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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20190140-EI

Petition to Approve Transaction
for Accelerated Decommissioning
Services at CR3 Facility, Transfer
of Title to Spent Fuel and associated
assets, and Assumption of Operations
of CR3 Facility Pursuant to the NRC
License, and Request for Waiver From
Future Application of Rule 25-6.04365,
F.A.C. for Nuclear Decommissioning Study,
By Duke Energy Florida, LLC.

VOLUME 3

PAGES 297 - 473

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER ANDREW GILES FAY

DATE: Wednesday, July 8, 2020

TIME: Commenced: 2:05 p.m.
Concluded: 5:28 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: ANDREA KOMARIDIS WRAY
Court Reporter

APPEARANCES: (As heretofore noted.)

PREMIER REPORTING
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1 P R O C E E D I N G S

2 (Transcript follows in sequence from
3 Volume 2.)

4 CONTINUED EXAMINATION

5 BY MR. MOYLE:

6 Q Based on what you just said, that -- am I
7 correct to assume that you think you're going to lose
8 money based on -- on the 540 million that's going to be
9 in this subaccount; that you'll have the benefit of
10 whatever it earns, that money goes to you, as compared
11 to the escalation that you're going to see in -- in
12 construction and labor costs?

13 A No, I would say that the 540 million is
14 factored into what we believe is the escalation of cost
15 in pricing out the tasks that result in the total being
16 540 million.

17 Q I -- if I understand it, the 540 million --
18 you are the beneficiary of any earnings on that sum; is
19 that right?

20 A Correct.

21 Q Okay. So, that gets -- when you close, that
22 gets put in an account somewhere and then it gets
23 invested, right?

24 A It's a subaccount, yes.

25 Q Okay. And -- and then, if it's good for

1 you -- and I'm trying to get into the best-case
2 scenario/worst-case scenario. Best-case scenario is
3 that that money outperforms the rate of inflation or the
4 escalation factor, right?

5 A No.

6 Q Well, what is your expectation that that 540
7 will do relative to the escalation factor you use?

8 A There's no connection between the two.
9 They're completely separate calculations. One is the
10 calculations of earnings on capital and the other is the
11 calculation of cost increases.

12 We -- we analyze a project like this. We lay
13 it out. We put on a six-year time frame. We look at
14 what projects are going to be done when within the six
15 years. And we price that element of the overall project
16 or program in the year it's going to be done.

17 And when we price it -- say, five years from
18 now, we're going to take out the turbine building. We
19 price the cost to remove the turbine building based on
20 our internal assumptions of what escalation will be, and
21 that's the price we're going to pay ourselves to do the
22 turbine building.

23 So, when we do all of that work and roll all
24 of that together, we come up with, okay, we need
25 \$540 million today. The \$540 million we get today, we

1 make conservative assumptions on how much yield is going
2 to be on that -- what the yield is going to be.

3 We're not invested in equities. We're
4 invested in treasuries, maybe some AAA corporate. And
5 we're going to earn, most likely, a half a percent, you
6 know, maybe a percent, depending on what interest rates
7 do over the next six or seven years.

8 The two are entirely independent in the way we
9 model, analyze, and evaluate them.

10 Q Okay. That -- there's a document that
11 Mr. Rehwinkel showed you earlier today. And I -- I
12 don't think we need to go through it, but I'll call it
13 the schedule-of-values document. It has all kinds of
14 things broken down. You talked about 800 specific tasks
15 or so. Are you familiar with that, just generally?

16 A Yes. Yes.

17 Q Okay. So -- so, again, these are worst-case-
18 scenario questions. What happens if one of the task
19 components under there -- there's a change of law and
20 the Congress acts and says, you know what, we no longer
21 need "X," and "X" is within some of those line items --
22 what happens?

23 A I'm not sure I can answer that. If -- if
24 the -- if you no longer need "X," are you saying that
25 that cost goes away or -- I don't -- I don't follow the

1 question.

2 Q Yeah, that's what I'm saying. It goes away.
3 It goes away and -- you know, I've heard, oh, this is a
4 \$540-million deal, it doesn't matter what happens, you
5 get 540 regardless.

6 And I'm asking, well, if there was something
7 that was 50 million that just disappears because
8 Congress changes the law, is there going to be an
9 equitable adjustment and you say, hey, you know what,
10 we'll go -- we'll be good with 490 because Congress
11 changed the law and we don't have this -- this scope
12 item anymore in our -- in our work plan.

13 How -- what's your understanding or how would
14 that be dealt with?

15 A There -- there isn't any adjustment. This is
16 a guaranteed fixed-price arrangement. A hundred percent
17 risk transfer -- if our costs go up or our costs go down
18 and we bear that risk and we -- we benefit from any
19 upside from that, but there isn't any adjustments
20 related to any of those types of matters going forward.
21 It's a true fixed price.

22 Q Okay. And -- and so, take it the other way.
23 If Congress does something and they put something in
24 that imposes a huge cost on you -- it's \$500 million --
25 what happens then? It's not 540. It's -- it's over a

1 billion dollars. What -- what happ- -- what happens?

2 A I -- that -- that's so far-fetched, I don't
3 know that I can even answer that. I mean, I -- what
4 does anybody do -- if inflation is a hundred percent in
5 one year, you know, I -- I say run for the hills and bar
6 the doors because the -- the country is under siege.
7 You know, you're not asking a legitimate question,
8 saying things are going to double.

9 If you want to say what happens if there is a
10 10-percent increase in -- in some element that's
11 actually possible, then I'm happy to answer the
12 question, but you're -- you're asking a question that
13 has no answer. It --

14 Q Well, I -- I think -- I think there's probably
15 a point, if you're applying business judgment, where you
16 say, hey, you know, this is not gon- -- not working for
17 us. And I used an extreme example so we didn't have to
18 go through, and you're like, well, maybe we would do it,
19 maybe we would not.

20 I mean, isn't it true that, at some point, if
21 you all get underwater to a significant degree, you're
22 going to walk away from this?

23 A No, I think at some point, the -- the company
24 would, you know, continue to perform as best it could.
25 And at some point, the -- you know, the company's assets

1 would be entirely liquidated to do as much of the work
2 as possible.

3 Duke and the ratepayers of Florida would --
4 Florida would benefit greatly from that because we would
5 be contributing an enormous amount of resources to do
6 work that has to be done at a much higher cost basis
7 than -- than was expected.

8 But the work has to be done regardless of
9 whether we're doing it, Duke is doing it, or anybody
10 else is doing it. The work has to get done and it gets
11 done at the best price it can be done at. And if -- and
12 if we break our pick on the job, you're going to take,
13 you know, 50-plus-million dollars and our guarantees and
14 everything else and drain every dollar you can out of
15 the company, then you're going to benefit from that
16 because we're not getting paid for work we haven't done.

17 If the cost of the remaining work were to
18 escalate a hundred percent, we would have to continue
19 working until we could no longer perform or contribute
20 assets to it, in which case, Duke would benefit greatly
21 from that because the cost of the work is the cost of
22 the work. And whether we're doing it or Duke is doing
23 it, it's -- you know, it's a significant cost increase
24 that has to be dealt with.

25 **Q Yeah. Have you ever been involved in building**

1 a house -- building, like, your own home or doing
2 renovations --

3 A Yeah, like, five --

4 Q -- remodeling?

5 A Five -- five times, yeah. Doing one right
6 now.

7 Q Okay. Well, good.

8 I've always heard -- I have friends in the
9 construction business. You know, you hire a contractor,
10 they come in, they get halfway through the job, things
11 happen, and then you've to hire another contractor to
12 come in and finish it. That usually costs you more
13 money; does it not?

14 A It doesn't cost me more money because I
15 actually know how to manage contractors.

16 Q Well, listen, I -- I -- I appreciate your
17 answer of the 99.9 percent.

18 How long is it going to take you to do this
19 work?

20 A Well, we've committed to do it -- you know,
21 our target is about six years. I can tell you, in
22 Vermont, we'll probably -- you know, we -- we were at a
23 six-year target there. We should finish significantly
24 ahead of that.

25 MR. MOYLE: Yeah, well, good -- good luck.

1 Thank you for your time.

2 THE WITNESS: Thank you.

3 CHAIRMAN CLARK: Thank you, Mr. Moyle.

4 Okay. I believe, next up, we have staff.

5 Ms. Brownless?

6 MS. BROWNLESS: We have no questions, sir.

7 Thank you.

8 CHAIRMAN CLARK: All right. Commissioners --
9 any questions from our Commissioners to Mr. State?

10 Commissioner Fay.

11 COMMISSIONER FAY: Thank you, Mr. Chairman.

12 Just one quick question for Mr. State.

13 In your testimony, on Page 6, you state that
14 you never received a notice of violation from any
15 form of government authority. Can you just confirm
16 the breadth of that? Is that speaking to state,
17 federal, local?

18 THE WITNESS: Yes, that would speak to all of
19 those.

20 COMMISSIONER FAY: Okay. Great. Thank you.

21 Thank you, Mr. Chair.

22 CHAIRMAN CLARK: Thank you, Commissioner Fay.

23 Commissioner Polmann.

24 COMMISSIONER POLMANN: Thank you,

25 Mr. Chairman.

1 Good afternoon, Mr. State. How are you doing
2 today?

3 THE WITNESS: Hi. I'm good. Thank you.

4 COMMISSIONER POLMANN: Let me see if I can do
5 this quickly. If not, we'll all suffer.

6 You had a series of questions from
7 Mr. Rehwinkel and also Mr. Brew. There were two
8 agreements that were discussed, and I had a little
9 bit of difficulty following the distinction between
10 support and guarantee agreements. You may recall
11 some of that back-and-forth.

12 And what -- what I'd like to understand, if
13 you could, at a very high level, if -- if you
14 could, explain just briefly the purpose and the
15 benefit of these agreements. And what I'd like to
16 know, in simple terms, is -- well, what was
17 referred to as support agreements and guaranteed
18 agreements -- who are the parties to each of those
19 and who benefits, and -- as high of a level as you
20 would like.

21 Let me -- let me see if --

22 THE WITNESS: That's -- yeah, that's a good
23 question because it -- it's somewhat confusing.
24 So, the support agreement is a -- is really a
25 regulatory construct. It's a -- it's a document

1 that the NRC has used in decommissionings for 20-
2 plus years or more -- actually, it's used with
3 power-reactor operators as well.

4 And essentially, it has a value in it that --
5 that says -- if there are issues with this
6 project -- and this is all related to the -- the
7 analysis the NRC does related to financial
8 assurance.

9 And the decommissioning method that we've
10 chosen is -- is to use the -- the value of the NDT
11 as an asset that could be used to decommission the
12 plant. And the NRC looked at that and they called
13 that the prepaid method.

14 And under the prepaid method, the NRC says,
15 well, okay, give us your decommissioning costs,
16 fully escalated, do -- do all the things you need
17 to do, tell us what that number is, and we're going
18 to compare that with the NGT balance, and that's
19 your first line of financial assurance.

20 But then, the -- the backstop to that, we want
21 some other level of commitment from the parties as
22 to what they would do to support this project, if
23 it needs additional support. And the \$140-million
24 combined support agreement, which is 75 percent
25 from NorthStar and 25 percent from Orano, forms

1 that \$140 million of excess committed capital that
2 would -- would come as financial assurance for the
3 project.

4 And so, that's -- that's a purely financial-
5 assurance mechanism created in, you know, a federal
6 government NRC construct many, many years ago. And
7 it's been used, to my knowledge, in every
8 decommissioning project.

9 So, that's the support agreement. Does
10 that -- does that make sense?

11 COMMISSIONER POLMANN: Yes, sir.

12 THE WITNESS: Okay.

13 COMMISSIONER POLMANN: Thank you.

14 THE WITNESS: The -- the parental guarantee --
15 and I -- I have to tell you, I don't know
16 specifically where a document is in all of these
17 exhibits that -- that says specifically parental
18 guarantee, but I think most people are aware with a
19 parental guarantee being one really derived more
20 for performance. And the parental guarantee, in my
21 mind, typically is a performance commitment as
22 opposed to a financial-assurance commitment.

23 And that's -- that's how I, as a business
24 person, think of the two and the difference between
25 the two.

1 COMMISSIONER POLMANN: Okay. But you're not
2 aware that there is a guarantee agreement here? Is
3 that -- is that what I understood you to say?

4 THE WITNESS: I -- I don't recall
5 specifically -- and I would ask maybe Ms. Triplett
6 to -- to comment on that.

7 COMMISSIONER POLMANN: Okay. Well, I --

8 MS. TRIPLETT: Yes -- oh, I -- I can direct
9 him, Mr. -- Commissioner, to a part of the DSA, if
10 that would be helpful as an exhibit. It's an
11 exhibit to the DSA, Exhibit 6C. I'm not going to
12 testify for him.

13 COMMISSIONER POLMANN: I -- I was just going
14 to say, I'm not asking Counsel questions. But,
15 Mr. State, we can just leave it there. I'm going
16 to move on.

17 In -- in response to Mr. Brew, you stated that
18 you cannot go back to Duke seeking additional
19 dollars -- my words -- to achieve the end state of
20 the NRC's license termination. So, I wanted to
21 just clarify a couple of points there.

22 You mentioned that -- a couple of acres that
23 are going to remain on-site with the spent fuel for
24 a period of time. Am I -- am I correct on that?
25 Just -- just to --

1 THE WITNESS: Yes.

2 COMMISSIONER POLMANN: Okay.

3 THE WITNESS: Yes.

4 COMMISSIONER POLMANN: Now, that's -- your
5 current plan, in terms of the schedule, is -- is
6 2037. Is that -- is that tied together there?

7 THE WITNESS: Yeah, the -- the 2037 date is a
8 specific date tied to when NRC is scheduled to pick
9 up the fuel from the site, which, as you know, is
10 not a -- can't be a firm date because the NRC
11 doesn't have -- or I'm -- I'm sorry -- DOE has a
12 commitment to take --

13 COMMISSIONER POLMANN: Right.

14 THE WITNESS: -- the fuel from the site, but
15 the DOE has nowhere to take it today.

16 COMMISSIONER POLMANN: Right. So, in your
17 discussion with Mr. Rehwinkel, you identified --
18 and this was in a confidential document, so I won't
19 get into that -- but there was a price provision
20 from ADP, management and control of the -- of the
21 spent fuel, but I think you indicated that -- that
22 you would continue to have that responsibility
23 until DOE took control of that spent fuel.

24 That's what we were just talking about, right?

25 Is that correct?

1 THE WITNESS: Correct. Yes.

2 COMMISSIONER POLMANN: Okay. So, there are
3 many who -- who have a lot of concern about DOE not
4 taking on that responsibility. So, my question is:
5 Will ADP have continuing responsibility potentially
6 for an indefinite period of time? Is that
7 something that you plan for, for this indefinitely-
8 long period?

9 THE WITNESS: Yeah. So, it -- it's
10 essentially in perpetuity, if that's what it
11 requires. And, you know, I -- I was unwilling to
12 discuss specific business plans we have related to
13 the -- the interim storage facility that -- that
14 we're attempting to get licensed in Texas, but you
15 know, one could likely draw some conclusions from
16 what our intentions might be, if in fact we license
17 and operate that facility and we own spent nuclear
18 fuel, which spent nuclear fuel might go there
19 first.

20 COMMISSIONER POLMANN: Okay. Well, I -- I
21 just wanted to address the issue that -- that
22 you're going to take ownership of -- of the fuel
23 and then you -- you also have a license for the
24 fuel and that portion of the site; is that correct?

25 THE WITNESS: We -- yeah, we -- we have the

1 operating license at -- at the conclusion of this
2 transaction for entire site. And as we
3 decommission the -- the nuclear plant, that
4 operating license -- we -- we will free-release all
5 but the two acres, roughly. And our operating
6 license will still continue to exist, specific to
7 that spent-fuel installation.

8 And until the spent fuel is removed and that
9 two acres is fully remediated, we will have that
10 operating license. We will terminate that license
11 upon completion of a final-status survey,
12 confirming that that property is clean.

13 COMMISSIONER POLMANN: Okay. Well, that's --
14 that's exactly one of the concerns I have, is that
15 the responsibility for -- for the fuel and that
16 portion of the site is transferring from the
17 regulated utility to -- to ADP, as a private
18 entity.

19 And there's an indefinite -- indefinitely-
20 long period of time, in all honesty, because we
21 don't know what DOE is going to do. They haven't
22 performed to date, and nobody controls that other
23 than, essentially, the federal government. And so,
24 you would have continued with some expectation to
25 be -- to be paid, provided your company is still a

1 viable entity.

2 And I recognize that you -- you have some plan
3 that you thought about it. We don't -- I'm not
4 going to press you on what that plan is, but I --
5 I -- do you have any -- any further comments
6 you wish -- wish to offer to give us any more
7 comfort than what we've already talked about?

8 THE WITNESS: Yeah, I -- I actually -- those
9 were exactly the words that I wanted to use, that I
10 would like to give you a little more comfort and --
11 and specifically what I would like to say is this:
12 Yes, there's a licensed utility that's -- that's,
13 you know, going to continue to -- the utility is
14 going to exist, and operations -- non-nuclear
15 operations are going to continue to exist at that
16 site, you know, indefinitely.

17 Owning spent nuclear fuel is not a
18 particularly good business for a public utility to
19 be in. Owning spent nuclear fuel is precisely the
20 business that Orano is in. Orano operates
21 recycling and reprocessing facilities that take
22 spent nuclear fuel throughout all of Europe. They
23 transport it, they hold it, and they actually
24 reprocess it.

25 And a significant element of why this is

1 interesting as a -- and why Orano was interested in
2 partnering with us is not specifically because of
3 the decommissioning activities that you related to,
4 cutting the reactor vessel and that work, but also
5 the -- the ownership of spent nuclear fuel is part
6 and parcel to their business.

7 So, in fact, you know, we're transferring an
8 asset that's a liability, for the most part, to a
9 utility operator, to an entity, ADP, which has a
10 partner that it's considered to be an asset to.
11 That's part of their -- their core business.

12 So, that's what I would offer up as some
13 comfort why this would make sense.

14 COMMISSIONER POLMANN: Okay. Well, thank you
15 for that explanation.

16 Just a couple more questions, Mr. Chairman.
17 Thank you for your indulgence.

18 There was discussion yesterday in reference to
19 the Hanford project. And I have quite a bit of
20 experience in my career of projects that are
21 completed within -- within the approved budget, and
22 the nuance being that they're not completed within
23 the original budget. The budget keeps moving
24 because the scope of work keeps moving.

25 Certain people, like elected officials, get

1 pretty aggravated with that because you keep
2 reporting that you're within budget except the
3 budget is amended numerous times. I appreciate it.
4 I don't have a problem with it.

5 But with regard to this CR3 project -- and
6 this -- this was addressed here a moment ago by
7 Mr. Moyle. I -- I would just like to get your
8 comments on your expectation, honestly, with regard
9 to the degree of known versus unknown site
10 additions.

11 And perhaps you've already addressed this, but
12 the real question is: How would you deal, in a
13 timely and cost-effective manner, with the
14 unexpected -- I know you're going to deal with it,
15 but where is it that -- that -- you know, that
16 that's going to come up -- and it really comes back
17 to the potential cost impact that comes back onto
18 the utility.

19 THE WITNESS: Yeah, it --

20 COMMISSIONER POLMANN: (Unintelligible.)

21 THE WITNESS: Yeah, I mean -- you know, fixed
22 price is fixed price. And I understand costs creep
23 in in projects, especially things like Hanford that
24 are undefined sites that haven't been
25 characterized, where you, you know, typically have

1 allowances.

2 We, you know, generally see in those kinds of
3 contracts, an allowance or a unit rate for soils,
4 for example. And that number can increase
5 dramatically. And that's kind of an understood
6 element of that work.

7 You know, in my experience, nuclear plants --
8 and I've worked in nuclear plants since 1983. In
9 my experience, nuclear plants are a pretty-well-
10 defined beast. And you know, I've made comments
11 over the past few days about, you know,
12 decommissioning a nuclear plant and taking out the
13 reactor and the large components, and then it's
14 essentially a power-generating facility. And a lot
15 of people find that hard to believe, but it's true.

16 And the people that we use to decommission a
17 fossil plant are the same people we use to
18 decommission a nuclear plant, with additional
19 health and safety requirements.

20 So, we have really very good data on
21 production rates; how long it takes to do
22 something, what's the manpower, what's the
23 equipment, what's the right equipment to use. And
24 when you -- when you put all of those things
25 together, we don't really feel like we have a lot

1 of uncertainty.

2 Now, do things happen that you don't expect?
3 Absolutely. We do literally thousands of projects,
4 many one-of-a-kind, every year. You know, I -- I
5 know some years back, we took down the space-
6 shuttle-launch facility at Cape Canaveral in
7 Florida. No one had ever done that before. It was
8 a job where we picked each piece of it apart. Many
9 unknowns, very difficult job.

10 A nuclear plant, in contrast to that -- you
11 know, I guess, I would say, nuclear science isn't
12 as cool as rocket science because a nuclear plant,
13 in our experience, and nuclear facilities have been
14 much easier to do.

15 So, what do we do to avoid the unexpected or
16 the cost overrun? We make conservative
17 assumptions, engineered assumptions about waste
18 quantities and -- and characterizing that waste.
19 It was very important for us, as part of our
20 overall business model to acquire WCF. And, you
21 know, I run both the businesses because they really
22 are tightly connected. So, we have complete
23 control over disposal costs.

24 If we had a doubling of the amount of material
25 that had to be disposed as radioactive waste, we

1 can control that cost. We can control, you know,
2 that particular element. The -- the means and
3 methods to do the work, we can -- we own all of the
4 equipment. We have, you know, a 50-plus-million-
5 dollar fleet of equipment that does just this type
6 of work. So, our -- our cost exposure on any of
7 this work is production-oriented and it's the cost
8 of labor.

9 And, you know, the reason we don't like to
10 talk about means and methods is we have a very
11 automated approach to this that -- that's really
12 different than other people. And that automation
13 takes out the cost uncertainty of labor.

14 So, you know, your question is: How do you
15 respond to unknowns or uncertainties. We -- you
16 know, we -- we deal with those things every day.
17 Some of them cost us more money; some of them are
18 good -- good things that happen and they cost us
19 less money.

20 But it's a -- you know, it's a process of
21 breaking a job down like this into a thousand work
22 elements, putting them in a portfolio and realizing
23 that if you estimate a thousand items, you're going
24 to get some of them right on the upside and some of
25 them right on the downside. And when you get all

1 done, that portfolio approach, that statistical
2 approach, is what makes the project come in at your
3 target budget.

4 And, you know, we can't guarantee that our
5 cost is going to be what we expect it to be. What
6 we can do is we can guarantee that Duke's cost is
7 going to be exactly \$540 million.

8 COMMISSIONER POLMANN: (Unintelligible)
9 project, so I have no problem with that.

10 Chairman, I -- I think that's -- I think I've
11 covered everything I need to, Mr. Chairman. Thank
12 you.

13 And, Mr. State, thank you for your answers.

14 CHAIRMAN CLARK: Thank you, Commissioner
15 Polmann.

16 THE WITNESS: Thank you.

17 CHAIRMAN CLARK: Any of the other
18 Commissioners have questions for Mr. State?

19 Okay. Ms. Triplett, redirect?

20 MS. TRIPLETT: Thank you, sir.

21 FURTHER EXAMINATION

22 BY MS. TRIPLETT:

23 **Q Mr. -- Mr. State, yesterday, Mr. Rehwinkel**
24 **asked you a series of questions, I think, from a**
25 **newspaper article referencing decommissioning projects**

1 back in the nineties. Do you remember those lines of
2 questions -- that line questioning?

3 A I -- I do.

4 Q Can you explain the difference between those
5 earlier decommissioning projects and the -- the more-
6 recent decommissioning projects?

7 A The -- the early projects were a catastrophe.
8 And, you know, it was a first-of-a-kind issue. And
9 typically, the problems that occurred there -- utilities
10 elected to do the project themselves. And they would
11 manage and hire specialty companies to do pieces and
12 parts of those projects, but there really wasn't an
13 integrated approach of a contractor that came with the
14 ability to do everything.

15 And, as a result, the -- the projects had
16 significant cost overruns because you had a utility
17 operator that had a view of operating facilities running
18 a project that's a demolition project.

