Tryon Street, Charlotte, North Carolina.

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by Duke Energy Business Services, LLC as Managing Director of
8 Major Projects Sourcing (“MPS”) in the Supply Chain department.

9

10 **Q. Have you previously filed testimony in this docket?**

11 A. Yes. I filed direct testimony in support of DEF’s 2014 actual costs incurred for
12 the Crystal River Unit 3 (“CR3”) Extended Power Uprate (“EPU”) project on
13 March 2, 2015.

14

15 **II. PURPOSE AND SUMMARY OF TESTIMONY.**

16 **Q. What is the purpose of your direct testimony?**

17 A. My testimony describes the status of the CR3 EPU project wind-down and
18 investment recovery efforts in 2015 to date and expected final closeout activities

1 for 2015. My testimony also supports the reasonableness and prudence of DEF's
2 2015 actual/estimated costs associated with the cancellation and closeout of the
3 EPU project, pursuant to Section 366.93(6), Florida Statutes, and Rule 25-
4 6.0423(7), Florida Administrative Code ("F.A.C."). As of the date of my
5 testimony DEF does not anticipate incurring any 2016 EPU project related costs
6 other than minimal other wind-down/exit costs as described in the testimony and
7 exhibits of Mr. Thomas G. Foster filed contemporaneously with my testimony in
8 this docket.

9
10 **Q. Do you have any exhibits to your testimony?**

11 **A.** Yes, I am sponsoring the following exhibits to my testimony:

- 12 • Exhibit No. ____ (MT-6), DEF Abandon In-place Justifications for (1) New
13 Stator Core and Rewound Generator Rotor; (2) Feedwater Heat
14 Exchangers CDHE-3A/3B; (3) Belly Drain Heat Exchangers CDHE-
15 7A/7B; (4) Isolated Phase Bus Duct Coolers; and (5) Moisture Separator
16 Reheaters.
- 17 • Exhibit No. ____ (MT-7), CR3 Investment Recovery Project (IRP) Closeout
18 and Long-Term SAFSTOR Asset Recovery Plan, Rev. 0, effective March
19 1, 2015.

20 I am also co-sponsoring portions of the Schedules 2015 and 2016 Detail, and
21 sponsoring Appendices D and E, which are included as part of Exhibit No. ____
22 (TGF-4), to Mr. Foster's May 1, 2015 testimony. These Schedules reflect the

1 revenue requirement calculations, the major task categories and expense
2 variances, and a summary of contracts and details over \$1 million.

3 All of these exhibits are true and correct.
4

5 **Q. Please summarize your testimony.**

6 A. In 2015, DEF continued work in accordance with the CR3 investment recovery
7 policies and procedures to disposition the remaining EPU assets and materials that
8 it was not able to disposition in 2014. As discussed in my March 2, 2015
9 testimony, in 2014 the Investment Recovery Project (“IRP”) team was able to
10 disposition many of the EPU assets, through internal transfers, bid events and a
11 world-wide auction. In 2015, the IRP continued its disposition efforts for the
12 remaining items of EPU equipment and made or is in the process of making final
13 disposition decisions on the remaining pieces of EPU equipment in accordance
14 with the CR3 investment recovery policies and procedures.

15 In addition, the team also closed out the CR3 IRP on April 30, 2015. DEF
16 anticipates closing out the EPU portion of the IRP in the summer of 2015 once all
17 EPU related assets are finally disposed of and removed from the plant or
18 abandoned in-place. Value received from sale or salvage of EPU-related assets
19 has been and will be credited back to DEF’s customers through the Nuclear Cost
20 Recovery Clause (“NCRC”) to reduce the remaining unrecovered investment.
21 For these reasons, DEF requests that the Commission determine that its 2015
22 actual/estimated costs are reasonable and that DEF is entitled to recover its EPU
23 project wind-down and exit costs pursuant to the NCRC statute and rule.

