

CONFIDENTIAL

Docket No. 20190140-EI
Cross-Examination
Hearing Exhibit

Exhibit No.: 5C

Proffered by: Public Counsel

Short title: _____

Witness(s): _____



CR3 Accelerated D&D Feasibility – Recommendation to TRC

March 19, 2019



Executive Summary

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- DEF is seeking Board of Directors approved to execute an agreement with Accelerated Decommissioning Partners, LLC (ADP) to initiate the Decommissioning & Dismantlement (D&D) process for CR3.
- The proposed transaction is designed to address the following considerations
 - Capable counterparty
 - Economically attractive
 - Financial assurance
 - Effective risk transfer
 - NDT considerations
 - Tax and Accounting considerations
- The recommended transaction is beneficial to customers
 - Mitigates environmental and financial risks
 - NOC recognized the potential for risk mitigation
 - Potential to return unneeded funds to customers sooner than under SAFSTOR model
- The transaction will require approval from the Nuclear Regulatory Commission (NRC), the Florida Public Service Commission (FPSC) and a favorable PLR from the IRS

Transaction Structure

Decommissioning Services as NRC Licensee with Ownership of Spent Fuel

- DEF retains NDT ownership and control
- DEF retains ownership of plant, property and equipment (PPE)
- DEF remains licensed owner for NRC purposes
- ADP becomes licensed operator
- ADP will lease PPE from DEF
- ADP will take title to spent fuel and DOE standard contract
- No impacts to pending DEF litigation with DOE

Transaction Funding

- ADP commits to fixed price of \$540 million for the project
- NDT funds will be segregated
 - \$540M for ADP contract
 - Fund balance in DEF management reserve account
- Fuel management costs will be recovered from DOE by ADP

Project Risk Transfer

- ADP accepts risk for:
 - D&D Execution
 - Cost Overruns
 - Cost of Disposal
 - Unforeseen Site Conditions
 - Environmental
 - NDT performance (contract value portion)
 - Spent fuel ownership / management and DOE contract recovery
- DEF retains risk for:
 - Changes in Florida Dept of Environmental Protection (FDEP) End-state Conditions

Protections and Financial Assurance

NDT Protections

- NDT remains under DEF control
 - Disbursements – only pay for work completed
- Financial Assurance
 - Parent company guarantees
 - ADP subcontractor performance bonds
 - \$50M Credit Support
 - \$20M initial cash deposit in provisional trust
 - Escrow 6% retainage from milestone payments (up to \$30 million)
 - \$30M credit against waste disposal costs if needed to reach \$50M
 - \$30M environmental accident insurance
- Excess funds in NDT (DEF reserve of about \$200M in 2022 pending DOE litigation)

Contractual Protections

- Duke will have a seat on the ADP board with veto rights on select decisions
 - Return to SAFSTOR
 - Voluntary bankruptcy filing
- “Step in” rights in the event of ADP default

Risk Mitigation and Financial Assurance

Conditions of Closing

NRC Approval

FPSC Approval

Favorable PLR from IRS

NDT Reserve

Over \$200M in trust
After DOE Recovery

Emergent Scope

ADP Responsibility

\$50M Provisional Trust

\$30M Environmental Ins.

Base Scope

Fixed Cost Contract

Performance Bonds

\$540M NDT Funds

Parental Guarantees (Apply to entire project)

Transaction and NDT Financials

Cost	Value (000's)
ADP Cost (in 2018 dollars)	\$ 540,000
Owner Cost (Primarily through closing)	\$ 45,000
Total Cost	\$ 585,000
NDT Value (Net Taxes as of 2-15-19)	\$ 651,000
Unallocated NDT Funds	
Post-closing Balance (June 2020)	\$ 66,000
Potential DOE Recovery (Pre 2019 Claims)	\$ 131,000
2022 Balance (includes earnings/DOE recovery)	\$ 219,000
2038 Balance *	\$ 350,000

* Retail portion of unused funds would be returned to customers when spent fuel is no longer at CR3 site.
Post-closing NDT rate of return assumed to be 2% net of taxes.