19 And, you know, I -- I would say that, you
20 know, comparing demolition work, or this type of work,
21 to construction is not a really good analogy either
22 because the -- the process of constructing, for example,
23 a nuclear facility, has an enormous number of
24 requirements for quality assurance related to the
25 plant's operation after it gets started.

1 We don't have the same sorts of requirements.
2 We're taking things apart as opposed to building things.
3 And -- and I say that, having been on commercial
4 nuclear-power-plant construction sites very early in my
5 career and -- and, you know, measuring that against what
6 we do today on a nuclear site.

7 So, it's really an apples-and-oranges
8 comparison. You -- you can't look at what was done in
9 the nineties as being representative of what -- what's
10 being done today, especially as it relates to the
11 methodology and approach that we're taking where we
12 accept the full responsibility and we take a full-risk
13 transfer and then we simply use all the capabilities and
14 resources that our company has to do this type of work.

15 **Q Thank you, sir.**

16 **And Mr. Rehwinkel also asked you a series of**
17 **questions about the Vermont Yankee deal. And just so**
18 **the record is clear, does Vermont Yankee have an**
19 **independent monitor, like what Mr. Polich is suggesting**
20 **in this case?**

21 A They do not.

22 **Q Thank you.**

23 **And in Vermont Yankee, who oversees NorthStar?**

24 A It's agencies of the -- the Vermont state
25 government: the Department of Public Service; ANR, the

1 Agency of Natural Resources; and there's a little --
2 VDH, I think, Vermont Department of Health.

3 But there's no commission -- the commission
4 that we dealt with that approved that transaction
5 doesn't really have any involvement with us unless
6 there's something that were to change with the facility
7 and we would have to seek a commission input, but
8 there's no nexus -- the commission has no advisers and
9 the commission is not involved.

10 Q Thank you.

11 And if this deal, the transaction that's
12 before the Commission, were to close, who would serve as
13 the role that the Vermont state agencies are serving in
14 Vermont Yankee -- who would serve that role with respect
15 to CR3?

16 A It would be Duke, the party that we're --
17 we're contracting with.

18 Q Thank you.

19 And you -- there also were a series of
20 questions about the negotiation of the MOU in Vermont
21 Yankee. And I was wondering if you could explain how
22 the deal, if at all, changed from when you initiated the
23 idea of buying from Entergy, Vermont Yankee, to the
24 conclusion of the MOU process?

25 A The MO- -- so, the MOU was, you know, a

1 process negotiated because we were taking ownership of a
2 facility in the state that was regulated by the state.
3 It was a -- a former power facility and there was some
4 debate about whether the state really had a right to be
5 involved because it was a former power facility and not
6 a -- an operating power facility. We ultimately erred
7 on the side of things, let's -- let's bring everybody
8 under the tent.

9 And so, the MOU process was -- was really an
10 element of the -- the way things work in Vermont. And
11 we had to seek a -- what's essentially like a permit --
12 a certificate of public good is what it's called -- and,
13 much like this Commission I think issued some kind of a
14 ruling, the -- the Vermont group, that the commission
15 there, invited all intervenors in.

16 And all the intervenors came into the process
17 with their own concerns and issues and we -- we dealt
18 with those, but we were dealing with those specifically
19 because we were becoming an owner of that facility in
20 the state of Vermont, not because we were
21 decommissioning the plant.

22 And so, it was a process that evolved over
23 time. And the MOU reflected an agreement among all of
24 the parties except one. There was one intervenor that
25 simply elected not to sign on to the MOU. And we agreed

1 to certain features that, you know, were -- were of
2 interest to the various stakeholders related to us
3 becoming an owner of a nuclear facility in the state of
4 Vermont.

5 **Q Did the financial structure of the deal change**
6 **between the initiation of the -- beginning with the**
7 **permit process in Vermont up until the end of the MOU?**

8 A It did. The -- the agreed-upon cost of the
9 projects increased -- it's -- it's confidential -- but I
10 would say substantially to accommodate the -- the
11 various kinds of things that stakeholders were looking
12 for in that particular process.

13 **Q Thank you.**

14 **Now, Mr. Rehwinkel also asked you a series of**
15 **questions about NorthStar's and Orano's experience --**
16 **and I think he was focusing on various projects listed**
17 **in your Exhibits SS-1 and SS-2. Do you remember that**
18 **line of questioning?**

19 A I do, yes.

20 **Q And as part of the NRC's review of the**
21 **license-transfer application -- did the NRC review ADP's**
22 **and NorthStar's and Orano's technical experience?**

23 A Yes, they would have done that.

24 **Q And would that have -- review have included**
25 **those project that you included in your exhibits?**

1 A It -- it certainly would have. The five
2 nuclear projects that we provided were specifically
3 included because they were all NRC projects that
4 required doing the work to release a nuclear facility
5 for unrestricted use. And so, as such, those were all
6 relevant to the NRC because the NRC had, in fact,
7 inspected those sites many, many times and ultimately
8 signed off on those sites being used for unrestricted
9 use.

10 **Q And what did the NRC conclude with respect to**
11 **the license-transfer application for CR3 regarding ADP's**
12 **technical ability to complete the decommissioning?**

13 A That we possess the inherent capability to
14 successfully decommission a facility.

15 **Q Thank you.**

16 **And I -- I think you touched on it a little**
17 **bit, but I just wanted to give you the chance to add any**
18 **other projects that NorthStar has done specifically in**
19 **the state of Florida with respect to demolition.**

20 A Yeah. So, that's something that, when I was
21 speaking with -- or when Mr. Rehwinkel was discussing
22 this with me yesterday, I really -- you know, he was
23 asking about specific nuclear experience, which I don't
24 think is necessarily the only -- the only thing that
25 should be considered in a situation like that.

1 And so, last night, I -- I reached out to
2 our -- our branch office in Orlando. We have two
3 offer -- offices in Florida that do work in the state;
4 one in Orlando and one in -- in the Tampa area.

5 And our Orlando operations -- I asked -- you
6 know, for some information on recent power-plant
7 projects, say, in roughly the last five years. And
8 these would be fossil plants.

9 And, you know, a listing of those would
10 include the Gannon station, owned by TECO; an FPL
11 station; the Cutler plant; two -- Units 1 and 2 at
12 Turkey Point, which, if you're familiar with the Turkey
13 Point site, that's -- those are the fossil units sitting
14 next to the two Nuclear 3 and 4 units. So, a fossil
15 project on a nuclear site; some FP&L sites, GTPP sites
16 in Fort Lauderdale; a site in GT- -- GTPP site in Fort
17 Myers owned by FPL.

18 We are currently expecting to sign a -- see a
19 very large contract for an FPL site that I -- I can't
20 mention until Thursday. And -- and then, we are also
21 decommissioning, currently, Crystal River Units 1 and 2.
22 So, again, two fossil units at a nuclear power plant
23 site, much like the two fossil units we took out at
24 Turkey Point.

25 The sum total of -- of those sites -- and you

1 can look all them up -- it's about 5,000 installed
2 megawatts of capacity. We're not inexperienced taking
3 power plants apart in Florida. And we've done it
4 with -- with skill and -- and a perfect safety record.
5 And those projects were done within the expected cost
6 structure that -- that was proposed. And, you know,
7 these plants range from a few -- you know, tens of
8 megawatts to almost a thousand megawatts in the case of
9 some of the bigger plants.

10 So, I wanted to mention that, you know, in
11 Florida, we do have operating experience completely
12 irrelevant to Crystal River. And those assets would be
13 used on Crystal River Unit 3.

14 I also wanted to point out that, you know,
15 that's not the only business we're in in Florida. One
16 of our -- our business units does response. And we've
17 had significant response activity that we've conducted
18 in the state of Florida.

19 Hurricane Irma and Hurricane Michael were both
20 significant events that we responded to and did some
21 \$25-million worth of emergency response for communities
22 in the Panhandle and Central Florida.

23 We also did hurricane-related work in the
24 2015-2016 era with -- I know a hotel -- we did a large
25 hotel in the Orlando area and a correctional facility in

1 Lake City.

2 In addition to that, we've been working
3 directly with the state of Florida government, various
4 departments, for 30-plus years. We've worked at least
5 30 years for the Department of Transportation in
6 multiple FDOT districts. We've been working over 20
7 years with the Flor- -- Florida Department of
8 Environmental Protection doing a number of different
9 things in the waste management/petroleum restoration
10 program, and then the division of state lands.

11 So, you know, we're -- we're not inexperienced
12 working in the state and, in fact, we have a long-term
13 record working with the state to the tune of about
14 \$50-million worth of work we've done for the state of
15 Florida in the last five years.

16 So, you know, I -- I was a little taken aback
17 by the approach that I felt like was attempting to
18 discredit our capability for a project like this. And I
19 just wanted to get in the record that, you know, we do
20 this all over the country, but we have a very
21 significant presence in Florida, doing related-type
22 work. And I -- I would like the Commission to, you
23 know, again, gain some comfort from the fact that --
24 that we are a significant presence in your state
25 already.

1 Q Thank you, sir.

2 Now, today, Mr. Moyle asked questions about
3 the -- I think -- I think he -- it's a subaccount. And
4 I'm going to ask you some clarifying questions to make
5 sure we're all clear -- actually, let me start there.
6 We talked a lot about three different accounts, and I
7 want to make sure the record is clear.

8 Can you describe the three subaccounts or --
9 or trust-fund accounts that are involved with this
10 transaction?

11 A Yeah. So, again, I -- I apologize. I, for a
12 long time, didn't understand what he was asking me
13 about.

14 So, that -- the primary subaccount is the
15 \$540 million that's being partitioned for specifically
16 decommissioning of CR33 -- CR3. There's an additional
17 trust fund -- you can call it a subaccount, if you want
18 to. There's a separate trust that's being established
19 at closing that we will fund, as ADP, for the long-term
20 decommissioning obligati- -- obligation of the ISFSI,
21 the spent-fuel installation.

22 And then, the remainder account, which is what
23 I thought Mr. Moyle was talking about all along, but he
24 wasn't -- is the money that's leftover in the existing
25 Duke trust after the 540 million is segregated out.

1 Q Thank you.

2 And -- and just to -- to clarify, the -- the
3 separate spent-fuel-management trust fund is essentially
4 seeded by ADP, and then the ongoing cost for spent-fuel
5 management will be recovered as part of the ongoing
6 litigation or settlement from the Department of Energy;
7 is that correct?

8 A That is -- that is correct.

9 Q Okay. And, now, Mr. Moyle asked with respect
10 to the -- the subaccount that -- where the \$540 million
11 will be replaced -- that that account -- he asked you
12 some questions about the investment policy and decision-
13 making with respect to the trustee. Do you remember
14 those questions?

15 A I do.

16 Q If I could ask you to -- to look at
17 Exhibit 6C -- that's the big 587-page -- and can we pull
18 up Page 62?

19 COMMISSIONER FAY: Mr. Chairman, could she --

20 Q Let me know --

21 COMMISSIONER FAY: -- please reference which
22 Page 62? There's different page numbers on the
23 bottom of the --

24 MS. TRIPLETT: Oh, yes. Yes. Yes,

25 Commissioner. It's the top right. 62 of 597.

1 COMMISSIONER FAY: Thank you. Thank you.

2 THE WITNESS: Yes, I'm there.

3 BY MS. TRIPLETT:

4 Q And the -- the heading there, under 9.2, it
5 says "NDF IOI decommissioning subaccount." Is that the
6 account where the \$540 million will be placed?

7 A Yes.

8 Q And if I could direct your attention to 9.2.1.

9 A Okay.

10 Q And specifically, the last sentence of that
11 section -- could you just read that aloud?

12 A Company has the exclusive right in its sole
13 direction to appoint the trustee for the NDF and any
14 investment managers for the Crystal River
15 decommissioning reserve subaccount.

16 Q Thank you.

17 And then let me direct your attention to
18 Section 9.2.2. And here -- let me just ask you to read
19 the first sentence just through the letter -- the
20 Subpart B -- so, basically Subpart A into the record.

21 A Okay. So: Company -- meaning Duke -- shall
22 (a) cause the investment managers to implement and
23 follow the investment policies and guidelines set forth
24 in Attachment 12 applicable to the assets, funds, and
25 investments contained in the IOI decommissioning

1 subaccount; (b) monitor trustee's acts in the
2 administration of the NDF.

3 Q Great.

4 And then last -- last question here on -- if
5 you could, go to Page 520. And that is Attachment 12,
6 the investment guidelines that we just read. So, this
7 is Page 520 of 597.

8 A Okay.

9 Q And does this refresh your memory as far as
10 how the investments in that subaccount will be invested?

11 A Yes. This was my understanding all along --
12 maybe I didn't provide a very clear answer, but we --
13 we, in this process of negotiating the contract, had
14 agreed on a very conservative approach, investing these
15 assets to make sure that we weren't subject to equity
16 risks where our 540 million could be 240 million.

17 So, we -- we've taken that uncertainty out
18 of -- out of the process, but Duke has full control at
19 all times over -- over the management of these funds.
20 And we do have an ability to, you know, suggest things
21 that we might think would be appropriate, but we have no
22 control.

23 MS. TRIPLETT: Thank you. And, perhaps, I was
24 the one that was confused. So, I apologize if
25 everyone else understood that, but I just wanted to

1 make the record clear.

2 So, I have no further questions, Mr. Chair.

3 CHAIRMAN CLARK: Okay. Would you like to move
4 your exhibits?

5 MS. TRIPLETT: Yes, sir. Those are exhibits
6 that were marked four and five on the comprehensive
7 exhibit list.

8 CHAIRMAN CLARK: Okay. Ms. Helton, you have
9 those?

10 MS. HELTON: Yes, sir.

11 CHAIRMAN CLARK: So ordered.

12 (Whereupon, Exhibit Nos. 4 and 5 were admitted
13 into evidence.)

14 CHAIRMAN CLARK: All right. Anything else for
15 this witness? Would you like to dismiss him,
16 Ms. Triplett?

17 MS. TRIPLETT: Yes, please. Thank you.

18 MS. HELTON: And -- and Mr. Chairman, we --

19 MR. REHWINKEL: Mr. Chairman, I --

20 MS. HELTON: -- need to let Mr. Rehwinkel move
21 in his exhibits.

22 CHAIRMAN CLARK: Yeah. Sure.

23 Mr. Rehwinkel --

24 MR. REHWINKEL: The Public Counsel --

25 CHAIRMAN CLARK: -- move yours in as well?

1 MR. REHWINKEL: Yes, I would. Thank you,
2 Mr. Chairman. Thank you, Ms. Helton.

3 The Public Counsel would move Exhibits 34
4 through 40.

5 MS. TRIPLETT: And --

6 CHAIRMAN CLARK: 34 through 40?

7 MR. REHWINKEL: Yes.

8 MS. TRIPLETT: And, Mr. Chair, I know this
9 will probably go in and give it the weight it --
10 but I have to say it, I would like to object to the
11 two articles -- I believe that's Exhibit 36 and --
12 and 37. I think they're hearsay and I don't think
13 there was a proper foundation laid for the
14 introduction of those particular exhibits.

15 CHAIRMAN CLARK: Duly noted.

16 (Whereupon, Exhibit Nos. 34 through 40 were
17 admitted into evidence.)

18 CHAIRMAN CLARK: Okay. Is that --

19 MS. TRIPLETT: Thank you.

20 CHAIRMAN CLARK: Is that all of the exhibits
21 that we need to get in?

22 MS. HELTON: Yes, sir.

23 Could I speak to Ms. Triplett's objection, so
24 we're clear where I come from?

25 CHAIRMAN CLARK: You may.

1 MS. HELTON: I believe, having taking evidence
2 from Professor Ehrhardt, and when you read his
3 treatise on evidence, I believe that if you have an
4 objection to an exhibit, that that objection should
5 make -- should be made contemporaneously with when
6 the exhibit first comes up.

7 So, I think that Ms. Triplett is too late in
8 her objection.

9 CHAIRMAN CLARK: Sure. Okay.

10 Thank you, Ms. --

11 MS. TRIPLETT: I will take note of that. I'll
12 try not to hold up the proceeding as we go along,
13 but if I have to object at the time, I will -- I
14 will do that.

15 And Mr. -- Mr. State, I think you can say
16 goodbye and leave --

17 THE WITNESS: Okay. All right. I just wanted
18 to make sure that I had been --

19 CHAIRMAN CLARK: You are dismissed.

20 THE WITNESS: Okay. Thank you.

21 CHAIRMAN CLARK: Thank you very much.

22 Okay. We're going to take a five-minute
23 restroom break. We're going to come back in
24 exactly five minutes.

25 And Ms. Triplett, would you make sure that

1 Mr. Doss is available this time?

2 MS. TRIPLETT: Yes, sir. We -- we checked and
3 he should -- he should be available. Yes, sir.
4 Thank you.

5 CHAIRMAN CLARK: All right. Thank you very
6 much. Five-minute recess.

7 (Brief recess.)

8 CHAIRMAN CLARK: We'll get started.
9 Commissioner Fay should join us momentarily.

10 All right. Where are we?

11 MS. TRIPLETT: Mr. Chair --

12 CHAIRMAN CLARK: Ms. Triplett.

13 MS. TRIPLETT: Sorry. Thank you.

14 So, I would ask that the prefiled direct
15 testimony of Matthew Palasek and his -- be read
16 into the record as though read, and his exhibits
17 marked -- his prefiled exhibits marked on the
18 comprehensive exhibit list as six, seven, and eight
19 be entered into the record.

20 CHAIRMAN CLARK: All right. Any objection?

21 So ordered.

22 (Whereupon, Witness Palasek's prefiled direct
23 testimony was inserted into the record as though
24 read and Exhibit Nos. 6, 7, and 8 were admitted
25 into the record.)

**IN RE: PETITION BY DUKE ENERGY FLORIDA, LLC TO APPROVE
TRANSACTION FOR ACCELERATED DECOMMISSIONING SERVICES AT THE
CR3 FACILITY, TRANSFER OF TITLE TO SPENT FUEL AND ASSOCIATED
ASSETS, AND ASSUMPTION OF OPERATIONS OF THE CR3 FACILITY PURSUANT
TO THE NRC LICENSE, AND REQUEST FOR WAIVER FROM FUTURE
APPLICATION OF RULE 25-6.04365, F.A.C. FOR NUCLEAR DECOMMISSIONING
STUDY**

FPSC DOCKET NO. _____

DIRECT TESTIMONY OF MATTHEW PALASEK

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

2 A. My name is Matthew Palasek. My business address is 526 South Church Street Charlotte,
3 NC 28202.

4

5 **Q. By whom are you employed and what is your position?**

6 A. I am employed by Duke Energy Business Services (“DEBS”), service company of Duke
7 Energy Florida, LLC (“DEF” or the “Company”) as the Managing Director – Total Cost
8 Ownership (“TCO”) Strategic Sourcing in DEF’s Supply Chain organization.

9

10 **Q. Please describe your duties and responsibilities in that position.**

11 A. I am responsible for supporting third party contracting for DEF across several categories
12 of spending, including major project sourcing, major project commercial contract
13 management, enterprise sourcing, and strategic sourcing.

14

15 **Q. Please describe your educational background and professional experience.**

16 A. I graduated from George Washington University in 1996 with a Bachelor of Science in
17 Economics. Upon graduation I worked for Charles River Associates (“CRA”), an

1 economics consulting firm, in Washington D.C. I predominantly supported CRA's
2 energy practice in analysis for antitrust filings related to utility mergers and Federal
3 Energy Regulatory Commission filings for market based rate authority. Subsequently, I
4 attended Duke University's Fuqua School of Business, from which I received my
5 Master's in Business Administration in 2002. Shortly after graduation, I worked in the
6 strategy group of Mirant, an Independent Power Producer based in Atlanta, Georgia. In
7 the summer of 2003, I left to work at Capital One in Richmond, Virginia to work with an
8 operations consulting group. In 2005, I joined DEBS. Between 2005 and 2017, I worked
9 in the Corporate Development (or Mergers & Acquisitions) group at DEF, supporting
10 DEF in transactions, both regulated and unregulated, including DEF's acquisition of the
11 Osprey power plant, located in Auburndale, Florida, from 2014 through 2015. Since
12 November 2017, I have worked as the Managing Director of TCO Strategic Sourcing in
13 DEF's Supply Chain organization.

14
15 **Q. What is the purpose of your testimony?**

16 A. My testimony is provided to support DEF's request for approval of the transaction
17 between DEF and Accelerated Decommissioning Partners, LLC ("ADP"), pursuant to
18 which DEF will contract with ADP, through its subsidiary ADP CR3, LLC, to complete
19 the decommissioning activities of the Crystal River nuclear power plant (the "CR3
20 Facility") on an accelerated basis, and through another subsidiary, ADP SF1, LLC, to
21 acquire ownership of the Independent Spent Fuel Storage Installation (the "ISFSI") assets
22 from DEF, including the spent fuel, the dry shielded canisters, and the plant, property,
23 and equipment ("PPE") that comprises the ISFSI (the "Proposed Transaction"). The

1 ISFSI assets include the used fuel and associated canisters, the storage modules,
2 foundations, security operations center and associated systems and equipment, fencing,
3 lighting and security cameras, all contained within and including the ISFSI vehicle
4 barrier system (collectively, the “ISFSI Assets”). My testimony includes an explanation
5 of the request for information (“RFI”) and the request for proposals (“RFP”) processes,
6 and provides an overview of how and why ADP was selected as the vendor team in
7 connection with the Proposed Transaction.

8
9 **Q. Do you have any exhibits to your testimony?**

10 A. Yes, I sponsor the following exhibits:

11 Exhibit No. __ (MP-1), RFI;

12 Exhibit No. __ (MP-2), RFP Bid Instructions and RFP Project Scope;¹ and

13 Exhibit No. __ (MP-3), Bid Evaluation Process Framework.

14 These exhibits are true and accurate.

15
16 **Q. How did DEF test the market interest in decommissioning the CR3 Facility on an
17 accelerated basis (“Accelerated D&D”)?**

18 A. DEF tested the market by researching developments and practices within the nuclear
19 decommissioning industry in the U.S. In 2017, DEF conducted discussions with
20 decommissioning industry contractors, which were currently involved in the process of
21 decommissioning nuclear power plants, and other utilities actively engaged in the

¹ During the bidding process, the documents set forth in Exhibit No. __ (MP-1) and Exhibit No. __ (MP-2) were confidential and subject to a confidentiality agreement between DEF and qualified potential bidders; however, after DEF decided to move forward with ADP under the Proposed Transaction, such documents are no longer confidential.

1 decommissioning process, such as Vermont Yankee Nuclear Power Station, San Onofre
2 Nuclear Generating Station, and the Dairyland Power Cooperative. The discussions
3 encompassed a range of topics, such as current projects, risk identification and
4 mitigation, stakeholder engagement, procurement, due diligence, contracting, and project
5 management. Subsequently, in November of 2017, DEF issued a RFI to nuclear
6 decommissioning vendors with experience in the U.S. decommissioning industry to
7 solicit ideas and solutions regarding the accelerated decommissioning process.

8
9 **Q. What was DEF's purpose for initiating a RFI in connection with Accelerated D&D?**

10 A. DEF's purpose for initiating a RFI was to generally understand the functional capabilities
11 of respondents and obtain information on contractual and project execution approaches in
12 connection with decommissioning services for the CR3 Facility. DEF sought to assess the
13 feasibility of the Accelerated D&D model, with the ultimate objective to complete all
14 decommissioning of the CR3 Facility for a cost not to exceed the available funds in the
15 Nuclear Decommissioning Trust ("NDT").

16
17 **Q. Please give a general overview of the RFI process.**

18 A. DEF initiated the RFI in November of 2017 with fourteen vendors with experience in the
19 U.S. decommissioning industry. The vendors had four weeks to respond to the RFI.
20 During this period, DEF employees were available to respond to questions or
21 clarifications requested from the vendors. All questions and the corresponding responses
22 were posted on an electronic webpage, which was made available to all vendors. In
23 accordance with the generally accepted practice within the DEF Supply Chain, all

1 questions were posted to the webpage on an anonymous basis, without identifying which
2 vendor asked each particular question.

3
4 **Q. Who was the RFI directed towards and what type of information was being**
5 **requested?**

6 A. The RFI was directed towards several nuclear decommissioning vendors. Generally, the
7 RFI sought information related to experience in the nuclear decommissioning industry,
8 contract structures typically used and expectations related to same, the scope and
9 planning involved in the decommissioning process, methods used to mitigate risks
10 associated with decommissioning, safety measures, as well as other core business
11 information. The RFI is attached as Exhibit No. __ (MP-1) to my testimony.