1 **III. FINAL EPU PROJECT CLOSEOUT ACTIVITIES.**

2 **A. Status of the EPU Project Closeout.**

3 **Q. Will you please describe the status of the EPU project closeout and the**
4 **investment recovery efforts for EPU assets in 2015?**

5 A. Yes. As I discussed in my March 2, 2015 testimony, the last remaining stage in
6 the EPU project closeout is the final disposition of remaining EPU assets and
7 materials. In 2015, the IRP team worked to disposition the remaining EPU assets
8 in accordance with CR3 Administrative Procedure AI-9010, Conduct of CR3
9 Investment Recovery, Revision 1 (“AI-9010”), the CR3 Investment Recovery
10 Project, Project Execution Plan, Revision 0 (“Project Plan”), and the Investment
11 Recovery Guidance Document IRGD-001, Sales Track Guidance and
12 Documentation Package Development (“IRGD-001”). These policies and
13 procedures provide the overall governance for the project and outline the asset
14 pricing requirements and minimum reviews, approvals and records required for
15 the execution of transactions for the disposal of assets from CR3, including EPU-
16 related assets.

17
18 **Q. What assets remained for disposition in 2015?**

19 A. As I described in my March 2, 2015 testimony, the following EPU assets were
20 unable to be cost-effectively sold or salvaged either prior to or at the auction
21 conducted in September of 2014:

- 22 • Siemens High Pressure Turbine (“HPT”) and equipment,
- 23 • Siemens Turbine Lubricating Oil Cooler Bundles,
- 24 • Siemens Exciter,
- 25 • Siemens Hydrogen Coolers,

- Siemens Low Pressure Turbine (“LPT”) rotors, blades, cylinders, and parts,
- Installed Siemens New Stator Core and Rewound Generator Rotor,
- Installed Isolated Phase Bus Duct Cooler,
- Installed Feedwater Heat Exchanger (“FWHE”) CDHE-3A/3B,
- Installed Belly Drain Heat Exchanger CDHE-7A/7B, and
- Installed Moisture Separator Reheaters (“MSRs”).

Q. What did DEF decide to do with these remaining EPU assets?

A. With regard to the equipment that was installed at CR3 – the FWHE CDHE-3A/3B, Belly Drain CDHE-7A-7B, Isolated Phase Bus Duct Coolers, New Stator Core and Rewound Generator Rotor, and MSRs – following an analysis of the cost of removal net of salvage proceeds versus abandonment, DEF determined that the most cost-effective option was to abandon the equipment in-place in the plant. DEF did not receive any cost-effective bids (i.e., offers that were more than the cost of removal) on this equipment at the auction, nor had DEF been able to disposition this equipment prior to the auction via internal or external solicitation of affiliates and the market. Scrap dealers also bid at the auction and no bid for the above installed equipment was determined to be cost effective versus abandoning the equipment in place and salvaging the equipment through the decommissioning process of the CR3 unit during the SAFSTOR period. The decision to salvage or abandon these materials was made taking into account the cost of removal and transport of the components and any fees of the scrap dealer versus the potential salvage value of the materials compared against the cost, if any, to abandon in-place. Attached as Exhibit No. ___(MT-6) are DEF’s Justifications to Abandon In-place the FWHE 3A/3B, Belly Drain CDHE

1 7A/7B, MSRs, Isolated Phase Bus Duct Cooling, and New Stator Core and
2 Rewound Generator Rotor.

3

4 **Q. What is the disposition status of the remaining EPU Siemens components?**

5 A. With regard to the remaining Siemens components – HPTs and associated
6 equipment, Turbine Lubricating Oil Cooler Bundles, Exciter, Hydrogen Coolers,
7 and LPT rotors, blades, cylinders, and parts – [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED] DEF had previously exhausted all
12 efforts to sell this equipment to internal affiliates and repeatedly tested the market
13 through a competitive bidding process and through conducting the world-wide
14 auction in 2014 discussed in my March testimony. [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 DEF anticipates that final decisions will be made in the next month or two
20 and then it will take through the summer of 2015 to finalize disposition and
21 removal or abandonment of all remaining EPU components.

22

23

1 **Q. Has DEF included costs or credits in its projections related to the potential**
2 **sale and the salvage/abandon decision for these remaining Siemens**
3 **components?**

4 A. No we have not. [REDACTED] DEF does not
5 believe that it is reasonable to include those possible credits in its May 1, 2015
6 filing. As it has done in the past, DEF has only included in this filing costs or
7 credits it reasonably knows and can project at this time. As such, DEF has not
8 included any potential costs or credits associated with the potential sale and
9 salvage of the remaining Siemens components.

