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CONFIDENTIAL

DOCUMENT DESCRIPTION:

Duke Energy (Hernandez) - (CONFIDENTIAL) Certain information in response to Interrogatory Nos. 58.A, 58.C, and 58.D, of staff's 7th set of interrogatories (Nos. 57-63).

***This document number has been assigned to a confidential document.
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1. The first part of the document is a list of the names of the persons who have been named in the proceedings.

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58. Please refer to DEF's response to Staff's 5th Set of Interrogatories, No. 51. DEF states in its response that contingency funds are included in the fixed-price contract value.
- A. What is the level of the contingency funds included in the fixed-price contract value, and how was it assessed?
 - B. Refer also to Section 3, Page 4 of "Updated Site-Specific Decommissioning Cost Estimate for the Crystal River Unit 3 Nuclear Generating Plant" (Commission Document No. 05915-2018) filed on September 10, 2018. How does the range of contingency values for the various major activity-related problems (e.g. decontamination, segmentation, etc.) used in DEF's prior decommissioning study, as shown on Page 4, compare to the contingency funds included in the development of DEF's fixed-price contract value identified in Part A above?
 - C. If specific contingency values are not available to DEF under the contracting model in this proceeding, what assurance does DEF have that the full range of cost contingencies are represented in the fixed-price contract value?
 - D. Does the inclusion of contingency funds included in the fixed-price contract value address different types of cost risk to ratepayers than the risks addressed by the performance bonds, provisional trust funding, and parent company guarantees specified in the DSA? Please explain the different types of ratepayer cost risks addressed in each instance.

RESPONSE to 58.A:

The fixed-price contract includes performance uncertainties (contingencies) ranging from 5% to 20% depending on the individual activity. These individual activity contingencies are based on the experiences of NorthStar, ORANO, and other ADP subcontractors and their recent performance of such similar activities. Activities with fixed-price agreements in place with contractors pose less risk of cost growth for the project, which in turn have been assigned a smaller contingency budget as compared to activities with forecasted costs or basic estimates.

Greater contract performance certainty is achieved through multiple layers of performance assurances under the contract, including, fixed-pricing; transfer of risk to ADP; ADP parent company guarantees; subcontractor performance bonds; environmental insurance policy; the pay item schedule; provisional trust funding; and, as discussed above, a range of contingencies for individual activities performed.

RESPONSE to 58.B:

The TLG cost estimate includes individual activity contingencies ranging from 10% to 75% depending on the degree of difficulty judged to be appropriate. These individual activity contingencies are based on a set of generally accepted estimating principles, which take into consideration that any of several vendors, with varying degrees of experience and performance results, could be assumed to perform the activities.

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The fixed-price contract contingencies are based on the experiences of NorthStar, ORANO, and other ADP subcontractors who have recently performed similar activities, thus providing a more realistic expectation for performance and a more precise contingency value.

RESPONSE to 58.C:

Greater certainty of contract performance is achieved through multiple layers of performance assurances under the contract, including, fixed-pricing; transfer of risk to ADP; ADP parent company guarantees; subcontractor performance bonds; environmental insurance policy; the **pay item schedule**; provisional trust funding; and individual activity contingencies.

RESPONSE to 58.D:

There are no different or additional cost risks to the ratepayers. Greater certainty of contract performance is achieved through multiple layers of performance assurances under the contract, including, fixed-pricing; transfer of risk to ADP; ADP parent company guarantees; subcontractor performance bonds; environmental insurance policy; the **pay item schedule**; provisional trust funding; and individual activity contingencies.