12
13 **Q. How many vendors responded to the RFI?**

14 A. From the fourteen vendors with which DEF initiated the RFI, a total of eight nuclear
15 decommissioning vendors responded.

16
17 **Q. How did DEF utilize the RFI responses in evaluating the feasibility of the**
18 **Accelerated D&D process?**

19 A. RFI information was used to better understand industry trends, capabilities of potential
20 bidders, due diligence expectations and overall project timeline. This information was
21 used to develop the RFP and select companies to participate in the RFP process. The RFI
22 responses were evaluated by DEF based upon a review of multiple criteria, including

1 expertise in the nuclear decommissioning industry. Out of the eight vendors evaluated,
2 six vendors were selected to participate in the competitive RFP process.

3
4 **Q. Did you follow a defined competitive bidding process and if so, describe the process?**

5 A. Yes. The competitive process was managed under the DEF procurement policy and used
6 approved systems, processes and practices, with ongoing support from subject matter
7 experts within DEF. At each major milestone of the bidding process, recommendations
8 were reviewed and approved at the relevant management level, including a briefing to the
9 Duke Energy Corporation (“Duke”) Senior Management Committee in November of
10 2018. This committee is comprised of the Duke Chief Executive Officer and her direct
11 reports. The Nuclear Oversight Committee, a committee of the Duke Board of Directors
12 was briefed on the status of the process in December of 2018. The Duke Transaction
13 Review Committee reviewed the proposed transaction in March of 2019. This committee
14 has representatives from many Duke business units, including accounting, tax, treasury,
15 risk management, etc.

16
17 **Q. Why didn’t DEF just issue a broad RFP to any interested counterparty?**

18 A. As a result of initial research, DEF learned that there are different strategies and
19 approaches involved in the decommissioning of nuclear facilities. The RFI was issued
20 with a primary goal of gaining a better understanding of these different strategies, as well
21 an understanding of the functional and technical experience and capabilities of potential
22 vendors in executing these strategies.

23

1 **Q. When did DEF initiate the RFP?**

2 A. DEF initiated the RFP in May of 2018.

3

4 **Q. Please give a general overview of the RFP process.**

5 A. The RFP is a competitive bidding process managed under the DEF procurement policy
6 and using approved systems, processes and practices. The RFP Bid Instructions and the
7 RFP Project Scope are attached as Exhibit No. __ (MP-2) to my testimony.

8

9 **Q. Please provide an overview of the DEF bid evaluation process, including the
10 technical evaluation, financial evaluation and legal evaluation.**

11 A. DEF prepared a comprehensive bid evaluation process in support of this competitive
12 process, which included a technical evaluation, a commercial evaluation, and a legal
13 evaluation. The commercial and legal evaluation involved an assessment of the cost
14 proposals for each bid and a determination of whether the proposed cost was within
15 DEF's budget and what, if any, financial margin would be maintained. In addition to the
16 direct cost quoted in the bid, the evaluation included an assessment of cost certainty
17 based on the Proposed Transaction structure, risks accepted by the bidder versus those
18 retained by DEF, and financial assurances offered by the bidder. The DEF bid evaluation
19 process is attached as Exhibit No. __ (MP-3) to my testimony.

20

21 **Q. How many vendors responded to the RFP?**

22 A. By July 27, 2018, four vendor teams responded to the RFP.

23

1 **Q. Please describe how DEF utilized the bid proposals received in evaluating the**
2 **feasibility of the Accelerated D&D process?**

3 A. The proposals were used to evaluate the feasibility of the Accelerated D&D process by
4 applying the aforementioned technical, commercial and legal evaluations, which allowed
5 DEF to compare vendor proposals to the available funds in the NDT. If a proposal met
6 minimum expectations, DEF continued with the bid evaluation process by narrowing
7 down candidates to continue to the due diligence evaluation stage.

8

9 **Q. Please describe DEF's process for narrowing down the four candidates.**

10 A. In September of 2018, DEF short listed the two bidders whose bids met DEF's minimum
11 technical, commercial, and legal requirements. The two selected vendor teams both
12 conducted on-site due diligence.

13

14 **Q. Please explain the on-site due diligence process and how it facilitated DEF in**
15 **selecting ADP from the two final vendor teams.**

16 A. The two vendor teams commenced on-site due diligence in October of 2018. The on-site
17 due diligence process lasted over four weeks and each of the vendor teams performed the
18 on-site due diligence at the same time. The on-site due diligence process provided the
19 vendor teams full access to walk and inspect the entire CR3 Facility, including relevant
20 parts of the Crystal River Energy Complex and the ISFSI Assets, as well as review of
21 plant design and historical operational information in order to clarify and refresh their
22 original proposals. The vendor teams were given an opportunity to discuss with subject
23 matter experts as needed. DEF support staff was available to the vendors during the due

1 diligence process as required and as requested by the vendor teams. From this on-site due
2 diligence process, the two vendor teams submitted refreshed bid proposals in December
3 of 2018. ADP was one of these two vendors.

4
5 **Q. Please explain why ADP was selected from the final two vendor teams.**

6 A. ADP was selected based on the same technical, commercial, and legal evaluation
7 referenced in my prior responses. The evaluation was further informed based upon due
8 diligence of each specific vendor team and proposal. After assessing the refreshed bids,
9 including responses to proposed terms and conditions, the evaluation team determined
10 that ADP bid offered the most cost certainty to DEF. This judgment was based on the
11 direct cost quoted in ADP's bid, as well as their willingness to accept project execution
12 risks throughout the process consistent with DEF's expectations and its willingness to
13 provide financial assurances that supported ADP's contractual commitments.
14 Additionally, the evaluation team considered the fact that the ADP bid team utilized a
15 detailed pay item disbursement schedule that breaks the total project into smaller scopes
16 of work (work breakdown structure) and defines a fixed price for each scope of work.
17 Ultimately, DEF entered into final contract negotiations with ADP in January of 2019.

18
19 **Q. In conclusion, were DEF's bidding practices that resulted in the Proposed
20 Transaction reasonable and prudent?**

21 A. Yes. DEF followed its procedures to both identify capable counterparties in the market
22 and evaluate responses using a thorough process. From the initial RFI up until final
23 contract negotiations with ADP, the bidding process lasted over one year, which allowed

1 DEF to thoroughly and fairly evaluate all potential decommissioning avenues and vendor
2 proposals. Throughout the process, DEF considered relevant factors, evaluated multiple
3 vendors, and performed extensive due diligence before ultimately choosing ADP to
4 decommission the CR3 Facility. This resulted in the selection of the best vendor team to
5 become the counterparty to DEF under the Proposed Transaction. Accordingly, DEF's
6 bidding practices were reasonable and prudent and in the best interest of customers.

7

8 **Q. Does this conclude your direct testimony?**

9 A. Yes.

1 MS. TRIPLETT: Thank you, sir.

2 And then Duke Energy would call David Doss.

3 And he has not been sworn.

4 CHAIRMAN CLARK: Thank you.

5 Mr. Doss, would you raise your right hand and
6 repeat after me, please.

7 Whereupon,

8 DAVID L. DOSS

9 was called as a witness, having been first duly sworn to
10 speak the truth, the whole truth, and nothing but the
11 truth, was examined and testified as follows:

12 CHAIRMAN CLARK: Thank you very much.

13 Your witness, Ms. Triplett.

14 MS. TRIPLETT: Thank you.

15 EXAMINATION

16 BY MS. TRIPLETT:

17 **Q Would you please introduce yourself and**
18 **provide your address.**

19 A Yes. Good afternoon, Commissioners. My name
20 is David Doss. My address -- business address is 550
21 South Tryon Street in Charlotte, North Carolina.

22 **Q And who do you work for and what is your**
23 **position?**

24 A I'm employed by Duke Energy business services,
25 which provides various administrative and other services

1 to Duke Energy Florida and other affiliated companies of
2 Duke Energy. I'm the director of asset accounting,
3 controller of the department.

4 **Q And have you filed prefiled direct testimony**
5 **and exhibits in this proceeding?**

6 A Yes, I have.

7 **Q Do you have a copy of your testimony and**
8 **exhibits with you?**

9 A I do.

10 **Q Do you have any changes to make?**

11 A No.

12 **Q If I asked you the same questions in your**
13 **prefiled testimony today, would you give the same**
14 **answers that are in your prefiled testimony?**

15 A Yes.

16 MS. TRIPLETT: Mr. Chair, we would request
17 that the prefiled testimony be entered into the
18 record as if it were read today.

19 CHAIRMAN CLARK: So ordered.

20 MS. TRIPLETT: Thank you.

21 (Whereupon, Witness Doss' prefiled direct
22 testimony was inserted into the record as though
23 read.)

24

25

**IN RE: PETITION BY DUKE ENERGY FLORIDA, LLC TO APPROVE
TRANSACTION FOR ACCELERATED DECOMMISSIONING SERVICES AT THE
CR3 FACILITY, TRANSFER OF TITLE TO SPENT FUEL AND ASSOCIATED
ASSETS, AND ASSUMPTION OF OPERATIONS OF THE CR3 FACILITY PURSUANT
TO THE NRC LICENSE, AND REQUEST FOR WAIVER FROM FUTURE
APPLICATION OF RULE 25-6.04365, F.A.C. FOR NUCLEAR DECOMMISSIONING
STUDY**

FPSC DOCKET NO. _____

DIRECT TESTIMONY OF DAVID L. DOSS, JR.

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

2 A. My name is David L. Doss, Jr. My business address is 550 South Tryon Street, Charlotte,
3 NC 28202.

4

5 **Q. By whom are you employed and what is your position?**

6 A. I am employed by Duke Energy Business Services (“DEBS”) as the Director of Asset
7 Accounting within the Controllers’ department. DEBS provides various administrative
8 and other services to Duke Energy Florida (“DEF” or “the Company”) and other
9 affiliated companies of Duke Energy Corporation (“Duke”).

10

11 **Q. Please describe your duties and responsibilities in that position.**

12 A. As the Director of Asset Accounting, I have responsibility for the accounting for the
13 assets of Duke Energy’s regulated utilities, which includes DEF’s regulated utility
14 business in Florida.

15

1 **Q. Please describe your educational background and professional experience.**

2 A. I am a graduate of the University of Texas at Austin, where I earned a Bachelor of
3 Business Administration degree with a concentration in Accounting. I have over 30 years
4 of professional experience with Duke Energy, including over 20 years of management
5 experience in various accounting and finance roles. I was named to my current role as
6 Director of Asset Accounting in June 2019.

7
8 **Q. What is the purpose of your testimony?**

9 A. My testimony is provided to support DEF's request for approval of a transaction between
10 DEF and Accelerated Decommissioning Partners, LLC ("ADP"), pursuant to which ADP
11 will contract with DEF, through its subsidiary ADP CR3, LLC ("ADPCR3"), to complete
12 the decommissioning activities of the Crystal River nuclear power plant (the "CR3
13 Facility") on an accelerated basis, and through another subsidiary, ADP SF1, LLC
14 ("ADPSF1"), to acquire ownership of the Independent Spent Fuel Storage Installation
15 (the "ISFSI") assets from DEF, including the spent fuel, the dry shielded canisters, and
16 the plant, property, and equipment that comprises the ISFSI (the "Proposed
17 Transaction"). My testimony includes an explanation of the status of the nuclear
18 decommissioning trust fund ("NDT"), including the economic benefits of the Proposed
19 Transaction.

20
21 **Q. Are you co-sponsoring any exhibits?**

22 A. Yes, I co-sponsor sections 2, 3, and 4 of Exhibit No. __ (TH-2), attached to Mr. Terry
23 Hobbs' testimony.

1 **Q. Please explain the role of the NDT in connection with the Proposed Transaction.**

2 A. The cost for the Proposed Transaction (including the ADPCR3 costs and DEF's owner's
3 costs) will be paid from the NDT, with any excess funds returned to, or any deficits
4 collected from, DEF's customers and Duke shareholders. DEF will maintain control of
5 and title to the NDT, but will separate the NDT into two accounts. DEF will segregate an
6 amount equal to the fixed cost due to ADPCR3 under the contract from all other funds in
7 the NDT by placing the amount due under the contract in a "subaccount" of the NDT (the
8 "segregated subaccount of the NDT"). Remaining funds will continue to be held in the
9 NDT (the "reserve account of the NDT"), separate from the ADPCR3 fixed cost funds.
10 Reimbursements to ADP will only be disbursed for completed qualifying work.
11 Disbursement amounts for each scope of work will be limited to amounts agreed upon in
12 the contract. Any funds remaining in the segregated subaccount of the NDT (including
13 earnings or losses) after the accelerated decommissioning of the CR3 Facility is
14 confirmed completed by the Nuclear Regulatory Commission ("NRC") will also be
15 disbursed to ADPCR3.

16

17 **Q. Please describe the excess funds in the NDT and DEF's obligations related to such**
18 **excess funds.**

19 A. Excess funds from the NDT (the funds in the reserve account of the NDT) are the amount
20 of funds equal to the overall net regulatory liability due to DEF customers and Duke
21 shareholders at the end of decontamination and decommissioning of the CR3 Facility (the
22 "Excess Funds"). The Excess Funds will be returned to DEF customers and Duke
23 shareholders upon completion of all activity at the CR3 Facility, including the removal of

1 the spent fuel, the decommissioning of the ISFSI Installation, and full termination of the
2 NRC license. Duke shareholders are entitled to a share of the Excess Funds, if any,
3 because Duke shareholders bought out the minority interests of previous CR3 co-owners.
4 Likewise, if the costs to decommission increase and additional money is required (an
5 event that DEF does not currently believe will occur under the Proposed Transaction),
6 then Duke shareholders would also be obligated to contribute towards the additional costs
7 in that same percentage.

8
9 **Q. Please explain how the NDT will be managed during the Proposed Transaction.**

10 A. During the Proposed Transaction, DEF will maintain ownership and oversight of the
11 investment of the funds in the NDT, but will agree with ADP on the desired investment
12 strategy and designated investment manager (only for the ADPCR3 segregated
13 subaccount). ADPCR3 will request payment from the segregated subaccount of the NDT
14 by submitting detailed invoices to DEF. DEF will review the invoices and supporting
15 documentation and ensure that the amount invoiced meets the contractual requirements.
16 DEF will request payment from the segregated subaccount of the NDT for ADPCR3
17 invoices submitted for reimbursement. Additionally, DEF will request payment from the
18 reserve account of the NDT for the owner's costs incurred. This request will be reviewed
19 and approved similar to existing practices, which includes a review of the costs by DEF
20 staff, such as accounting and treasury.

21
22 **Q. Please explain how the Proposed Transaction will satisfy the requirements of Rule**
23 **25-6.04365 of the Florida Administrative Code (F.A.C.).**

1 A. Rule 25-6.04365, F.A.C. requires that there be sufficient funds in the NDT at the time of
2 decommissioning to meet all required expenses at the lowest possible cost to utility
3 customers. Pursuant to Rule 25-6.04365, F.A.C., DEF has prepared an updated study that
4 reflects the new cost estimate included in the Proposed Transaction, taking into
5 consideration the accelerated decommissioning schedule. The updated nuclear
6 decommissioning study is attached to Mr. Terry Hobbs' testimony as Exhibit No. __
7 (TH-2). Pursuant to the study, as of March 31, 2019, the NDT had an estimated value of
8 \$654 million (net of estimated taxes). The study assumes that the decommissioning
9 project is completed in 2038. The cost of the project is expected to total \$617 million,
10 consisting of ADPCR3 costs under the fixed price contract plus approximately \$77
11 million in owner's costs for DEF, such as spent fuel management (primarily security
12 related costs) through the closing date and license termination costs (including DEF
13 invoice validation, taxes, fees, insurance and other contract management costs), until the
14 accelerated decommissioning and dismantlement is complete. At the closing of the
15 transaction, it is estimated that there will be about \$100 million of unallocated funds in
16 the NDT. Therefore, there is adequate funding to complete the accelerated
17 decommissioning process of the CR3 Facility in accordance with the terms and
18 conditions of the Proposed Transaction. Accordingly, the Proposed Transaction satisfies
19 the requirements of Rule 25-6.04365, F.A.C. This analysis is further demonstrated in
20 Section 2 of Exhibit No. __ (TH-2).

21

22 **Q. What was the status of the NDT in 2013 and how did that impact DEF's decision to**
23 **proceed with the selected method for decommissioning the CR3 Facility?**

1 A. In 2013 the NDT balance was \$753 million. The funds in the NDT at the time were not
2 sufficient to pursue an accelerated decommissioning of the CR3 Facility. The projected
3 growth of the NDT funds during an accelerated decommissioning timeframe was also
4 insufficient to meet the anticipated cash flow needs required for accelerated
5 decommissioning. Therefore, DEF selected the sixty (60) year “SAFSTOR” method for
6 decommissioning the CR3 Facility. At the time, the long term SAFSTOR method was
7 preferential to DEF as it allowed for the funds in the NDT to grow over the sixty (60)
8 year period to an amount sufficient to meet the projected costs to decommission the CR3
9 Facility, thereby satisfying the requirements under Rule 25-6.04365, F.A.C. The FPSC
10 granted its approval for DEF to proceed with the SAFSTOR method for
11 decommissioning of the CR3 Facility on January 23, 2015.

12
13 **Q. What is the current status of the NDT and how does it impact DEF’s decision to**
14 **proceed with an accelerated method for decommissioning the CR3 Facility**
15 **(“Accelerated D&D”)?**

16 A. As of March 31, 2019, the balance in the NDT is \$654 million (net of estimated taxes
17 payable) and is sufficient to cover the total expected cash outflow of the Accelerated
18 D&D. The fixed price contract with ADPCR3, which when considered together with
19 estimated owner’s DEF costs, will cost DEF a total of approximately \$617 million (plus
20 or minus any earnings or losses, respectively on the reserve account of the NDT). Due to
21 the growth of the funds in the NDT and the fixed cost of the ADP contract, the total NDT
22 balance exceeds the cost of Accelerated D&D under the contract with ADPCR3, such
23 that DEF now has sufficient funds to proceed with Accelerated D&D instead of

1 continuing with SAFSTOR method. Changing the decommissioning method mitigates
2 future financial risks to DEF and its customers, including risks such as cost escalation
3 rates that exceed the NDT rate of return and the potential reduction in the value of the
4 NDT due to market conditions

5
6 **Q. Are there economic benefits for DEF customers from DEF's approach of going**
7 **through the Accelerated D&D process, rather than continuing with the SAFSTOR**
8 **method?**

9 A. Yes. NDT Excess Funds can potentially be returned to the customers much sooner since
10 the project is expected to be completed approximately thirty-six (36) years sooner (2038
11 versus 2074). Based upon expected costs to ADPCR3 under the fixed price contract, the
12 DEF owner's cost, the expected DOE refunds, and the projected earnings on the NDT,
13 DEF currently does not foresee the need to collect additional NDT funds from customers
14 to support the Accelerated D&D process.

15
16 **Q. Please explain why DEF does not foresee the need to collect additional funds from**
17 **its customers.**

18 A. The NDT balance as of March 31, 2019 is more than the total estimated future costs to be
19 incurred during Accelerated D&D. In addition, projected earnings on the NDT fund and
20 expected amounts refunded to DEF from the DOE for costs incurred for spent fuel
21 management (through transaction closing) will also be deposited into the NDT, which
22 will increase the NDT balance even further. This analysis is further demonstrated in

1 Section 3 and 4 of Exhibit No. __ (TH-2). Therefore, currently there is no expected need
2 to collect additional funds from customers.

3
4 **Q. How will funds be distributed to ADPCR3 from the NDT in connection with the**
5 **Proposed Transaction?**

6 A. ADPCR3 will make monthly reimbursement requests for payment by submitting a
7 disbursement certificate (or invoice) to DEF, which will include a certification from
8 ADPCR3 that all work covered by the disbursement certificate has been completed. DEF
9 will make disbursements to ADPCR3 as compensation for the performance of
10 decommissioning activities pursuant to payment schedules for defined scopes of work
11 and based on the percentage of work completed. Disbursements from the NDT will only
12 be made after a disbursement certificate and additional documentation has been
13 submitted by ADPCR3. All disbursement requests will be reviewed by DEF.
14 Additionally, on a quarterly basis, and more often if necessary, DEF will meet with
15 ADPCR3 to discuss the status of any disputed disbursement certificates.

16
17 **Q. What contractual protections and financial assurances exist in the contract between**
18 **DEF, ADPCR3, and ADPSF1 to protect the funds in the NDT and DEF customers?**

19 A. Neither ADP, ADPCR3, nor ADPSF1 will have any rights to use funds in the NDT
20 beyond the contracted amount. In the event the project costs are higher than currently
21 estimated by the ADP, the transaction documents have been structured to provide
22 significant protections and financial assurances that ADPCR3 and ADPSF1 can meet
23 their contractual obligations without requiring additional funds to be distributed from the

1 NDT. These protections and assurances include performance bonds, provisional trust
2 funding, and parent company guaranties, all of which will protect the NDT from liability
3 in excess of the fixed cost. Additionally, ADPCR3 is required by NRC regulations to
4 submit certification of the status of its decommissioning funding demonstrating that there
5 is available funding to cover the estimated cost to complete decommissioning. The details
6 of the contractual protections for DEF and its customers are discussed in more detail in
7 the testimony and exhibits of Mr. Terry Hobbs.

8
9 **Q. If the contractual protections and financial assurances are insufficient, what are**
10 **DEF's other alternatives to secure the NDT funds?**

11 A. If there are significant unforeseen circumstances which could not be resolved by any of
12 the contractual remedies and which would require additional funding, DEF would have
13 the option to return to SAFSTOR, subject to mutual agreement of DEF and ADPCR3.
14 This would provide additional time for the NDT funds to grow and provide sufficient
15 funding to complete the project. Alternatively, DEF could also seek additional funding
16 from customers and Duke shareholders. However, based on current information, DEF
17 does not believe it will need to seek such additional funding.

18
19 **Q. Please describe the benefits of the Proposed Transaction in relation to the NDT.**

20 A. The Proposed Transaction will segregate a fixed portion of the NDT into a subaccount to
21 cover the fixed fee of the contract with ADPCR3. This segregated amount and all related
22 earnings or losses will compensate ADPCR3 for its services. This benefits the NDT as it
23 provides a fixed amount to execute the remaining decommissioning work at the CR3

1 Facility (with the exception of the DEF owner's costs), which protects the NDT from the
2 risks of cost fluctuations and changes, including inflation, volatile market conditions, and
3 difficulties in project execution.

4

5 **Q Is the Proposed Transaction in the best interest of DEF's customers?**

6 A. Yes. The Proposed Transaction is in the best interest of DEF's customers because it
7 provides a fixed amount to execute the Accelerated D&D Project (with the exception of
8 the DEF owner's costs), accelerates the timing of decommissioning completion, and
9 allows for the potential return of projected Excess Funds much sooner than previously
10 anticipated under the SAFSTOR.

11

12 **Q. Does this conclude your direct testimony?**

13 A. Yes.

1 BY MS. TRIPLETT:

2 Q Do you have a summary?

3 A Yes, I do.

4 Q Please provide it. Thank you.

5 A Thanks. And if I could, just real quickly,
6 everybody, I want to say I'm sorry for the technical
7 difficulties we had yesterday with my video connections
8 and any inconvenience that may have caused for the --
9 for the Commission and other hearing participants. I
10 know that threw a wrench into things yesterday. And I
11 really appreciate everybody's flexibility to work around
12 that. And it's really good to see everybody today.

13 And so, with that, I'll read my summary. My
14 testimony in this case provides an explanation of the
15 status of the nuclear decommissioning trust fund, or the
16 NDT, and the economic benefits of the proposed
17 transaction.

18 As of March 31st, 2019, the balance of the NDT
19 was 654 million, net of estimated taxes payable, which
20 is more than sufficient to cover the total expected cash
21 outflow of the accelerated decommissioning of the CR3
22 facility.

23 The NDT balance is expected to increase
24 further due to projected earnings on the NDT fund and
25 amounts expected to be refunded to DEF from the DOE for

1 costs incurred for spent-fuel management, which will
2 be -- be depos- -- deposited into the NDT.

3 Costs for the proposed transaction will be
4 paid from the NDT. The NDT will be separated into two
5 accounts with DEF maintaining control and title of both
6 accounts.