Required Regulatory Approvals – Conditions of Closing

NRC approval of license transfer to ADP

- NRC approved similar license transfer for Vermont Yankee (VY)
 - ADP demonstrated technical competence
 - ADP demonstrated financial assurance
- NRC approval expected within 12 months

FL Public Service Commission (FPSC) approval

- Transaction demonstrates benefits to the customer
 - Project cost certainty (fixed price contract/effective risk transfer)
 - Mitigates environmental and financial risks
 - Potential to return unused funds to customers sooner than in SAFSTOR model
- Approval by FPSC expected in 6-9 months

Private Letter Ruling by the IRS

- Ensure this agreement will not disqualify the NDT

FPSC Approval Process (dates are tentative)

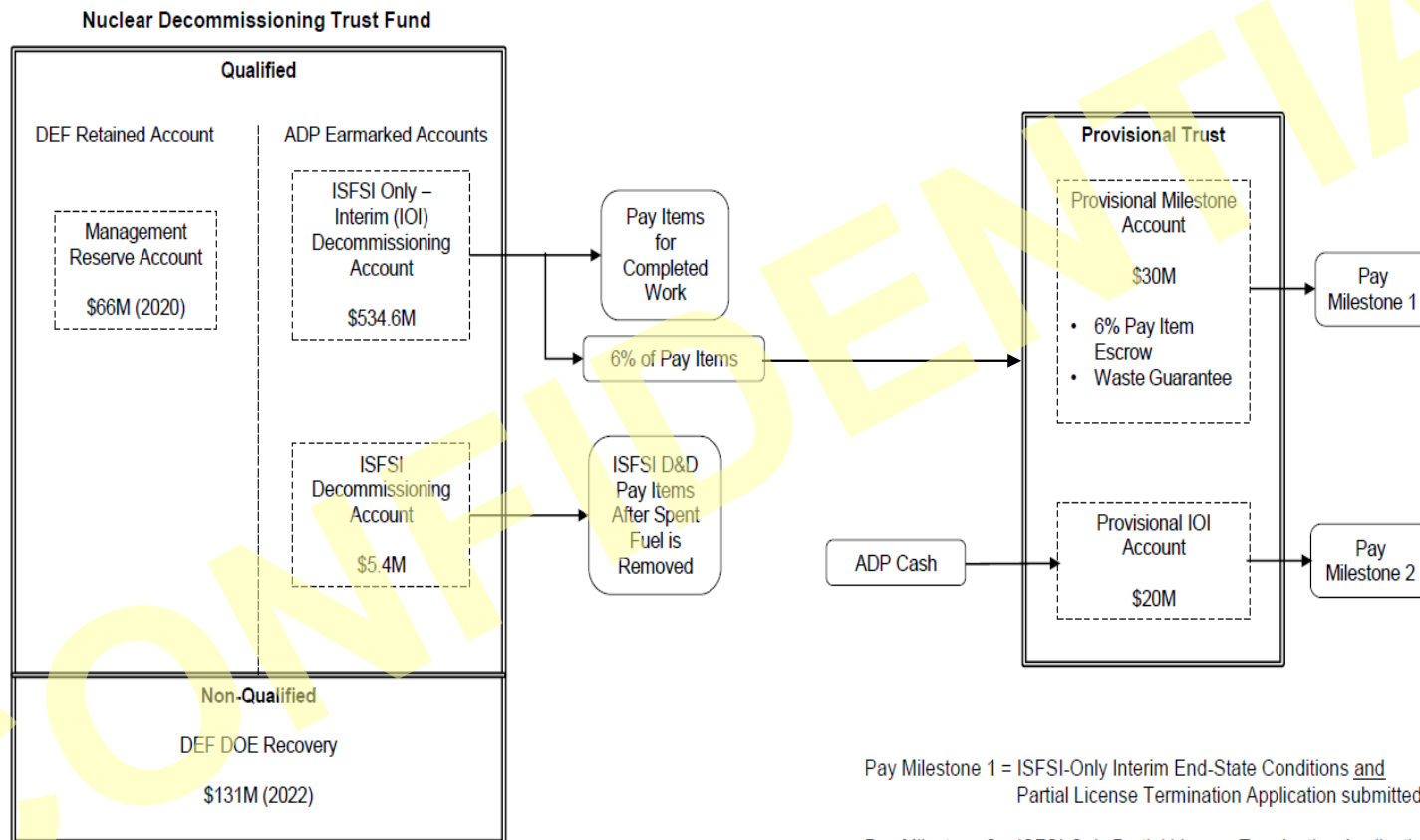
- File petition, testimonies and exhibits (including a Decommissioning Cost Study) with the FPSC by 6/15/19
- Respond to document requests and interrogatories (July – October 2019)
- FPSC hearing (November – December 2019)
- FPSC approval (January – February 2020)