10
11 **Q. You mentioned in your March 2015 testimony that DEF had not yet received**
12 **final payment for the POD Cooling Tower; as of the date of this May**
13 **testimony has DEF received the final payment for the POD Cooling Tower?**

14 A. Yes. Final payment was received from the purchaser in March 2015 and all
15 cooling tower equipment has been removed from the CR3 site. The NCRC credit
16 for this final payment amount can be seen on the 2015 Detail Schedule line 1b
17 Exhibit No. __ (TGF-4) attached to Mr. Foster's testimony.

18
19 **Q. When will the EPU portion of the IRP be concluded?**

20 A. DEF reasonably estimates that it will take until July of 2015 to complete the
21 disposition of all components at the plant whether through removal and
22 sale/salvage or abandon in place. Accordingly, the EPU portion of the IRP will
23 not conclude until all asset dispositions are finalized, projected for July of 2015.

1 **Q. What is the total amount of sale or salvage value DEF has received from sale**
2 **of EPU Assets since the CR3 plant was retired in 2013?**

3 A. The chart below shows the total amount of actual proceeds received by year to
4 date and notes that there will be additional 2015 proceeds if Siemens component
5 sale and salvage proceeds are received as discussed above.

YEAR	EPU ASSETS SALE/SALVAGE PROCEEDS
2013	\$46,000
2014	\$454,000
2015 (year to date actuals)	\$126,000
2015 Total	\$ TBD

6

7 **Q. Has DEF ensured that credits related to sale and salvage of EPU assets are**
8 **credited back to customers?**

9 A. Yes. Where appropriate, EPU components have been physically segregated from
10 other CR3 components for disposition to ensure they are tracked and accounted
11 for correctly. In addition, all EPU asset disposition credits are directed to a
12 unique project number created for EPU component dispositions, with the
13 exception of the POD items, which are credited back directly to the POD project
14 numbers. Credits allocated to the EPU are then to be applied through the NCRC
15 to reduce the remaining unrecovered investment. As seen on the 2015 Detail
16 Schedule attached to Mr. Foster's testimony as Exhibit No. ___(TGF-4), proceeds
17 are credited in the month they are received.

18

1 **IV. EPU ACTUAL/ESTIMATED 2015 AND PROJECTED 2016 COSTS.**

2 **Q. What are the actual/estimated costs for the EPU project closeout in 2015?**

3 A. The total actual /estimated net costs for the EPU project wind-down in 2015 are
4 \$126,292. This consists of \$252,811 in EPU Wind-Down Costs offset by
5 proceeds of \$126,000 from Sale or Salvage of EPU Assets in 2015. DEF only
6 included in this filing costs or credits it reasonably knows and can project at this
7 time. DEF did not include any potential costs or credits associated with the
8 potential sale and salvage of the remaining Siemens components.

9
10 **Q. What activities are associated with these 2015 actual/estimated EPU closeout
11 costs?**

12 A. EPU project wind-down costs were incurred in the beginning of 2015 for periodic
13 maintenance and preservation of uninstalled EPU assets. Additionally, as of May,
14 2015, when the IRP project was closed, project personnel necessary to disposition
15 the remaining EPU components began billing their time related to EPU asset
16 disposition directly to EPU. DEF also self-identified an allocation error that
17 resulted in EPU related contract charges being charged to the IRP in 2014. DEF
18 made an accounting adjustment in April 2015 for that amount and it is reflected
19 on line 1a of Schedule 2015 Detail attached to Mr. Foster's testimony as Exhibit
20 No. __ (TGF-4).

1 **Q. What accounts for the variance in the total actual/estimated costs for the**
2 **EPU closeout in 2015 versus what was projected in May 2014?**

3 A. In the May 1, 2014 filing in Docket No 140009-EI, the system projection for 2015
4 EPU Wind-Down costs was estimated at \$130,000, while the 2015 system actual
5 estimated costs in this testimony is estimated at \$252,811 resulting in a variance
6 of approximately \$123,000. This variance is primarily related to the EPU IRP
7 project management costs being incurred in May through August specifically for
8 EPU equipment disposition and the accounting adjustment to properly account for
9 EPU contract charges.