7 The amount due under the contract will be
8 deposited into one -- one -- one subaccount of the NDT,
9 which -- which we're calling the segregated subaccount
10 of the NDT -- and remaining funds will continue to be
11 held in the NDT separate from the segregated subaccount.

12 ADPCR3 will make monthly reimbursement
13 requests by submitting a disbursement certificate or an
14 invoice to DEF with a certification that all work
15 covered by the invoice is complete. ADP will only be
16 reimbursed for completed qualifying work. Contract
17 provides for limits to amounts agreed upon for
18 disbursement for each scope of work.

19 Notably, the proposed transaction will
20 segregate a fixed portion of the NDT into a subaccount
21 to cover the fixed fee in the contract with ADP's CR3.
22 The segregated amount, combined with its related
23 earnings or losses, will compensate ADPCR3 for its
24 services.

25 Therefore, a fixed amount is provided to

1 execute the remaining decommissioning work at the CR3
2 facility, except for DEF owner's costs. This will
3 protect the NDT from the risk of cost fluctuations and
4 changes, including inflation, mar- -- market conditions,
5 and difficulties in project execution.

6 Excess funds in the NDT will be returned to
7 DEF customers and Duke shareholders upon completion of
8 all activity at the CR3 facility, including removal of
9 the spent fuel, the decommissioning of the independent
10 spent-fuel-storage installation, and full termination of
11 the NRC license.

12 This concludes my summary.

13 MS. TRIPLETT: Thank you. We tender the
14 witness for cross-examination.

15 CHAIRMAN CLARK: All right. Mr. Rehwinkel.

16 MR. REHWINKEL: Thank you, Mr. Chairman.

17 EXAMINATION

18 BY MR. REHWINKEL:

19 Q I had "good morning, Mr. Doss," but I've
20 changed that to "good afternoon" in my questions.

21 A Good afternoon.

22 Q I want to understand the primary reason that
23 you're offering your testimony today. So, I think you
24 testified you're presenting the status of the nuclear
25 decommissioning trust fund, in part; is that right?

1 A That's correct.

2 Q And your role at Duke Energy, as -- as
3 director of asset accounting --

4 A Yes.

5 Q Is director of asset accounting for all of the
6 regulated utilities?

7 A That's correct.

8 Q And when you say Duke Energy, that's what I
9 call the big Duke. That's more than Duke Florida. It's
10 all in the southeast region and Ohio and Indiana; is
11 that right?

12 A That's right.

13 Q And are you responsible for accounting for the
14 debits on the balance sheet?

15 A A lot of them, yes. So, as director of asset
16 accounting, I've got oversight for, like, property,
17 plant, and equipment; you know, let's talk about the big
18 debits on the balance sheet, property, plant equipment.
19 Our nuclear decommissioning trust funds -- I have
20 oversight for the accounting related to those. I have
21 oversight for accounting related to inventories, some of
22 our regulatory assets, those types of things.

23 Q Okay. And there are several nuclear
24 decommissioning trust funds throughout the Duke Energy
25 system; is that correct?

1 A That's correct.

2 Q Okay. And I think you just said you're
3 responsible for the accounting for each of them.

4 A Yes.

5 Q Okay. Is it also true -- is it true that Duke
6 Energy Florida is the only utility in the Duke system
7 that is decommissioning a nuclear plant using decon, or
8 accelerated decommissioning, at this time?

9 A That's right.

10 Q Okay. So, Duke in Florida is somewhat of a
11 pioneer inside the -- the Duke system for making
12 payments or defer -- disbursements from an NDT or an
13 accelerated decommissioning project; is that right?

14 A Correct.

15 Q If -- if I say NDT, or NDF, will you agree
16 with me I mean the same thing?

17 A I understand, yes.

18 Q Okay. Now, you aren't shown in the prehearing
19 order as having any, but you are co-sponsoring
20 Sections 2 and 4 of Exhibit TH-2 of Mr. Hobbs; is that
21 right?

22 A I believe it's two, three, and four.

23 Q Two, three, and four, that's right. Is that
24 correct?

25 A Yes.

1 **Q Okay. Is the -- do you understand what a**
2 **qualified trust is for a nuclear decommissioning fund?**

3 A I have a basic understanding of qualified,
4 yes.

5 **Q Can you tell me what that is?**

6 A So, a qualified trust fund is one that is --
7 gets favorable tax treatment.

8 **Q Okay. Is -- is the current Duke nuclear**
9 **decommissioning trust fund considered qualified under**
10 **that definition?**

11 A Almost all of the funds in there are
12 considered qualified.

13 **Q Which funds are not -- or what type of funds?**

14 A We have a few million of funds, as I
15 understand it, and maybe -- I'm thinking maybe
16 five million in funds that are unqualified. And we're
17 drawing those down first so that we will be left with
18 just qualified funds.

19 **Q Why are they non-qualified or unqualified?**

20 A You know, I -- I -- I'm afraid I don't know
21 the history of how they became non-qualified or
22 qualified.

23 **Q Okay. You're aware that Duke has or expects**
24 **to recover funds from the United States Department of**
25 **Energy for costs incurred for spent-fuel management that**

1 will be deposited into the funds at some point in the
2 future?

3 A I am aware of that, yes.

4 Q Okay. Is it -- do you know whether these
5 funds will be deposited into qualified or non-qualified
6 portion of -- of the NDF?

7 A I don't know.

8 Q Okay. You stated on your testimony -- in your
9 testimony, at Page -- I think it's 5 and 6 -- in two
10 different places -- and you said in your -- in your
11 summary that the -- you gave a balance of \$654 million
12 in the trust fund, but that was as of March of last
13 year?

14 A That sounds right, yes.

15 Q Okay. Would you agree with me that the latest
16 estimate of the balance in -- in the NDT is somewhere in
17 the neighborhood of \$660 million?

18 A Yes, I believe that's right.

19 MR. REHWINKEL: Okay. Could -- could you open
20 up Exhibit 29.

21 And Mr. Chairman, I would ask that OPC
22 Exhibit 29 -- that that be given a number, 41.

23 CHAIRMAN CLARK: Okay.

24 (Whereupon, Exhibit No. 41 was marked for
25 identification.)

1 MR. REHWINKEL: And I think we called this
2 Hobbs' late-filed deposition exhibit.

3 BY MR. REHWINKEL:

4 **Q Do you have that document, Mr. Doss?**

5 A I'm sorry. Could you -- could you give me
6 that number again?

7 **Q It's No. 29.**

8 A Yes, I do have that one up. Yes.

9 **Q Okay. And I want to ask you to turn to Page 4**
10 **of that exhibit.**

11 A Page 4. Okay.

12 **Q Are you familiar with the information that's**
13 **contained on those documents?**

14 A I -- I'm -- I'm not -- and we're talking about
15 this late-filed exhibit to AMI in -- in the premium
16 assessment, correct?

17 **Q Oh, I apologize. The Page 4 I'm looking at is**
18 **the late-filed Deposition Exhibit 3. And it's --**

19 A Oh.

20 **Q And it's a look at the disbursements from the**
21 **NDT between February of 2013 and May 31, 2020.**

22 A Okay. I'm sorry. I'm with you now.

23 **Q Okay.**

24 A Yeah, I -- I -- I'm -- I can't say that I'm
25 real familiar with these numbers, other than I -- I know

1 that, in talking with Witness Terry Hobbs, he had
2 mentioned that we had approximately \$300 million.

3 So, this -- this doesn't surprise me. This is
4 approximately \$300 million over this time period, yes.

5 Q Okay. So, would you accept, subject to check,
6 307.3 million?

7 A Yes, I accept that, subject to check. Sure.

8 Q So, if you took the number that -- that you
9 testified to last year -- well, actually, I take that
10 back. If you -- in your testimony, on Page 6, Line 1 --
11 if you could, turn to that.

12 A All right.

13 Q I think you used a figure of \$753 million from
14 February of -- well, do you know what the date of that
15 number -- when that number was correct?

16 A This -- in my testimony, this says in 2013. I
17 don't -- I don't know specifically which month.

18 Q Okay. So, if it was in February -- February
19 of 2013 is when the CR3 plant was permanently shut down;
20 is that right?

21 A That sounds about right.

22 Q Okay. If the balance of February of 2013 was
23 \$753 million and what's shown on Page 4 of Exhibit 29 is
24 \$307.3 million of disbursements from these three
25 categories that are shown here, license determination,

1 spent-fuel management, and site restoration, and that
2 amount of \$307.3 million was deducted from 753 million,
3 that would leave you about 446 million. Will you accept
4 my math on that?

5 A Yes.

6 Q And to get to the most-current estimate of
7 \$660 million, there would have been recoveries from the
8 Department of Edu- -- of Energy, not Education -- and
9 after-tax earnings added back to the account; is that
10 right?

11 A I would agree with that. That sounds right.

12 Q And there wouldn't be customer contributions
13 because those stopped in the 2001-2002 time frame,
14 correct?

15 A That sounds right, yes.

16 Q Okay. Now, if the transaction that is the
17 subject of this docket is approved, \$540 million will be
18 segregated or allocated to the segregated subaccount to
19 pay for the decommissioning up through the end -- end-
20 of-state condition; is that your understanding?

21 A That's -- that's my understanding, yes.

22 Q And assuming \$660 million is in the account at
23 that time -- and I guess there's -- the only certainty
24 of that number will be different, right?

25 A Right.

1 Q One way or the other?

2 A Correct.

3 Q That there would be approximately \$120 million
4 to pay for additional owner's costs and to pres- --
5 provide a reserve; is that your understanding?

6 A So, I -- I think what we said is that, at
7 closing, we would expect around a hundred million,
8 right? And I think, in your math, you came up with
9 120 million based on a 660-million number now versus the
10 540 would give you 120. I think that's pretty close.

11 I think that, between now and closing, you
12 could have some additional DEF owner's costs incurred
13 that would maybe bring the number down, but likewise you
14 could have a little bit of earnings, I think, on what --
15 on that 660 as well.

16 Now, my understanding is the way that we've
17 invested the 660 right now is in very, very conservative
18 investments. So, I -- I'm not expecting much in the way
19 of returns, but I accept that your 120 is not a whole
20 lot different than the 100. It's in that range.

21 Q Okay. And it is going to be based -- based on
22 where you are in the owner's costs, where you are in
23 whatever earnings you've added -- excuse me -- added
24 back into the account, right?

25 A That's right.

1 Q Okay. Now, isn't it true that, sometime
2 before 2022, you expect to get another \$90 million in
3 damages recoveries from the DOE; is that right?

4 A That's the number we expect, yes.

5 Q Okay. Are you aware that Duke had earlier
6 estimated that \$131 million would be collected and added
7 to the asset that you're responsible for accounting for?

8 A No, I -- I'm sorry. I'm not aware of that.

9 Q Okay. So, if that was the case and it changed
10 from 131 to 90 -- 141 to -- no, 131 to 90 million, you
11 don't know why that \$41-million difference would exist,
12 if my assumptions to the question are correct?

13 A Yeah. I'm sorry. I just don't know that
14 history. It was previously 131 and it came down to
15 90 -- I just don't know the history there.

16 Q Okay. If you go back and look at Page 4 of --
17 well, Exhibit 29 -- OPC Exhibit 29 -- and you see the
18 item of -- of \$191.4 million for spent-fuel management?

19 A I see that, yes.

20 Q Is -- are those the costs that Duke has
21 incurred that they are seeking recovery from the DOE
22 for?

23 A For this period, February 2013 to May of
24 2020 -- I don't recall the time period for the -- the
25 90 million for the DOE reimbursement that we're seeking.

1 It wouldn't surprise me if it's within this period. I
2 know there's certain time periods where we've gotten
3 monies before from the DOE. And it's -- I -- for the
4 90 million, I just don't recall what time period that
5 is.

6 Q Okay. But if I understand you correctly, that
7 the money you're getting from the DOE are -- are funds
8 that were disbursed from the NDT to pay for the ISFSI
9 costs and then, based on the progress of construction
10 and the completion, et cetera, you get reimbursement
11 from the DOE, and then you pay the NDF back -- is that
12 how it works?

13 A Yes, that's right. And it's -- it probably is
14 this time period. I just can't say for certain. And
15 Witness Terry Hobbs could probably expand on that, but
16 it wouldn't surprise me if he's -- if it's within this
17 time period.

18 Q Okay. Do you know whether there are costs --
19 and I'm asking you this as the administrator of -- of
20 the asset. Are there costs -- I shouldn't -- let me --
21 let me start the question over.

22 You're responsible for accounts for the asset,
23 right?

24 A That's right. So, that responsibility
25 entails, you know, tracking the monthly statements that

1 we get from the trustee, tracking those gains and losses
2 that we talked about, and making sure to record that to
3 reflect that on the general ledger and the books and
4 records of Duke Energy Florida.

5 Q Okay. The -- the balance -- the favorable
6 balance in there is a debit balance, but you're
7 responsible for the debits and credits, right?

8 A That's right. That's right.

9 Q Do you know whether there are costs that you
10 have incurred for spent-fuel management that will not be
11 recovered from the DOE?

12 A I don't know the answer to that question.

13 Q Do you know whether the DOE paid carrying
14 costs or interest charges, for example?

15 A No, I don't know. I think Terry Hobbs will
16 have more experience with that than I do.

17 Q Okay. Let me just ask you -- this is just a
18 principle-of-accounting question I want to ask. If you
19 take funds out of the NDT to pay for a structure like an
20 ISFSI -- I can never say that word. I think when we
21 were doing the -- the RRSSA, we came up with the phrase
22 DCS for dry cask storage. And I love that term. I hate
23 this other one, but anyway, I digress.

24 If you take funds out of the NDF and you put
25 them into -- and you -- and you use them to build the

1 ISFSI, those costs -- with that amount of money that you
2 take out of the funds, you have an opportunity cost
3 within the funds, do you not -- an opportunity-cost loss
4 within the fund.

5 A If we pull those monies -- okay. So,
6 you're -- if you could repeat the question one more
7 time, please.

8 Q Let me ask it a better way. I'll just take an
9 example. Let's say you take out \$100 million to pay for
10 the IF- -- ISFSI facility -- and I don't know if that's
11 the amount or not.

12 So, that hundred million dollars, to the
13 extent it's in use to pay for contractors and costs to
14 build that facility, is not in the fund, right?

15 A Right.

16 Q And that -- that fact would be -- that loss of
17 those funds from the fund means that you can't earn on
18 them within the fund, right?

19 A I see what you're saying. Yeah, you -- you
20 lost your opportunity for gains and losses. You've
21 oppor- -- you've lost your opportunity to take a risk on
22 those funds. I see what you mean, yes.

23 Q Okay. And so, if -- if the DOE does not pay
24 interest on claims, then, if you make recoveries and pay
25 the fund back, it won't come back into the fund with the

1 **opportunity costs included; is that fair?**

2 A If the DOE does not pay interest, there is the
3 concept of time value of money -- you know, the concept
4 of time value of money that, over time, you would think
5 that the time value of money would increase. That's not
6 always the case, right, as we know.

7 We've seen recent moves in the stock market,
8 just earlier this year. Going back to 2007, 2008, we've
9 seen these kinds of things. I would suspect that we saw
10 some periods where, if those funds had been in the
11 trust, they would have lost money, so -- but I
12 understand your -- the concept of -- of the loss
13 value -- time value of money. I understand the concept.

14 Q So, in my hy- --

15 A There's no guarantee, right?

16 Q Yeah. In my hypothetical, if there was a --
17 if the fund grew, based on -- on earnings and
18 investments, what -- while the money was out of the fund
19 being -- being applied to building the facility, and
20 until you received payment from DOE, if there was a
21 growth in earnings or a positive impact in the market
22 generally during that period of time, the fund and Duke
23 and its customers would have lost that time value of
24 money; is that fair?

25 A I think that's fair. The -- if the market had

1 gone up, you would be unhappy; if the market went down,
2 you'd be happy.

3 Q Okay. Fair enough.

4 So, I -- I -- I said I was -- I want to ask
5 you one question about Exhibit 6C. So, if I could get
6 you just to turn -- I think it's to Page 8.

7 A Exhibit 6C -- is this in non-confidential or
8 is this in confidential?

9 Q No, this is confidential.

10 A Okay.

11 Q If it says a "C" on it, it's confidential.

12 A Ah, okay. I should have been able to figure
13 that out. Confidential.

14 I am, for whatever reason, having trouble
15 pulling up 6C. Let me see if I can get it from the
16 website. It's not coming through on my download -- or
17 if anybody from the legal team could maybe send me an
18 e-mail with it.

19 Q I'll tell you what, let's -- let's put that
20 aside. I -- I may be able to get by without doing that
21 or I could do it with Mr. Hobbs. There's some
22 corruption issues depending on the browser you use.

23 A Okay. Yeah, maybe --

24 Q I don't want to -- I -- I don't want to drag
25 it down.

1 A Yeah, I'm -- I'm getting a notice here that
2 Windows cannot complete the extraction, so -- okay.

3 Q Yeah. I think you're supposed to use Chrome
4 to get that, but don't worry about that.

5 A Okay.

6 Q Do you have -- do you have Exhibit TH-2 with
7 you?

8 A I do.

9 Q Okay. And I know you're responsible for two,
10 three, and four, but I have a question to see if you can
11 answer it on Page 5, which is in Section 1.

12 A Is this Page 5 of 12?

13 Q Yes, sir.

14 A Okay. I'm there.

15 Q Okay. So, we see here this is -- this is a
16 calculation that shows a -- a projected or expected NDT
17 balance in the year 2038; is that right?

18 A That's correct.

19 Q Okay. And the math that follows all the way
20 down from the top to the bottom shows how that -- that
21 occurs and -- and there's the 654 million, which is last
22 year's balance, with a level of earnings assumed, right?

23 A Yes.

24 Q And then you would take the 540 out and
25 segregate it in that account that goes over to the -- to

1 the subaccount that's used to pay ADP, right?

2 A Yes, I'm with you.

3 Q Okay. And then the 44 million shows owner's
4 costs from March of 20- -- 2019 through an assumed
5 closing date; is that right?

6 A Yes.

7 Q Okay. And then, the next line down -- this is
8 that \$90 million we talked about earlier that you expect
9 to get from DOE?

10 A Right.

11 Q And the \$9 million is earnings you expect to
12 get from -- on the -- on the fund balance through the
13 year 2022, if all these other assumptions prove out,
14 right?

15 A Right.

16 Q And then you show an additional \$4 million
17 of -- of owner's costs; is that right?

18 A That's what it shows, yes.

19 Q And your understanding is the owner's costs
20 are relatively higher last year, this year, this time
21 frame. And then over -- once the project is underway,
22 the owner's costs will be very minimal, kind of a two-
23 or \$3-million amount per year, heading out?

24 A That's my understanding, yes.

25 Q Okay. And that -- that number there -- so,

1 this shows 196 million of reserve-amount balance at --
2 at the end of 2022, right?

3 A The --

4 Q Under the assumptions about when the project
5 would start, as you knew back then, right?

6 A Right.

7 Q So, all the earnings numbers here, just to
8 clarify, are based only on the reserve -- on the amount
9 that is not associated with the segregated ADP account,
10 right?

11 A That's correct.

12 Q Subaccount. Okay.

13 And then you show an assumed number of --
14 amount of earnings of \$120 million for the -- the next
15 15 years after 2022, correct?

16 A That's correct.

17 Q And then we see \$29 million, which averages
18 out to a little less than \$2 million a year, each of
19 those years, right?

20 A That sounds right.

21 Q Okay. So, all the earnings here that are
22 shown would be unrelated to the \$540-million once it
23 leaves.

24 A That's correct.

25 Q Okay. Looking at Page 3 of your testimony, on

1 **Line 22 --**

2 A All right. I'm there with you.

3 Q It's -- you state here, "The excess funds will
4 be returned to DEF customers and Duke shareholders upon
5 completion of all activity at the CRC facility."

6 Do you see that?

7 A I do see that.

8 Q That's up to the comma there.

9 Shouldn't that say "if any"?

10 A That's probably fair.

11 Q Okay. And taken where I stopped off, at the
12 comma, after the word "facility," it says, "...
13 Including the removal of the spent fuel." Do you see
14 that?

15 A I do see that.

16 Q Should that say "if ever"?

17 A I -- I -- I don't know. That would be a good
18 question for Witness Hobbs.

19 Q Okay. You -- you're not saying in here there
20 will be money or that DOE is ever going to, for whatever
21 reason, come by and pick up the fuel?

22 A No, this is -- you know, there -- there is an
23 underlying assumption here that the excess funds will
24 play out the way that they're reflected on Terry Hobbs'
25 exhibits here.

1 Q Okay. Just to kind of shortcut a bunch of
2 questions that I have, maybe to shorten this, you're
3 not -- in your assumptions and the numbers that you
4 present on Pages 3 and 4, you're not assuming -- well,
5 there aren't really numbers -- but you're not assuming
6 that there won't be something that happens that depletes
7 not only the \$540 million, but the -- the \$287 million
8 that we saw on -- on Page 5 of Exhibit TH-2, are you?

9 A No, I -- I don't think we're making any worst-
10 case or best-case type of assumptions. These are just
11 our assumptions.

12 Q Okay. On -- on Line 4, you say: Likewise, if
13 the cost to decommission increased and additional money
14 is required (an event that DEF does not currently
15 believe will occur under the proposed transaction) then
16 DEF -- then Duke customers would also be obligated to
17 contribute to the additional costs in that same
18 percentage.

19 Isn't this a recognition that there could be
20 things that could happen that could cause all the
21 available NDT money to be depleted and you have to come
22 back and ask the customers for money?

23 A I think that recognizes that there is a po- --
24 there is always that possibility, right?

25 Q Yeah.

1 A I --

2 Q Okay.

3 A I think that it would be imprudent of us not
4 to, you know, recognize that there's always that
5 possibility.

6 Q Okay.

7 A However remote --

8 Q So --

9 A However remote we may think it is.

10 Q Okay. So, in your role and in your testimony,
11 the numbers you're presenting are just based on a set of
12 assumptions; they're not based on a guarantee that this
13 is how the transaction is going to play out; is that
14 fair?

15 A That's fair.

16 Q So, any time you use a phrase like "does not
17 currently believe" or "does not currently foresee,"
18 you're talking specifically about the assumptions that
19 are embedded in the transaction that is proposed and the
20 numbers that we saw on Page 5 of TH-2; is that right?

21 A Yeah, I think that's right. To -- to state it
22 back to you, I mean, this represents the best
23 assumptions we have available at the time and the way
24 that we believe that it will play out.

25 So, to -- you know, in the end, it could turn

1 out to be better; it could turn out to be worse, but
2 these were the best assumptions that we had at the time.

3 Q Okay. So, when I look at Page 8, Line 22 --
4 and I -- just to be fair, if you start on Line 20, this
5 is where this rather-long sentence starts. You say: In
6 the event the project costs are higher than currently
7 estimated by the ADP, that the transaction documents
8 have been structured to provide significant protections
9 and financial assurances that ADPCR3 and ADPSF1 can meet
10 their contractual obligations without requiring
11 additional funds to be distributed from the NDT.

12 Did I read that right?

13 A Yes, you did read it right.

14 Q So, when you use the term -- there was a
15 phrase, "financial assurances" -- assurances is not
16 meant there to be a guarantee that you won't have to
17 require additional funds to be distributed from the NDT?

18 A I think the financial assurances -- and -- and
19 Terry Hobbs can speak to this better than I can -- but
20 those are in place to mitigate your risks the best that
21 we can. It's --

22 Q Okay.

23 A I don't know that we could characterize those
24 as a guarantee. I don't think that that would be right.
25 I think they are in place to mitigate as much risk as we

1 can.

2 Q Okay. So -- and I apologize. See if you can
3 follow me on this. When I go and look at this -- the
4 dictionary definition of "assurance" -- I want to read
5 you two of them and see which one you think is the right
6 one.

7 This is from the Merriam-Webster's collegiate
8 dictionary. I'm still living in the past, my days at
9 the University of Florida: The act or -- one is the act
10 or action of assuring as a pledge, guarantee. That's
11 one; or No. 3: Something that inspires or tends to
12 inspire confidence.

13 Are you -- is it more the latter than the
14 former?

15 A Again, I would feel better -- I'm not as close
16 to the financial-assurance provisions in this agreement
17 as Terry Hobbs would be. And I think he's very close to
18 be able to give you his definition that would probably
19 mean a whole lot more as far as his understanding being
20 much more in-depth than mine.

