

- 1 7. With the exception of any changes to End-State Condition, ADP CR3 assumes all
2 project implementation risks including scope change, cost escalation, etc.
- 3 8. The DSA includes a provision for ADP CR3 to acquire an environmental
4 insurance policy (approximately \$30M) to use to remediate unknown
5 environmental conditions if any are discovered during the project. DEF will
6 reimburse ADP CR3 for the cost of this policy.
- 7 9. Parent Guarantees and Parent Support Agreements are provided pursuant to the
8 DSA to ensure the project is completed.
- 9 10. ADP CR3 will establish the Contractors Provisional Trust at Closing that will be
10 valued at \$50M through the project from the Closing Date to the date Milestone
11 One is completed. Thereafter, the Contractor's Provisional Trust will be valued at
12 \$20M until the date on which the ISFSI-Only Interim End-State Conditions are
13 achieved. The funds in the Contractor's Provisional Trust could be made
14 available to ADP CR3 to complete the project with written consent from DEF.
- 15 11. ADP CR3 will post a \$20 million letter of credit which DEF can immediately
16 draw upon if Milestone One is not completed by the Target Completion Date.
- 17 12. The transaction accelerates the termination of the NRC license by the NRC from
18 2073 to 2039. This acceleration significantly reduces project risks that could
19 impact the DEF customers in the future. Some examples of these risks include
20 more burdensome regulations, labor shortages, unavailability of radioactive
21 material disposal sites and cost escalation.
- 22 13. After DOE removes the spent fuel from the Crystal River Site, ADP CR3
23 decommissions the ISFSI and the NRC terminates the NRC license. DEF

1 such failure will constitute a Contractor Event of Default. See the discussion
2 regarding the occurrence of a Contractor Event of Default below with regard to
3 DEF's remedies. DEF would not likely petition the Commission to have its
4 customers pay into the NDF in this scenario.

5 5. The next scenario is that ADP CR3 is performing its obligations under the DSA,
6 but the Project Schedule indicates that ADP CR3 will not complete Milestone
7 One by the Target Completion Date. In that case, ADP shall provide its written
8 plans to address any projected failure to complete Milestone One by the Target
9 Completion Date. If, notwithstanding the written plans, ADP CR3 fails to
10 complete Milestone One by the Target Completion Date, ADP CR3 shall, within
11 five (5) Business Days after the Target Completion Date, deliver to DEF a letter
12 of credit issued in favor of DEF by a Qualified Institution in the amount of
13 Twenty Million Dollars (\$20,000,000) payable upon demand by DEF to an
14 account in the NDF as directed by DEF for use as directed by DEF. In addition,
15 failure to complete Milestone One by the Target Completion Date is an Event of
16 Default under the DSA. See the discussion regarding the occurrence of a
17 Contractor Event of Default below with regard to DEF's remedies. DEF would
18 not likely petition the Commission to have its customers pay into the NDF in this
19 scenario.

20 6. The next scenario is that, based on the decommissioning funding status reports
21 that ADP CR3 will submit to the NRC annually, the NRC determines that ADP
22 does not have sufficient funds to cover the estimated costs to complete the
23 decommissioning. In this scenario, NRC would direct ADP CR3, as the licensee,

1 with specialty trade subcontractors may not be bonded, ADP CR3 will use commercially
2 reasonable efforts to obtain bonds from subcontractors covering an aggregate of **ninety**
3 **percent (90%)** of the value of the work covered by fixed price subcontracts. ADP CR3
4 anticipates that it will enter a unit price subcontract with Waste Control Specialists, LLC
5 for waste disposal services; provided, however, in the event that ADP CR3 is able to
6 obtain a fixed price subcontract, Waste Control Specialists, LLC shall post a payment and
7 performance bond that complies with the requirements of the DSA. Each payment and
8 performance bond shall be issued by surety issuer(s) with a credit rating of A-VII or
9 higher.

10
11 **Q: Why is DEF confident that ADP CR3 and ADP SF1 will execute and complete their**
12 **scopes of work and that the Parent Guarantors will comply with their respective**
13 **obligations, including the Parent Guaranties and the Parent Support Agreements?**

14 **A:** DEF is confident that ADP CR3 and ADP SF1 will be successful based on their
15 experience in nuclear decommissioning projects and the significant reviews of the CR3
16 design, construction and operational information made available by DEF to inform the
17 bid proposal submitted by ADP in July 2018. ADP CR3 was able to confirm the
18 information used in preparing their proposal during the on-site due diligence activities
19 during the fourth quarter of 2018. ADP CR3 did not change the pricing and risk transfer
20 to ADP when they submitted their refreshed bid in December 2018. Should ADP not be
21 successful, the Guarantors are legally bound to their obligations in the Parent Guarantees
22 which serve to protect DEF and its customers.

1 The Contractors Provisional Trust Fund consists of two accounts, the Provisional IOI
2 Account and the Provisional Milestone Account. ADP CR3 will deposit \$20M cash into
3 the Provisional IOI Account at Closing. ADP CR3 will also deposit the \$30M Disposal
4 Guarantee into the Provisional Milestone Account at Closing. The value of the
5 Contractor's Provisional Trust Fund is \$50M from the Closing date until the date that
6 Milestone One is completed. ADP CR3 will invoice DEF monthly for work completed
7 the prior month throughout the project. DEF shall direct payment of an amount equal to
8 six percent (6%) of each disbursement into the Provisional Milestone Account until that
9 account reaches \$30M cash. The amount guaranteed under the Disposal Guarantee will
10 be reduced dollar-for-dollar until the Disposal Guarantee is fully released. Since the
11 value of the Contractor's Provisional Trust Fund is \$50M from the Closing Date until the
12 date that Milestone One is completed, renegotiating the DSA provides no additional
13 protection for DEF customers.

14 The Disposal Guarantee is Exhibit I of the DSA. The Disposal Guarantee guarantees
15 waste disposal at the Waste Control Specialists LLC ("WCS") facility in Andres, TX. If,
16 prior to the Disposal Guarantee being fully released, there is a Contractor's Event of
17 Default and DEF elects to terminate the DSA and DEF or its designee acquires the
18 membership interests of ADP CR3, then WCS shall accept waste generated by the CR3
19 decommissioning project at no cost or charge to DEF up to the amount of the then-
20 current value of the Disposal Guarantee based on the rates attached to the Disposal
21 Guarantee. All such waste shall be packaged and transported in accordance with
22 applicable laws, rules and regulations.