10 In addition, there were no Sale or Salvage of Assets proceeds estimated in
11 the May 1, 2014 filing projection and in this filing there is an actual amount of
12 \$126,000 in proceeds in the actual/estimated 2015 Detail Schedules this year.
13 This variance is attributed to receipt of proceeds from the auction held in 2014
14 and final payment from the sale of the POD Cooling Tower (NCRC portion).

15 Thus, there is a total net under variance of approximately \$4,000 when
16 salvage value is considered.

17
18 **Q. What costs are projected to be incurred for EPU project Wind-Down**
19 **activities in 2016?**

20 A. As shown on lines 1a -- c of Schedule 2016 Detail of Mr. Foster's Exhibit No. ___
21 (TGF-4), there are no 2016 EPU closeout costs projected for 2016. There are
22 minimal other wind-down/exit costs projected for 2016 as discussed in the
23 testimony of Mr. Foster.

1 **Q. Are the actual/estimated 2015 costs for the EPU project separate and apart**
2 **from costs that DEF is incurring to decommission the plant?**

3 A. Yes, they are. DEF included for recovery in this proceeding only those costs that
4 were incurred or that will be incurred solely for EPU wind-down and asset
5 maintenance activities. No costs are included in this request for decommissioning
6 the plant.

7
8 **V. PROJECT MANAGEMENT AND COST CONTROL OVERSIGHT.**

9 **Q. Has the Company implemented any additional project management and cost**
10 **control oversight mechanisms for the EPU since your testimony was filed on**
11 **March 2, 2015?**

12 A. No, the Company continues to utilize Company policies and procedures and
13 specific IRP processes and procedures that I described in my March 2, 2015
14 testimony to ensure that wind-down and exit costs for the EPU are reasonably and
15 prudently incurred.

16
17 **Q. Are there other IRP guidance documents that have been created for the**
18 **closeout of the IRP that encompasses the EPU assets?**

19 A. Yes. In March of 2015 the CR3 Decommissioning Transition Organization, of
20 which the IRP is a part, created and approved the CR3 Investment Recovery
21 Project Closeout and Long-Term SAFSTOR Asset Recovery Plan, Rev. 0,
22 attached as Exhibit No. __ (MT-7) (“IRP Closeout Plan”). The IRP Closeout Plan
23 presents the closeout and turnover plan for the CR3 IRP and discusses the

1 cessation of proactive IRP activities and future responsibilities for asset
2 dispositions, if any. It is intended to be a “living” document and will likely be
3 revised and updated as activities evolve.

4 The EPU asset disposition accounting structure will remain in place during
5 the SAFSTOR period. See Exhibit No. ____ (MT-7), p. 5. As such, DEF has
6 created and is implementing a reasonable and prudent method to finally closeout
7 the IRP while recognizing there may be continuing EPU accounting obligations.
8

9 **VI. CONCLUSION.**

10 **Q. Are DEF’s EPU project closeout costs in 2015 reasonable?**

11 A. Yes they are. DEF has worked and continues work in 2015 to disposition all
12 remaining EPU assets working through its Supply Chain and Investment
13 Recovery organizations to ensure that closeout of the EPU project and disposition
14 of assets is in accordance with DEF’s policies and procedures. Moreover, any
15 proceeds from the sale or salvage of EPU assets have been and will be credited
16 through the NCRC to reduce the remaining unrecovered investment. Only those
17 costs that are reasonable and prudent project exit or wind-down costs were or will
18 be incurred in 2015. For these reasons, as more fully explained above, these costs
19 are reasonable to facilitate the prudent closeout of the EPU project and should be
20 approved for recovery.
21

22 **Q. Does this conclude your testimony?**

23 A. Yes, it does.

CR3 Investment Recovery Project
No-sale Disposition Justification

Commodity: CR3 INSTALLED EPU ASSETS
File name: DISPOSITION OF CR3 EPU INSTALLED ASSETS

Prepared by: David Smith

Date: 3/24/2015



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Date: _____

CR3 IRP Project Manager

Disposition of CR3 EPU Installed Assets

Duke Energy (DE) Crystal River Unit 3 Investment Recovery Project (IRP) awarded a contract to Heritage Global Partners (HGP) to hold an auction event to sell various Crystal River Unit 3 (CR3) installed assets as well as Extended Power Uprate (EPU) installed assets. The following is a list of EPU assets (auction lot numbers included as reference) which were offered by HGP but NOT sold during the auction. The price of the asset combined with the removal costs resulted in a total expense that exceeds the fair market value (FMV) of the component. The removal cost was estimated by Townsend Construction in October, 2013 when the EPIS plant assets were evaluated by the IRP for marketability and re-sale.