21 Q Okay. So, if I ask you questions about the
22 protections and assurances that include performance
23 bonds, provisional trust-funding, and parent-company
24 guarantee -- are you just testifying that those are in
25 there, but you're not really into the weeds or details

1 **about how those operate?**

2 A Not really, no. You know, in our role as the
3 accounting team that has to book the NDT assets and
4 account for the costs, you know, take the costs and --
5 and figure out what sort of funding requirements are
6 required -- these are not the kind of things that the
7 accountants typically look at.

8 I know that we've got a team of folks -- and
9 there's a whole lot of folks at Duke that collaborated
10 on this contract. I -- I was not one of them. It was
11 actually done before my time, but I know that Terry has
12 been intimately involved and worked on these financial
13 assurances and the types of things that you're talking
14 about.

15 Q Okay. So, to say it back to you, you made
16 some assumptions that are baked into kind of the
17 estimates that are included in -- in the -- the assets
18 or the trust status that you presented that are based on
19 all of these things that people like Mr. Hobbs have --
20 have developed and -- and -- as a part of the deal; is
21 that -- is that fair?

22 A Well, I -- I don't know that these -- as far
23 as the numbers that I've presented related to and the
24 numbers that I support in -- in the exhibits attached
25 to -- to Terry Hobbs' testimony -- I don't know how much

1 this factored into it is what I'm saying.

2 You know, we -- we provide -- we -- I'm
3 familiar with the balances that we see on the trust
4 statements for the trust funds. We received the costs
5 from Terry Hobbs and the business folks, their cost
6 projections, and -- and, again, I do rely on Terry and
7 other experts around the company on their opinions on
8 the financial-assurance provisions contained in these
9 contracts and so forth, but I -- I'm not super close to
10 them.

11 **Q But you're assuming that the project will work**
12 **out if there are difficulties, the -- nevertheless, that**
13 **the bonds -- the performance bonds, the guarantees, the**
14 **provisional trust -- those mechanisms will all work to**
15 **prevent the reserve account from being tapped to finish**
16 **the project; is that fair?**

17 A To the extent that -- yes, that those are
18 included in the assumptions around the \$100-million
19 excess that we talked about at closing, and that amount
20 growing to roughly 300 million in a number of years,
21 right, that would be true.

22 **Q Okay. I think, throughout your testimony, in**
23 **several places, you recognize that, if things went bad**
24 **in a -- in a sort of a worst-case scenario, Duke is**
25 **reserving the opportunity to come back and ask the**

1 Commission to assess the customers through rates somehow
2 to raise money, to put money in the NDT, or to finish
3 the project; is that fair?

4 A I think that we've talked about that
5 potentially being an option. We've talked about the
6 option, if things really, really go bad and -- and, you
7 know, the -- the remote chances that we think it is --
8 we'd also have the opportunity to maybe return to safe
9 store, take the funds that are there, see if it -- allow
10 them some time to grow.

11 So, I know that Terry has spoken -- is
12 speaking about that in his testimony, as -- as a
13 potential option, as a safety net, if worst- -- if the
14 worst- -- the worst-case scenario that you're mentioning
15 comes to reality.

16 MR. REHWINKEL: Okay. Thank you.

17 Let me just ask you -- and this is -- I
18 apologize. I didn't alert folks that I was going
19 to ask about this exhibit to you, but the
20 provisional-trust question that I asked you
21 earlier -- or, I'm sorry, the unqualified-trust
22 question that I asked you -- or non-qualified-trust
23 question that I asked you earlier -- I want to
24 follow up on that with the Exhibit 5, Mr. Chairman.

25 THE WITNESS: And this is --

1 MR. REHWINKEL: This would be --

2 THE WITNESS: This is not Exhibit 5C.

3 (Simultaneous speakers.)

4 MR. REHWINKEL: 5C, yes.

5 CHAIRMAN CLARK: Okay. 5C.

6 MR. REHWINKEL: I wrote in red letters here
7 "five," and I didn't put "C" on there. I
8 apologize.

9 THE WITNESS: I was able to pull this one up.

10 BY MR. REHWINKEL:

11 Q Okay. Good. I think that 600-page document
12 just kind of jammed up the Microsoft website for
13 whatever reason. It's a big document.

14 This is called TRC PowerPoint. Now, this is a
15 confidential document. So, I'm going to ask you a
16 question, and I want you to consider my question before
17 you vocalize any information to give your Counsel time
18 to say whether answering the question, based on what I
19 direct you to, is confidential and if we have to handle
20 it a different way.

21 Do you understand that?

22 A I do.

23 MS. TRIPLETT: Mr. --

24 Q Okay. So, you can turn --

25 MS. TRIPLETT: Mr. Chairman --

1 CHAIRMAN CLARK: One second, Mr. Rehwinkel.

2 MS. TRIPLETT: Are we identifying OPC's 5C as
3 Exhibit No. 42?

4 MR. REHWINKEL: That's what I would ask.

5 CHAIRMAN CLARK: Okay. Mark it as No. 42.

6 (Whereupon, Exhibit No. 42 was marked for
7 identification.)

8 CHAIRMAN CLARK: Continue, Mr. Rehwinkel.

9 MR. REHWINKEL: Thank you.

10 BY MR. REHWINKEL:

11 **Q On Page 12 --**

12 A Page 12. Okay -- with a 12 on the
13 bottom of -- bottom right corner of the page? Is
14 that the one?

15 **Q Yes -- yes, I think the Bates number in the**
16 **upper right is the same as the slide, No. 12.**

17 A Yes. Okay.

18 MR. REHWINKEL: Okay. All right. And -- and
19 I don't know if the title of this page is
20 confidential or not, but I want to ask you about a
21 box on the -- on the left and -- and I guess I
22 could ask Ms. Triplett if she can tell me, if I ask
23 questions about the -- the three bubbles in the
24 middle and the box on the left -- is there anything
25 in there that's confidential?

1 MS. TRIPLETT: Give me just one moment to take
2 a look and just confirm.

3 MR. REHWINKEL: Okay. I only want to ask him
4 about the bottom of the big rectangle there.

5 MS. TRIPLETT: Thank you, Mr. Rehwinkel. I
6 can confirm that that's not confidential.

7 MR. REHWINKEL: Okay.

8 BY MR. REHWINKEL:

9 Q So, Mr. Doss, do you see the -- can you read
10 to me what it says in the -- the bottom part of that --
11 that rectangle under "nuclear decommissioning trust
12 fund"?

13 A This is where it says, "Non-qualified DEF/DOE
14 recovery"?

15 Q Yes.

16 A And should I quote the number? Is that okay?

17 Q Yeah, I think that number has been
18 disclosed --

19 A Okay.

20 Q -- in Exhibit 29?

21 A Yeah. So, it says 131 million in 2022. I
22 can't tell if that is a pre-tax or after-tax number.

23 Q Well, let's assume that number is
24 90 million -- actually, let's do this. If you could,
25 just go to 29 -- well, I -- you would have get out of

1 the document.

2 Let -- let me ask you this: I want to
3 understand whether the number is 90 million or
4 131 million. Is -- do you know why it is shown here as
5 going into the non-qualified part of the nuclear
6 decommissioning trust fund?

7 A I -- I don't. And I'm sorry, I'm not familiar
8 with this document.

9 Q Okay.

10 A And, again, the response before was I -- I
11 just don't know on the DOE recovery. I don't recall
12 whether it goes into qualified or non-qualified.
13 Obviously, this shows it going to non-qualified.

14 Q That's fine. And you don't have any
15 information or understanding of why that would be?

16 A I -- I don't.

17 Q So, if -- if the money to pay for the dry cask
18 storage facility, the ISFSI, comes out of the funds
19 as -- and used to pay for the facility, and that cost is
20 recovered from DOE and restored to the fund, do you have
21 any visibility into whether the taxability of those
22 dollars changes, based on moving in and out of the --
23 out of the fund?

24 A Not off the top of my head, I -- I don't know.

25 MR. REHWINKEL: Okay. Mr. Doss, I appreciate

1 your time. I think those are all the questions I
2 have for you today. Thank you.

3 THE WITNESS: Thank you.

4 CHAIRMAN CLARK: All right. Thank you,
5 Mr. Rehwinkel.

6 Mr. Brew.

7 MR. BREW: Thank you.

8 EXAMINATION

9 BY MR. BREW:

10 Q Thank you. Good afternoon, Mr. Doss.

11 A Good afternoon.

12 Q I'm actually going to start off where
13 Mr. Rehwinkel left off. With respect to qualified and
14 non-qualified treatments, you said earlier that roughly
15 about five million was in non-qualified today. Is that
16 above 660 million that you mentioned earlier?

17 A Yeah, I -- I think that's the right number. I
18 want -- I want to clarify that as subject to check. I
19 know it's a small number.

20 Q Okay. And the exhibit Mr. Rehwinkel referred
21 to showed the DOE reimbursement for damages to be placed
22 in the non-qualified trust, but you don't know whether
23 it actually should be or not; is that right? Did I hear
24 you correctly?

25 A I -- I just don't know. I mean, this -- I

1 don't know the source of this document that I'm looking
2 at. I would suspect that, if this was presented -- I
3 would suspect that it's correct. This looks like the
4 type of document that would go to high-level of
5 management at our company.

6 **Q Okay. Let's get away from that document,**
7 **then.**

8 **When it was -- when you first talked with**
9 **Mr. Rehwinkel about the qualified trust, you mentioned**
10 **that it received favorable tax treatment. Do you recall**
11 **that?**

12 **A I do.**

13 **Q Okay. Can you explain what that favorable**
14 **treatment is?**

15 **A And I'm not -- I'm an accountant, but I'm not**
16 **a tax accountant, and we don't do the tax calculations**
17 **in my group on this.**

18 **I know that -- I believe gains from a**
19 **qualified trust are maxed out at 20 percent, and I**
20 **believe non-qualified are -- are not subject to that**
21 **type of treatment. I -- I don't know what the**
22 **difference in the ultimate tax rate is between the two,**
23 **but I do think a qualified -- when I hear "qualified," I**
24 **think of favorable tax treatment.**

25 **Q Okay. Let me try it from a different**

1 direction. First, I'd like to get a little, I guess,
2 clarification. Your -- your testimony talked about the
3 nuclear decommissioning fund, or NDF, of being around
4 654 million at the time you filed your testimony last
5 year, right?

6 A That sounds right, yes.

7 Q And that's what's shown in your testimony.

8 You discussed with Mr. Rehwinkel the fact that
9 the current estimate of that balance is about
10 660 million; is that right?

11 A Correct.

12 Q Okay. Could you refer to the Exhibit TH-2
13 that you were just talking with Mr. Rehwinkel about?

14 A Yes.

15 Q And I'd like to take you to the table on
16 Page 9 of 12.

17 A Okay.

18 Q Are you there?

19 A I'm there, yes.

20 Q Okay. So, my first question is, the far
21 right-hand column is labeled "NDT balance DEF reserve
22 subaccounts"; is that right?

23 A That's correct.

24 Q Okay. And so, the first entry for the year
25 2019 shows the value of 699-million-four-nine-three. Do

1 **you see that?**

2 A I do.

3 **Q Okay. What does -- how does that compare to**
4 **the 660 or the 654?**

5 A So, I believe the 699 -- let me think. Let me
6 see this. I believe you would have to tax effect
7 unrealized gains -- let me see if that's right.
8 Actually, the 654 -- I'm going to take my best educated
9 guess at this because this 2019 number appears to be at
10 the end of the year 2019. I believe the 654 was the
11 number from March 31st, 2019. So, you --

12 **Q Okay. So, that --**

13 A It's --

14 (Simultaneous speakers.)

15 **Q That was one of my next questions is are**
16 **the -- are the numbers that show up in that last column**
17 **all year-end balances?**

18 A Yeah, I believe that's the intent here is to
19 show balances at the end of the year.

20 **Q Okay. So, I just want to make sure -- I don't**
21 **want -- want to get confused on references when we're**
22 **trying to talk about the same thing, but there's**
23 **slight -- slight differences.**

24 A Okay.

25 **Q The -- the final column -- and we're talking**

1 strictly about the -- the DEF reserve subaccount after
2 the 554 million is transferred to the subaccount for
3 ADP's use beginning in 2020; is that right?

4 A Yes -- what number did you say? What --
5 500- --

6 Q The 540 million -- when it appears in
7 Column 1.

8 A Yes. Yes.

9 Q Okay. And to get to the values on the year-
10 end balances for each year shown -- is that the sum of
11 disbursements and earnings for that year?

12 A Yes. It would take the prior-year balance and
13 then add earnings and subtract disbursements, that's
14 correct.

15 Q Okay. And so, you show on a set of columns, 1
16 is DEF's owner's costs in 2018 dollars and another is
17 DEF's owner costs escalated.

18 Which value did you use to get to the year-end
19 balance?

20 A Let me see if we can do the math here real
21 quick. I believe it would be the escalated numbers.

22 Q That was my assumption, but I wanted to
23 confirm that.

24 A Yeah.

25 Q So, the -- when you mentioned in your

1 testimony that, at the time of the closing, there should
2 be roughly a hundred million dollars unallocated,
3 meaning not set aside for ADP, that -- that's the same
4 as or equivalent of the 104 million that's shown on the
5 2020 line?

6 A Right. That's -- that's a proxy for that
7 number right there. I know it's not exact, but
8 that's --

9 Q I --

10 A -- what you should be comparing, yes.

11 Q Good. Okay.

12 So -- so, that shows that, in 2022, you're
13 adding in the 90 million re- -- you would expect to
14 receive from the Department of Energy; is that right?

15 A That's correct.

16 Q Okay. So, that just popped up. It doesn't
17 appear on the other column.

18 A Correct.

19 Q And the -- the owner's costs are a little over
20 two million a year through 2026, and then they drop
21 down; is that right?

22 A Yes.

23 Q And then, going back to what you talked to
24 Mr. Rehwinkel about on Page 5 of that document, it shows
25 the Duke operating costs, 2023 to 2038, of 29 million.

1 Are the numbers on this column representative
2 of that 29?

3 A Yes. And, again, you're looking at the column
4 that adds to 77 million; is that right?

5 Q Yes, the column that adds to 77-four-four-
6 four?

7 A Yes, sir. Yes.

8 Q Okay. Are there any disbursements, other than
9 owner's costs, to come out of the DEF reserve?

10 A No. No. And -- that's -- and we're talking
11 about the -- the DEF reserve after the 540 has been
12 segregated out, in --

13 Q Exactly.

14 A Yes, they would all be DEF owner's costs.

15 Q Okay. And there are no other costs to go to
16 ADP, either for spent fuel or decommissioning?

17 A No, not -- not that I'm aware of.

18 Q Okay. And -- okay. So -- and you show no
19 entries after 2021 for spent-fuel management and site
20 restoration. Is that because those func- -- those
21 responsibilities and functions in cost have been
22 transferred to the ADP affiliates?

23 A That's correct.

24 Q Okay. The 90 million that you add into the
25 subaccount -- do you know if that was treated as --

1 going to be treated as income to Duke or not?

2 A No, that would not be treated as income to
3 Duke.

4 Q Okay. And you're assuming it goes back --
5 when -- when you first get it from DOE, the company has
6 to decide where to book it. And, based on the exhibit
7 we talked about earlier, it seems that it would be
8 booked to the NDF in the non-qualified component; is
9 that right?

10 A Yeah, and -- and let me qualify my response
11 there. So, the 90 million would be booked to the
12 NDTF -- the NDF, NDT, whatever we're calling it -- and
13 the -- the offset would be a liability to customers for
14 90 percent. So, I just wanted to clarify --
15 approximately 90 percent. I don't remember exactly.
16 It's something, like, 9.5 percent or something of it is
17 shareholder -- it does go to the shareholders, so --

18 Q Okay.

19 A I just wanted to clarify that.

20 Q And that -- and that refers -- what you
21 mentioned refers strictly to Duke's acquisition of some
22 minority shares in the unit?

23 A That's correct.

24 Q Okay. So, is the 90 million coming from DOE
25 required to go back to the NDF?

1 A I -- I don't know about required. It sure
2 feels right.

3 Q Okay. And as far as we know, based on the
4 **Exhibit 5, it's not going to be included in the**
5 **qualified account, which would mean it -- it wouldn't**
6 **qualify for the favorable tax treatment that you talked**
7 **about.**

8 A Ev- -- evidently not. Again, as I testified
9 earlier, I wasn't sure. I trust that this document --
10 if this is a Duke document that shows it is non-
11 qualified, then I would trust that that would be
12 accurately depicted there.

13 Q Okay. Good.

14 So, the roughly 104 million shown on the
15 **exhibit on Page 9 that's in the reserve account, as of**
16 **the -- well, following closing, would --**

17 A I'm sorry --

18 (Simultaneous speakers.)

19 Q Yeah.

20 A -- on Page -- you're talking on Terry Hobbs'
21 Exhibit 2, Page -- yeah. Okay.

22 Q **And back -- and I'm back on Page 905 on the**
23 **table.**

24 A Okay. I'm there.

25 Q **And for the 2020 year-end balance, which is**

1 after closing and after the 540 million is moved, where
2 we have \$104 million remaining in the reserve --

3 A Right.

4 Q -- that -- that, by itself, is more than
5 sufficient to cover the expected owner's costs of about
6 30 million through 2038, right?

7 A Yes.

8 Q Okay.

9 A And --

10 Q Um --

11 A -- as long as our assumptions come out -- play
12 out the way that we expect.

13 Q Right. But you're not -- you're not
14 sponsoring a rationale for those functions; just the
15 development of these -- the estimates for the -- the
16 owner's costs and the escalation in the -- the account
17 balance, right?

18 A That's right.

19 Q Okay. The -- the table ends at 2038, based on
20 assumptions we can discuss with Mr. Hobbs; is that
21 right?

22 A I'm sorry. Could you repeat that?

23 Q Yeah, the bottom line goes through the year
24 2038.

25 A Correct.

1 **Q The reason for assuming that is the cutoff is**
2 **something we should discuss with Mr. Hobbs?**

3 A Yes, that's when he expects the -- the work to
4 be completed. So, he can offer more details on that.

5 **Q Okay. To the extent that the spent nuclear**
6 **fuel has not been moved off site by 2038, would the**
7 **numbers for the owner's costs and the presumed growth**
8 **and the reserve balance continue, as you've estimated?**
9 **In other words, they both continue to grow?**

10 A They would both -- you would expect them to
11 continue to grow, the -- the costs -- so, we'd still
12 incur the costs and we still expect to see -- you would
13 assume -- expect -- we would assume growth in the fund
14 balance.

15 **Q Okay. Consistent with how you develop the**
16 **other numbers?**

17 A Yes, it would be consistent with -- with
18 these.

19 **Q Okay.**

20 A And then, I'm say- -- I'm hesitating just a
21 little bit in that, you know, these assumptions and so
22 forth change over time, but they -- we would use the
23 same methodology to work through those numbers if that
24 were to occur.

25 **Q Have the assumptions changed since you filed**

1 **your testimony last year?**

2 A Not that I'm aware of.

3 **Q Okay.**

4 A And I -- I'm hesitating there, too, because
5 there's a lot of assumptions with regard to, you know,
6 returns and that sort of thing. So, let me qualify that
7 by saying, we haven't gone back and done a full-blown
8 study since then to reassess the -- all of the
9 assumptions that were used in this study with regard to
10 rates of return, with regard to escalation of costs and
11 sort of thing. They could potentially change if we were
12 to go back and completely redo the study. I just wanted
13 to make that clear.

14 **Q Okay. There are no known changes to the**
15 **decommissioning study to announce at this point.**

16 A Correct.

17 MR. BREW: Okay. Thank you, Mr. Doss. I
18 appreciate your time.

19 THE WITNESS: Thank you.

20 CHAIRMAN CLARK: All right. Thank you,
21 Mr. Brew.

22 Mr. Moyle, your witness.

23 MR. MOYLE: Thank you, Mr. Chairman.

24 EXAMINATION

25 BY MR. MOYLE:

1 Q Good afternoon, Mr. Doss. How are you?

2 A Good afternoon.

3 Q Yeah, I -- I have a few questions. I don't
4 think it will take -- it -- it will take that long. And
5 some of this may -- may be somewhat repetitive, but I
6 just want to make sure that -- that the record is clear
7 and my understanding is -- is right.

8 So, with respect to -- as we sit here today,
9 you've been asked about how much money is in the NDT
10 fund. I think you said 660 as of March, when you were
11 filing your testimony; is that right?

12 A When I filed my testimony last year, I
13 believe, that March 31st, 2019, it was 654. And, as I
14 testified a few minutes ago, a more-recent estimate that
15 we did just in the past few weeks was around 660.

16 Q Okay. And with -- with -- assuming this deal
17 closes, how -- how much gets transferred into the
18 subaccount that will be available for payment of claims
19 from ADP?

20 A So, when this deal closes, the 540 million
21 will be put into a segregated account, separate account.
22 The -- and then the reserve account will be whatever the
23 remaining balance is. And --

24 Q Okay. And that's just a simple matter of --
25 of doing math?

1 A Yes.

2 Q Okay. As part of your duties and
3 responsibilities, with respect to these -- these funds,
4 you -- do you oversee other trust funds in Duke's
5 portfolio that are based on nuclear power plants?

6 A We have similar-type funds at our utility for
7 Duke Energy Carolinas and for Duke Energy Progress for
8 the nuclear facilities in the Carolinas.

9 Q Okay. And are you involved in working --
10 working on those accounts as well?

11 A Yes, similar responsibilities with those
12 accounts as I have for Duke Energy Florida.

13 Q Okay. How long have you been with the
14 company?

15 A In total, I've been with the company for 35
16 years.

17 Q Okay. So, with respect to the account in
18 Florida, you know that that was funded by assessment on
19 ratepayers for many, many years, right?

20 A Yes, I understand that.

21 Q Okay. And -- and then the Commission looked
22 at it and said, you know what, we think -- we think this
23 is more than enough or it's enough and they stopped the
24 assessment?

25 A Yes, that's my understanding.

1 Q Do you know when that was, approximately?

2 A I'm sorry, I do not know.

3 Q Okay. It -- it's been some time, though; you
4 do know that, right?

5 A It's been -- yes, I understand it's been a
6 number of years, well before my time being associated
7 with Duke Energy Florida accounting.

8 Q All right. And as -- as part of your duties
9 and responsibilities, not only for the NDT fund here
10 that relates to Crystal River, but for the others -- do
11 you look at -- periodically look at the monies in the
12 fund and make judgments about, are these monies short,
13 are they more than enough, or are they right on the mark
14 and -- do you do that?

15 A So, that is similar to Duke Energy Florida.
16 In the Carolinas, there is a requirement to do a
17 cost-of-funding study, is what it's called, every five
18 years. So, similar to what you've seen us do in
19 Florida, we've done in the Carolinas.

20 Every five years, look at funds, look at
21 the -- do a refresh of the projected costs, a refresh of
22 all the assumptions around fund earnings, and the cost
23 and escalations of costs -- that's a requirement to look
24 at it at least every five years.

25 Q Yeah, that -- that gives the Commission and

1 gives customers and others information about, okay,
2 how -- how -- how do things look with respect to this
3 fund and anticipated expenditures and is there enough
4 money, is there more than enough money. That -- that's
5 sort of the five-year look-see, right?

6 A Correct.

7 Q Yeah. Does -- does Florida -- as we sit here
8 today, does it have excess money in the fund?

9 A It has -- it has more than enough money to
10 cover the 540, right? We have -- we expect it will have
11 approximately a hundred million dollars. I -- I
12 hesitate to say that it's overfunded. You know, that
13 hundred -- as we talked about earlier, there's all kinds
14 of risks involved. Until you get all the work
15 completed, you don't really know whether you're
16 overfunded or underfunded.

17 But based on our projections, we expect to be
18 overfunded at the time that all the work is completed.

19 Q All right. And -- and I just want to make
20 sure I -- I'm clear. Is the hundred million that you
21 referenced -- is that -- let's just -- we'll -- we'll
22 call it surplus money, just for the purposes of the
23 conversation.

24 But is that as of the date of the anticipated
25 closing or is that of the date when all the work gets

1 done and the certificate gets issued?

2 A That's as of the date of the closing.

3 Q Okay. And as time goes on, that fund will --
4 will grow. There will be some invest- -- anticipated
5 investment earnings. And you anticipate that, when the
6 certificate is issued and all things are said and done,
7 the number of excess monies will be how much?