Approval

- Transaction approval is requested from the Transaction Review Committee (TRC)
- Supports submittal for approval at May 1st board meeting (FRMC)

Appendix

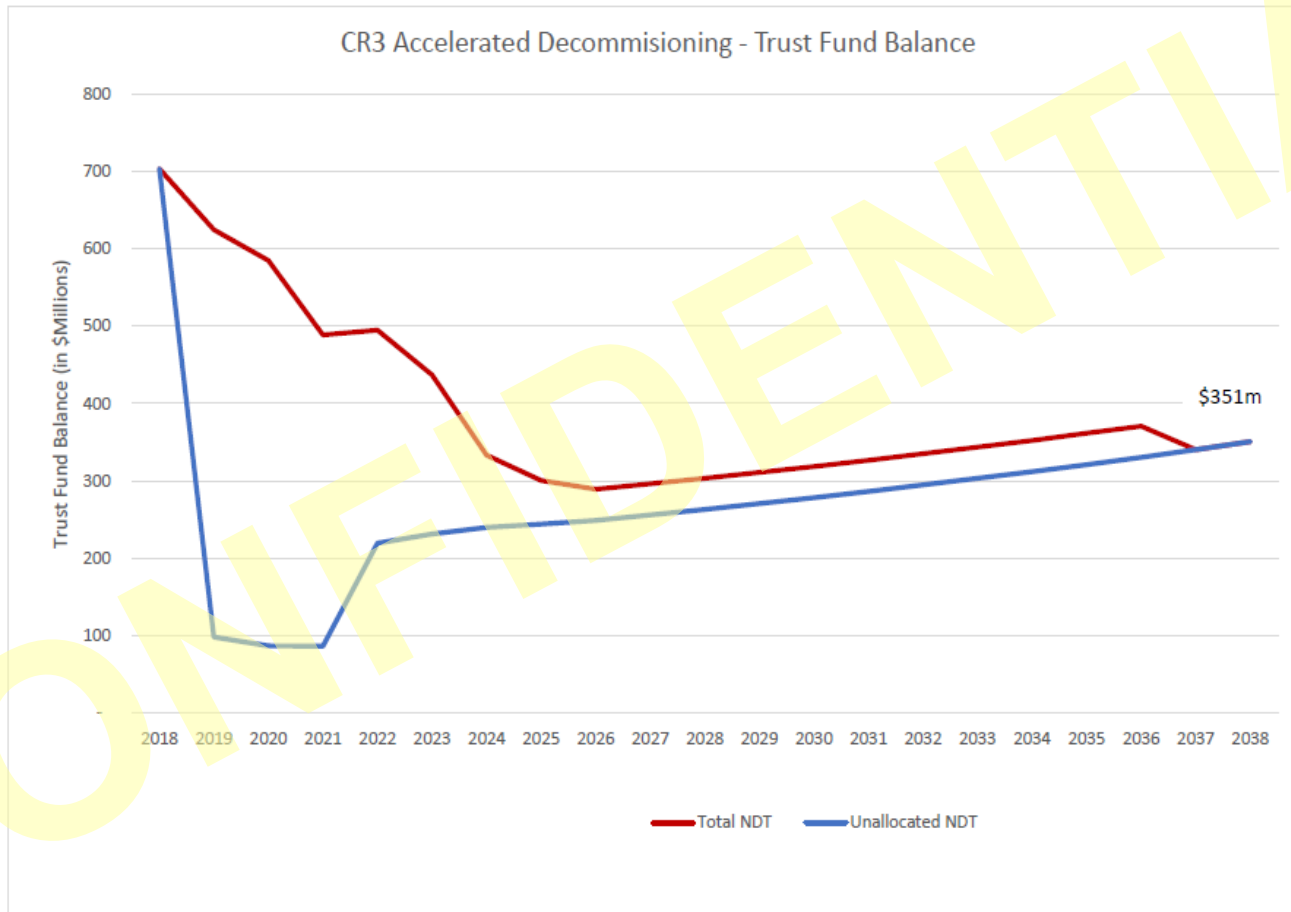
Transaction Trust Funds Structure



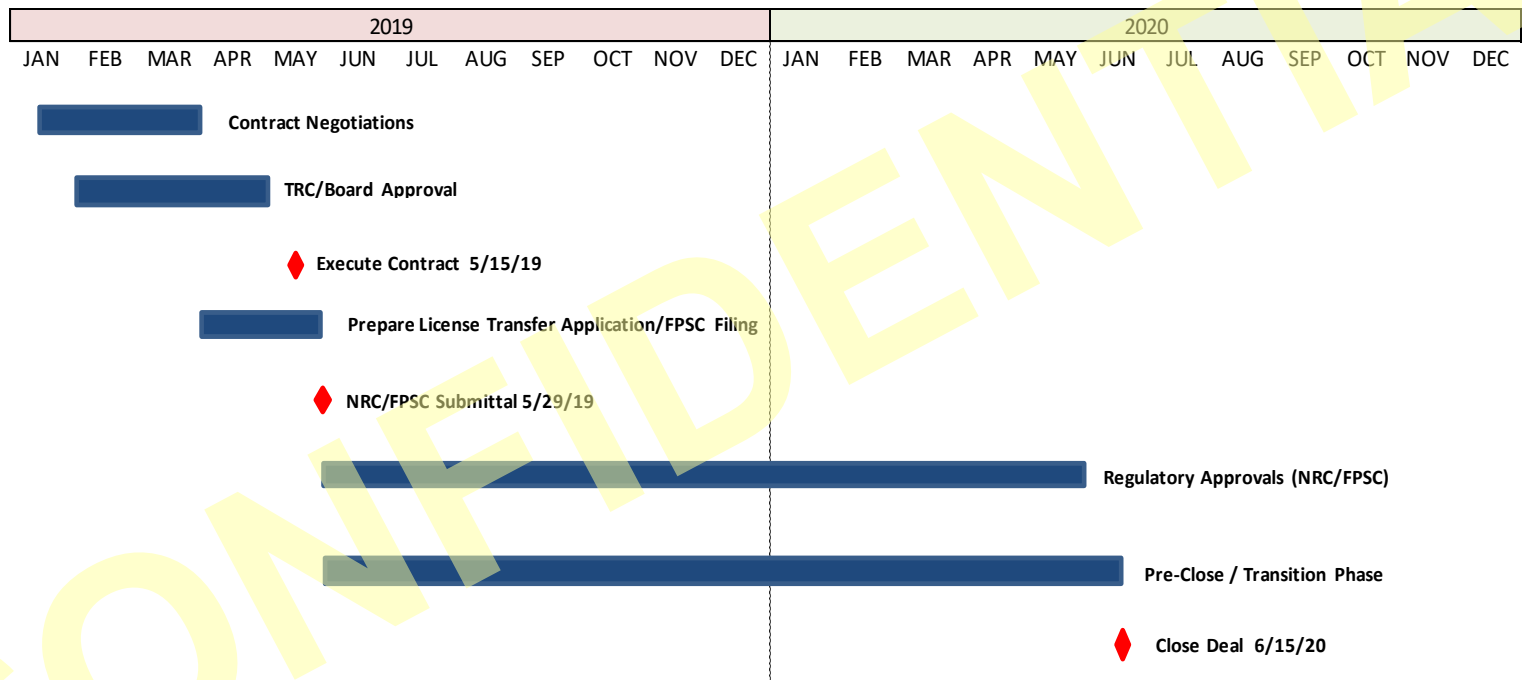
Pay Milestone 1 = ISFSI-Only Interim End-State Conditions and Partial License Termination Application submitted

Pay Milestone 2 = ISFSI-Only Partial License Termination Application approved

The “Balance”



Schedule Targets Contract Execution in Q2 of 2019 and Close in Q2 2020



Stakeholders

Stakeholders engaged in the process include:

- Supply Chain
- Legal – Internal / External
- Regulatory Affairs
- Rates & Regulatory Strategy – FL
- Risk Management
- Treasury
- Tax
- Accounting
- CCP
- FHO
- CR3