1. Lot 1201 Iso phase bus duct cooler (EPU)

The Iso phase bus duct cooler is large and consists of two fan units with 50 hp motors. The bus duct cooler was marketed for sale internally to DE affiliates, externally to other utilities, the OEM and select third party re-sellers via direct contact and the RAPID website; with no interest. The EPIS Equipment Review and Analysis document estimates the removal cost of the Iso phase Bus Duct Cooler to be \$50,000.00 to \$75,000.00 dollars. The IRP did not offer this asset on a Power Advocate bid event as the asset was to be included in the scope of the auction. HGP offered the asset during the auction. The high bid received in the auction for the cooler was too low and was not enough to cover the expenses related to CR3 engineering, removal oversight, and operations lockout and tag out costs. Therefore, the IRP determined the sale of the cooler would be cost prohibitive for DEF and its customers. The asset will remain installed and abandoned until final decommissioning and dismantlement of the CR3 station.

2. Lot 1202 CDHE 3A and CDHE 3B (EPU)

CDHE 3A is two of the newly installed feedwater heat exchangers. The heat exchangers were offered internally to DE and externally to other utilities, the OEM and select third party suppliers via direct contact and the RAPID website; with no interest. The IRP did not offer this asset on a Power Advocate bid event, as it was to be included in the scope of the auction. HGP offered these heat exchangers during the auction, however there was no interest or bids received for the installed heat exchangers. The assets will remain installed and abandoned until final decommissioning and dismantlement of the CR3 station.

3. Lot 1214 Moisture Separator Reheaters (MSRs) EPU

These four (4) large horizontal pressure tanks with heater tubes were offered internally to DE, other operating utilities, the OEM and select third party re-sellers via direct contact and the RAPID website; with no interest. The IRP performed a Power Advocate Bid Event for this equipment. The Bid Event offer received was determined to be too low to offset DEF removal support costs, and ultimately rejected by the IRP. HGP offered these assets in the auction. The bid received by HGP during the auction was too low, and would not have covered the expenses related to CR3 engineering, removal oversight, operation lockout and tag out costs. Therefore, the IRP determined the sale of the MSRs would be cost prohibitive for DEF and its customers. The assets will remain installed and abandoned until final decommissioning and dismantlement of the CR3 station.

4. Lot 1213a Main Generator

The installed main generator rewind rotor and new stator core were offered internally to DE and other operating utilities via direct contact and the RAPID website; with no interest. The IRP did not offer this asset on a Power Advocate bid event, as it was to be included in the scope of the auction. HGP offered the main generator during the auction, however there was no interest or bids received for the installed main generator. The asset will remain installed and abandoned until final decommissioning and dismantlement of the CR3 station.

5. CDHE-7A & B

The belly drain heat exchangers are installed in the Turbine building EI 119'. They are small heat exchangers in size and have little market value after removal. The CR3 IRP did not offer these assets in a Power Advocate Bid Event or to other operating utilities. The heat exchangers were deemed not marketable by CR3 IRP and Heritage, and were not included in the auction. The heat exchangers will remain installed and abandoned in place until final decommissioning and dismantlement of the CR3 station.



CR3 Investment Recovery Project (IRP)
Closeout
and
Long-Term SAFSTOR Asset Recovery Plan

Rev 0

CR3 Decommissioning Transition Organization

Duke Energy

****Please Note: This document contains confidential information and is subject to Duke Energy's Code of Business Ethics Policy. Please limit distribution accordingly.****

**CR3 Investment Recovery Project (IRP) Closeout
 & Long-Term SAFSTOR Asset Recovery Plan**

Approval

Section A: Document Identification and type of action

Document Number: N/A	Revision Number: 0
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Document Title:

CR3 Investment Recovery Project (IRP) Closeout and Long-Term SAFSTOR Asset Recovery Plan