8 A It's in Terry Hobbs' exhibit. It's in the
9 high 200s, almost \$300 million by, I believe, the year
10 2038.

11 Q Okay. If the -- if the -- if the Commission
12 accepted the testimony that there's a 99-percent, or 9.9
13 out of 10 -- I think that equates to 99 percent --
14 chance that this project gets done as drawn up and as
15 planned, some of the -- some of those monies could --
16 you would agree, could be refunded to customers sooner
17 rather than later?

18 A Well, I -- I think that Terry Hobbs would be
19 better to speak to this, but you know, my understanding,
20 No. 1, is that there are risks around the hundred
21 million -- after the 540, we talked about -- Mr. State
22 talked about the work he's doing.

23 Duke Energy Florida also has responsibilities
24 to do additional work. And, you know, there's risks
25 that Mr. Hobbs talks about in his testimony around end-

1 state conditions, that sort of thing.

2 So, I guess, No. 1, we -- you'd have to figure
3 out if it was prudent to try to refund monies to
4 customers early; No. 2, I think we'd have to figure out
5 if you can even access the funds from the trust.

6 I'm not an expert on -- on those things, but,
7 Terry, I know, has been studying that and would be able
8 to speak to it in much more detail than I can.

9 Q Okay. All right. And -- and you -- you're an
10 accounting person. So, you know, even if there was some
11 level of discom- -- comfort, if you said, you know,
12 we're not going to do a hundred million, let's --
13 because of these tough economic times, COVID, you could
14 do 50 million -- I mean, assuming there's ways to get
15 the -- whoever needs to sign off on that from a
16 regulatory standpoint -- from your perspective, that
17 potentially could be done?

18 A I -- I'm not saying I -- I don't know. I -- I
19 haven't been involved in those types of discussions.

20 Q Okay. Do you -- should I ask Mr. Hobbs
21 questions about the IRS private-letter ruling in this --
22 in this case? Do you have any information about that or
23 no?

24 A No, I -- I do not have any information on
25 that.

1 Q Okay. I don't know if Mr. Hobbs will know
2 this. I'm going to throw it at you just because
3 you're -- you're in Duke's accounting and finance, but I
4 thought you said, with respect to a qualified fund, that
5 you thought the effective tax rate was 20 percent; is
6 that right?

7 A I think that's right.

8 Q Yeah. And the effective tax rate for ordinary
9 income now following the congressional action of a
10 couple of years ago is 21 percent for corporate income?
11 Do you know that?

12 A You may have a point there. I know that the
13 corporate tax rates did come down. So, there may not be
14 as much of a difference between the two as there once
15 was. Fair point.

16 Q Okay. Are you responsible for putting
17 together the information to comply with the PSC rule
18 about -- about the five-year filing of the status of the
19 trust fund?

20 A Yes. We provide the -- the accounting group
21 does provide some information for that filing.

22 Q Okay. And you've been doing that for how
23 long?

24 A For Duke Energy Florida?

25 Q Right.

1 A Well, in my current role as director of asset
2 accounting -- I assumed this role in June of 2019. So,
3 a little over a year.

4 Q Okay. All right. But if -- as far as you
5 know, it's been going on for a long time.

6 A Yes, it has.

7 Q Yeah.

8 I didn't see it in your testimony -- maybe I
9 missed it, but you don't have anything with respect to a
10 waiver of that rule about -- about seeking -- seeking
11 not to have to file those reports with the Commission
12 providing that information?

13 A It's not in my testimony that I'm aw- -- it's
14 not in my testimony.

15 Q Okay. There's nothing -- nothing, from your
16 perspective, that would allow -- you know, that would
17 prevent you from continuing to do those reports and file
18 them, right?

19 A Well, I -- we -- we filed the report, I
20 believe, as part -- as part of this case, as -- that's
21 the Exhibit TH-2 that is in Terry Hobbs' testimony,
22 attached to his testimony.

23 Q Okay.

24 A I -- I'm not sure what the requirements would
25 be once we have a contract in place to -- once this

1 contract is approved. I --

2 Q Right.

3 A I just don't know.

4 Q You just told me that Duke still retains some
5 responsibilities and obligations with respect to the --
6 to the nuclear trust fund and duties and
7 responsibilities, correct?

8 A There -- there are some responsibilities that
9 Duke still has.

10 Q Let me ask you -- this was in your testimony.
11 It is on Page 8, Line 4. You were asked about how funds
12 will be distributed to ADPCR3 from the NDT in connection
13 with the proposed transaction.

14 And there's -- basically, there's monthly
15 reimbursement requests and they -- and they get reviewed
16 is your testimony, right?

17 A That's correct.

18 Q Okay. So, I want to ask some detailed
19 questions about that process. Will -- will you -- will
20 you be involved in that process?

21 A I can answer some questions about that, yes.
22 So, fire away and I'll answer what I can.

23 Q Okay. What will your role be?

24 A So, the accounting group is involved in the
25 review of those invoices. You know, currently, we have

1 invoices for our DEF owner's costs that are reviewed by
2 a team, a cross-functional team, every month to review
3 those invoices and -- I call them invoices. We're going
4 to submit them for reimbursement from the trust.

5 So, accounting reviews them -- they're
6 actually prepared by another group in finance, not on my
7 team, but we're closely involved with review of them.

8 The site-management team is involved. Tax is
9 involved. Legal, I believe, is involved.
10 Engineering -- so, it's a cross-functional team that
11 reviews those. And we would expect to use the same type
12 of, you know, control procedures, review procedures,
13 once this -- once this deal goes into effect.

14 **Q Okay. So, after -- after that, are -- are --**
15 **you send something to the trustee?**

16 **A That's correct.**

17 **Q Okay. And does it come from you or your shop**
18 **or who does it come from?**

19 **A It actually, I believe, comes through our**
20 **treasury shop, our treasury group.**

21 **Q Okay. And -- and do you know, does the --**
22 **does the trustee independently review the claim or do**
23 **they just kind of go with -- with your review and say,**
24 **okay, if Duke has reviewed it and says okay, we're --**
25 **we're good to go?**

1 A I am afraid I don't know the answer to that.
2 I've never directly dealt with the trustee or -- or the
3 treasury group in that process.

4 Q Okay. Now -- now, this process will change
5 somewhat based on this new transaction, if it's
6 approved, right?

7 A It will change somewhat. I -- I guess the
8 point I was trying to make is that it will still be a
9 cross-functional team that will review the invoices very
10 closely; that any invoice that comes from ADP, there
11 will be a team of folks, multifunctional team,
12 collaborating to review that invoice and make sure that
13 all the work is in accordance with the agreement before
14 it is submitted to the trustee for payment from the
15 trust fund.

16 Q And it's true, y'all are going to retain an
17 outside, independent third-party consultant to assist
18 you with the review of the -- of the submissions put in
19 by ADP; is that -- isn't that correct?

20 A I -- I'm afraid I don't have any knowledge of
21 that.

22 Q Do you have any knowledge about a -- a
23 provision that -- that -- that addresses what happens if
24 you have more than \$20 million in disputed -- disputed
25 claims?

1 A I'm vaguely aware of -- of a provision like
2 that. I believe that's in -- in the agreement.

3 Q Yeah. And I'm just -- I'm going to ask the
4 Duke witnesses on this to say, if it -- if it -- if
5 there's \$25 million in claims and it's over the
6 \$20-million amount, the way I read it was, things would
7 continue to go along, the job would continue to operate
8 as long as -- as long as there wasn't more than
9 \$20 million in disputed claims.

10 And I'm trying to understand what would happen
11 if there was more than \$20 million in disputed claims.
12 Can you help me with that?

13 A I -- I'm not that familiar with that provision
14 in the contract. I know that Mr. Hobbs would be more
15 familiar with that.

16 MR. MOYLE: Okay. I'll -- I'll ask him. So,
17 thank you.

18 Just give me -- give me one second, Mr. Chair,
19 if I could, to make sure I covered what I wanted to
20 cover?

21 CHAIRMAN CLARK: Yes, sir.

22 BY MR. MOYLE:

23 Q Do you have any information about waivers that
24 Duke has sought from the NRC?

25 A I -- I -- I don't think so.

1 MR. MOYLE: Okay. All right. Well, thank
2 you. Thank you for your time.

3 THE WITNESS: Thank you.

4 CHAIRMAN CLARK: All right. Thank you,
5 Mr. Moyle.

6 Okay. Staff, any questions for Mr. Doss?

7 MS. BROWNLESS: No, sir. Thank you.

8 CHAIRMAN CLARK: Okay. Commissioners, any
9 questions?

10 None -- Commissioner Polmann.

11 COMMISSIONER POLMANN: Thank you, Mr. Chair.

12 Good afternoon, Mr. Doss.

13 THE WITNESS: Good afternoon.

14 COMMISSIONER POLMANN: I just want to follow
15 up on one point Mr. Moyle raised. You had some
16 discussion about the notion of the trust fund being
17 overfunded. I believe that was just a few minutes
18 ago. Do you recall that?

19 THE WITNESS: I do.

20 COMMISSIONER POLMANN: And I -- I believe
21 your -- one of your responses was, in -- in
22 general, I think I heard you say that there's more
23 than enough money currently in the trust fund --
24 that's the impression that I got -- to complete all
25 the work at CR3. I don't want to put words in your

1 mouth, but is -- but is that your current position?

2 THE WITNESS: Yes, and I -- I'm looking at the
3 Terry Hobbs Exhibit No. 2 that showed, at closing,
4 we expect that there will be what we call
5 unallocated funds of \$100 million in what we're
6 calling excess reserve, the --

7 COMMISSIONER POLMANN: Okay.

8 THE WITNESS: The reserve account of the NDT.

9 COMMISSIONER POLMANN: Mr. Moyle questioned or
10 brought up the notion of the possibility of
11 returning some of those funds to the Duke
12 customers -- I think he said sooner rather than
13 later. And I'm not quite sure I understood your
14 response on that.

15 Could you -- could you clarify for me how and
16 when you -- you -- what's your opinion about when
17 that might be done? What's -- what's the
18 mechanism, how Duke would make that judgment and --
19 and when would that be made? I just want to
20 understand what your opinion is on that.

21 THE WITNESS: Certainly. I -- I believe my
22 response was -- and it may not have been very
23 clear. We know that there are restrictions on
24 being able to access the funds from the nuclear
25 decommissioning trust. There's very specific rules

1 around what you can withdraw that money for without
2 incurring some sort of a penalty.

3 And Mr. Hobbs will be able to speak to this
4 in -- in more detail -- in more detail and more
5 clearly because I don't know if there's actually a
6 penalty or if it's just the difference in tax
7 treatment or -- or what it might be.

8 But I know that there are restrictions, as --
9 as there should be, you know, the Nuclear
10 Regulatory Commission does not want companies
11 pulling out funds. They want to make sure that
12 there's adequate funds in there to -- to fund these
13 decommissioning activities. So, I think that's --
14 I think that's a big hurdle.

15 COMMISSIONER POLMANN: Okay. I -- I was just
16 trying to -- trying to understand your comment -- I
17 may have misheard, but I thought you had indicated
18 something to the effect that -- that it -- you
19 don't know if you have enough money, and if there's
20 any money left over, until the job is complete. Am
21 I -- did -- did you indicate something to that --
22 to that effect? I'm just trying to --

23 THE WITNESS: I understand.

24 COMMISSIONER POLMANN: You know, I understand
25 that -- the tax issue and other restrictions and so

1 forth. I don't know what they are, but I
2 understand there are some. I'm just trying to
3 understand if you have an opinion about how and
4 when -- you know, we've heard things about their --
5 Duke is suggesting that there be savings by -- by
6 advancing in time and using an independent
7 contractor and so forth. I'm -- I'm just trying to
8 tease out --

9 THE WITNESS: Sure.

10 COMMISSIONER POLMANN: -- through your
11 testimony and through your answering questions here
12 today if you have a position. I -- I think you
13 answered a question that leads me to believe that
14 you may have a position. I'm just trying to get
15 clarification on it.

16 THE WITNESS: Yeah, no, I -- I appreciate
17 that. And, you know, I am -- I'm an accountant and
18 I'm very conservative by nature, right. So, we
19 have these projections that show that by 2038 --
20 and I might point out, too, that by going to the
21 decon method, we expect to be done with the
22 decommissioning by 2038, which is some 30, 35 years
23 or so faster than if we had remained in safe store.

24 So, I do want to make it clear that -- that
25 there is already the potential here, one of the --

1 the big, I think, upsides of this is that there is
2 the potential to return funds to the customers much
3 earlier than if we were doing the safe-store
4 method.

5 And I think what I gleaned from the
6 questioning of me is that -- can we return it even
7 faster than that 35-year acceleration -- can we do
8 it any faster than that. And my response was, you
9 know, No. 1, I think there's -- as you mentioned,
10 there's some restrictions around getting those
11 funds out.

12 And just as we talked about earlier,
13 there's -- in my questioning, there's no guarantee
14 that that 280 to \$300 million is -- is going to be
15 there just because of the additional risks that we
16 have, that Terry Hobbs has spoken to in his
17 testimony and I know he'll be able to speak to,
18 when -- when you have an opportunity to question
19 him.

20 So, that was sort of my opinion and my
21 position on it, is that I -- I don't know how
22 prudent it is, having seen what can happen in
23 markets, having seen what can happen in labor costs
24 or environmental regulations and that sort of
25 thing, that -- that we refund that money. And

1 that's more of a personal position. I think if we
2 were to do that and then have to come back and ask
3 for more later, that would just be a bad day.

4 COMMISSIONER POLMANN: Okay. Well, thank you
5 very much. I -- I appreciate your characterizing
6 that as a bad day. Nobody wants a bad day. Thank
7 you, Mr. Doss. That's all the questions I have for
8 you.

9 Thank you, Mr. Chairman. I appreciate the
10 time here.

11 CHAIRMAN CLARK: Thank you, Commissioner.

12 Any other Commissioner have any questions?
13 All right.

14 Seeing none -- I'm hunting Ms. Triplett out
15 here. You're on the screen. Ms. Triplett,
16 redirect.

17 MS. TRIPLETT: No redirect. No exhibits. May
18 Mr. Doss be excused from the hearing?

19 CHAIRMAN CLARK: All right. Without
20 objection, Mr. Doss is excused.

21 THE WITNESS: Thank you, everybody.

22 MS. TRIPLETT: Thank you.

23 CHAIRMAN CLARK: Mr. Rehwinkel, do you have
24 some exhibits you would like to enter?

25 MR. REHWINKEL: Yes, I do. Let me -- the

1 Public Counsel would move Exhibits 41 and 42.

2 CHAIRMAN CLARK: All right. So ordered, 41
3 and 42.

4 (Whereupon, Exhibit Nos. 41 and 42 were
5 admitted into the record.)

6 CHAIRMAN CLARK: And no other -- nobody else
7 had any exhibits, correct? All right. We are all
8 clear there. Okay. Very good.

9 We're going to run for about between 45
10 minutes and an hour and see if we can at least get
11 one more witness at least partially completed
12 today. But let's do this: Let's take a
13 five-minute recess, get a quick restroom break, and
14 come right back with -- I believe, Witness Hobbs is
15 up next.

16 (Brief recess.)

17 CHAIRMAN CLARK: Okay. Ms. Triplett,
18 you're -- call your witness.

19 MS. TRIPLETT: Terry Hobbs, and he has not
20 been sworn.

21 CHAIRMAN CLARK: All right. Mr. Hobbs, raise
22 your right hand. Repeat after me, please.

23 Whereupon,

24 TERRY HOBBS

25 was called as a witness, having been first duly sworn to

1 speak the truth, the whole truth, and nothing but the
2 truth, was examined and testified as follows:

3 CHAIRMAN CLARK: Thank you.

4 MS. TRIPLETT: Thank you, Mr. Chair.

5 Would you please -- thank you.

6 EXAMINATION

7 BY MS. TRIPLETT:

8 Q Would you please introduce yourself to the
9 Commission and provide your address.

10 A Good afternoon, Commissioners. My name is
11 Terry Hobbs. My business address is 15760 West Power
12 Line Street, Crystal River, Florida.

13 Q And who do you work for and what is your
14 position?

15 A I'm employed by Duke Energy Florida, LLC, and
16 I'm the general manager of decommissioning, responsible
17 for the decommissioning of the Crystal River 3 facility.

18 Q And have you filed prefiled direct testimony
19 and exhibits in this proceeding?

20 A Yes, I have.

21 Q Do you have a copy of those with you?

22 A Yes, I do.

23 Q Do you have any changes to make to the
24 testimony or exhibits?

25 A No.

1 Q If I ask you asked you the same questions in
2 your prefiled testimony today -- (technical
3 interruption) -- that are in your prefiled testimony?

4 A Yes.

5 MS. TRIPLETT: We request that prefiled
6 testimony be entered into the record as though
7 read.

8 CHAIRMAN CLARK: So ordered.

9 MS. TRIPLETT: Thank you.

10 (Whereupon, Witness Hobbs' prefiled direct
11 testimony was inserted into the record as though
12 read.)

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**IN RE: PETITION BY DUKE ENERGY FLORIDA, LLC TO APPROVE
TRANSACTION FOR ACCELERATED DECOMMISSIONING SERVICES AT THE
CR3 FACILITY, TRANSFER OF TITLE TO SPENT FUEL AND ASSOCIATED
ASSETS, AND ASSUMPTION OF OPERATIONS OF THE CR3 FACILITY PURSUANT
TO THE NRC LICENSE, AND REQUEST FOR WAIVER FROM FUTURE
APPLICATION OF RULE 25-6.04365, F.A.C. FOR NUCLEAR DECOMMISSIONING
STUDY**

FPSC DOCKET NO. _____

DIRECT TESTIMONY OF TERRY HOBBS

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

2 A. My name is Terry Hobbs. My business address is Duke Energy Crystal River Unit 3
3 Nuclear Plant (the “CR3 Facility”), 15760 W. Power Line St., Crystal River, FL 34428.

4

5 **Q. By whom are you employed and what is your position?**

6 A. I am employed by Duke Energy Florida, LLC (“DEF” or the “Company”) as the General
7 Manager – Decommissioning of the CR3 Facility.

8

9 **Q. Please describe your duties and responsibilities in that position.**

10 A. I am responsible for the overall management, implementation and coordination of
11 activities to place the CR3 Facility in a long-term dormant condition commonly referred
12 to as a “SAFSTOR” condition. I am also responsible for ensuring the safe storage of the
13 used nuclear fuel at the CR3 Facility. Additionally, I oversee several managers and I
14 ensure that such managers implement the plant programs, including the ground water
15 monitoring, radiation, control and engineering programs, in an effective and efficient
16 manner.

17

1 **Q. Please describe your educational background and professional experience.**

2 A. I graduated from University of the State of NY with an Associate in Science degree. I
3 previously held a Senior Reactor Operator license, issued by the Nuclear Regulatory
4 Commission (“NRC”), and a Project Management Professional certification, offered by
5 the Project Management Institute. I have been employed by DEF and its predecessor
6 companies for thirty-three (33) years. I have served in many roles during my time at
7 DEF, including positions in nuclear operations, nuclear plant management, and project
8 management organizations. I have been the general manager of the CR3 Facility since
9 2011.

10

11 **Q. What is the purpose of your testimony?**

12 A. My testimony is provided to support DEF’s request for approval of the transaction
13 between DEF and Accelerated Decommissioning Partners, LLC (“ADP”), pursuant to
14 which ADP will contract with DEF, through its subsidiary ADP CR3, LLC (“ADPCR3”),
15 to complete the decommissioning activities of the Crystal River nuclear power plant (the
16 “CR3 Facility”) on an accelerated basis, and through another subsidiary, ADP SF1, LLC
17 (“ADPSF1”), to acquire ownership of the Independent Spent Fuel Storage Installation
18 (the “ISFSI”) assets from DEF, including the spent fuel, the dry shielded canisters, and
19 the plant, property, and equipment (“PPE”) that comprises the ISFSI (the “Proposed
20 Transaction”). My testimony includes background on the CR3 Facility and
21 decommissioning plans, as well as an explanation of the Proposed Transaction, including
22 the terms and conditions of the contract with ADPCR3 and ADPSF1 and details of the
23 contractual protections for DEF and its customers.

1 **Q. Do you have any exhibits?**

2 A. Yes, I sponsor the following exhibits:

3 Exhibit No. __ (TH-1), Decommissioning Services Agreement between DEF, ADPCR3,
4 and ADPSF1; and

5 Exhibit No. __ (TH-2), DEF's updated nuclear decommissioning study.

6 These exhibits are true and accurate.

7

8 **Q. Please describe the CR3 Facility.**

9 A. The CR3 Facility is part of the larger Crystal River Energy Complex ("CREC"), which is
10 owned by DEF and located on the Gulf of Mexico in Citrus County, Florida. The CR3
11 Facility sits on an approximately 5100-acre site and is located approximately 7.5 miles
12 northwest of the city of Crystal River and approximately 80 miles north of Tampa. In
13 addition to the CR3 Facility, other structures on the CREC include two permanently
14 retired coal plants, two operational coal plants, two large cooling towers, coal delivery
15 and storage areas, office areas, warehouses, barge handling areas and a railroad. In 2018,
16 two new gas-fired combined cycle power blocks were placed in service at the CREC. The
17 CR3 Facility is a single unit pressurized light-water reactor, which was supplied by
18 Babcock and Wilcox. During its operation, the CR3 Facility was licensed to operate at a
19 maximum power level of 2,609 megawatt-thermal, using cooling water drawn from the
20 Gulf of Mexico. The CR3 Facility was placed in an extended shutdown on May 28,
21 2011. In February 2013, DEF announced the permanent retirement of the CR3 Facility.
22 On February 20, 2013, DEF provided the NRC with the certification required by
23 10CFR50.82(a)(1)(i) and (ii), certifying that the power operations of the CR3 Facility had

1 permanently ceased and all fuel had been permanently removed from the reactor vessel.
2 All used nuclear fuel at the CR3 Facility is currently stored on site in a dry-storage
3 system, referred to as the ISFSI.
4

5 **Q. What is the current decommissioning strategy for the CR3 Facility?**

6 A. The current decommissioning strategy for the CR3 Facility is the sixty (60) year
7 SAFSTOR process, which is defined by the NRC rules and regulations. DEF selected the
8 SAFSTOR method in 2013. Under SAFSTOR, the plant is first placed in a safe and
9 stable condition. The facility is decontaminated and dismantled at the end of the storage
10 period that permits license termination. Under the SAFSTOR method, the radioactive
11 material, the fuel, and the high-level waste will be removed from the CR3 Facility by
12 2073 and site restoration activities will be completed in 2074. The other two
13 decommissioning strategies allowed by the NRC are “DECON” and “ENTOMB.” Under
14 the rapid decommissioning DECON method, any equipment, structures, and portions of a
15 nuclear facility that contain radioactive contaminants are promptly removed or
16 decontaminated to a level that permits partial termination of the license shortly after the
17 cessation of operations. The license cannot be terminated until the used nuclear fuel and
18 greater than class C (GTCC) waste is removed from the site. ENTOMB has never been
19 used in the United States.
20

21 **Q. Why did DEF decide to use the SAFSTOR method in 2013?**

22 A. In 2013, DEF performed an analysis of the decommissioning cost estimate for rapid
23 decommissioning under the DECON method and concluded that the nuclear

1 decommissioning trust fund (the “NDT”) was not sufficient at that time to fund the
2 DECON project. The cost estimate for rapid decommissioning was approximately \$994
3 million in 2013 dollars. The December 2013 NDT balance was approximately \$750
4 million. An alternate 2013 DEF cost study analysis, comparing growth in estimated cost
5 versus growth in the NDT over the sixty (60) year SAFSTOR period, demonstrated that
6 the NDT would be sufficient for the SAFSTOR method of decommissioning.
7 Accordingly, DEF decided to use the SAFSTOR method to allow the existing NDT to
8 grow over this period rather than seek approval to collect more funds from DEF
9 customers.

10
11 **Q. What prompted DEF to reconsider the decommissioning strategy for the CR3**
12 **Facility in 2017?**

13 A. The CR3 Facility staff has remained very involved in the decommissioning activities in
14 the United States. In 2017, the CR3 Facility staff was monitoring nuclear
15 decommissioning transactions that other utilities were involved in, including Vermont
16 Yankee Nuclear Power Station (“Vermont Yankee”), which was owned and operated by
17 Entergy, and San Onofre Nuclear Generating Station (“SONGS”), which is operated by
18 Southern California Edison, as well as the Dairyland Power Cooperative. These
19 transactions involved pursuing the DECON decommissioning strategy. DEF, with
20 support from other Duke Energy Corporation (“Duke”) business units, decided to
21 determine the feasibility, customer benefit, and market interest in changing the CR3
22 Facility decommissioning strategy from the sixty (60) year SAFSTOR method to an
23 accelerated decontamination and dismantlement method (“Accelerated D&D”).

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Q. How did DEF test the market interest in decommissioning the CR3 Facility using the Accelerated D&D method?

A. DEF, using our supply chain processes, initiated a request for information (“RFI”) to fourteen (14) nuclear decommissioning vendors in November of 2017. Eight (8) vendors responded to the RFI. DEF met with the interested vendors during the first quarter 2018 to discuss their capabilities and their potential decommissioning approaches (including schedule, technology, radiation control processes) for the CR3 Facility. DEF performed benchmarking of the SONGS and Vermont Yankee transactions during the first and second quarter of calendar year 2018 to further inform the DEF staff about alternate decommissioning transaction approaches. DEF launched a detailed competitive bidding process with the release of a request for proposal (“RFP”) in May of 2018. By July 27, 2018, four (4) vendor teams responded to the RFP. DEF had prepared a comprehensive bid evaluation process in support of this competitive bid process. The evaluation process included a technical evaluation, a financial evaluation and a legal evaluation. Based on the results of the bid evaluations, in September of 2018, DEF selected two (2) of the four (4) vendor teams to conduct an on-site due diligence process. The two (2) vendor teams commenced their on-site due diligence period in October of 2018 and submitted their refreshed bid proposals in December of 2018. DEF then reviewed and evaluated the refreshed bid proposals to ensure a complete understanding of all assumptions and estimates in the vendor proposals. Based on the evaluation of the two (2) refreshed bid proposals, DEF decided to enter into contract negotiations with ADP in January of 2019.

1 The DEF supply chain competitive bid evaluation and vendor selection process are
2 discussed in more detail in the testimony and exhibits of Mr. Matthew Palasek.

3
4 **Q. What controls did DEF use during this competitive process?**

5 A. The DEF supply chain competitive bid evaluation process (the supply chain process
6 involving the RFI, RFP, bid evaluation, due diligence, and final offers described in my
7 response above) was used. The bid evaluations were performed by a team of subject
8 matter experts, including internal and external experts, as part of DEF's defined process.
9 The Duke Senior Management Committee was briefed on the bid evaluations in
10 November of 2018. This committee is comprised by the Duke Chief Executive Officer
11 and her direct reports. The Nuclear Oversight Committee, a committee of the Duke Board
12 of Directors was briefed on the status of the bid evaluations in December of 2018. Then,
13 the Duke Transaction Review Committee ("TRC") reviewed the Proposed Transaction in
14 March of 2019 for recommendation to the Duke Board of Directors. TRC has
15 representatives from many Duke business units, including accounting, tax, treasury, risk
16 management, etc. Finally, the Finance and Risk Management committee of the Duke
17 Board of Directors approved the Proposed Transaction, which was later approved by the
18 full Duke Board of Directors.

19
20 **Q. What is the structure of the Proposed Transaction?**

21 A. DEF will continue to own the PPE at the CR3 Facility, with the exception of the ISFSI
22 and the spent fuel. ADPSF1 will own the spent fuel and the equipment that comprises
23 the ISFSI, including the storage modules, foundations, security operations center and

1 associated systems and equipment, fencing, lighting and security cameras, all contained
2 within and including the ISFSI vehicle barrier system (collectively, the “ISFSI Assets”),
3 but not any interests in the real property at the CR3 Facility, CREC, or the real property
4 associated with the ISFSI Assets. This fact will be reflected in the updated NRC facility
5 operating license, which will identify DEF as the licensed owner and ADPCR3 as the
6 licensed operator. ADPCR3 will perform the decommissioning activities pursuant to a
7 Decommissioning Services Agreement (“DSA”) with DEF. ADPCR3 will assume
8 responsibility for all decommissioning activities including spent fuel management. The
9 Proposed Transaction will be completed for a fixed price. The CR3 Facility is expected to
10 be decommissioned and released for unrestricted use, other than the ISFSI, in 2027. Once
11 the spent fuel is transferred to either an interim or permanent storage facility, the ISFSI
12 will be demolished, final site surveys taken and the NRC license will be terminated. DEF
13 currently estimates that this will occur in 2038. DEF will continue to own and control the
14 established NDT. When the project is completed, any excess funds in the NDT will be
15 returned to the customers and Duke shareholders. The DSA between DEF, ADPCR3, and
16 ADPSF1 is attached as Exhibit No. __ (TH-1) to my testimony.

17
18 **Q. Did DEF decide to change the CR3 Facility decommissioning strategy from**
19 **SAFSTOR to the Accelerated D&D process?**

20 A. Yes. The Finance and Risk Management committee of the BOD authorized the Proposed
21 Transaction on May 1, 2019. The full Duke BOD approved the strategy change and
22 authorized the Proposed Transaction on May 2, 2019.

23

1 **Q. Are there economic benefits for DEF customers from DEF's approach of going**
2 **through the Accelerated D&D process, rather than continuing with the SAFSTOR**
3 **method?**

4 A. Yes. The DSA is for a fixed price. ADP is assuming all project execution risk such as
5 cost overruns or emergent conditions, which provides a high level of cost certainty to
6 DEF customers. Additionally, by pursuing an accelerated model versus the SAFSTOR
7 model, DEF is mitigating or eliminating environmental risks that may emerge if the CR3
8 Facility stayed in a dormant state for decades, as well as financial risk that the returns on
9 the NDT would be higher than the escalation in the cost to decommission the CR3
10 Facility. Excessive escalation of waste disposal cost is particularly concerning given the
11 limited capacity of licensed waste disposal sites and the growing number of plants that
12 are expected to be retired in the next ten (10) years. NDT excess funds can potentially be
13 returned to the customers and Duke shareholders much sooner since the project is
14 planned to be completed approximately 36 years earlier than previously expected (2038
15 versus 2074). Based on DEF's analysis of the fixed price under the DSA, the owner costs
16 through license termination, and the assumed earnings of the NDT, DEF does not foresee
17 the need to collect additional funds from its customers and Duke shareholders.

18

19 **Q. Please describe the benefits of the Proposed Transaction to DEF.**

20 A. There are several benefits to DEF. At a high level, the transaction enables DEF to
21 accelerate the decommissioning process by as much as fifty (50) years. This reduces
22 potential environmental, financial, and regulatory risks. The transaction is structured to
23 transfer execution risks to ADPCR3, as well as provide financial assurance measures to

1 ensure ADP's legal commitments. The fixed price will leave reserves in the NDT that
2 can be used to address potential significant emergent issues or, if not needed, return funds
3 to customers and Duke shareholders. On a more detailed level, accelerating the
4 decommissioning timeline greatly reduces or eliminates the risks associated with long-
5 term cost escalation. Several nuclear plants are slated for retirement in the coming
6 decade. This influx of major retirement projects could strain available labor and other
7 resources. Labor and resource availability, as well as cost related to disposing of
8 radioactive material, are all of particular concern given the limited number and capacity
9 of licensed disposal facilities. The Proposed Transaction secures access to competitive
10 pricing and availability of necessary disposal facilities. Additional benefits include the
11 fact that the DEF-owned real property will be released for unrestricted reuse much earlier
12 than previously expected under the SAFSTOR strategy.

13
14 **Q. What risks remain with DEF during the decommissioning?**

15 A. The primary risks remaining with DEF are related to the site conditions at the completion
16 of the decommissioning project referred to as the end state conditions that are required to
17 terminate the NRC license. The first end state condition is related to the radiological
18 criteria for unrestricted use of the property as defined in 10 C.F.R. 20.1402. This
19 regulation requires that the residual radioactivity be reduced to an acceptable level during
20 the decommissioning activities. The second risk is associated with the removal of
21 subterranean improvements after the first end state condition described above is met. The
22 plan is to remove the walls of the structures to a nominal three feet below grade, fill the
23 remaining decontaminated basements with fill material including clean concrete
24 generated during the decommissioning activities, add a nominal three feet of fill dirt and

1 add vegetation for erosion control purposes. DEF retains responsibility for any
2 deviations in cost and to the schedule if either of these end state conditions change for
3 any reason, including changes to regulations. In the event this would occur, DEF and
4 ADPCR3 would discuss any deviations to the project and DEF could agree to provide
5 additional funds to fund any resulting expanded scope of work. If the expanded scope of
6 work is significant enough to stress available funding, then a decision could be made to
7 return to a SAFSTOR condition. A return to a SAFSTOR condition would allow the
8 remaining NDT funds to grow until the project could be completed within the 60-year
9 time frame for decommissioning allowed by applicable regulations. DEF could also seek
10 additional funds from the DEF customers and Duke shareholders for the NDT.

11
12 **Q. Please describe the contractual protections to DEF and DEF customers in**
13 **connection with the Proposed Transaction.**

14 A. The DSA specifically defines the cost of the project. ADP is accepting project execution
15 risks. If an extreme issue emerges, there is the potential to place the project back into
16 SAFSTOR but only if DEF agrees that taking such an action would be in the best interest
17 of customers, and subject to the mutual agreement of ADPCR3. DEF will retain control
18 of the NDT and create two separate accounts within the NDT. One “subaccount” will
19 contain an amount equal to the fixed contract price set forth in the DSA and the second
20 account will contain the remaining portion of the NDT as a DEF reserve. Under the DSA,
21 each “Pay Item Schedule” specifies an agreed upon cost for defined scopes of the project.
22 Any reimbursements will be limited to these agreed upon amounts and require ADPCR3
23 to submit an invoice along with supporting documentation that the work being invoiced
24 has been completed. There are several contractual provisions that provide financial

1 assurance to support the contractual commitments of ADPCR3 and ADPSF1. ADP (the
2 parent company of ADPCR3 and ADPSF1) is owned by two partners: NorthStar Group
3 Services, Inc. (“NorthStar”) (75% owner) and Orano Decommissioning Holdings, LLC
4 (25% owner), a wholly owned subsidiary of Orano USA LLC (“Orano”). Both partners
5 will provide parent company guarantees of all obligations of ADPCR3 and ADPSF1.
6 ADPCR3 will establish a provisional trust fund for the benefit of the NDT with an initial
7 cash deposit of \$20 million. Six percent (6%) of each monthly milestone payment from
8 the NDT will be retained in the provisional trust fund until the trust fund value reaches
9 \$50 million. A \$30 million waste disposal credit will decrease as the provisional trust
10 fund grows to \$50 million. The \$50 million is released to the contractor in two parts. A
11 partial release of \$30 million will be made once all physical work is completed and
12 partial license termination has been submitted (milestone one). The remaining \$20
13 million will be released once all requirements of partial license termination are fulfilled,
14 including NRC approval of the partial license termination for the CR3 Facility as an
15 ISFSI-only site. DEF will hold earnings on the funds in the NDT subaccount designated
16 for payment to ADPCR3 until the partial license termination application is approved by
17 the NRC. DEF will maintain its ANI insurance policy, which provides coverage for any
18 onsite or offsite radiological event, including during transportation of radiological
19 material. ADPCR3 will also acquire a \$30 million environmental insurance policy as a
20 contingency for previously unknown or new non-radiological contamination. The
21 Proposed Transaction requires ADPCR3 contractors and subcontractors to acquire
22 performance bonds for applicable scopes of work. In addition to the contractual

1 protections, the funds maintained in the NDT reserve account will continue to remain
2 available to complete the project in the event of extreme unforeseen circumstances.

3
4 **Q. Does the Proposed Transaction require approvals other than the FPSC?**

5 A. Yes. The NRC must approve the Proposed Transaction via the facility operating license
6 transfer process described in 10 C.F.R. Section 50.80. DEF will also pursue a private
7 letter ruling from the Internal Revenue Service to confirm that the Proposed Transaction
8 does not disqualify the NDT from remaining a qualified fund for tax purposes and that
9 the contract payments made from the NDT to ADPCR3 are a permissible use of the
10 qualified NDT.

11
12 **Q. What happens if DEF does not receive these approvals for the Proposed**
13 **Transaction?**

14 A. If DEF does not receive approvals from the NRC or this Commission, or it does not
15 receive a favorable private letter ruling from the Internal Revenue Service, then pursuant
16 to the DSA, the transaction will not close and DEF will resume its SAFSTOR method of
17 decommissioning. DEF is already positioned to enter into SAFSTOR and is confident in
18 its ability to execute that decommissioning strategy in a safe and prudent manner.

19
20 **Q. Please describe DEF's on-going activities during the CR3 Facility decommissioning**
21 **project?**

22 A. DEF will validate the monthly request for reimbursement from the NDT to ADPCR3.
23 DEF will maintain oversight of the investment of the NDT funds but will agree with ADP

1 on the desired investment strategy and designated investment manager for the subaccount
2 holding the funds to pay for the DSA fixed price contract. Throughout the project,
3 ADPCR3 will supply DEF with project reports, including safety performance, schedule
4 performance, federal and state governmental filings or reports and project risk
5 management activities. DEF will participate in quarterly meetings or more frequently if
6 appropriate to discuss project performance and any disputed payment request from
7 ADPCR3. DEF will have a seat on the ADPCR3 board with veto rights on limited key
8 decisions, such as resuming SAFSTOR strategy, voluntary filing for bankruptcy, and any
9 amendment to the transaction documents that would alter DEF's rights.

10
11 **Q. Please explain how the RFP process demonstrated that ADP was qualified to**
12 **perform the decommissioning services in connection with the Proposed Transaction.**

13 A. DEF employees and consultants formed the technical review team that thoroughly
14 reviewed the vendor proposals that were submitted to DEF as part of the RFP
15 process. The team had expertise in safety, operations, maintenance, health physics,
16 environmental sciences, construction and power plant engineering. The team evaluated
17 each proposal based on: (1) vendor safety record, (2) Accelerated D&D experience, (3)
18 technical approach to Accelerated D&D described in the proposal, (4) radiological/health
19 physics/waste handling programs and experience, (5) project schedule, (6) required
20 program management approach, and (7) regulatory management experience. ADP and
21 one other bidder passed all the technical criteria DEF had established. The technical
22 evaluation team concluded that ADP was a qualified team that could execute the project
23 in compliance with NRC requirements.

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Q. Are there any benefits for DEF customers from DEF’s decision to proceed with contract negotiations with ADP, rather than the other vendor teams that responded to the RFP?

A. Yes. ADP was selected over the other technically qualified vendor as providing the most financial benefits to DEF customers based on their fixed cost bid and the strongest acceptance of project related risks. Based upon the competitive bid process and a financial analysis of the NDT in relation to the Proposed Transaction, DEF’s analysis indicates that there are sufficient funds in the NDT to meet all required expenses of the Accelerated D&D at the lowest possible cost to utility customers. Accordingly, DEF does not foresee the need to raise customer rates to fund the Proposed Transaction. DEF anticipates that there will be funds in the NDT at the completion of the project that will be returned to customers and Duke shareholders.

Q. Has DEF completed an updated nuclear decommissioning study of the Proposed Transaction?

A. Yes, pursuant to Rule 25-6.04365, F.A.C., DEF has prepared an updated study that reflects the new cost estimate included in the Proposed Transaction and the new accelerated schedule. The updated nuclear decommissioning study is attached to my testimony as Exhibit No. __ (TH-2) and is co-sponsored by Mr. David Doss. The study confirms that DEF expects to be able to complete the decommissioning without needing additional funds from our customers and Duke shareholders. The study assumes that the decommissioning project is completed in 2038. The ADP fixed price contract value of

1 \$540 million and the owner costs of \$77 million bring the total project costs to \$617
2 million. The owners cost through 2038 include DEF operating costs to the closing date,
3 pay item validation, taxes, fees, insurance and other contract management costs. Most of
4 the owners' costs are incurred from January 1, 2019 through deal closure, which is
5 estimated to occur in June of 2020. Pursuant to the study calculations and estimates, the
6 NDT value at closing should be approximately \$641 million net of estimated taxes, which
7 means the beginning DEF NDT reserve fund is estimated to be approximately \$100
8 million.

9
10 **Q. Why is the current cost study substantially less than the past studies?**

11 A. There are several differences between past cost estimates and the Proposed Transaction.
12 First, spent fuel management costs are not included in the fixed price under the DSA.
13 Since ADPSF1 will own the spent fuel assets, they will fund the operation and
14 maintenance of the ISFSI, management of spent nuclear fuel, the removal of all of the
15 spent nuclear fuel and high-level waste from the site and the decommissioning of the
16 ISFSI with funding that is separate and apart from this transaction. Ultimately, this
17 funding is expected to be provided by the U.S. Department of Energy ("DOE"). ADP
18 will have the responsibility for obtaining these funds and will bear any risk of DOE
19 recovery. Since ADPCR3 will operate and maintain the ISFSI for ADPSF1, ADPCR3
20 will also be responsible to comply with NRC regulations associated with spent fuel
21 management. Second, the fixed price under the DSA does not include the actual costs
22 incurred by DEF to reach the dry dormancy conditions. Past cost studies included the
23 transition costs from an operating plant condition to dry dormancy. The ADP bid does

1 reflect the benefit of these projects including the elimination of significant risks such as
2 the movement of fuel into dry storage.

3

4 **Q. Will the Proposed Transaction be in the best interest of DEF's customers?**

5 A. Yes. This transaction locks in the cost to complete the project, provides sound
6 contractual provisions to support ADPCR3's and ADPSF1's contractual commitments,
7 and enables DEF to complete the project decades sooner than under the SAFSTOR
8 model, which will both mitigate risks (cost, market, regulatory), as well as potentially
9 enable DEF to return unused funds to customers decades sooner than would be possible
10 under the SAFSTOR model. Accordingly, DEF believes the Commission should approve
11 the Proposed Transaction.

12

13 **Q. Does this conclude your direct testimony?**

14 A. Yes.

1 BY MS. TRIPLETT:

2 Q Mr. Hobbs, can you provide your summary of
3 your testimony?

4 A Yes. My prefiled testimony -- excuse me --
5 direct testimony includes background on the Crystal
6 River 3 facility and decommissioning plan as well as an
7 explanation of the proposed transaction including the
8 terms and conditions of the contract with ADPCR3 and
9 ADPSF1 and details of the contractual protections for
10 Duke Energy Florida and its customers.

11 Under the proposed -- proposed transaction,
12 DEF will continue to own the property, plant, and
13 equipment, with the exception of the independent
14 spent-fuel storage installation, ISFSI, and the spent
15 fuel. ADPSF1 will own the spent fuel and equipment that
16 compromises the -- comprises the ISFSI, but not any
17 interest in the CR3 facility.

18 ADPCR3 will become the licensed operator and
19 will perform the decommissioning activity pursuant to
20 the DSA. AD- -- ADPCR3 will assume responsibility for
21 all decommissioning activity including spent-fuel
22 responsibilities storage.

23 The proposed transaction will be completed for
24 a fixed price of \$540 million and ADPCR3 will accept all
25 risks, with the exception of the risks of a change in

1 end- -- end-state condition that could be caused by
2 either the state of Florida or the Nuclear Regulatory
3 Commission.

4 DEF will continue to own and control the
5 nuclear decommissioning fund. And when the project is
6 completed, any unused funds in the NDT will be returned
7 to customers and Duke shareholders.

8 Several protections for DEF and its customers
9 are written into the DSA. ADP will accept all project
10 execution risks.

11 Under the DSA, each specific scope of work
12 will be performed for an agreed-upon amount. Any
13 reimbursements will be limited to that agreed-upon
14 amount and ADP will be required to submit a
15 certification of completion before receiving a -- a
16 reimbursement.

17 ADP's parent companies will provide monitoring
18 guarantees with respect to each obligation assumed by
19 ADPCR3 and ADPFS1 under the DSA.

20 ADP will establish a provisional trust fund
21 for the benefit of the NDT with an initial cash deposit
22 of 20 million. The provisional trust fund will -- will
23 retain 6 percent of each monthly (unintelligible)
24 payment until it reaches \$50 million in cash.

25 As additional security measures, DEF and

1 question that's sort of lingering. And I didn't want to
2 leave -- let it linger because I asked a question in a
3 deposition earlier that I did not want to leave in
4 unfavorable sort of connotation.

5 So, can you tell me if you would be in a
6 position to know or have made a reasonable effort to
7 determine whether any of the Duke Energy board -- any
8 members of the Duke Energy board that approve this
9 transaction has any investment in the ultimate owners of
10 NorthStar?

11 A I made a reasonable inquiry to determine the
12 answer to that question, Mr. Rehwinkel, and I can answer
13 that question as no.

14 Q Okay. Thank you very much. I just needed
15 to -- to clear that out because I had asked it in a
16 deposition.

17 I had, like, ten minutes of questions for you,
18 but Mr. Doss kicked so many things to you, that I think
19 it's going to take three or four hours.

20 A Fair enough.

21 Q I -- I'm just kidding. That's -- that's
22 not -- I hope that's not the case. He just kicked a
23 couple of things to you.

24 So, I wanted to ask you if you could turn to
25 Exhibit 29, which has been marked now as Exhibit 41. Do

1 you have that with you?

2 A Yes, sir.

3 Q Okay. This was Exhibit 29 -- first of all,
4 let me ask you: Do you recognize this exhibit and the
5 documents in it?

6 A Could -- could we -- yes, I -- I do recognize
7 those. Yes, sir.

8 Q Okay. These are some late-filed deposition
9 exhibit responses that you provided at our request; is
10 that right?

11 A Yes, sir.

12 Q Okay. I just wanted to ask you about Page 4,
13 which is your late-filed Exhibit 3.

14 A I have it.

15 Q Okay. And is it -- is your -- to the best of
16 your knowledge, these are the total disbursements from
17 the NDT from February through the end of May of this --
18 February of 2013 through the end of May this year?

19 A Yes, sir.

20 Q Okay. Can you tell me what you know about the
21 dollars that are in the spent-fuel-management column?

22 (Simultaneous speakers.)

23 A I'm sorry?

24 Q I meant, what do those dollars represent?

25 A The spent-fuel management costs consist of our

1 security costs. We have armed security officers 24/7
2 that are solely there to protect the fuel that's now on
3 the ISFSI. Early in the window, remember this fuel was
4 in wet storage. So, it was a much larger footprint.
5 There are some of the ISFSI costs; for instance, the
6 loading campaign is in there, and then there's staff
7 cost.

8 When we set it up, we -- we did a lot of
9 benchmarking. My local finance manager, who actually
10 reports through Charlotte, that kind of in -- one of
11 those data organizations, helped do this.

12 So, we -- we true these up on a monthly basis,
13 but that's primarily what is in spent-fuel management
14 costs.

15 **Q Okay. Do you know whether some of these costs**
16 **that are in Items 1, 2, and 3 on here are the basis for**
17 **claims against DOE to -- or periodically reimbursed by**
18 **DOE after lawsuits or lawsuit settlements?**

19 A DOE -- DOE litigation is only for spent-fuel-
20 management costs. So, Category 1, license termination,
21 and Category 3, site restoration would not be part of
22 that litigation.

23 We have a litigation team in place. Two of
24 the managers that report to me are on that team. My
25 understanding is the current litigation goes from

1 somewhere in 2014 through late 2018, early 2019. So,
2 yes, part -- part of this 191 will not -- it will -- is
3 included in the current litigation.

4 For completeness, we will continue to track
5 this until the day of closing, assuming this Commission
6 approves, and whatever is not in the current litigation,
7 Duke Energy Florida is entitled to go through another
8 round of litigation sometime later this decade with the
9 Department of Energy to reclaim our costs prior to
10 closing.

11 **Q Okay. So, let me see if I understand that**
12 **answer. Are you saying that, after closing, that there**
13 **would be costs that you would -- that Duke would still**
14 **pursue against DOE?**

15 **A** Yes, sir. Duke Energy Florida is entitled to
16 all of our spent-fuel-management costs, which I -- you
17 know, I am incurring those costs today since I'm still
18 the owner of the fuel.

19 So, if you were -- let's assume this
20 Commission approves this transaction and we close the
21 transaction October the 1st. I would look at my spent-
22 fuel-management costs through 2019, and then in 2020,
23 from January through the end of September.