Type of Action: <input checked="" type="checkbox"/> New <input type="checkbox"/> Revision <input type="checkbox"/> Cancellation	<input type="checkbox"/> Suspension <input type="checkbox"/> Ownership Change <input type="checkbox"/> Periodic review completed
---	--

Effective Date:

3/1/15

Applies to: Generation Operations Support	Group: CR3 Decommissioning Transition Org
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Applicable to Forms Only

Does form have a parent procedure? No Yes Procedure #:

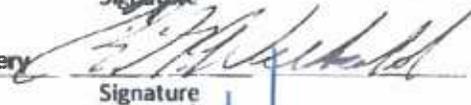
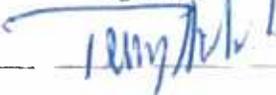
Communication plan established YES Impact Reviews Completed N/A

Description of document action or summary of changes:

The document presents the CR3 Investment Recovery Project (IRP) Closeout and Long Term SAFSTOR Asset Recovery Plan.

Preparer(s): Jeff LaPratt, IRP PM

Section B: Approval of Document/Interface Agreement

Approval recommended (print name)	Signature	Date
Magdy Bishara/MGR Major Projects - DTO		2/25/2015
Final Approval (print name)	Signature	Date
Ron Jangaon / Dir Sourcing & Warehousing		2/25/2015
Final Approval (print name)	Signature	Date
Russ Wilkenloh / Mgr Resource Recovery		2/27/2015
Final Approval (print name)	Signature	Date
Terry Hobbs/GM Decommissioning		3/2/15

CR3 Investment Recovery Project (IRP) Closeout
& Long-Term SAFSTOR Asset Recovery Plan

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CR3 Investment Recovery Project (IRP) Closeout
 & Long-Term SAFSTOR Asset Recovery Plan

PROJECT SPONSOR

Role, Department / Group	Name	Phone No.
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DOCUMENT OWNER

Role, Department / Group	Name	Phone No.
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KEY PROJECT STAKEHOLDERS

Role, Department / Group	Name	Phone No.
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SVP-Chief Procurement Officer	Jeff Corbett	980-373-1659
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PLAN REVISION CONTROL

Rev No.	Primary Author(s)	Revision Description	Rev Date
0	Project Manager	Initial Issue	3/1/15

CR3 Investment Recovery Project (IRP) Closeout
& Long-Term SAFSTOR Asset Recovery Plan

1.0 EXECUTIVE SUMMARY

This document presents the Closeout and Turnover Plan for the CR3 Investment Recovery Project (IRP). It discusses the cessation of proactive IRP activities and future responsibilities for asset dispositions.

This document also acts as the interface agreement between the CR3 SAFSTOR organization and Supply Chain (both Fossil and Corporate Asset Recovery) for the management of post-IRP asset dispositions.

NOTE

IRP does not manage nuclear fuel sales. Nuclear fuel sales are managed by the Major Projects Sourcing organization and is not covered under this document.

NOTE

This plan covers the asset recovery activities during the SAFSTOR period and is meant to be a living document. It is subject to change should SAFSTOR activities evolve. Obligations to proactively sell or salvage non-EPU CR3 assets have been met and any proceeds from future dispositions will be credited to the decommissioning trust. Proceeds from future EPU asset disposition, including exchange of scrap value for dismantlement labor, must be credited back to the ratepayers via either the NCRC or the CCR. The EPU asset disposition accounting structure remains in-place during the entire SAFSTOR period and this requirement must be acknowledged in the yet-to-be-developed SAFSTOR II long-term plan. Due to this accounting requirement, the owner of this plan during SAFSTOR I is Ops & Major Projects Finance (CR3 Finance).

Basis for Project Close

In fulfillment of its obligations of the August 1, 2013 Settlement Agreement between DEF and the Office of Public Counsel et. al. (Doc No. 04433-13, Docket No. 130208-EI) Duke Energy has completed its efforts to use reasonable and prudent efforts to sell or otherwise salvage assets that would otherwise be included in the CR3 Regulatory Asset or CR3 EPU Regulatory Asset (collectively: "Reg Asset").

The IRP identified a finite target set of saleable assets that were: 1) included in the reg asset; 2) readily marketable (meaning that they had value and a market existed for them); 3) cost effective to remove and sell (note that installed EPU assets were offered for sale); and 4) did not negate the assumptions used in the Detailed Cost Estimate (DCE) of the Post Shutdown Decommissioning Activities Report (PSDAR). The following categories of assets were included in the target set:

- Warehouse inventory (FERC Account 154)
- Construction Work In Progress (CWIP)

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- CWIP – Extended Power Uprate (EPU)
- Electric Plant In Service (EPIS)

Although the proactive asset disposition efforts have concluded, it is expected that further disposition of a small set of non-EPU assets will occur as construction projects wind down, and the plant transitions to SAFSTOR II where most remaining warehouse inventory is no longer needed. These disposition efforts will be performed by the supply chain Corporate Asset Recovery department for surplus materials, and the Supply Chain organization for affiliate asset transfers and outside sales. Any proceeds are credited to the decommissioning trust.

2.0 DEFINITIONS

Surplus Material: Excess warehouse inventory identified by the SAFSTOR organization as no longer required. Salvaged plant assets identified by the SAFSTOR organization as required to be removed from the plant (e.g.; station batteries to be recycled in order to remove the hazard from site)

Affiliate Asset Transfer: Transfer of assets requested by a Duke affiliate following the Affiliate Asset Transfer process per MCP-401.

Outside Sale: Sale of assets to a non-Duke affiliate.

3.0 TURNOVER AND DEMOBILIZATION

Punchlist Items

There remain some of the asset target set that are actively being dispositioned by the IRP team, including some EPU assets. These items are being tracked on an active punchlist and are scheduled to be completed in the first quarter of 2015. *(See the CR3 Decommissioning Document Retention SharePoint site under Investment Recovery/Action Tracking/Open Sales Items).*

Turnover Preparations

On-going meetings will continue with the receiving organizations to ensure that they are fully briefed on project status and are prepared to accept the turnover of responsibilities. Turnover status will be communicated with the plant via the Decommissioning Planning Meeting and other management meetings as necessary.

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Turnover

Effective with the approval of this document, Corporate Asset Recovery will be responsible for the disposition of surplus materials, and the processing of outside sales invoicing and payment handling.

Effective May 1st, 2015, Fossil Supply Chain will be responsible for managing internal affiliate asset transfers.

Effective May 1st, 2015, the CR3 SAFSTOR Maintenance Project Manager will be responsible for coordinating removal efforts of installed plant assets for internal affiliate transfers or outside sales.

Effective at project closeout, CR3 SAFSTOR Document Management will be responsible for maintaining the IRP documentation contained in the SharePoint site.

Project Closeout and Demobilization

At the completion of the punchlist disposition efforts and project closeout checklist activities, the IRP team will be released.

The Project Closeout Checklist is maintained on the IRP SharePoint site. It ensures that the following items are complete:

- All invoices paid
- All sales proceeds received
- All journal entries completed (finance)
- All contracts closed
- Post-project debrief held
- Lessons learned compiled
- Final review of SharePoint documentation for completeness and accuracy ("audit ready")
- Final review by legal and Rates & Regulatory Strategy on acceptance of project completion
- Close of applicable project accounts by finance
- Release project resources

4.0 DOCUMENT MANAGEMENT

IRP documentation of project activities including disposition documents and justifications are maintained in accordance with IRGD-001, *Sales Track Guidance and Documentation Package Development*, on the SharePoint site. The long-term maintenance of the documentation is performed by CR3 SAFSTOR Document Management post project closeout.

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It is expected that in addition to the on-going Nuclear Cost Recovery Clause (NCRC) prudency docket, that a similar prudency docket will be opened around the time that the request is made to place the CR3 Reg Asset into the rate base. The IRP documentation will be critical to support a prudency determination.

5.0 ACCOUNTING REQUIREMENTS AND FINANCIAL REPORTING

Accounting

In accordance with the August 1, 2013 Settlement Agreement between DEF and the Office of Public Counsel et. al. (Doc No. 04433-13, Docket No. 130208-EI), proceeds received from the disposition of CR3 assets as part of the IRP are required to be applied to and reduce the Reg Asset.

The accounting proceeds from non-EPU asset dispositions post-IRP will be credited to the decommissioning trust.