24 And, frankly, we could either amend the
25 current litigation to put those -- you know, put that in

1 or we could do another round of litigation. That's not
2 a decision I would make. Collaboratively, we would see
3 what would be best, but yes. And that is in the DSA,
4 very clearly spelled out. That is a DEF right.

5 Q So, we've talked -- you -- you may have
6 heard -- there's been some discussion today about the
7 \$90 million that are expected to -- from DOE. Do you
8 recall that?

9 A Yes, sir.

10 Q Is -- is that \$90 million included in this 191
11 here?

12 A Yes, I think it is.

13 Q Okay. Are there dollars in the 191 that you
14 will not recover and they will be recovered by someone
15 else, like ADP?

16 A No, sir, the -- again, it's very clear, the
17 closing date is the date. So, Duke Energy Florida is
18 entitled to recover whatever portion of the funds it has
19 spent through closing.

20 After closing, Duke Energy Florida does not
21 pay any more money for spent-fuel management ever, and
22 ADP -- and I think I heard Mr. State this morning say
23 that he, rather than litigate, would intend to reach a
24 settlement with DOE, which I know others have, but that
25 would be a ADPCR3 function, not a Duke Energy Florida

1 function.

2 Q Okay. If there were dollars that were in this
3 191 that were not fully recovered after you got the
4 90 million, are you saying you would still be entitled
5 to seek more dollars from DOE?

6 A Yes. I -- what -- yes, that's what I'm
7 saying. I'm saying that the current time frame that is
8 being litigated, I believe, only runs through early
9 2019; however, Duke Energy has continued to incur spent-
10 fuel-management costs month over month since early 2019
11 through this year, year to date. And we will continue
12 to incur those costs until the closing date, assuming
13 this Commission approves this transaction.

14 And we will total that and we will either --
15 as I said, we can amend the current claim to make it the
16 total or we can do a separate litigation action later
17 this decade. We'll decide that, you know, whenever is
18 appropriate.

19 Q Okay. So, if -- if you would, turn to late-
20 filed Exhibit 4, which is on Page 5. It's -- the
21 question here was an explanation of the difference
22 between 131-million and \$90-million recovery; is that
23 right?

24 A Yes, sir.

25 Q And this says the decrease is related to the

1 assumed total claim of approximately \$131 million, and
2 the guidance Duke Energy received from outside counsel
3 on the amount we should assume we would receive from
4 DO- -- DOE in litigation, which, in their opinion, is
5 approximately \$90 million.

6 Did I read that right?

7 A Yes, sir, you did.

8 Q So, is -- is -- is this saying that the most
9 you think you'll ever get from DOE, from here to
10 eternity, related to these dollars is 90 million or --
11 or that you've assumed 90 million and there's still more
12 money represented by this difference?

13 A Right now, our assumption is 90 million and,
14 as I've explained, I do not think the current claim -- I
15 know it doesn't go through closing. I know it doesn't
16 have 2020 dollars. I think we are entitled to that. We
17 have not started that process.

18 So, I -- I guess my answer to your question,
19 Mr. Rehwinkel, is there could be more than 90 million,
20 but we don't know that yet, but this is our conservative
21 estimate based on the current claim.

22 Q Okay. All right. Thank you.

23 And if you could, pull up Exhibit 5C on the
24 list, which is now hearing Exhibit 42.

25 A Okay. I have it.

1 Q And turn to Page 12. Keeping in mind this is
2 a confidential document, there was some questions that
3 were put to Mr. Doss about the -- the DOE recovery. And
4 this is a document that was provided to -- it's called
5 the TRC?

6 A Yes, sir, the transaction and risk committee.

7 Q And that's a high-level executive committee
8 within the -- the Duke Energy family of companies?

9 A Yes, sir.

10 Q Okay. And at the time this document was --
11 was prepared and presented -- which I think was in March
12 of 2019; is that right?

13 A Can you go back to the front page and see if
14 there's a date?

15 Q I think March 19th is on the --

16 A Yes, sir, it's dated March 19th, 2019.

17 Q Okay. So, this shows, at the time, the
18 estimate was 131 million that we just discussed that was
19 assumed for recovery from DOE; is that right?

20 A Yes, sir.

21 Q All right. And this showed the assumption in
22 this scenario here that the DOE recovery was going to go
23 into this portion of the NDT called the non-qualified
24 nuclear decommissioning trust fund; is that right?

25 A Yes, sir.

1 Q And whether it's 131 or 90, that's where
2 you -- you were expecting that the receipts from
3 litigation with DOE would be booked within the -- the
4 fund; is that right?

5 A Yes, sir.

6 Q Okay. Do you have understanding or visibility
7 into the difference between qualified and non-qualified
8 as a -- as it's captured here on this -- on this slide?

9 A I'm not sure I understand when you -- what
10 you're asking me, sir.

11 Q Okay.

12 A Are you asking me --

13 Q What --

14 A Are you asking me do I believe -- why do I
15 believe that any reimbursement from DOE would go to the
16 non-qualified fund?

17 Q That's the question I was going to ask you. I
18 was -- I was wanting to understand, first of all, do you
19 know why there would be qualified and non-qualified
20 portions. And then I wanted to know why would this
21 particular recovery or these dollars go into that non-
22 qualified part?

23 A So -- so, I have a high-level understanding.
24 Our subject matter experts within Duke Energy is within
25 our treasury department. And, of course, the real

1 experts are the trustees of these funds.

2 So, those decisions are made at -- along with
3 our accounting people. And they understand the rules of
4 the -- and they understand the details of what's non-
5 qualified and what's qualified and how to close.

6 But we receive these directions for --
7 including when we were preparing this presentation --
8 those -- these types of decisions come from our subject
9 matter experts and our outside experts, specifically the
10 tr- -- the fund trustee.

11 **Q Okay. But do you have a -- you said you have**
12 **a high level of understanding of what -- what the**
13 **difference between one -- one category versus the other?**

14 A No, what I -- I -- I would say I believe that
15 this is right because the people that should make those
16 decisions make those decisions.

17 **Q Okay.**

18 A I don't know what --

19 (Simultaneous speakers.)

20 A -- but I -- it's still the trust fund. It's
21 the total -- total amount includes the non-qualified and
22 the qualified.

23 **Q Okay. So, just -- just so I understand, you**
24 **don't know, for purposes of testifying here today, why**
25 **there's a qualified and a non-qualified subsegment of**

1 the nuclear decommissioning trust fund; is that right?

2 A I do not know the details on how those
3 decisions are made on which fund it should flow into,
4 that's correct.

5 Q Okay. I -- but I want to make sure that I --
6 my question to you is: Do you have any knowledge about
7 why? Not whether, but why.

8 A No, sir.

9 Q That's a no?

10 A No.

11 Q Okay. Do you know whether recoveries from DOE
12 in the past have been put in the non-qualified portion
13 of the fund?

14 A I don't recall. I know that there has been
15 past litigation and -- and that DEF did receive some
16 funds, but I don't recall any of the specifics.

17 Q Okay. And you don't know whether they were
18 put in the non-qualified or they were classified as non-
19 qualified funds within the NDT?

20 A No, sir, I do not.

21 Q Okay. I'm going to try to ask you a question
22 I wanted to ask Mr. Doss, but he had technical issues.
23 So, I want to ask you a question about 6C -- Exhibit 6C,
24 which is the DSA, on Page 8.

25 A Okay. I have it.

1 Q Okay. I asked Mr. State this question, so I
2 want to ask on the Duke side. When we -- when you talk,
3 in your testimony, about fixed costs or the fixed cost
4 of pricing of the DSA and the arrangement with ADP --
5 are you referring to the definition, the whole
6 definition, the confidential and non-confidential part
7 that's contained in the -- in the agreed-amount
8 provision on this page?

9 A Yes, I do agree, but I -- I would highlight,
10 Mr. Rehwinkel, that the significance that -- from a DEF
11 standpoint of the agreed amount occurs on the closing
12 date.

13 So, the first half of that definition that
14 goes down to the title -- that is the amount of money
15 that Duke Energy will instruct our trustee to deposit in
16 the decommissioning subaccount on the closing date. So,
17 that's how much money flows out of the Duke Energy trust
18 fund.

19 The second half of that definition that is
20 confidential -- that is what happens over the six-year
21 life cycle of the project. And that's really an ADP
22 risk for benefit.

23 But from a DEF perspective, our fixed price is
24 on the closing date. It's the one time we benefit.
25 It's a fixed sum of money that goes into that

1 subaccount.

2 Q Okay. So, once you segregate it by moving the
3 540 over, you -- you paid the fixed-price cost at a high
4 level; is that right?

5 A I would have made that fixed price in that
6 subaccount, which will be used to pay the monthly
7 invoices over the next six years, and then the final
8 payment to ADPCR3.

9 Q Okay. But the cost to Duke -- well, there is
10 an opportunity cost or a time-value-of-money cost that
11 goes with that -- that money. That earnings power, if
12 you will, of the 540 is no longer -- it's not in the
13 reserve-account side of the -- the NDT; is that right?

14 A That's right, but the context that I -- as I
15 think about it is that Duke Energy wanted cost
16 certainty. We wanted cost certainty for our customers.
17 So, this is how we negotiate it, but we also feel we did
18 achieve the cost certainty from the perspective of money
19 that's going to flow from the Crystal River
20 decommissioning fund.

21 Q Okay. Thank you.

22 So, on Page 9 -- if we could turn now to your
23 testimony, you reference the phrase "Project execution
24 risk"; is that right?

25 A Which line, sir?

1 Q I'm sorry. It's on Page 9, Line 4.

2 A Yes, sir, I used the phrase "Project execution
3 risk."

4 Q Okay. I think I asked you this question in --
5 in an earlier round. I think, in your rebuttal, you use
6 the term "Project implementation risk."

7 Are you -- in the totality of your two pieces
8 of testimony, are you saying those are the same thing?

9 A Yes, sir. I view those to be the same thing.

10 Q And by execution, you mean completing the
11 entire job of reaching the ISFSI-only conditions; is
12 that right?

13 A The entire project is done, in 2038, under
14 today's assumption, when we reach end-state conditions
15 for this set, fixed price. So, I'm not sure I answered
16 your question.

17 Q Okay. So -- all right. So, \$540 million
18 represents getting to ISFSI only; is that right?

19 A That's correct. Yes, sir.

20 Q Okay. And I think we -- I talked to Mr. State
21 about ADP's estimate of \$825 million that they gave to
22 the NRC. That would be the cost of getting to the end-
23 state condition; is that right?

24 A Yes.

25 Q And that would -- if they checked all the

1 boxes and the DOE came by and picked up all the spent
2 fuel and the GW- -- GTWCC, license termination for the
3 entire site could occur; is that right?

4 A Yes, sir.

5 Q So, project execution risk that you're talking
6 about is getting to the end-state condition; is that
7 right?

8 A Let -- let me correct this. If this -- the
9 ISFSI -- this is the only end-state condition -- and I
10 think I highlight -- when I say that I highlight things
11 such as cost overruns and emerging conditions -- those
12 would occur during the six-year project that gets me to
13 this is the only interim end-state condition.

14 Q Okay. The cost overruns -- that would be
15 ADP's -- that would be part of this project execution
16 risk?

17 A Yes, sir.

18 Q But a potential significant emergent issue --
19 is that still part of that or you're saying that's
20 something that would -- that would be not contemplated
21 and it could cause the total costs, the 540, to be
22 greater?

23 A No. No, it's not the -- so, any -- so, your
24 example of a scope risk in- -- scope increase is ADP's
25 risk. They own that risk for the fixed-price amount.

1 The only exception is the change in end-state
2 conditions.

3 Attach- -- Attachment 12 in the DSA is a
4 letter from the Florida Department of Environmental
5 Protection, and it defines three specific end-state
6 conditions that is the sole risk that Duke Energy
7 Florida will be responsible for until 2038 or whenever
8 the license is terminated, which our current estimate is
9 2038.

10 So, that is the --

11 **Q So, what I --**

12 **A -- risk -- oh.**

13 **Q Go ahead, sorry.**

14 **A That's all right. I'm finished.**

15 **Q Okay. So, when I go to Page 10, at the top,**
16 **on Line 1, starting with the fixed price -- you see that**
17 **sentence?**

18 **A Yes, sir.**

19 **Q It says: The fixed price will leave reserves**
20 **in the NDT that can be used to address potential**
21 **significant emergent issues or, if not needed, return**
22 **funds to customers and Duke's shareholders; is that**
23 **right?**

24 **A Yes, sir.**

25 **Q All right. So, is it your testimony that a**

1 significant -- a potential significant emergent issue
2 that would cause you to deplete or draw down the
3 reserves in NDT would have to be in the end-state-
4 condition risks that you assume?

5 A That is the primary reason. That's the -- the
6 reserve account is primarily for a change in end-state
7 condition; however, I would not rule out -- I mean, you
8 know, I would -- I will tell you that we collected from
9 our customers to establish the fund. Duke Energy has
10 managed that fund very effectively over the last many
11 decades to put us in the position we are today, but that
12 money is intended to decommission the facility.

13 So, I would not rule out a future discussion,
14 whatever the circumstances are, that Duke Energy
15 reserves the right to decide that we could, given
16 whatever circumstances there might be, we could use some
17 of that reserve money.

18 Q Okay. I asked Mr. State today about, if you
19 got into the end-state condition -- well, they -- they
20 did their -- they spent their \$540 million -- I'm
21 sorry -- they were paid \$540 million and they got to the
22 ISFSI -- the only end-state condition --

23 A Okay.

24 Q -- and politics or whatever or DOT changed
25 their regulations and a cost was imposed upon you, based

1 on the risk that you would assume in the division of
2 risk in this transaction, could you take this money,
3 whatever the balance was in the NDT -- let's say you
4 have \$250 million, and you had a \$200-million
5 unanticipated condition in the -- in the site that was
6 on your -- on your risk, could you take that money and
7 go to ND- -- ADP and say, we'd like for you to remediate
8 this situation and -- and negotiate a deal that would
9 use up that \$200 million?

10 A Yes, if it is a change in end-state conditions
11 that Duke Energy Florida bears that risk, then, yes, the
12 funding for that new scope of work, whatever it is,
13 would -- the first place we would go would be from the
14 reserve funds.

15 Q And you -- you could pick ADP to do the work;
16 is that right?

17 A Yes, sir. Now, I will say, what mitigates a
18 lot of this is, by NRC regulations, we don't have to
19 finish this project until 2073, and then another year
20 for 2074. So, we still have a protection of time.

21 So, as I described in other places in my
22 testimony and in discovery, we still have the option to
23 go to safe store and whatever is -- we -- in other
24 words, we can decide not to do that scope of work when
25 it's identified.

1 We still have those decades and, as I have
2 described in my testimony, we have the right, along with
3 ADP, because they will be the licensee, to return the
4 units, you know, idle the projects to end-of-state
5 condition, maintain the fuel, which Duke Energy Florida
6 is not paying for. That's all ADP.

7 And then I think I stated my -- the way I
8 describe at a high level -- whatever the new requirement
9 is, we would estimate the scope. Then we would estimate
10 the cost. We would do kind of like what Mr. Doss talked
11 about which is what we have done in these costs states
12 for decades. We would say, what's in the trust fund,
13 what would we assume the growth of that trust fund would
14 be.

15 And you would see, here's the cost, escalate
16 the costs, what's the growth, and where -- and that
17 could tell you where -- between -- whenever the new work
18 is identified, in between there and 2073, when could
19 you -- when could the trust grow to fund this new scope
20 of work.

21 That prevents us from coming to this
22 Commission and petition for the customers to pay more
23 for the decommissioning. So, that is one of the major
24 protections for our customers in the agreement. It's a
25 function that we still have, 53 years, to get to these

1 end-state conditions.

2 Q Okay. Thank you.

3 Page 9, if you could, look at Page -- Line 22.

4 A Okay.

5 Q And you say this transaction is structured to
6 transfer an execution of risk to ADPCR3 as well as
7 provide financial-assurance measures to ensure ADP's
8 legal commitment.

9 I just want to make sure I understand,
10 "financial assurance" here doesn't mean that you're
11 guaranteeing that they will perform the job?

12 A No, sir, I --

13 Q Is that right?

14 A I am not guaranteeing it, and it was the
15 second definition you read from your dictionary earlier
16 today, my --

17 Q Okay.

18 A -- definition.

19 Q And likewise, the word "ensure," to -- to the
20 extent that means guarantee, it -- it -- you don't
21 intend it to be an ironclad guarantee that ADP is going
22 to -- going to fulfill this -- this commitment on this
23 job; is that right?

24 A I do not guarantee that.

25 Q Okay.

1 A I -- I say that in the context of the multiple
2 protections that we've built into this agreement through
3 negotiation. And those protections are primarily
4 focused on our customers.

5 And really, in total, when you look at them
6 and you take what I just described as a function of
7 time -- that's why we view it very unlikely we see a
8 scenario or that anyone can describe a scenario where
9 Duke Energy would need to go and petition this
10 Commission to have our customers put money in.

11 Can't rule it out, can't say it's impossible,
12 but we feel that we have really put together a very
13 strong protection for our customers.

14 **Q All right. And when you say the fixed price**
15 **will leave reserves in the NDT, the certainty about that**
16 **is you know that, assuming that this deal closes in the**
17 **next few months, that there is more than \$540 million.**

18 **So, to that extent, it will leave reserves at**
19 **least at the outset; is that right?**

20 A Yes, sir.

21 **Q But you don't know whether there will be**
22 **reserves in five years or six years or 18 years; is that**
23 **right?**

24 A Certainly our projections, as we've discussed
25 these last couple of days -- our projections are that

1 there will be reserves when the NRC license is
2 terminated, but you're right, we cannot foresee what --
3 what would -- what could happen that, just right now, is
4 inconceivable, but it is a-- it is a long period of
5 time.

6 MR. REHWINKEL: Okay. Let's check here.

7 I'm going to ask, Mr. Chairman, one more --
8 maybe one question or a couple of questions, and
9 then this would be a good pivoting point.

10 CHAIRMAN CLARK: Okay.

11 MR. REHWINKEL: Okay.

12 BY MR. REHWINKEL:

13 Q Mr. Hobbs, do you know whether the deal --
14 let's say that we get through the hearing and the
15 Commission votes and they issue an order and, for
16 whatever reason, that order is appealed. While the
17 order is on appeal, can the deal close?

18 A I -- I would rely on my Duke Energy counsel to
19 advise me on that. I do not know, today.

20 MR. REHWINKEL: Okay. Mr. Chairman, that's --
21 that's all I have for this line of questions.

22 I'll -- I'll mark it. I will go back and look and
23 see what I can trim down for the rest of the cross,
24 but it won't be four hours or whatever that I had
25 with Mr. State.

1 CHAIRMAN CLARK: All right. That sounds good.
2 We're going to stop here for the day.

3 Any matters that we need to address before we
4 adjourn for the day? We're going to recess until
5 tomorrow morning at 9:30 a.m.

6 Anybody have anything? Commissioners.

7 COMMISSIONER BROWN: Mr. Chairman, I --

8 CHAIRMAN CLARK: Commissioner Brown.

9 COMMISSIONER BROWN: I have a few conference
10 calls tomorrow that were prescheduled from, I
11 believe, 12:00 to 1:45. Just wanted the parties to
12 be aware.

13 CHAIRMAN CLARK: Understood. We did not
14 have -- none of us had scheduled to go into
15 tomorrow. Originally, we thought this would be
16 wrapped up today. So, there may be a few
17 conflicts. Guys, whatever you need to do is
18 perfectly fine.

19 COMMISSIONER BROWN: Thank you.

20 CHAIRMAN CLARK: All right.

21 MR. MOYLE: In fact, I -- I'm jammed up later
22 in the afternoon tomorrow as well. So, hopefully
23 we can get done.

24 CHAIRMAN CLARK: Well, based on where we are
25 now, does -- does everyone think that we can

1 conclude this before noon?

2 COMMISSIONER GRAHAM: (Indicating.)

3 COMMISSIONER BROWN: (Indicating.)

4 CHAIRMAN CLARK: Commissioner Graham voted
5 yes. That's a deciding factor.

6 (Laughter.)

7 CHAIRMAN CLARK: Mr. Rehwinkel, based on
8 your -- you're probably -- you have two witnesses
9 left, I believe, after Mr. Hobbs or -- maybe for
10 Mr. Hobbs -- two after Mr. Hobbs?

11 MR. REHWINKEL: Yeah.

12 CHAIRMAN CLARK: You think --

13 MR. REHWINKEL: I have --

14 CHAIRMAN CLARK: -- a couple of hours is going
15 to do it?

16 MR. REHWINKEL: Well, I only know about my
17 time. Like I said, I'm going to -- I'm going to
18 look and see what I can do tonight to streamline
19 things.

20 We have Mr. Polich on tomorrow and then, we
21 have Mr. Adix. I don't expect to have -- I do have
22 questions for both, Adix and Hobbs. If we start at
23 9:30, I think, just given what I have and what
24 others may have, I -- I don't think there's really
25 any way we will -- we will be done at noon

1 tomorrow. That's just my vote.

2 CHAIRMAN CLARK: Okay. All right. Well,
3 we're going to go as long as necessary. So,
4 we'll -- we'll work all the details out.

5 Ms. Triplett, anything on your end?

6 MS. TRIPLETT: The only thing I -- if Mr. Adix
7 is still on, I just want to confirm that -- I
8 haven't heard from him that he's not available
9 tomorrow, but let me just make sure.

10 CHAIRMAN CLARK: Okay. That would be great,
11 if he's available.

12 MS. TRIPLETT: Mr. Adix?

13 MR. ADIX: Yes, I -- yes. I confirm that I
14 will be available tomorrow as needed.

15 CHAIRMAN CLARK: All right.

16 MS. TRIPLETT: Thank you, sir.

17 CHAIRMAN CLARK: All right. Everyone --

18 MR. MOYLE: Now is not -- it's not rebuttal --
19 you're going to bring him back for rebuttal; is
20 that right?

21 CHAIRMAN CLARK: Say again, Mr. Moyle? I'm
22 sorry. I missed that.

23 MR. MOYLE: I was just wondering if -- you
24 know, if we -- if this witness is on the stand now,
25 whether we were combining direct and rebuttal,

1 which sometimes saves time, or whether we're going
2 to, you know, bring him back for -- for rebuttal.

3 CHAIRMAN CLARK: I have no objection to -- if
4 the parties would like to handle -- Ms. --
5 Ms. Brownless.

6 MS. BROWNLESS: No, sir. However, Duke wants
7 to do it is fine with me.

8 CHAIRMAN CLARK: Ms. Triplett.

9 MR. HOBBS: (Inaudible.)

10 MS. TRIPLETT: Yeah, I -- well, here is the --
11 so, I think that we would probably need to hear how
12 my questions -- which will not be three hours --
13 with Mr. Polich -- but how they go first.

14 What I would be willing to do is, you know,
15 pause Mr. -- I know this is a little unorthodox --
16 but pause Mr. Hobbs' direct now, allow Mr. Polich
17 to go, Mr. Adix, and then bring Mr. Hobbs back and
18 combine it that way, if that helps.

19 CHAIRMAN CLARK: I really don't see us saving
20 much time doing it that way, unless I'm missing
21 something. So, let's just keep it as scheduled.
22 We're going to keep it with Mr. Hobbs, then
23 Mr. Polich, then we'll go with Mr. Adix, and then
24 Mr. Hobbs, again, on rebuttal at the end.

25 So, Mr. Moyle, we'll do our best to get this

1 thing tightened up and done by lunch.

2 MR. MOYLE: Yeah, okay. Thank you. And I
3 think I have -- if we work late -- I mean, I think
4 I've got something at 2:00, and it involves 20
5 people. It's going to be hard for me to jump out.

6 CHAIRMAN CLARK: Understood. I'll bring a
7 sandwich. We'll go through lunch to get you guys
8 out on time.

9 MR. MOYLE: All right. Thank -- thank you.

10 CHAIRMAN CLARK: Any other matters?

11 All right. Sounds good. We stand in recess
12 until tomorrow at 9:30 a.m.

13 (Transcript continues in sequence in Volume
14 4.)

15 (Whereupon, the proceedings recessed at 5:28
16 P.M.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS WRAY, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 10th day of July, 2020.



ANDREA KOMARIDIS WRAY
NOTARY PUBLIC
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EXPIRES February 9, 2021