EPU asset proceeds will be credited to the NCRC through its 7 year recovery period, and to the Capacity Cost Recovery (CCR) thereafter until all EPU assets are dispositioned. This lasts through completion of CR3 decommissioning, and includes exchange of scrap value for dismantlement labor.

The accounting structure for these proceeds post-IRP are as follows:

Asset Category	Accounting Structure					Period	Recovery Mechanism
	Resp Ctr	Project	Activity	Resource	Account		
Non-EPU	Q047	DASSETREC	SLVGE	99416	0108307	Throughout decommissioning	Decom. Trust
CWIP/EPU	U639	EPU DISP	SLVGE	99416	0182406	1. Through 2017 2. 2018 and after	1. NCRC 2. CRC

Financial Reporting

Collection of post-IRP financial information (proceeds and costs) and reporting is performed by CR3 Finance. This to include on-going reports to SAFSTOR management, Rates & Regularity Strategy (for quarterly EPU Reg Asset and decommissioning trust updates), and others as required.

6.0 ASSET DISPOSITION FUTURE STATE

Governance

Governance for the Project was provided in AI-9010, *Conduct of CR3 Investment Recovery*. This governance no longer applies to post-IRP asset dispositions with the exception of nuclear fuel sales.

Corporate Asset Recovery will comply with their existing procedures, processes, and governance.

Affiliate asset transfers is governed by Affiliate Asset Transfer requirements specified in MCP-NGGC-401 and SCD211, and others as required by the Affiliate Asset Transfer Agreement.

External dispositions outside of Corporate Asset Recovery, will utilize the same sales agreement as IRP used. Note that these sales do not follow the RAPID sales agreement.

Post-IRP Asset Disposition Flows

This following provides a general overview of the various disposition flows expected post-IRP:

Surplus Material

1. CR3 identifies surplus material no longer required or needed to be removed and recycled from site.
2. Corporate Asset Recovery is contacted to perform the sale.
3. Fossil Supply Chain warehouse and/or maintenance resources are utilized to handle and ship the surplus material as required.

Duke Affiliate Request

1. Duke affiliate makes request for asset.
2. Request is forwarded to Fossil Supply Chain point-of-contact supporting CR3 who will coordinate affiliate asset transfer (AAT) activities.
3. CR3 Finance will obtain AUP/NBV for the asset.
4. Fossil Supply Chain will facilitate a meeting with CR3 SAFSTOR management to determine if the request can be approved, considering:
 - a. Impact of removal on plant resources.
 - b. Urgency of affiliate need.
 - c. Impact on PSDAR/DCE assumptions for salvageable assets.
5. Fossil Supply Chain will communicate results with requesting affiliate.
6. If affirmative, then:
 - a. Fossil Supply Chain will facilitate AAT approval utilizing EPU Reg Asset or decommissioning trust accounting structure.
 - b. SAFSTOR Maintenance Project Manager will coordinate any plant removal activities.

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- c. Fossil Supply Chain warehouse resources will coordinate non-contaminated shipping activities. Contaminated shipping activities are coordinated by CR3 RP & Chemistry department.

NOTES: AI-9010 governance does not apply.
Affiliate is responsible for all removal and shipping costs.

External Non-Affiliate Request

1. External request for asset received.
2. Request is forwarded to Fossil Supply Chain point-of-contact supporting CR3 who will coordinate activities.
3. Fossil Supply Chain will facilitate a meeting with CR3 SAFSTOR management to determine if the request can be approved, considering:
 - a. Impact of removal on plant resources.
 - b. Impact on PSDAR/DCE assumptions for salvageable assets.
4. Fossil Supply Chain will communicate results with requestor.
5. If affirmative, then:
 - a. Fossil Supply Chain will facilitate sale utilizing the IRP sales agreement, and receipt of buyer's Purchase Order.
 - b. Corporate Asset Recovery will perform invoicing and proceed receipt activities, utilizing decommissioning trust or EPU Reg Asset accounting structure.
 - c. SAFSTOR Maintenance Project Manager will coordinate any plant removal activities.
 - d. Fossil Supply Chain warehouse resources will coordinate non-contaminated shipping activities. Contaminated shipping activities are coordinated by CR3 RP & Chemistry department.

NOTES: CR3 assets are no longer advertised in the RAPID database.
AI-9010 governance does not apply.
Buyer is responsible for all removal and shipping costs.